

FOUNDATION
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FOUNDATION

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At Mahindra Ideal Finance, every milestone we achieve is built on the strength of a solid foundation shaped by trust, commitment, and deep-rooted connections with the communities we serve. We call that "Rise". Over the years, we have invested in more than just infrastructure and systems. We have invested in building relationships and in supporting the dreams of individuals determined to move forward. In the past year, we have seen all this groundwork begin to bear fruit. As we continue to expand our reach, enhance our services and welcome new opportunities, we see the first few chapters of a new future take shape. All this has been made possible by the strength of the foundation we have laid and the resilience of the stakeholders who stand with us. This future is no longer a distant vision. It is unfolding right before us.

ABOUT US

Mahindra Ideal Finance Limited (MIFL) is a leading licensed finance Company in Sri Lanka, dedicated to providing trusted, accessible, and innovative financial solutions to individuals and businesses across the country. Established as a strategic partnership between Mahindra & Mahindra Financial Services Limited (Mahindra Finance), India, and Ideal Group, Sri Lanka, MIFL combines the global expertise of a renowned financial powerhouse with deep-rooted local knowledge and service excellence.

Headquartered in Colombo and backed by a growing network of 35 branches nationwide—with further expansion underway—MIFL offers a comprehensive suite of financial products, including leasing, loans, fixed deposits, and other asset-backed financing solutions. Our customer base spans the island, from urban centers to underserved rural communities, reflecting our commitment to financial inclusion and empowerment.

Driven by the Mahindra Group's "Rise" philosophy, we are not just focused on profits but on enabling people to Rise through financial inclusion—whether it is helping a farmer acquire a vehicle, a small business expand operations, or an individual invest in their future. Every transaction we undertake is grounded in our core values of integrity, transparency, innovation, and customer centricity.

As a forward-thinking financial institution, we continue to invest in digital transformation, operational efficiency, and customer experience enhancements. At the same time, we remain deeply committed to our social and environmental responsibilities, working toward a more inclusive, sustainable financial ecosystem.

With a robust foundation, strategic vision, and a passion for progress, Mahindra Ideal Finance is shaping the future of finance in Sri Lanka—one customer at a time.



Date of Incorporation

24 January 2012

Branches as at 31 March 2025

35

Credit Rating

AA- (Outlook Stable) by Fitch (lk)

Revenue

LKR 2,741 Mn

Profit After Tax

LKR 146 Mn

Total Assets

LKR 17,131 Mn

Customer Deposits

LKR 6,254 Mn

Shareholders

The main shareholder is Mahindra and Mahindra Financial Services Limited (MMFSL) of India with 58.20% shareholding.

Total Employees

364

Permanent - 271

Contractual and Probation - 93

OUR CORE VALUES

Professionalism

We are committed to maintaining a high level of professionalism in all aspects of our operations. This includes a thorough understanding of our customers' financial circumstances and repayment capacity. Our financial solutions are carefully tailored to suit individual needs, and we act with integrity by avoiding aggressive or excessive lending practices.

Innovation

Innovation lies at the heart of our growth strategy. We leverage technology, market intelligence, and superior service standards to improve customer accessibility and experience. This approach enables us to extend our reach while remaining agile and responsive to evolving market demands.

Exceptional Service

Delivering exceptional, personalised service is fundamental to who we are. We understand the hardships many of our customers have endured in recent years, and we remain committed to building lasting relationships through our "Customer for Life" approach, which guides our strategic and operational decisions.

Empowering Enterprises and Individuals

We provide vital financial assistance to entrepreneurs and small businesses that may not meet the conventional lending criteria of traditional banks. By adopting responsible lending practices, we support their long-term success and contribute to broader economic development.

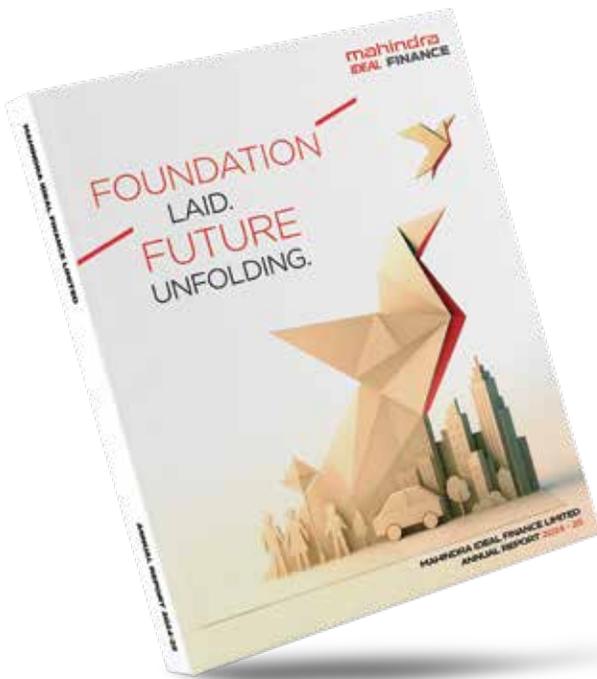
Corporate Responsibility

We take our corporate responsibilities seriously and remain accountable to a wide array of stakeholders, including the Government of Sri Lanka, regulators, the business community, and society at large. Our governance framework is designed to ensure compliance with statutory requirements, promote environmental stewardship, manage operational risks, and uphold ethical standards in all stakeholder interactions. In today's economic landscape, we are proud to play a meaningful role in the country's economic recovery.

Ethical Employment Practices

Our people are our greatest asset. We uphold fair and equitable employment practices, providing competitive compensation and fostering a safe, respectful, and inclusive workplace free from discrimination or harassment. Our open-door policy encourages transparent communication with senior leadership, promoting collaboration and shared growth.





PRESENTING OUR 2024/25 INTEGRATED ANNUAL REPORT

We are pleased to present Mahindra Ideal Finance Limited's (MIFL) Integrated Annual Report for the fiscal year 2024/25. This report outlines our financial performance for the period from 1 April 2024 to 31 March 2025, while providing insight into our strategic direction amid evolving market conditions and stakeholder expectations.

KEY FRAMEWORKS, GUIDELINES, POLICIES, AND COMPLIANCE

This report has been prepared in accordance with the principles and guidelines, offering a comprehensive view of value creation across the six capitals. The report also adheres to the following key regulations and standards:

- ▶ Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- ▶ Sri Lanka Auditing Standards
- ▶ Rules and regulations issued by the Central Bank of Sri Lanka (CBSL) for licensed finance companies
- ▶ Sri Lanka Financial Reporting Standards (SLFRS)
- ▶ Inland Revenue Act No. 24 of 2017
- ▶ Alignment with relevant United Nations Sustainable Development Goals (UN SDGs)

Through this report, we aim to present a holistic, transparent, and balanced account of our performance and plans for sustainable growth.

REPORTING PERIOD

This Annual Report covers a 12-month period from 1 April 2024 to 31 March 2025, in line with our previous reporting cycle and fiscal calendar.

FORWARD-LOOKING STATEMENTS

The report includes forward-looking statements concerning MIFL's strategic goals, performance outlook, and operational priorities. These projections are based on current assumptions and are subject to uncertainties and external variables beyond our control. Key influencing factors may include changes in macroeconomic conditions, regulatory developments, interest rates, environmental challenges, and geopolitical dynamics. The Board of Directors continuously monitors these variables and adapts the Company's strategy accordingly.

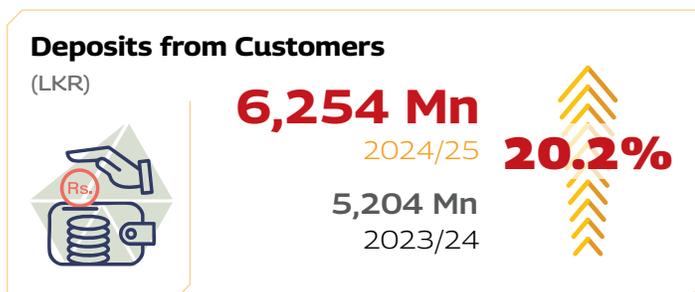
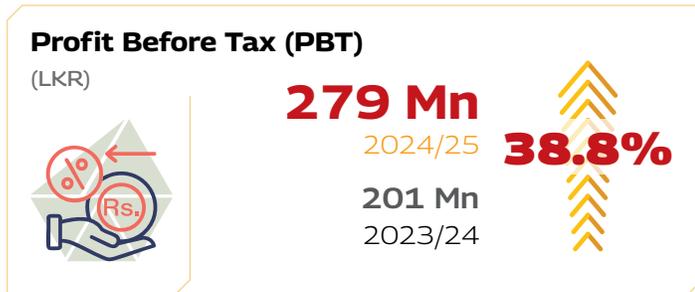
MATERIALITY

Our materiality assessment reflects the critical themes, opportunities, and risks identified during the reporting year that influence MIFL's ability to create value for stakeholders. This analysis is guided by stakeholder input, business impact, and the relevance of key issues to our strategic agenda and operational sustainability.

ASSURANCE OF THE REPORT'S INTEGRITY

To ensure the accuracy and reliability of disclosures, MIFL implements a combination of internal controls, compliance procedures, and independent reviews. The Board of Directors holds final responsibility for the integrity of this report. Our Financial Statements and related disclosures have been audited by Messrs. BDO Partners, Colombo, whose independent audit opinion is presented on page 116. Additionally, internal assurance is provided through the Board Audit committee, in collaboration with the Integrated Risk Management Committee (IRMC), based on annual audit findings and risk governance frameworks.

Key Performance Indicators		2024/25	2023/24
Financial Performance			
Revenue	Mn	2,741	2,309
Net Interest Income	Mn	1,335	1,092
Net Operating Income	Mn	1,558	1,297
Operating Profit Before Taxes on Financial Services	Mn	434	334
Profit Before Tax (PBT)	Mn	279	201
Profit After Tax (PAT)	Mn	146	103
Financial Position			
Total Loans and Advances to Customers	Mn	14,803	8,543
Total Assets	Mn	17,131	12,650
Total Equity	Mn	3,083	2,932
Deposits from Customers	Mn	6,254	5,204
Profitability Perspective			
Operating Profit Margin	%	15.81	14.47
Net Interest Margin	%	9.92	11.65
Return on Average Assets- Pre Tax	%	1.88	1.88
Return on Average Assets- Post Tax	%	0.98	0.96
Investor Perspective			
Earnings Per Share	Rs.	1.00	0.71
Net Assets Value Per Ordinary Share	Rs.	21.17	20.13
Return on Average Equity - Pre Tax	%	9.29	6.98
Return on Average Equity - Post Tax	%	4.85	3.58
Statutory Ratios			
Tier 1 (Minimum Requirement -8.5%)	%	25.16	40.35
Total Capital Ratio (Minimum Requirement -12.5%)	%	25.29	41.37
Statutory Liquidity Ratio (Minimum Requirement -10%)	%	23.87	38.96
Leverage Ratio (Debt Equity Ratio) Times	Times	4.28	3.08
Non-Performing Advances Ratio (On 90 days Past due basis)			
Gross Stage O3	%	1.86	5.25
Net Stage O3	%	1.21	4.24
Stage O3 Impairment Coverage	%	35.09	20.27



1. Strong Lending and Asset Growth

MIFL achieved a remarkable 73% growth in loans and advances, reaching LKR 14.8 billion, driven by strategic expansion in leasing and gold loan portfolios. This contributed to a 35% increase in total assets, which stood at LKR 17.1 billion by the end of the financial year.

2. Improved Profitability and Efficiency

The Company recorded a 41% increase in Profit After Tax (LKR 146 million) and improved Net Operating Income by 20%, reflecting disciplined cost management and operational efficiency. The operating profit margin rose to 16%, supported by tighter controls and process enhancements.

3. Enhanced Asset Quality and Risk Management

MIFL significantly improved its asset quality, reducing the Gross Stage 3 (GS3) ratio to 1.86% (from 5.25%) and Net Stage 3 ratio to 1.21% (from 4.24%). Strengthened credit recovery efforts and refined impairment provisioning helped reinforce financial stability and risk mitigation.

4. Significant Workforce Expansion and Internal Talent Mobility

MIFL grew its workforce to 364 employees, supported by 191 new hires. This growth was aligned with branch network expansion complemented by refreshed employer branding and structured onboarding programmes.

5. Enhanced Learning & Performance Frameworks

The Company expanded its learning & development initiatives through leadership training, compliance programmes, and skill-building workshops, alongside introducing quarterly performance checkpoints and career development plans for high-potential staff to strengthen succession pipelines.

6. Strengthened Employee Engagement and Digital Transformation

Employee engagement was bolstered through recognition programmes, CSR activities, and a 74% response rate in the annual engagement survey, leading to actionable improvements. Simultaneously, HR processes were digitalised with self-service leave, attendance, and payroll systems, improving efficiency and employee experience.

7. End-to-End Cloud Migration for Enhanced Agility

MIFL successfully migrated its entire server infrastructure to cloud, adopting an Infrastructure as a Service (IaaS) model. This shift improved system scalability, disaster recovery, and business continuity, while aligning with Central Bank data residency and cybersecurity regulations.

8. Advanced Cybersecurity and Compliance Strengthening

The Company fortified its cyber resilience through the deployment of Privileged Access Management, a comprehensive Vulnerability Assessment, and real-time transaction monitoring systems, significantly enhancing threat detection, data protection, and regulatory reporting efficiency.

9. Core System Upgrade and Process Automation

A major core system upgrade enabled automation of critical internal processes and launch of the Ideal Draft product module, reducing turnaround times and accelerating product rollouts—all contributing to improved service delivery and operational responsiveness.

10. Branch Network Expansion and Infrastructure Enhancement

MIFL operated 35 branches across Sri Lanka and announced the opening of three new branches in Warakapola, Gampola, and Horana, strengthening regional access to financial services. Preventive maintenance and safety protocols were also reinforced to ensure the reliability and integrity of physical assets across the network.

11. Sustainable Infrastructure and Resource Conservation

Environmental considerations were integrated into branch development, including natural lighting and ventilation designs and the use of tempered glass facades to minimize artificial lighting and energy use. Additionally, inverter power systems replaced fuel-based generators, reflecting MIFL's shift towards cleaner, more sustainable energy solutions.

12. Customer-Centric Service Excellence and Multichannel Engagement

MIFL reinforced its customer-first philosophy through a high-performing, multilingual Contact Centre, achieving a 99% call answer rate and maintaining an average queue wait time of just 4 seconds. Strategic investments in feedback systems, WhatsApp and hotline access, and social media responsiveness strengthened inclusivity, trust, and real-time service delivery.

13. Community Impact and Staff-Led CSR Initiatives

Demonstrating its social commitment, MIFL executed branch-led community engagement programmes, including dry food donations, school supply distributions, and blood donation campaigns. These staff-driven efforts deepened local connections while promoting national development and employee pride in purpose-led service.



Our Journey

2012/13

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

2014/15

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

2016/17

- ▶ IFL opened its 6th branch in Monaragala.

2018/19

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

2017/18

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

2019/20

- ▶ MMFSL partners with IFL as the second largest shareholder.
- ▶ IFL is able to achieve the capital adequacy ratio mandated by the regulator.

2013/14

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

2015/16

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

2020/21

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

2022/23

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

2024/25

- ▶ Awarded as "Great Place to Work"
- ▶ Re-rated AA- (Outlook Stable) by Fitch Ratings.
- ▶ Opened up three branches to expand the MIFL network - Elakanda / Kochchikade / Puttalam.
- ▶ Mr. Mufaddal Choonia was appointed as the new Managing Director & CEO to the Company w.e.f 19th July 2024.
- ▶ A new corporate website was launched.
- ▶ Achieved LKR 5 Bn Gold loan portfolio in October 2024.
- ▶ IT team implemented Ideal Draft Loan module to meet the business requirements.

2021/22

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

2023/24

- ▶ Awarded as a "Great Place to Work" for the 5th Successive year.
- ▶ Opened 5 new branches in the financial year (Ratnapura/ Matala/Hatton/Piliyandala/ Kaduruwela) making the total branch strength 32.
- ▶ Rated AA- (Outlook Stable) by Fitch Ratings, becoming one of the few to be thus endorsed.
- ▶ Achieved LKR 5 Bn Fixed deposit customer portfolio and LKR 4.5 Bn Gold loan portfolio.

Unfolding Limitless Possibilities

Grounded growth built on strong fundamentals opens new frontiers of opportunity.





“ I extend my deepest appreciation to our Board of Directors, and the MMFSL leadership for their visionary guidance. To our employees—your resilience, hard work, and “never say die” spirit are the heart of our success. ”

FOUNDATION LAID. FUTURE UNFOLDING.

The financial year 2024/25 was a defining chapter for Mahindra Ideal Finance (MIFL). It was a year spent in laying a solid foundation on which we hope to build a lending institution of the future. Operating in an environment shaped by Sri Lanka's fragile economic recovery and global uncertainties, we successfully navigated complex headwinds, delivering robust financial results. This was achieved by enhanced credit controls, productivity improvement and a sharp focus on driving cost consciousness. This was a year where we reinforced our governance foundations through the strong partnership with our parent Company, Mahindra & Mahindra Financial Services Limited (MMFSL), one of India's largest non-banking finance companies.

A STRONG FINANCIAL PERFORMANCE ANCHORED IN DISCIPLINE

Despite macroeconomic volatility, we delivered an impressive 41% increase in profit after tax, reaching LKR 146 million, while profit before tax grew to LKR 433 million. Disbursements jumped 111% whereas total revenue rose 19% to LKR 2.74 billion, driven by the expansion of our leasing portfolio and gold-backed lending. Net interest income grew by 22%, supported by prudent pricing, asset diversification, and disciplined risk management.

Our balance sheet strength was reaffirmed by 35% growth in total assets, reaching LKR 17.13 billion, and a 73% increase in total loan book. Customer deposits also rose by 20%, underscoring sustained depositor confidence. We improved operating profit margins to 16% while significantly reducing gross NPLs from 5.25% to an industry-leading 1.86%, reflecting sound credit quality and strong recovery mechanisms.

GOVERNANCE: OUR PILLAR OF CONFIDENCE

The resilience we demonstrated was underpinned by robust governance aligned with the standards of MMFSL. The involvement of three MMFSL-nominated directors in our Board and subcommittees ensures global best practices in risk, audit, and compliance are embedded in our operations. This has enhanced regulatory responsiveness, maintained liquidity buffers, and facilitated the reduction in credit risk and improved provisioning.

Our corporate governance framework—rooted in transparency, accountability, and ethical conduct—remains central to stakeholder trust. Through effective oversight and a culture of compliance, we continue to reinforce internal controls and governance discipline across all levels of the organization.



DRIVING DIGITAL TRANSFORMATION AND OPERATIONAL MATURITY

Technology was a core enabler of our progress. Key milestones included migration to the SLT Cloud, adoption of Infrastructure-as-a-Service (IaaS), and upgrades to our core banking system, which have streamlined operations and improved regulatory integration. The launch of Ideal Draft, a digitally enabled lending module, has reduced turnaround times and enhanced customer satisfaction.

In parallel, we bolstered cybersecurity measures in line with the Central Bank's Cyber Resilience Framework, implemented privileged access management, and conducted external vulnerability assessments with TechCERT. We also established a centralised risk management function and introduced real-time transaction monitoring—strengthening our control environment and stakeholder confidence.

CUSTOMER-CENTRICITY AND INCLUSIVE SERVICE DELIVERY

Our customer-first approach continues to define our service ethos. Through a multilingual centralised contact centre, WhatsApp, email, web, and hotline channels, we have ensured seamless and inclusive access. Exceptional service quality is evident in KPIs such as a 99% call answer rate, a 4-second average wait time, and 100% resolution of complaints.

We also enhanced our market presence with three new branches, expanding our footprint to over 35 locations, supported by a lean and agile branch model that improves responsiveness and cost-efficiency. Our shift towards gold-backed products allowed us to adapt to import restrictions while deepening our customer reach.

PEOPLE AND CULTURE: OUR MOST VALUABLE ASSET

Our achievements are a reflection of the dedication and passion of our team. Despite industry-wide talent pressures, we expanded our workforce to 364 employees, with 191 new recruits, while prioritising internal mobility—23% of vacancies were filled internally. Our HR strategy, built on talent acquisition, leadership development, and employee well-being, has cultivated a performance-driven, inclusive culture.

We continued our focus on diversity and inclusion, with 42% of new hires being women, and enhanced parental support policies. These efforts earned us “Great Place to Work” recognition for the fifth consecutive year.

CONTRIBUTING TO COMMUNITIES AND THE ENVIRONMENT

MIFL's commitment to social and environmental responsibility remains unwavering. Our CSR programmes—ranging from food donations and school supply distributions to blood donation drives and community outreach—are driven by local needs and led by branch teams. Environmentally, we have embraced digitisation, recycling, and energy-efficient practices, while promoting green lending for EVs and solar installations, aligned with the Mahindra Group's “Rise for a Clean & Green Future” campaign.

LOOKING AHEAD WITH CONFIDENCE

We enter the new year with cautious optimism. While global and domestic challenges persist, we are encouraged by the continued engagement with the IMF, improving macro fundamentals, and our own financial and operational strength. With MMFSL's strategic partnership and unwavering support, we are confident in our ability to scale new heights—through data-driven innovation, agile governance, and a relentless focus on customer value.

APPRECIATION

I extend my deepest appreciation to our Board of Directors, and the MMFSL leadership for their visionary guidance. To our employees—your resilience, hard work, and “never say die” spirit are the heart of our success. And to our customers, shareholders, and partners—thank you for your continued trust and support.

Together, we remain committed to building a future-ready, digitally empowered, and responsible financial institution that drives lasting value for all.

MUFADDAL A. CHOONIA

Managing Director and CEO

18th April 2025

Unfolding the Power of Progress

Focused execution and a future-ready
mindset are driving measurable impact.

mahindra
IDEAL FINANCE



GLOBAL ECONOMIC OUTLOOK FOR 2024/25

As of early 2025, the global economy has continued to expand at a moderate pace, building on the recovery seen in previous years. According to the latest projections by the International Monetary Fund (IMF), global growth was estimated at 3.2% for 2024, with a slight uptick to 3.3% in 2025, maintaining the momentum observed in 2023.

Growth in advanced economies is expected to improve marginally, rising from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025, supported by easing inflationary pressures and more stable monetary conditions. In contrast, emerging market and developing economies are projected to experience a modest deceleration, with growth easing from 4.3% in 2023 to 4.2% in both 2024 and 2025.

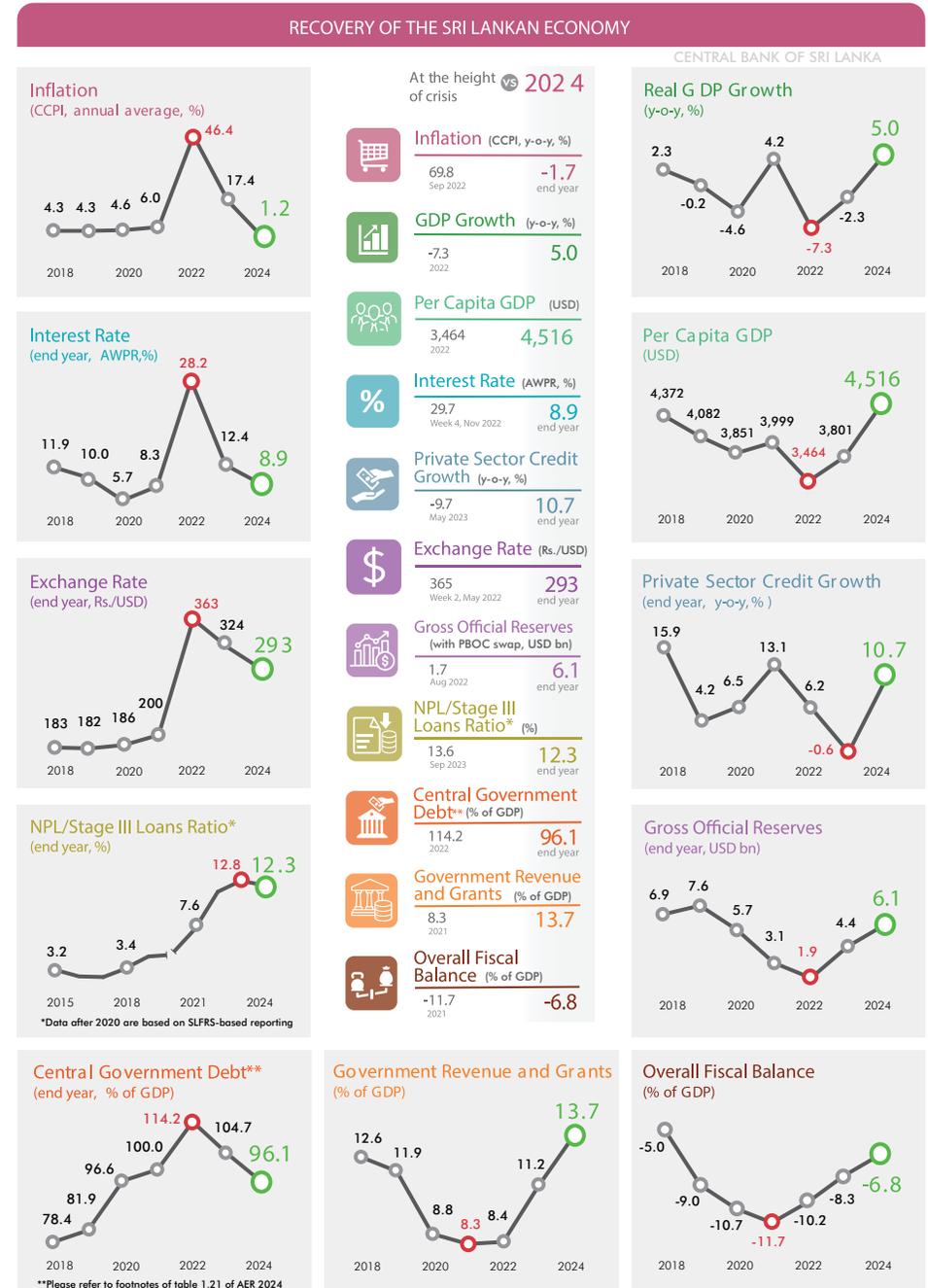
Global inflation is on a declining trajectory, forecast to fall from 6.8% in 2023 to 5.9% in 2024, and further to 4.5% in 2025. While advanced economies are anticipated to return to their inflation targets more rapidly, emerging markets may experience a slower disinflation path. Core inflation—excluding food and energy—is expected to moderate at a more gradual pace, reflecting persistent price pressures in certain sectors.

Despite these improvements, the global outlook remains clouded by several downside risks. Heightened geopolitical tensions, particularly in trade relations between the United States and China, have resulted in significant policy uncertainty. The imposition of new tariffs by the U.S. and retaliatory measures by trading partners have weighed on global investment and trade flows. Consequently, the IMF has revised its global growth forecast downward to 2.8% for 2025—the lowest since the onset of the pandemic in 2020.

In addition, demographic challenges—including ageing populations in many advanced economies—continue to pose structural constraints on long-term economic potential. The IMF underscores the urgent need for structural reforms and policy realignments to support productivity, innovation, and inclusive growth across both developed and developing regions.

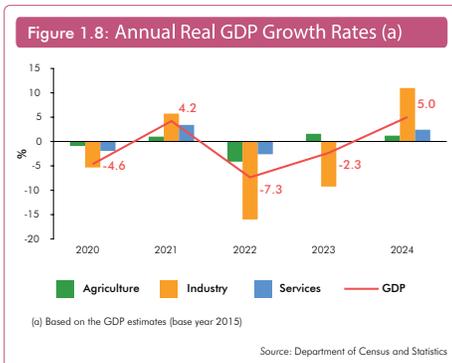
In summary, while the global economy remains on a recovery path, the outlook for 2025 is tempered by geopolitical uncertainties and structural headwinds. Proactive and coordinated policy efforts will be crucial to sustaining momentum and safeguarding global economic stability.

LOCAL ECONOMIC REVIEW



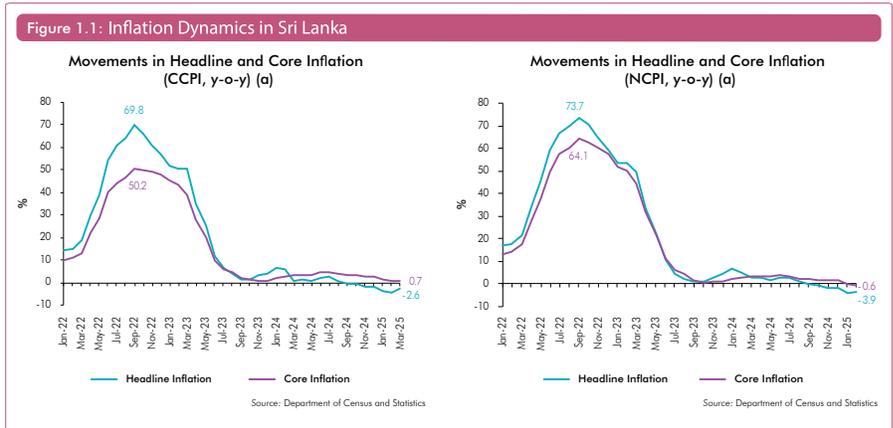
BROAD-BASED REVIVAL AND MACROECONOMIC STABILITY

Sri Lanka's economy demonstrated a resilient resurgence in 2024, marking a decisive shift from the unprecedented crisis encountered two years earlier—considered the most severe in the country's post-independence history. This recovery was anchored by a series of coordinated fiscal and monetary policy reforms initiated since mid-2022, alongside the sustained implementation of the International Monetary Fund's Extended Fund Facility (IMF-EFF), substantial progress in external debt restructuring, and the restoration of investor confidence. Together, these efforts contributed to renewed macroeconomic stability and laid a strong foundation for sustained growth.



Real gross domestic product (GDP) expanded by 5.0% in 2024, reversing two consecutive years of contraction. This marked the first instance since 2017 where all four quarters recorded positive growth. The rebound was primarily driven by a resurgence in industry—particularly manufacturing and construction—as well as continued expansion in services, underpinned by robust performance in accommodation and transport. The agriculture sector also made a positive contribution. In nominal terms, GDP rose to LKR 29,898.6 billion, while gross national income (GNI) reached LKR 29,153.9 billion. GDP per capita increased to LKR 1,364,235 (USD 4,516) and GNI per capita to LKR 1,330,255 (USD 4,404), supported by improved output and currency appreciation.

INFLATION AND PRICE STABILITY



Price stability remained a key focus in 2024, with the Central Bank's disinflationary measures producing tangible results. Following a temporary rise in inflation at the beginning of the year due to value added tax (VAT) adjustments and food price pressures, inflation trends reversed from March, entering a deflationary phase by September 2024. Contributing factors included reductions in electricity tariffs (in March and July), subdued consumer demand, favourable base effects, and an appreciating domestic currency.

Headline inflation, as measured by the Colombo Consumer Price Index (CCPI), declined from 4.0% at end-2023 to -1.7% by end-2024, while the annual average fell to 1.2%, down from 17.4% in the previous year. The National Consumer Price Index (NCPI) recorded a year-end deflation of -2.0% and an annual average of 1.6%, compared to 4.2% and 16.5%, respectively, in 2023.

Table 1.1: Movements of Inflation (y-o-y)

		2013=100			2021=100				
		Dec-2020	Dec-2021	Dec-2022	Dec-2023	Dec-2024	Jan-2025	Feb-2025	Mar-2025
Headline Inflation	CCPI	4.2	12.1	57.2	4.0	-1.7	-4.0	-4.2	-2.6
	NCPI	4.6	14.0	59.2	4.2	-2.0	-4.0	-3.9	
Core Inflation	CCPI	3.5	8.3	47.7	0.6	2.7	1.2	0.7	0.7
	NCPI	4.7	10.8	57.5	0.9	1.3	-0.2	-0.6	
Food Inflation	CCPI	9.2	22.1	64.4	0.3	0.8	-2.6	-0.2	0.6
	NCPI	7.5	21.5	59.3	1.6	-1.0	-2.5	-1.1	
Non-Food Inflation	CCPI	2.0	7.5	53.4	5.8	-3.0	-4.7	-6.1	-4.1
	NCPI	2.2	7.6	59.0	6.3	-2.9	-5.2	-6.0	

Note: The Department of Census and Statistics commenced publishing NCPI and CCPI with the new base year, 2021=100, from the data releases of January 2023 and February 2023, respectively, and discontinued the publication of NCPI and CCPI with the old base year, 2013=100.
Source: Department of Census and Statistics

Core inflation, which excludes volatile energy and food prices, remained below the 5% target. CCPI-based core inflation stood at 2.7% by end-2024 (up from 0.6% in 2023), while NCPI-based core inflation was 1.3%, compared to 0.9% in the previous year. Annual average core inflation declined significantly to 3.3% (CCPI) and 2.5% (NCPI), from 14.5% and 15.8%, respectively, in 2023—indicating a broad easing of underlying inflationary pressures.

INFLATION EXPECTATIONS

Inflation expectations across the corporate and household sectors followed a downward trajectory in line with actual inflation outcomes. At the beginning of 2024, short-term expectations (3, 6, and 12 months ahead) exceeded the 5% target due to VAT adjustments. However, these expectations steadily declined following successive utility tariff reductions. By October 2024, near-term expectations had fallen below the target, reflecting improved price stability. Medium-term inflation expectations among corporates remained within ± 2 percentage points of the 5% target, indicating broad confidence in the monetary policy framework.

MONETARY POLICY AND FINANCIAL SECTOR DEVELOPMENTS

The Central Bank maintained an accommodative monetary policy stance throughout 2024, aimed at supporting economic recovery. A broad-based reduction in market interest rates facilitated improved credit flows to businesses and households. Private sector lending notably increased in the second half of the year, stimulating both consumption and investment activity and further reinforcing the growth momentum.

EXTERNAL SECTOR PERFORMANCE AND EXCHANGE RATE MOVEMENTS

The external sector exhibited continued stability despite prevailing global uncertainties. Strong inflows from tourism and workers' remittances contributed to a current account surplus for the second consecutive year, mitigating the effects of a widening trade deficit driven by the resurgence in imports. Gross official reserves were bolstered by record net foreign exchange purchases of USD 2,846 million by the Central Bank—the highest annual purchase on record.

Consequently, the Sri Lankan rupee appreciated by 10.7% against the US dollar in 2024, closing the year at LKR 292.58/USD. The currency also strengthened against several major currencies, including the euro (17.8%), pound sterling (12.3%), Japanese yen (22.5%), Chinese yuan (13.9%), Indian rupee (13.9%), and Australian dollar (21.7%). The appreciation trend was supported by improved foreign exchange liquidity, market-based exchange rate management, and limited Central Bank intervention on the selling side—resorting to purchases primarily to strengthen reserves.

FOREIGN DEBT SERVICE PAYMENTS

External debt service payments rose significantly to USD 4.2 billion in 2024, from USD 2.8 billion in 2023. This increase reflected the resumption of repayments on debt previously under standstill arrangements, particularly in the latter part of the year. While the government's overall repayment levels remained consistent, there was a notable shift from capital to interest payments. Importantly, 2024 marked the initiation of payments related to restructured international sovereign bonds (ISBs), including the first capital repayment of the PDI bond.

The Central Bank's debt service obligations also increased substantially, and private sector corporations contributed to the overall rise through higher external repayments. Nevertheless, robust macroeconomic performance and enhanced foreign exchange reserves helped maintain external debt sustainability.

FISCAL DEVELOPMENTS AND SOVEREIGN RATINGS

Sri Lanka's fiscal position strengthened in 2024, with enhanced revenue mobilisation supporting the achievement of a primary

fiscal surplus. Fiscal consolidation efforts, supported by ongoing debt restructuring, led to upgrades in the country's sovereign credit ratings by international agencies. These developments restored confidence among global investors and lenders, further improving access to international capital markets.

FINANCIAL SECTOR OVERVIEW

Sector Resilience Amid Macroeconomic Stabilisation

Amidst a backdrop of gradual macroeconomic stabilisation and institutional reforms, Sri Lanka's financial sector displayed resilience and renewed dynamism throughout the financial year ended 31 March 2025. Anchored by effective monetary and fiscal policy coordination and enhanced regulatory vigilance, the sector remained pivotal in supporting the country's economic revival—revitalising credit flows, sustaining depositor confidence, and expanding access to financial services across both urban and rural communities.

Licensed Finance Companies: A Strong Pillar of Growth

Licensed Finance Companies (LFCs) emerged as a key driver of growth and stability, registering robust improvements in asset quality, earnings, capital adequacy, and liquidity. Their performance underscored a successful transition from crisis response to strategic growth. During the year under review, total assets of the LFC sector expanded from LKR 1,760.7 billion in March 2024 to LKR 2,090.0 billion by March 2025, reflecting improved lending activity, investment repositioning, and balance sheet strength. Net loans and advances increased significantly to LKR 1,567.8 billion, accounting for 75.0% of total sector assets, compared to 69.0% a year earlier. Deposits grew to LKR 1,120.7 billion, while borrowings increased to LKR 357.5 billion. Profit after tax reached LKR 69.0 billion, supported by healthy revenue

streams, cost containment, and effective impairment reversals.

Marked Improvement in Asset Quality

One of the most notable achievements of the LFC sector was the substantial enhancement in asset quality. Gross non-performing advances (Stage 3) reduced sharply to LKR 137.1 billion, down from LKR 191.9 billion the previous year, bringing the gross NPA ratio to 8.3%, a significant improvement from 14.7%. Net NPAs also fell to 4.5%, supported by stronger credit appraisal, proactive collections, and a stabilising macro environment. Stage 2 loans declined to LKR 229.5 billion, and the combined total of irregular loans (Stages 2 and 3) decreased to LKR 366.7 billion from LKR 418.4 billion. Impairment provisions dropped to LKR 85.3 billion, with Stage 3 impairment coverage improving to 45.8%, underscoring the sector's readiness to absorb potential credit shocks.

Lending Expansion and Portfolio Strengthening

Credit expansion remained central to the sector's strategy. Gross loans and advances rose to LKR 1,653.1 billion, a 26.5% increase from the previous year. The bulk of this growth was driven by Stage 1 loans, which rose from LKR 888.2 billion to LKR 1,286.4 billion, reflecting stronger borrower confidence. Lending portfolios continued to favour secured credit, with vehicle leasing and gold-backed loans dominating due to favourable asset valuations and rising demand. The gross loans-to-deposit ratio increased to 147.5%, indicating aggressive yet calculated credit growth, underpinned by stable funding sources.

Strong Profitability and Operational Efficiency

The sector delivered impressive profitability metrics in FY2024/25. Interest income totalled LKR 346.97 billion, while interest expenses were LKR 146.65 billion, resulting in net interest income of LKR 200.32 billion. Fee and commission income added LKR 19.71 billion, with an additional LKR 13.30 billion from other operating income. An impairment reversal of LKR 5.82 billion further strengthened the earnings profile. Net operating income amounted to LKR 239.66 billion. Operating expenses were LKR 116.59 billion, with personnel expenses accounting for LKR 53.93 billion. After VAT on financial services of LKR 28.27 billion, operating profit reached LKR 94.80 billion. Profit for the year stood at LKR 69.02 billion, while total comprehensive income amounted to LKR 70.87 billion. The effective tax burden was 44%, comprising 23% VAT and 21% income tax.

The sector also improved its efficiency ratios, with the cost-to-income ratio at 49.9% and the impairment-adjusted efficiency ratio at 48.7%. Return on assets (ROA) increased to 6.6%, and return on equity (ROE) rose to 15.1%, compared to 12.9% the year before. A healthy net interest margin of 10.7% and a negative cost of risk (-0.4%) further demonstrated enhanced operational management.

Sound Capital Adequacy and Solvency

Despite balance sheet expansion, the sector maintained strong capital buffers. Total regulatory capital reached LKR 366.6 billion, with Tier 1 capital at LKR 351.45 billion. The Tier 1 capital ratio stood at 19.7%, while the total capital adequacy ratio was 20.5%, slightly below

the previous year's levels but comfortably above regulatory minimums. Equity capital increased to LKR 493.71 billion, supported by retained earnings and capital injections. The leverage ratio remained stable at 16.8%, and net NPAs to Tier 1 capital fell to 21.2%, affirming improved solvency and capital protection.

Stable Liquidity and Diversified Funding Base

Liquidity remained healthy throughout the year. Liquid assets stood at LKR 246.96 billion, well above the regulatory requirement of LKR 123.91 billion, creating a surplus of over LKR 123 billion. Liquid assets represented 11.8% of total assets, with a liquidity-to-deposit ratio of 22.0% and a liquidity-to-deposit and borrowings ratio of 16.7%. These levels demonstrate adequate buffers to meet short-term obligations.

On the funding front, deposits comprised 53.6% of total liabilities, while borrowings accounted for 17.1%. Institutional time deposits rose sharply to LKR 270.6 billion, signalling stronger institutional confidence. Borrowings increased to LKR 357.5 billion, reflecting greater use of term funding and securitisation facilities. Interest-bearing liabilities reached LKR 1,478.1 billion, aligned with interest-earning assets of LKR 1,820.9 billion, which preserved margin strength.

Regulatory Reforms and Strategic Roadmap

The Central Bank of Sri Lanka launched Phase II of its Masterplan for Finance Company Sector Consolidation in December 2024. The plan, which commenced in March 2025, outlines a three-year strategic framework focused on consolidation, recapitalisation, governance enhancement, and risk mitigation to ensure long-term stability and structural

resilience. These reforms are expected to streamline the sector and foster stronger institutions with enhanced governance and capital discipline.

Sector Outlook

The financial year 2024/25 marked a turning point for the licensed finance companies sector. Having successfully navigated past volatility, the sector is now focused on maintaining asset quality, optimising operational efficiency, and aligning with international regulatory and ESG standards. With continued macroeconomic stabilisation and strategic regulatory support, the sector is poised to deepen financial inclusion, strengthen sustainable lending practices, and contribute meaningfully to Sri Lanka's broader economic transformation.

OUTLOOK

Sri Lanka experienced a period of deflation from late 2024 into early 2025, primarily due to statistical base effects and a significant reduction in electricity tariffs. Headline inflation is projected to return to positive territory by mid-2025 and gradually stabilise around the 5% target over the medium term, supported by appropriate policy measures. Core inflation, which excludes volatile items such as energy and transport, is expected to remain steady with less volatility.

Risks to the inflation outlook remain elevated amid global economic uncertainties and adverse domestic weather conditions. Upside risks include potential wage-driven demand pressures, disruptions in agricultural production, deviations from fiscal consolidation paths, and currency depreciation. Downside risks stem from possible moderation in global commodity prices due to slower global growth. The Central Bank remains committed to transparent, data-driven communication under the inflation targeting framework, adjusting policies as needed.

Monetary policy will continue to be guided by data, taking into account domestic developments and global economic dynamics. Inflation is expected to align with the target by late 2025. Interest rates are likely to remain low, with further reductions in lending rates anticipated for selected credit products. Yields on government securities are expected to normalise, supported by accommodative monetary policy, improved fiscal performance, and lower sovereign risk premiums. Monetary expansion is forecast to continue, facilitating credit growth for households and businesses, while banking sector exposure to the public sector remains contained due to ongoing fiscal improvements and restructuring of state-owned enterprises. Continued foreign exchange purchases will strengthen reserve buffers, enhancing resilience against external shocks. The Central Bank will maintain transparency and foster public confidence through regular reports and communication.

The financial sector's resilience is expected to strengthen further in 2025, driven by macroeconomic recovery and policy reforms. Credit growth, which resumed in 2024, is projected to continue as low interest rates and improving demand conditions support expansion. Banks are gradually reducing their sovereign exposures while managing foreign currency liquidity prudently to mitigate risks related to exchange rate volatility. Banking sector profitability rebounded in 2024 and is expected to remain positive, although ongoing investments in IT systems and cybersecurity are essential to address operational risks. Resolution frameworks and deposit insurance schemes are being enhanced to strengthen financial stability, alongside improved financial consumer protection through better complaint handling and education.

Structural reforms and innovation will continue to bolster the financial sector. Phase II of the Consolidation Master Plan, launched in late 2024, aims to further strengthen finance companies. Digital payment adoption is increasing, driven by the country's instant payment system and mobile banking applications. Public awareness campaigns will be intensified to promote secure and affordable digital payments. To mitigate rising cyber threats and online fraud, the Central Bank will enhance payment infrastructure, encourage coordinated stakeholder efforts, and improve customer education. A new Payment and Settlement Systems Act is set to modernise the regulatory framework governing payment services, aligning it with technological advances and evolving customer needs.

Sri Lanka is preparing for its third mutual evaluation in 2026 to reinforce its Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework in line with global standards. This evaluation is critical to maintaining compliance and avoiding placement on the Financial Action Task Force's grey list, which could have severe economic and reputational consequences. The Central Bank plans a post-implementation review of the National Financial Inclusion Strategy to inform Phase II, expected to be implemented by mid-2026. Additionally, the Sustainable Finance Roadmap 2.0, developed with support from the International Finance Corporation, will be launched in 2025 and implemented over five years to address key environmental and social priorities in sustainable financing.

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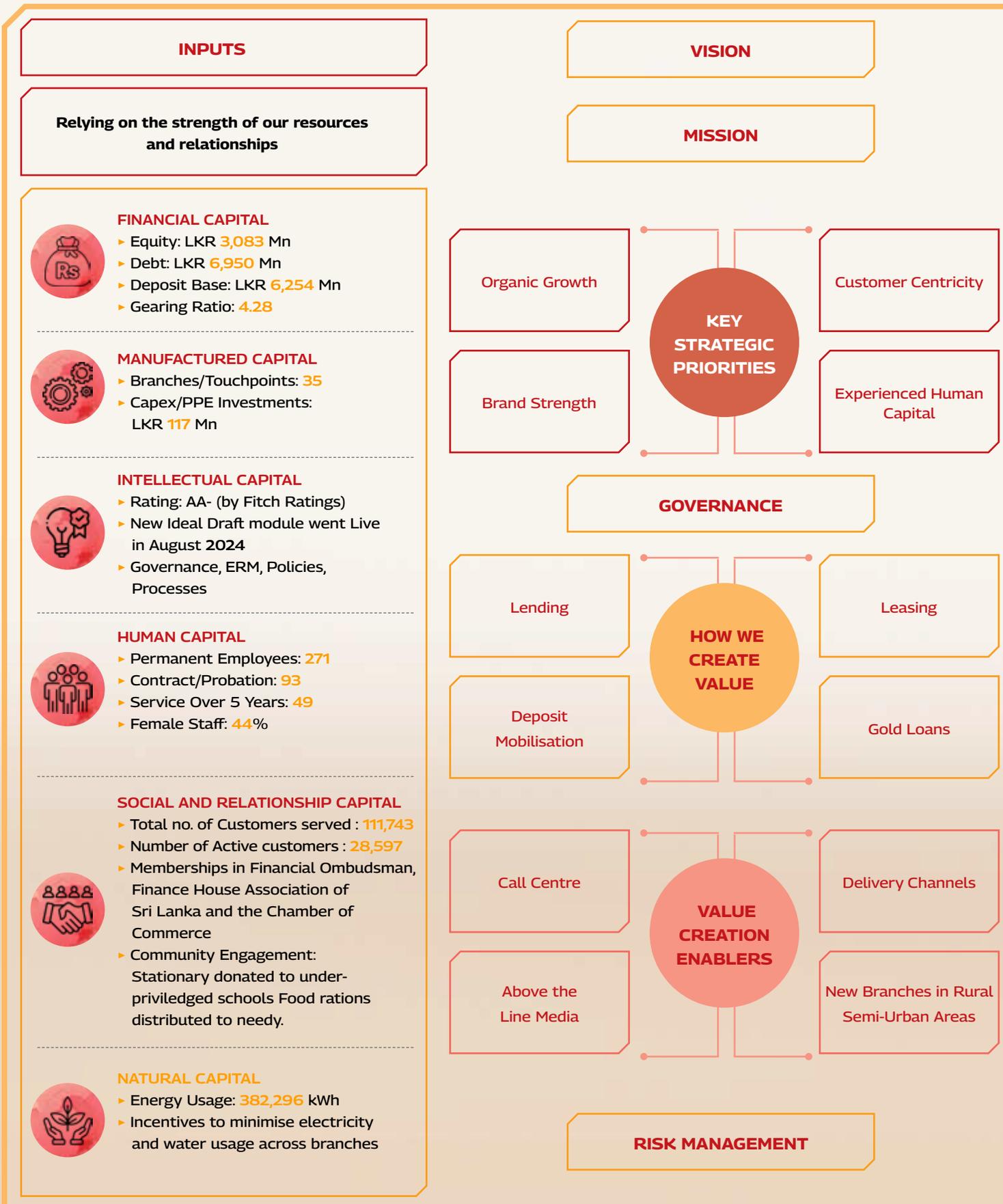
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OUTPUTS

Our Products and Services



LEASING



FIXED DEPOSITS



MORTGAGE LOANS



PAWNING (GOLD LOAN)



PERSONAL LOANS

OUTCOMES

Delivering Sustainable Value to our Stakeholders



Shareholders

- ▶ ROA (before tax) : **1.88%**
- ▶ ROE (post tax) : **4.85%**



Partner - MMFSL

- ▶ Synergy: Adoption of best practices and strengthening of governance and risk management frameworks
- ▶ Enhanced brand value



Customers

- ▶ Gold loan portfolio recorded a **43%** growth in portfolio
- ▶ Call centre capabilities enhanced
- ▶ Zero open customer complaints
- ▶ Data privacy/integrity



Employees

- ▶ Total personnel expenses: LKR **561 Mn**
- ▶ Number of promotions: **12**
- ▶ Highest recruitment in a given Year: **191**
- ▶ Percentage of new recruits who were recruited within the district: **100%**



Suppliers

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



Government

- ▶ Taxes paid: LKR **231 Mn**
- ▶ Zero incidents of non-compliance



Community

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



Natural Capital

- ▶ Minimising the negative impact of our operations
- ▶ Reduction in electricity consumption
- ▶ Reduction in water consumption
- ▶ Special lending schemes for electric vehicles



STRATEGIC FOCUS

Driving Forward with Purpose, Agility, and Stakeholder-Centric Growth

At Mahindra Ideal Finance Limited (MIFL), our strategic agenda for 2024/25 continues to be guided by our vision—to be the “ideal partner in creating wealth and enriching lives.” We have placed particular emphasis on enhancing customer service excellence and increasing our presence in rural and semi-urban markets, which present significant untapped potential. These regions are at the heart of our near-term growth strategy, and we are committed to tailoring our products and services to meet their unique financial needs.

We will continue to leverage our strong brand equity—rooted in trust, performance, and excellence—along with the synergies from our strategic alliance with Mahindra & Mahindra Financial Services Ltd. (MMFSL). This collaboration has enabled us to broaden our financial offerings, strengthen market penetration, and reinforce customer trust.

STRATEGY FORMULATION

Grounded in Insights, Built for Impact

Our strategy formulation process begins with an in-depth understanding of our stakeholders’ evolving expectations. We continuously assess the needs and concerns of different stakeholder groups, aligning strategic decisions within the prevailing economic and regulatory environment.

In light of the volatile operating landscape experienced over the past year, we implemented several tactical recalibrations. These challenges validated the resilience and adaptability of our business model, compelling us to maintain strategic agility while pursuing long-term goals.

We continue to adopt an iterative approach—reviewing and refining strategies periodically—to ensure responsiveness to emerging risks and opportunities, and to sustain alignment with our growth vision.

STAKEHOLDER ENGAGEMENT

A Continuous Dialogue for Shared Value Creation

MIFL maintains a structured and inclusive stakeholder engagement process to ensure that our strategies reflect the interests of those we serve. This begins with stakeholder identification and prioritisation based on their influence and engagement levels. We then tailor communication channels and feedback mechanisms for each group to facilitate consistent, transparent, and productive dialogue.

By acting on stakeholder insights, we are able to fine-tune our strategic initiatives and enhance our operational effectiveness. This cyclical process of engagement and feedback enables continuous improvement, strengthens trust, and ensures we remain responsive in a dynamic operating context.

NAVIGATING THE 2024/25 LANDSCAPE: MACROECONOMIC CONTEXT, STRATEGIC RESPONSES & EMERGING OPPORTUNITIES

Macroeconomic Challenges in FY 2024/25

While the global economy demonstrated moderate growth in 2024—with global GDP expanding by 3.2%—uncertainty loomed amid geopolitical tensions, trade policy disputes, and structural constraints in major economies. The ongoing US-China tariff conflict, combined with demographic shifts and sluggish productivity improvements, introduced volatility into global investment and trade flows. These macro-level challenges, alongside domestic economic complexities, shaped the business landscape for MIFL.

Despite Sri Lanka's strong economic rebound in 2024, several headwinds persisted that influenced our strategy and operations:

- ▶ **Persistent Inflationary Pressures (Early 2024):** Although inflation trended downward by year-end, price adjustments (e.g., VAT increases) at the beginning of the year temporarily eroded consumer purchasing power.
- ▶ **Interest Rate Volatility:** Monetary easing improved credit conditions in the latter part of the year, but mid-year fluctuations influenced borrowing behaviour and planning cycles.
- ▶ **Muted Consumer Demand:** Lingering effects of past economic contraction led to cautious spending, particularly in rural and lower-middle-income segments.
- ▶ **Supply Chain Disruptions:** Operational cost increases and delays arose from regional logistic bottlenecks and currency fluctuations, impacting procurement and disbursement cycles.
- ▶ **Evolving Regulatory Demands:** Heightened compliance expectations amid international rating reviews and fiscal reforms required internal system upgrades.
- ▶ **Rising Labour Market Pressures:** Talent shortages, especially in digital and financial services, and increased wage expectations added to operational complexity.
- ▶ **Accelerated Digital Expectations:** The pace of digital transformation intensified across the sector, creating pressure to modernise platforms and customer engagement tools rapidly.
- ▶ **Geopolitical Tensions:** Global policy shifts and external debt realignments presented financial planning challenges for multinationals and investors.
- ▶ **Environmental, Social, and Governance (ESG) Obligations:** Increased stakeholder scrutiny on ESG performance necessitated deeper integration of sustainability into corporate strategy.



Strategic Responses in FY 2024/25

MIFL adopted a dynamic, data-driven approach to mitigate these evolving risks and maintain business continuity, competitiveness, and stakeholder trust:

- ▶ **Customer-Centric Financial Products:** Rolled out flexible loan solutions and competitive interest rates to enhance affordability and stimulate demand across segments impacted by inflation.
- ▶ **Diversified Funding Sources:** Reduced dependence on single credit lines by tapping into a broader funding base, cushioning interest rate swings and improving liquidity.
- ▶ **Cost and Supply Chain Optimisation:** Negotiated with multiple suppliers and explored local procurement options to reduce delays and contain operational costs.
- ▶ **Demand Generation Campaigns:** Launched tailored promotions and outreach efforts to reactivate dormant customer segments and encourage new borrowings.
- ▶ **Compliance & Risk Management Strengthening:** Invested in automated compliance tracking systems and internal audit enhancements to ensure proactive regulatory alignment.
- ▶ **Accelerated Digital Transformation:** Prioritised investment in digital infrastructure—loan origination platforms, mobile access, and CRM systems—to improve customer convenience and operational agility.
- ▶ **Talent Engagement Initiatives:** Rolled out targeted learning, recognition, and well-being initiatives to retain top talent and attract high-potential candidates, especially among Gen Z and millennials.
- ▶ **ESG Integration:** Strengthened internal sustainability governance, improved reporting metrics, and launched resource efficiency measures across operations.

Emerging Opportunities in FY 2024/25

Despite global uncertainties, both the international and domestic economic environments present clear opportunities for strategic expansion and innovation:

- ▶ **Economic Recovery Momentum:** Sri Lanka's 5.0% GDP growth, stable inflation, and increased remittances provide a fertile backdrop for rural and SME-focused financial products.
- ▶ **Favourable Interest Rate Environment:** Continued monetary policy easing facilitates improved credit access and refinancing options for customers.
- ▶ **Financial Sector Stabilisation:** Sector-wide reforms and sovereign credit rating upgrades improve market confidence and capital access, supporting portfolio diversification.
- ▶ **Surging Demand for Gold Loans:** Global gold price increases and liquidity needs among entrepreneurs offer scope to grow MIFL's gold-backed lending portfolio.
- ▶ **Vehicle Refinancing Models:** With import restrictions still in place, refinancing used vehicles presents a niche with limited competition and high customer demand.
- ▶ **Regional Expansion Potential:** Improved geopolitical ties and cultural affinity with the Northern and Eastern provinces, combined with currency strength, open new frontiers for branch network growth and financial inclusion.
- ▶ **Digital Financial Inclusion:** The national shift toward digital payments and online lending opens scalable paths to serve underbanked communities through mobile-first solutions.

By staying agile and responsive to both challenges and opportunities, MIFL is well-positioned to strengthen its strategic footprint in 2024/25. Our proactive adaptations ensure that we continue to deliver stakeholder value while supporting Sri Lanka's broader economic revitalisation.



Strategic Achievements in FY 2024/25

- ▶ Achieved a 41% year-on-year growth in post-tax profit, reaching LKR 145.9 million, up from LKR 103.3 million in the previous year.
- ▶ Total income increased by 18% to LKR 2,741 million, driven by expansion in lease and loan portfolios.
- ▶ Total assets grew by LKR 4,481 million, reaching LKR 17,131 million as at 31 March 2025.
- ▶ Leasing and loan book surged by 107%, supported by enhanced credit models and increased customer demand.
- ▶ Gold loan AUM rose by 42%, taking the portfolio to LKR 6,422 million.
- ▶ Investment portfolio stood at LKR 1,400 million, with higher allocations to government securities.
- ▶ Net interest income (NII) grew by 22%, amounting to LKR 1,335 million, supported by increased lending volumes and efficient cost-of-fund management.
- ▶ Operating income increased by 31%, reflecting stronger revenue generation and operational efficiencies.
- ▶ Fixed deposit base expanded by 20% year-on-year, reaching LKR 6,254 million, supported by branch network growth and product innovation.
- ▶ Profit before tax increased by 39% to LKR 279 million, showcasing strong bottom-line performance.
- ▶ Earnings per share (EPS) rose to LKR 1.00, from LKR 0.71 in the prior year.
- ▶ Tier I and Tier II capital adequacy ratios remained strong at 25.2% and 25.3%, respectively, ensuring regulatory compliance and future growth capacity.
- ▶ Retained earnings and reserves increased to LKR 1,175 million, reinforcing financial strength.
- ▶ Opened three new branches, enhancing customer reach and enabling deeper market penetration across key regions.

INTELLECTUAL CAPITAL

Enhancing Digital Agility, Governance and Brand Resilience

Key Challenges

- ▶ Sustaining brand equity and stakeholder trust amid economic and regulatory shifts.
- ▶ Maintaining operational continuity and cybersecurity in a rapidly digitising landscape.
- ▶ Aligning systems and processes with evolving compliance and reporting obligations.

Strategic Responses & Progress

- ▶ Cloud Transformation: Completed full migration to SLT Cloud (tier III), reducing CAPEX and improving system uptime, disaster recovery, and compliance with CBSL guidelines.
- ▶ Cybersecurity Strengthening: Deployed Delinea PAM solution and conducted VA/PT with TechCERT to enhance data protection and cyber resilience.
- ▶ Core System Upgrade: Upgraded gold loan system and integrated Ideal Draft module to automate processes, reduce turnaround time, and improve service delivery.
- ▶ Process Automation: Enabled real-time integration with CRIB, FIU, and DRP for faster regulatory reporting and improved customer responsiveness.
- ▶ Risk & Compliance Integration: Established a centralised Risk Management Unit and implemented real-time transaction monitoring with automated FIU reporting.
- ▶ Governance Excellence: Strengthened Board oversight, internal audits, and ethical frameworks to foster a culture of accountability and transparency.
- ▶ Employee Training: Rolled out organisation-wide training on regulatory compliance, ethics, and data protection to institutionalise a robust compliance culture.
- ▶ Brand Trust: Maintained strong market reputation through digital innovation, governance discipline, and customer-focused solutions aligned with strategic priorities.

HUMAN CAPITAL

Empowering Talent, Enabling Growth

Key Challenges

- ▶ Rapid workforce expansion impacting cultural cohesion and onboarding quality.
- ▶ Navigating a complex and evolving regulatory environment.
- ▶ Retaining talent amidst heightened competition and global brain drain.

Strategic Responses & Progress

- ▶ Recruited 191 new employees to support branch and digital expansion; 23% of roles filled internally.
- ▶ Refreshed employer value proposition to reflect a digital-first, people-positive culture.
- ▶ Delivered organisation-wide training covering leadership, compliance, sales, and digital skills.
- ▶ Introduced structured onboarding and personalised career development pathways.
- ▶ Strengthened performance management with quarterly check-ins and incentive-linked KPIs.
- ▶ Rolled out succession planning and talent review sessions for key roles.
- ▶ Launched digital HR tools including self-service leave, payroll, and attendance systems.
- ▶ Enhanced employee recognition through monthly, quarterly, and annual awards.
- ▶ Conducted employee engagement survey (74% response rate) and actioned feedback.
- ▶ Promoted inclusivity with 42% female recruitment and expanded parental support policies.
- ▶ Fostered well-being with mental health programmes, CSR initiatives, and wellness partnerships.
- ▶ Recognised as a "Great Place to Work" for the fourth consecutive year.

SOCIAL & ENVIRONMENTAL SUSTAINABILITY

Embedding Responsibility in Our Operations

Key Challenges

- ▶ Balancing cost-efficiency with environmental and social impact.
- ▶ Driving behavioural and cultural change organisation-wide.
- ▶ Ensuring relevance and impact of CSR across diverse communities.
- ▶ Transitioning to sustainable practices in a non-energy-intensive business model.

Strategic Responses & Progress

- ▶ Achieved 99% call response rate through enhanced customer engagement platforms.
- ▶ Rolled out WhatsApp, multilingual call centres, and digital forms for inclusive customer service.
- ▶ Digitised back-office and branch operations, reducing paper consumption significantly.
- ▶ Adopted waste segregation and recycling protocols across offices and branches.
- ▶ Conducted CSR initiatives including food donations, school supply drives, and blood donation camps.
- ▶ Engaged staff in community visits to identify and address local needs.
- ▶ Partnered with solar and EV solution providers to explore green financing options.
- ▶ Introduced ethical procurement practices and encouraged eco-conscious vendor behaviour.
- ▶ Launched initiatives under the Mahindra Group's "Rise for a Clean & Green Future" campaign.
- ▶ Committed to reducing carbon emissions through financing for electric vehicles.
- ▶ Initiated stakeholder engagement through feedback loops, outreach, and partnerships with NGOs.

In summary, MIFL's strategic focus in 2024/25 reflects a deliberate blend of resilience, agility, and stakeholder alignment. While we navigate continued macroeconomic uncertainties, we remain firmly committed to executing a forward-looking, inclusive, and sustainable growth agenda that creates enduring value for all our stakeholders.

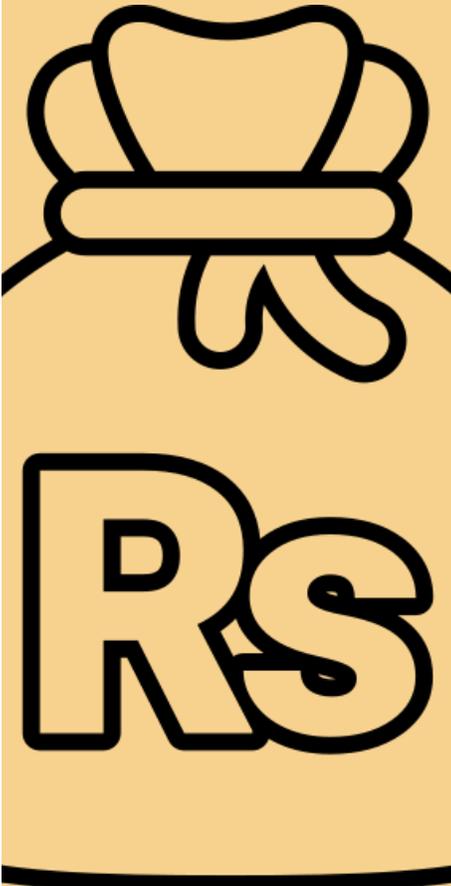
— Unfolding Customer-Centric Solutions

Every product, process, and platform is ———
aligned to elevate customer outcomes.

mahindra
IDEAL FINANCE



Financial Capital



STRATEGIC OVERVIEW & OPERATING CONTEXT

The financial year 2024/25 was a defining period for Mahindra Ideal Finance (MIFL), marked by strategic consolidation amid a cautiously optimistic macroeconomic environment in Sri Lanka. The Company entered the year with a clear vision to strengthen its market position by focusing on resilience, operational excellence, and measured growth, especially as the country navigated through evolving economic conditions and a recovering vehicle import market.

At the outset of FY 2024/25, the landscape was characterised by cautious optimism. Although the government's announcement regarding the gradual reopening of vehicle imports raised expectations of pent-up demand, actual import activity was still in its infancy. Recognising this, MIFL adopted a strategic approach emphasising relationship-building with key vehicle dealers and importers. This foundational work aimed to position the Company advantageously to capture emerging opportunities as market activities normalized.

The Company's financial strategy was agile and dynamic, enabling rapid recalibration in response to evolving macroeconomic signals. Improved political stability, a downward trend in interest rates, and favourable regulatory announcements created an environment conducive to growth. Consequently, MIFL updated its budget mid-year with a sharpened focus on expanding leasing portfolios – a segment poised to capitalise on recovering demand. This included targeted recruitment of leasing marketing officers deployed across key branches to stimulate customer acquisition and retention.

Despite signs of improvement, the management maintained prudent controls to mitigate risks associated with residual economic uncertainties. This cautious but

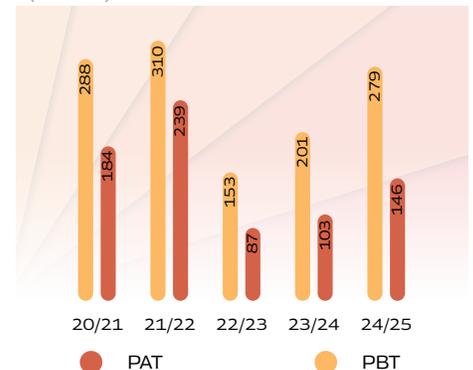
confident stance allowed the Company to preserve capital strength while preparing for accelerated growth in the leasing sector. This balance between optimism and prudence underpinned MIFL's ability to deliver robust financial results while navigating a still-recovering economy.

FINANCIAL PERFORMANCE HIGHLIGHTS

MIFL delivered strong financial outcomes during FY 2024/25, reflecting operational discipline, strategic execution, and market responsiveness. The Company achieved a profit after tax (PAT) of LKR 146 million, representing a substantial 41.7% increase compared to the previous year's LKR 103 million. This marked growth underscores the effectiveness of MIFL's business model and its capacity to generate shareholder value amidst challenging economic conditions.

Similarly, the profit before tax (PBT) climbed to LKR 279 million, up from LKR 201 million in FY 2023/24. This significant improvement was driven by an expansion in lending volumes, tighter cost control, and enhanced asset quality management. Notably, the Company's revenue base expanded by 18.7% to LKR 2,741 million, fuelled by strong growth in leasing and loan portfolios.

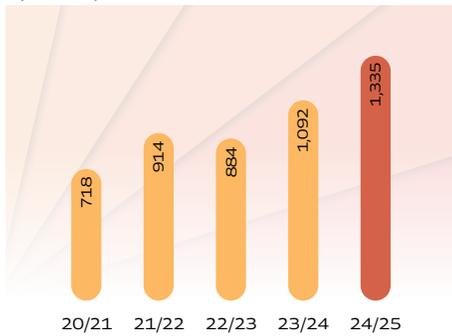
Movement of PBT and PAT
(LKR Mn)



The net interest income (NII) grew by 22.3% to LKR 1,335 million, reflecting higher lending balances coupled with

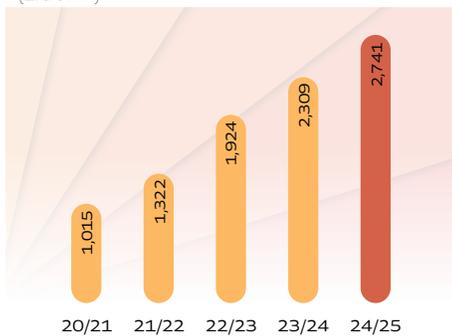
effective pricing and yield optimisation strategies. Despite some compression in interest spreads due to competitive pressures and funding costs, NII performance remained robust and aligned with industry benchmarks.

Net Interest Income
(LKR Mn)



Furthermore, MIFL's net operating income rose to LKR 1,558 million from LKR 1,297 million the previous year, showcasing strong top-line momentum. This growth translated into operational profitability, with operating profit before taxes on financial services reaching LKR 434 million, compared to LKR 334 million in the prior year. The improvement in profitability ratios signifies the Company's capability to convert revenue growth into enhanced financial returns.

Total Income
(LKR Mn)



PROFITABILITY AND OPERATIONAL EFFICIENCY

In-depth analysis of profitability metrics reveals an efficient operational model and sound cost management. The operating profit margin improved to 15.81%,

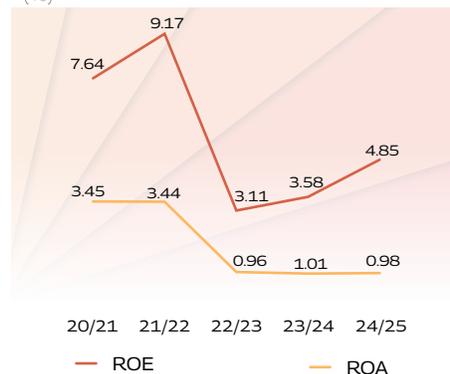
up from prior years, demonstrating the benefits of economies of scale and process improvements across the organisation.

While the net interest margin (NIM) moderated to 9.92% from 11.65% this reflects strategic portfolio realignment and increased funding costs rather than deterioration in core profitability. MIFL's ability to sustain a healthy NIM amid rising interest rate volatility highlights the Company's proactive balance sheet management.

Return metrics remained solid:

- ▶ Return on Average Assets (ROA) - Post Tax: 0.98%
- ▶ Return on Average Assets (ROA) - Pre Tax: 1.88%
- ▶ Return on Average Equity (ROE) - Post Tax: 4.85%
- ▶ Return on Average Equity (ROE) - Pre Tax: 9.29%

Movement of ROA and ROE
(%)



These ratios indicate improved capital productivity and efficient deployment of resources. The progressive rise in ROE reflects the Company's ongoing efforts to enhance shareholder returns while maintaining adequate capital buffers.

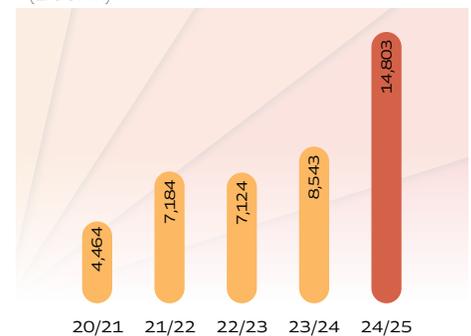
ASSET GROWTH AND FINANCIAL POSITION

A standout feature of FY 2024/25 was the impressive expansion in MIFL's asset base, which grew by 35.4% to LKR 17,131 million as of 31 March 2025.

This substantial increase underscores the success of the Company's lending strategies and its ability to mobilise resources to meet growing customer demand.

Loans and advances to customers surged by 73.3%, rising from LKR 8,543 million to LKR 14,803 million. This reflects a concerted focus on diversifying and growing the loan portfolio, with significant contributions from both leasing and gold loan segments. The leasing business, in particular, saw renewed momentum due to strategic branch-level disbursement enhancements and targeted marketing.

Loans & Advances
(LKR Mn)



On the balance sheet, shareholders' equity rose moderately to LKR 3,083 million, reinforcing the Company's capital foundation and supporting long-term growth objectives. The Company's capital management approach ensures sustainability while enabling expansion opportunities.

EARNINGS PER SHARE AND INVESTOR RETURNS

The improved profitability translated into strong investor returns. Earnings per share (EPS) increased to LKR 1.00, up from LKR 0.71 in the previous year. This 40.8% growth in EPS underscores the Company's commitment to delivering shareholder value through earnings growth.

Additionally, the net asset value (NAV) per share improved to LKR 21.17, compared to LKR 20.13 last year, reflecting a growing equity base and retained earnings accumulation. These financial metrics signify MIFL's ongoing capacity to provide sustainable returns to its investors.

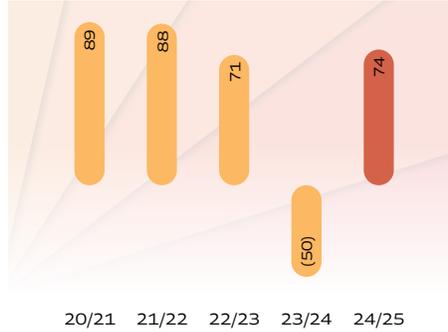
ASSET QUALITY AND RISK MANAGEMENT

Maintaining robust asset quality remains a cornerstone of MIFL's financial strategy. The Company achieved significant reductions in non-performing advances, with the Gross Stage 3 (GS3) ratio falling sharply to 1.86%, down from 5.25% the previous year. Similarly, the net stage 3 ratio decreased to 1.21% from 4.24%, demonstrating the effectiveness of MIFL's credit risk frameworks and collection strategies.

Enhanced collection mechanisms, including a dedicated hard bucket recovery team and integrated call centre follow-ups, contributed to improved recoveries and early identification of stress signals. The Company also strengthened its impairment provisioning approach, maintaining conservative coverage with a Stage 3 impairment coverage ratio of 35.09%.

The impairment charge for the year amounted to LKR 74 million. Individual impairment assessments were performed on exposures exceeding thresholds, while collective impairment provisioning was applied across the portfolio, aligning with best practices and regulatory requirements.

Impairment Charges
(LKR Mn)



Economic factor adjustment (EFA) methodologies were revised to reflect the improving economic outlook. The weightings assigned to different economic scenarios were recalibrated, with an increased emphasis on the base case and reduced weighting for adverse scenarios. This adjustment underscores MIFL's proactive approach to risk management and capital adequacy.

CAPITAL ADEQUACY AND LIQUIDITY

MIFL maintained a strong capital position throughout FY 2024/25, providing a solid buffer for future growth and risk absorption. As of 31 March 2025, the Tier 1 capital ratio stood at 25.16%, and the Total capital adequacy ratio (CAR) was 25.29%, substantially exceeding the regulatory minimums of 8.5% and 12.5%, respectively.

This healthy capitalisation enables MIFL to confidently pursue expansion opportunities while meeting regulatory expectations. The Company's capital base supports risk-weighted assets growth and provides resilience against potential market shocks.

The statutory liquidity ratio (SLR) was recorded at 23.87%, more than double the mandated 10%, ensuring ample liquidity for operational needs and regulatory compliance.

Leverage increased moderately, with the debt-to-equity ratio rising to 4.28 times from 3.08 times, reflecting accelerated credit growth balanced by prudent capital management.

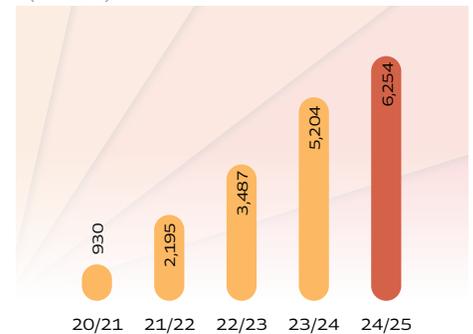
FUNDING AND DEPOSIT MOBILISATION

Funding strength and deposit mobilisation have been key enablers for MIFL's asset growth. The deposit base expanded by 20.2% during the year, supported by enhanced product offerings and a growing branch network.

Competitive credit ratings and the Company's reputation for stability encouraged greater depositor confidence. This, in turn, enabled the Company to borrow at favourable rates from local and foreign banks, contributing to efficient funding costs.

MIFL's diversified funding sources, including deposits, borrowings, and equity, provided a balanced capital structure conducive to sustainable growth.

Deposits
(LKR Mn)





FORWARD-LOOKING FINANCIAL STRATEGY

Looking ahead to FY 2025/26, MIFL is well-positioned to maintain its growth trajectory, leveraging operational strengths and market opportunities. The Company aims to:

- ▶ Continue expanding leasing and loan portfolios, capitalising on improving economic conditions and market demand.
- ▶ Further optimise asset quality through enhanced credit risk management and early intervention strategies.
- ▶ Maintain robust capital and liquidity positions to support sustainable growth and regulatory compliance.
- ▶ Innovate funding strategies and deposit products to attract a broader customer base.
- ▶ Enhance digital capabilities to improve customer experience and operational efficiency.
- ▶ Monitor macroeconomic and regulatory developments closely to adapt financial strategies proactively.

Despite potential headwinds such as high vehicle import duties and economic uncertainties, MIFL's prudent risk appetite and agile financial management equip it to navigate challenges effectively.

CONCLUSION

The financial year 2024/25 has been one of significant progress for Mahindra Ideal Finance. The Company's strategic focus on resilience, disciplined growth, and operational excellence has translated into robust financial results, enhanced shareholder value, and a strengthened market position.

By maintaining sound financial stewardship, rigorous risk management, and a customer-centric approach, MIFL continues to build a solid foundation for sustainable success in Sri Lanka's evolving financial services landscape.



Manufactured Capital

Mahindra Ideal Finance's manufactured capital represents the physical and technological infrastructure that enables efficient value creation and delivery across our stakeholder base. As we evolve within an increasingly digital and customer-centric environment, the role of our manufactured assets—both tangible and technological—remains central to maintaining operational excellence and sustainable growth.

PHYSICAL INFRASTRUCTURE

Our physical infrastructure forms the operational backbone of Mahindra Ideal Finance. Headquartered at No. 299, Dr. Colvin R. De Silva Mawatha, Colombo 02, the Company operates a growing network of 35 strategically located branches across Sri Lanka. This network provides convenient and reliable access to financial services for diverse communities. During the year, we announced plans to further expand our footprint by opening three new branches in Warakapola, Gampola, and Horana, reinforcing our commitment to accessibility and regional inclusivity.

Our physical assets also include our Head Office, branch network, and Call Centre, all of which work in synergy to support our daily operations, customer service, and administrative needs. The Call Centre remains a vital hub for managing customer interactions, with trained staff dedicated to ensuring prompt responses and efficient issue resolution.

INFRASTRUCTURE SAFETY & MAINTENANCE

Safety and asset integrity are foundational to our operational strategy. MIFL prioritises the proactive identification of safety needs across all locations. Various tools and systems are employed to mitigate risks, including real-time monitoring of physical assets to predict potential failures before they occur. Preventive maintenance routines are rigorously followed to extend the life and reliability of key infrastructure.

We also invest in staff training and awareness campaigns to reinforce safety practices at every level of the organisation. These initiatives help minimise operational risks while ensuring a safe and supportive working environment for employees.

TECHNOLOGICAL ASSETS

Technological advancement remains a core focus under our manufactured capital. During the year, we made further progress in enhancing digital capabilities and operational automation. Building on the foundations of our digital transformation strategy, we continued to invest in business process automation, significantly increasing efficiency while reducing manual intervention and the likelihood of human error.

Key enhancements included the upgrade of our gold loan system to fully automated operations and continued in-house development through the digitisation of core banking operations via the InBank system source code. These upgrades have streamlined workflows, improved data accuracy, and enabled faster and more transparent processing.

By leveraging role-based access control, we have strengthened data confidentiality and enabled real-time monitoring of key performance indicators (KPIs)—empowering teams with insights for faster decision-making and higher productivity.

FUTURE OUTLOOK

As part of our strategic vision, Mahindra Ideal Finance is poised to deepen its investments in technological upgrades and physical expansion, with plans to open three additional branches and optimise infrastructure to better serve customers nationwide.

Our digital roadmap will focus on further automating operational systems, enhancing online engagement, and adopting tools that support agile

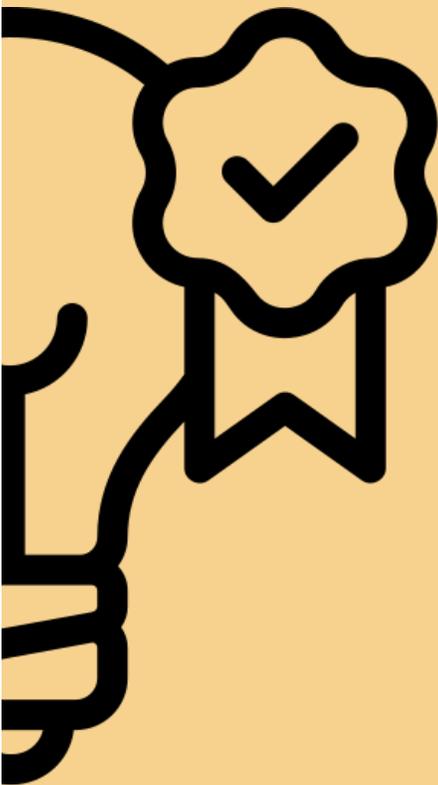


workflows. Software upgrades are also prioritised to align with anticipated growth and evolving customer needs.

Additionally, environmental, social and governance (ESG) principles are being embedded into our infrastructure decisions. Energy-efficient hardware, sustainable facility design, and low-emission alternatives like inverter power systems are increasingly considered in our capital allocation. This aligns with our broader ambition of becoming a top-five non-banking financial institution (NBF) in Sri Lanka, while remaining steadfast in our commitment to responsible growth and sustainable development.



Intellectual Capital



At Mahindra Ideal Finance Limited (MIFL), intellectual capital forms a vital component of our value creation process. It encapsulates our organisational knowledge, systems, technological infrastructure, governance frameworks, and the innovation that drives operational excellence. In a dynamic and highly regulated financial services environment, our ability to harness and continuously enhance intellectual capital has been a key enabler in achieving resilience, efficiency, and sustainable business growth. The year under review saw several transformative initiatives that strengthened our digital backbone, optimised compliance, and advanced risk management—all aligned with our strategic imperatives and customer-centric outlook.

CLOUD MIGRATION AND INFRASTRUCTURE MODERNISATION

In a landmark achievement aligned with its digital transformation agenda, Mahindra Ideal Finance Limited (MIFL) completed the full migration of its physical server infrastructure to the SLT Cloud platform, marking a pivotal transition to an Infrastructure as a Service (IaaS) model. This forward-looking initiative underscores the Company's strategic focus on enhancing operational agility, technological resilience, and long-term sustainability through scalable cloud-based solutions.

The migration to SLT's Tier III data centers, based in Sri Lanka, ensures adherence to the Central Bank of Sri Lanka's (CBSL) regulatory guidelines on data residency, system availability, and cybersecurity. This move has significantly reduced the Company's dependence on legacy hardware systems, leading to measurable reductions in capital expenditure and ongoing maintenance costs. Moreover, the virtualised environment offers enhanced system uptime, increased disaster recovery capabilities, and improved business continuity planning.

Beyond the immediate financial and operational benefits, the adoption of cloud

infrastructure enables MIFL to future-proof its technology ecosystem. The scalability inherent in the IaaS model allows the Company to dynamically adjust its IT capacity in response to evolving business needs and market conditions. This flexibility is critical as MIFL continues to expand its digital footprint and deliver innovative, customer-centric solutions. Ultimately, this strategic modernisation supports the seamless delivery of mission-critical financial services while reinforcing MIFL's digital maturity journey.

CYBERSECURITY AND REGULATORY RESILIENCE

As the financial services industry becomes increasingly digital, the sophistication of cyber threats continues to rise, making cybersecurity a cornerstone of operational resilience. In 2024/25, MIFL took decisive steps to strengthen its cybersecurity posture through the deployment of the privileged access management (PAM) solution. This advanced platform enables real-time monitoring, control, and auditing of privileged user access across critical IT systems, thereby safeguarding sensitive data and ensuring alignment with the CBSL's cyber resilience framework.

In addition to fortifying internal access controls, MIFL engaged TechCERT—Sri Lanka's leading cybersecurity institution—to conduct a comprehensive vulnerability assessment and penetration testing (VA/PT) initiative. This independent assessment identified and addressed system vulnerabilities, significantly enhancing the Company's ability to detect, prevent, and respond to potential security breaches. The insights from this initiative have been integrated into MIFL's broader cyber risk management strategy, enabling proactive mitigation of emerging threats.

These cybersecurity measures are part of a larger governance framework that emphasises regulatory compliance, operational integrity, and stakeholder protection. By continuously investing

in advanced digital safeguards and aligning with global best practices, MIFL has reinforced its role as a secure and responsible financial services provider in an increasingly interconnected digital landscape.

CORE SYSTEM UPGRADE AND PROCESS AUTOMATION

Recognising the need for a robust and scalable digital backbone, MIFL initiated a significant upgrade of its core system architecture during the year. This modernisation initiative aims to streamline operations, improve service delivery, and enhance system interoperability. The revamped platform supports seamless integration with critical regulatory and government agencies, including the Credit Information Bureau (CRIB), the Financial Intelligence Unit (FIU), and the Department for Registration of Persons (DRP).

These integrations have substantially improved the accuracy and efficiency of regulatory data reporting while reducing manual processing and the risk of human error. The upgraded system also facilitates real-time data flows, enabling faster decision-making and more responsive customer service. The outcome is a more agile operational model that is better equipped to meet the demands of a dynamic financial services landscape.

A key milestone within this initiative was the successful deployment of the Ideal Draft product module. Fully automated and integrated into the new core system, this module was designed to address growing customer demand for faster, more reliable financial solutions. By eliminating manual intervention, the new system has significantly reduced turnaround times and improved service consistency. As a result, MIFL has accelerated its product rollout timelines, expanded its market reach, and strengthened its reputation for digital innovation and service excellence.

COMPLIANCE AND RISK MANAGEMENT INTEGRATION

MIFL remains steadfast in its commitment to sound corporate governance and prudent risk management. In 2024/25, the Company formalised the establishment of a centralised risk management function to oversee and coordinate risk identification, assessment, and mitigation across all areas of operation. This dedicated unit is empowered to provide strategic oversight on financial, operational, legal, compliance, and reputational risks, working in close collaboration with departmental teams to promote an integrated, enterprise-wide risk culture.

To further reinforce its regulatory compliance capabilities, MIFL implemented a real-time transaction monitoring system with automated reporting features. This system enables timely and accurate submissions to the Financial Intelligence Unit (FIU) for key reporting obligations, including cash transaction reports (CTR), electronic fund transfers (EFT), and suspicious transaction reports (STR). The automation of these processes has enhanced both the reliability and efficiency of compliance reporting, while reducing manual workload and associated risks.

In tandem with these technological enhancements, MIFL continued to invest in capacity building across the organisation. Comprehensive training programmes were rolled out during the year to educate employees on evolving regulatory requirements, ethical practices, and data protection standards. These initiatives have helped institutionalise a strong compliance culture and ensure that all staff remain vigilant and informed in a rapidly changing regulatory environment.

By integrating advanced risk and compliance tools with robust governance frameworks and continuous employee development, MIFL has significantly enhanced its organisational resilience. These measures not only safeguard the Company's

operations but also strengthen stakeholder confidence, reaffirming MIFL's role as a trusted and forward-looking financial institution.

STRENGTHENING GOVERNANCE AND ETHICAL CONDUCT

Corporate governance remains a foundational pillar of value creation at MIFL. During the year, the Company strengthened its governance structure through active Board oversight, regular evaluations of Board and Committee effectiveness, and close collaboration with independent directors. These measures ensured strategic alignment, accountability, and regulatory compliance.

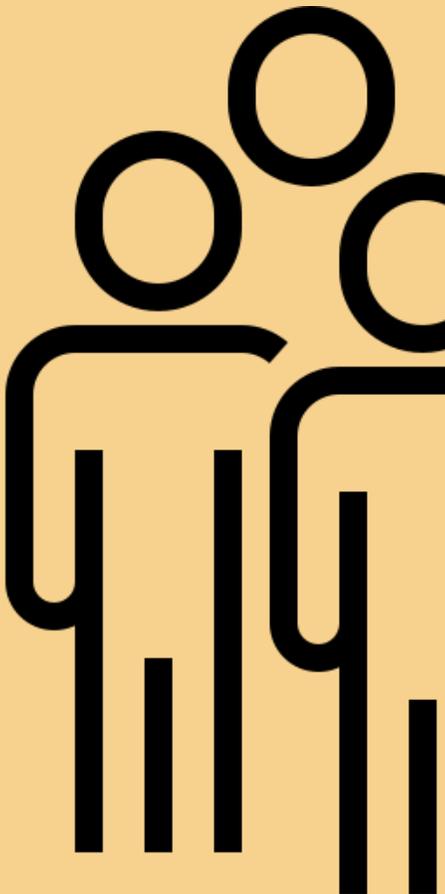
Our compliance management system continued to deliver consistent monitoring of laws, regulations, and internal policies, supported by regular internal audits and gap assessments. This system ensured timely identification of compliance issues and fostered a proactive risk mitigation approach. In addition, MIFL maintained ethical standards through its well-defined code of conduct, whistleblower policy, and mandatory staff training programmes.

This focus on good governance has helped build a culture of transparency, integrity, and accountability—further solidifying our position as a responsible financial institution.

CONCLUSION

Throughout 2024/25, Mahindra Ideal Finance Limited made significant strides in strengthening its intellectual capital to support sustainable growth, regulatory excellence, and operational agility. By investing in secure digital infrastructure, automating business-critical functions, enhancing cybersecurity, and embedding strong compliance frameworks, we have laid a robust foundation for future success. These efforts underscore our commitment to long-term value creation for all stakeholders, reinforcing our position as a digitally driven, resilient, and future-ready financial institution.

Human Capital



NURTURING PEOPLE, ENABLING GROWTH

At Mahindra Ideal Finance (MIFL), our people are the cornerstone of our long-term vision to become a leading, digitally enabled, and customer-centric financial institution in Sri Lanka. The human resources (HR) function has played a pivotal role in steering the Company through another transformative year, marked by expansion, innovation, and resilience. As we continue to evolve in a rapidly changing industry landscape, our people strategy remains aligned with business priorities, ensuring that we build, retain, and empower talent to deliver sustainable performance.

Our HR function is guided by five key pillars: talent acquisition & employer branding, learning & development, performance & career management, employee engagement & culture, health & well-being. The 2024/25 financial year witnessed enhanced activity and progress under each of these areas.

WORKFORCE PROFILE AND TALENT ACQUISITION

As at 31 March 2025, MIFL had a workforce of 364 employees across its Head Office and branch network. The year saw a significant expansion in headcount, aligned with the Company's growing branch footprint and digital product portfolio.

We focused on targeted recruitment to strengthen competencies in risk management, technology, credit assessment, compliance, and customer relationship management. Simultaneously, we emphasized internal mobility to identify and promote talent from within, creating new pathways for career progression. Our employer branding efforts were bolstered through strategic engagement with universities, industry forums, and social media platforms.

Key achievements:

- ▶ 191 new hires across the year
- ▶ 23% of vacancies filled internally
- ▶ Rolled out structured onboarding programmes with functional and behavioral training
- ▶ Employer value proposition (EVP) refresh to reflect MIFL's digital-first and people-positive culture

Employee Headcount by Location



Gender & Grade



Learning and Development (L&D)

MIFL strongly believes in continuous learning as a key enabler of performance, agility, and employee satisfaction. During the year under review, our L&D strategy was expanded to support individual growth, regulatory alignment, and digital transformation. We adopted a blended learning approach, combining in-person workshops, e-learning, coaching, and mentoring.

Highlights:

- ▶ Total training hours delivered across the organisation
- ▶ Leadership development series for middle and senior management

- ▶ Mandatory compliance training including AML/CFT, credit policy, and data privacy
- ▶ Skills development sessions in sales effectiveness, customer communication, and digital tools

Performance Management and Succession Planning

Our performance management process was refined to promote greater accountability, clarity, and growth-focused feedback. Goals were aligned with departmental KPIs and the Company's strategic plan. We implemented quarterly performance checkpoints to complement annual appraisals, enabling course correction and real-time recognition.

To build leadership continuity, we developed a structured succession plan covering critical roles. Talent review sessions were conducted across business units, identifying high-potential employees for personalised development interventions.

Highlights:

- ▶ Half-yearly performance dialogue
- ▶ Career development plans in place for high-potential employees
- ▶ Incentive schemes tied to performance and customer satisfaction metrics
- ▶ Manager capability building sessions on coaching and feedback delivery

Employee Engagement, Recognition and Culture

At MIFL, we recognise that an engaged and motivated workforce is central to delivering exceptional customer experiences. Our HR team rolled out multiple initiatives to strengthen employee connection, promote cross-functional collaboration, and celebrate individual and team achievements.

Key programmes included:

- ▶ Monthly branch manager meetings and leadership dialogues
- ▶ Enhanced employee recognition programme with monthly, quarterly, and annual awards
- ▶ CSR-driven employee volunteering initiatives
- ▶ Celebrations of cultural and national events to foster inclusivity



Cultural events

We also conducted our annual Employee Engagement Survey, receiving a response rate of 74%. Based on the findings, action plans were developed to address feedback on communication, career growth, and work-life balance.

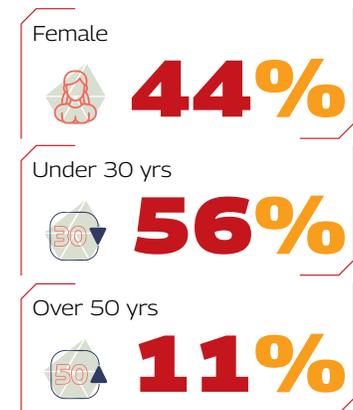
Diversity, Equity, and Inclusion (DEI)

MIFL is committed to creating a workplace where every employee feels valued, respected, and empowered. Our DEI agenda is integrated into recruitment, training, promotion, and policy design.

Key DEI measures:

- ▶ Gender equity in hiring with 42% of new recruits being female
- ▶ Maternity and paternity support policies enhanced

Workforce Diversity Snapshot



Employee Health, Safety, and Well-being

We expanded our commitment to holistic well-being, focusing on physical, mental, and financial health. During 2024/25, we ran awareness programmes, partnered with wellness experts, and improved accessibility to health services.

Digital HR Transformation

The year also saw continued investment in digitalising our HR processes to enhance employee experience and operational efficiency. We implemented several tools and platforms to simplify workflows, improve access to information, and enable data-driven decision-making.

Key milestones:

- ▶ Self-service leave, attendance, and payroll systems

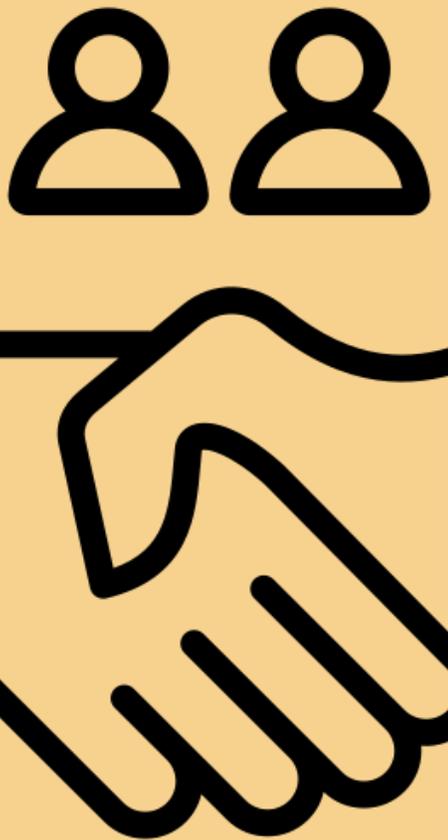
LOOKING AHEAD: HR PRIORITIES FOR 2025/26

As we look to the future, our HR strategy will be anchored on agility, capability development, and employee centricity. Key focus areas for the coming year include:

- ▶ Building a future-ready workforce through continuous upskilling
- ▶ Enhancing leadership development at all levels
- ▶ Driving productivity through performance culture and digital tools
- ▶ Expanding DEI initiatives
- ▶ Positioning MIFL as an employer of choice in Sri Lanka's financial services sector

Through a combination of progressive policies, leadership commitment, and employee empowerment, we will continue to strengthen our human capital and create a workplace that drives innovation, inclusion, and impact.

Social and Relationship Capital



At Mahindra Ideal Finance (MIFL), social & relationship capital is a vital enabler of our long-term business sustainability. It represents the strength of our bonds with customers, communities, partners, and the broader society. We believe these relationships form the foundation of trust and loyalty, and are pivotal in creating a resilient, inclusive, and ethical business.

In line with our purpose of “Driving Prosperity,” we continue to build bridges across Sri Lanka’s diverse social fabric, responding to evolving stakeholder expectations through meaningful engagement, ethical conduct, customer-centric services, and community investment.

CHAMPIONING A CUSTOMER-FIRST CULTURE

Our customers are at the heart of everything we do. In a competitive and often volatile financial landscape, we differentiate ourselves by offering responsive, accessible, and high-quality customer service. We have embedded a robust customer relationship framework with formal feedback mechanisms, performance monitoring, and continuous process improvements.

We measure customer satisfaction through strategically designed surveys at multiple interaction points—ranging from lead conversion and onboarding to service experiences and complaint resolution. The insights gathered help us address pain points, strengthen loyalty, and reinforce our commitment to delivering exceptional financial services.

Multiple customer communication channels are made available to ensure inclusivity and convenience:

- ▶ A 4-digit hotline and general helpline for real-time access
- ▶ WhatsApp services
- ▶ Dedicated email and web forms for formal communications
- ▶ Active and responsive presence across all key social media platforms

Our centralised Contact Centre is the nucleus of our customer interaction operations. Equipped with advanced monitoring tools and staffed by multilingual agents (Sinhala, Tamil, and English), the centre delivers a seamless experience that reflects our brand promise and customer-centric ethos.

FY 2024/25 Call Centre Performance:

Metric	Result
Average Waiting Time in Queue	4 seconds
Average Handling Time	2 minutes 13 seconds
% of Calls Abandoned (KPI ≤5%)	1%
% of Calls Answered (Target ≥90%)	99%

Call Centre KPIs and Strategic Response:

KPI	Action	Achievement
Service level over 85%	Adjusted staffing, agent tracking	99%
Abandon rate below 5%	Shortened call duration, real-time monitoring tools	1%
Zero customer complaints	24-hour response, adherence to service standards	100%
Agent attrition rate below 25%	Enhanced training, positive team culture	25%

These results are a testament to our commitment to efficiency, empathy, and reliability. We uphold strict privacy and data protection standards and encourage continuous dialogue through customer feedback and grievance redressal mechanisms.

MEANINGFUL IMPACT THROUGH COMMUNITY ENGAGEMENT

As a socially responsible corporate citizen, MIFL is committed to uplifting the communities in which we operate. We believe in creating shared value by supporting the underprivileged and addressing societal challenges through targeted and compassionate interventions.

Most of our corporate social responsibility (CSR) initiatives are championed at the branch level, ensuring relevance and inclusivity. Branch managers are encouraged to engage with local community leaders to identify high-impact interventions that address real-world needs.

Key Social Impact Highlights - FY 2024/25:

- ▶ **Dry food donations** to families impacted by Sri Lanka's economic hardship
- ▶ **Back-to-school support** through the distribution of school bags and stationery
- ▶ **Blood donation drives** organised in partnership with healthcare authorities
- ▶ **Community visits** by MIFL staff to underserved rural areas to identify needs firsthand



Community services

These activities not only reflect our commitment to national development but also strengthen employee engagement, as many of these initiatives are staff-led and community-driven. Our people take pride in giving back, creating a virtuous cycle of compassion, collaboration, and social change.

ADVANCING SUSTAINABILITY AND RESPONSIBLE PRACTICES

Recognising our role in protecting the planet, we are integrating environmental consciousness across our value chain. Though we are not a manufacturing or energy-intensive organisation, we are committed to reducing our ecological footprint and influencing positive behavioural change within our stakeholder network.



Blood Donation

Environmental Actions Taken in FY 2024/25:

- ▶ Digitalisation of branch and back-office operations, significantly reducing paper consumption
- ▶ Waste segregation and recycling protocols adopted at Head Office and branches
- ▶ Alignment with the Mahindra Group's "Rise for a Clean & Green Future" initiative



Staff Gathering



Tree planting

We also view sustainability as an opportunity to foster innovation and customer value. MIFL is actively exploring green financing options, such as:

- ▶ Electric vehicle financing to support low-emission mobility
- ▶ Partnerships with solar energy providers to finance rooftop solar installations

These steps signal our shift towards supporting Sri Lanka's broader green transition and building resilience against environmental and energy-related challenges.

STRENGTHENING OUR ETHICAL SUPPLY CHAIN

As a responsible lender, we also expect our vendors and partners to reflect our values of transparency, fairness, and sustainability. We engage with a network of suppliers who are aligned with labour standards, safety protocols, and environmental guidelines.

Our approach to responsible procurement includes:

- ▶ Preference for eco-friendly products and services
- ▶ Regular evaluation of vendors for compliance with ethical and environmental standards
- ▶ Promotion of material efficiency and minimisation of plastic and paper use
- ▶ Encouragement of suppliers to adopt recycling and waste reduction practices

By aligning our supply chain with our core values, we not only reduce risk but also amplify our social and environmental impact.

ONGOING STAKEHOLDER ENGAGEMENT

Strong and consistent stakeholder engagement is vital for creating social capital. We maintain continuous dialogue with a wide range of stakeholders—from customers and suppliers to regulatory bodies and local communities—using insights to inform our decision-making and corporate responsibility strategies.

Key stakeholder engagement methods include:

- ▶ Direct customer interactions and feedback forms
- ▶ Consultations with community representatives
- ▶ Collaborative partnerships with NGOs and local authorities
- ▶ Staff outreach programmes in underserved communities

Our proactive engagement ensures that our strategies are grounded in reality, and that we remain responsive to the aspirations and concerns of those we serve.

LOOKING FORWARD: OUR COMMITMENTS AND AMBITIONS

Mahindra Ideal Finance remains deeply committed to growing its social and relationship capital in the years ahead. Our key strategic ambitions include:

- ▶ Reducing carbon emissions by financing electric and energy-efficient vehicles
- ▶ Promoting sustainable consumption and further digitisation of internal and customer-facing processes
- ▶ Extending community outreach, especially in economically marginalised areas
- ▶ Continuously tracking and improving stakeholder satisfaction metrics
- ▶ Working towards adoption of sustainability reporting frameworks.

Our journey forward will continue to be defined by empathy, inclusivity, and shared growth. By strengthening relationships and upholding our social commitments, we aim to drive long-term value creation for all stakeholders—ensuring Mahindra Ideal Finance remains a trusted partner in the financial well-being and sustainable future of Sri Lanka.

Natural Capital



At Mahindra Ideal Finance, we recognise that responsible environmental stewardship is essential to achieving long-term business sustainability. While our operations as a financial services provider involve relatively low dependence on natural resources, we are committed to managing our environmental impact through prudent resource use, energy efficiency, and sustainable operational practices.

MANAGING NATURAL RESOURCE DEPENDENCE

Our consumption of natural resources is minimal and largely limited to water and energy for office operations. Water is primarily used for drinking and housekeeping purposes. Drinking water is provided by a third-party supplier and undergoes purification before use, while water for housekeeping is sourced from the national water supply network.

Electricity, supplied by the Ceylon Electricity Board, is essential for daily operations. To ensure uninterrupted service during power outages, we utilise backup systems such as inverter power units and generators. In recent years, we have increasingly adopted inverter power systems, which are more energy-efficient and environmentally friendly.

RESOURCE CONSERVATION AND EMISSION REDUCTION

All our branches actively monitor daily electricity and water consumption to identify areas for conservation and eliminate unnecessary usage. Energy efficiency is a key focus area. To this end, we have replaced conventional air conditioners with inverter-type systems that significantly reduce electricity usage.

We also promote responsible consumption within the workplace. Reusable rough A4 sheets are used for internal documentation to minimise paper waste. Traditional lighting systems have been replaced with LED fixtures across all

offices and branches, resulting in lower energy consumption and reduced carbon emissions.

SUSTAINABLE SOURCING AND TECHNOLOGY ADOPTION

Mahindra Ideal Finance prioritises environmentally responsible sourcing and operational practices. Our investment in inverter power systems as a backup solution reflects our move away from conventional, fuel-powered generators. These systems, which initially run on power batteries, not only reduce reliance on fossil fuels but also lower greenhouse gas emissions.

Additionally, we are evaluating the feasibility of integrating renewable energy sources—particularly solar power—into our operations, further aligning our strategy with low-carbon development pathways.

ENVIRONMENTAL CONSIDERATIONS IN BUSINESS PLANNING

Environmental factors are systematically considered during investment planning and project development. During branch setup and infrastructure development, we incorporate natural lighting and ventilation where feasible to reduce reliance on artificial lighting and air conditioning. Many of our branch facades feature tempered glass panels to maximise natural daylight, improving energy efficiency while enhancing employee well-being.

WASTE MANAGEMENT AND ENVIRONMENTAL IMPACT MITIGATION

To reduce our environmental footprint, we have implemented a structured waste management system across all branches and our head office. Waste is segregated at the source and handed over to relevant municipal authorities for appropriate recycling or disposal. This initiative helps ensure that our operational waste is managed responsibly and in accordance with local environmental regulations.



COMMITMENT TO SUSTAINABLE PRACTICES

Although Mahindra Ideal Finance is not currently certified under any formal environmental standards, we remain committed to advancing sustainable business practices. We continuously explore opportunities to enhance our natural capital management—be it through energy-efficient technologies, sustainable infrastructure planning, or environmentally conscious procurement.

As part of our evolving sustainability journey, we are open to adopting recognized certifications and frameworks that reinforce our commitment to responsible resource use and environmental accountability.

Unfolding People Potential

Empowered teams, inclusive culture, and leadership continuity lay the path forward.

mahindra
IDEAL FINANCE





MUFADDAL A. CHOONIA
Managing Director & CEO

SUJEEWA MUDALIGE
Senior Independent Non-Executive Director



THILAN WIJESINGHE
Independent Non-Executive Director



RAUL REBELLO

Non-Executive Non-Independent Director

KRISHANTHI JAYAWARDENA

Independent Non-Executive Director



NIMISHA WELGAMA

Non-Executive Non-Independent Director

PRIYANGI ANUSHKA WIJENAYAKE

Non-Executive Non-Independent Director

MUFADDAL A. CHOONIA**Managing Director & CEO**

Mufaddal Choonia was appointed as the Managing Director & CEO of Mahindra Ideal Finance, Sri Lanka, in July 2024 and is responsible for running all the affairs of the Company on a day-to-day basis. A professional with over 25 years of rich experience (of which 15 years have been spent on international assignments), Mufaddal has played various critical roles throughout his career, setting up and then leading, businesses and functions in many geographies across India, Europe and the Middle East. Prior to this role, he held the position of Dy. Senior Vice President - Emerging Markets, at Mahindra Finance in India, where he was responsible for leading Mahindra Finance's entry into India-like Asian markets.

Mufaddal joined the Mahindra Group in 1999, as part of its flagship Group management trainee programme that nurtures future leaders for the Mahindra Group. He has held various key responsibilities in marketing, sales and strategy across the automotive and financial services businesses, as well as the Group strategy office of the Mahindra Group. As the first Brand Manager of the "Scorpio", he was part of the core team that developed and launched the iconic vehicle that in many ways defined the future of the Group's automotive business. He was also the first Marketing Head of Mahindra Finance where he was responsible for launching the Company's first ever integrated marketing campaign as well as its first corporate identity programme. He was also part of the core team that in the year 2006, launched Mahindra Finance's IPO that was extremely well received in Indian stock exchanges.

Mufaddal has also played the role of the Chief Executive Officer of Mahindra Racing SpA, Italy, wherein he set up Mahindra Group's performance and racing motorcycle development and manufacturing Company in Italy. He has also had a stint in the Group strategy office wherein he was closely involved in supporting various business leaders of the Mahindra Group in developing long-term business strategies and business performance improvement programmes.

Besides the Mahindra Group, Mufaddal has worked with the Emirates Bank Group in Dubai from 2007 to 2009 as Head of Marketing for their consumer finance business called Emirates Money. He was part of the leadership team that was responsible in setting up this highly successful business in the UAE.

Mufaddal has completed his Postgraduate qualification in Management in Management from the prestigious Indian Institute of Management, Mumbai (formerly called NITIE). He also holds a Bachelor's Degree in Engineering from Mumbai University.

SUJEWA MUDALIGE**Senior Independent Non-Executive Director**

Mr. Sujeewa Mudalige possess over 30 years of experience in the accounting and finance field. He recently retired as the CEO/Managing Partner of PwC (Sri Lanka & Maldives).

Sujeewa serves as an Independent Non-Executive Director in many public and private entities like National Development Bank PLC , CIC Feeds Group, Link Samahan , CIC Holdings PLC, Link Natural Products (Pvt) Ltd, NSBM Green University, Cargo Boat Development PLC, Maliban Biscuits Ltd, Galadari Hotel PLC, Allianz Insurance Lanka Ltd, RIL Property PLC, the Mercantile Service Provident Society, Sherwood Capital (Pvt) Ltd, Ambeon Capital PLC, Ambeon Holdings PLC and Millennium IT ESP. He has also served on many regulatory bodies such as Board of Investment, National Medicines Regulatory Authority and Securities Exchange Commission.

He was the President of the Institute of Chartered Accountants of Sri Lanka during the period 2010- 2011. He was recently awarded an honorary Doctorate in Business by the University of Plymouth (UK) in recognition of his outstanding contribution to accounting and finance.

Academic and Professional Qualifications

- ▶ Fellow Member of Institute of Chartered Accountants (SL),
- ▶ Fellow Member of Chartered Institute of Management Accountants (UK),
- ▶ Fellow Member of Association of Chartered Certified Accountants (UK) and
- ▶ Fellow Member of Certified Public Accountants (Australia).

RAUL REBELLO

Non-Executive Non-Independent Director

Raul Rebello is a seasoned banking professional with significant expertise in rural banking and financial inclusion. He is currently the MD & CEO at Mahindra & Mahindra Financial Services Ltd and serves on the boards as Non-Executive Non-Independent Director of its subsidiaries, Mahindra Manulife Investment Management Pvt Ltd, Mahindra Insurance Brokers Limited, Mahindra Finance USA, Mahindra Finance CSR Foundation and Mahindra Rural Housing Finance Ltd. Raul joined Mahindra Finance in 2021 as Chief Operating Officer, following a distinguished tenure at Axis Bank, where he served as Executive Vice President & Head of Rural Lending & Financial Inclusion. He brings extensive experience across various domains, including rural lending, farmer funding, gold loans, MSME lending, commodity loans, tractor & farm equipment financing, agri-value chain deposits, payments, and insurance. Under his leadership, Axis Bank has won the prestigious Financial Inclusion Award at the Asian Banking and Finance Awards in 2019 and 2021.

Since his appointment at Mahindra Finance, Raul has spearheaded key initiatives aimed at enhancing financial inclusion and driving innovation. His leadership has been instrumental in advancing the Company digital transformation, which includes leveraging AI and ML technologies for predictive analytics and implementing a phygital strategy that integrates physical branch operations with digital platforms to improve service accessibility in rural and semi-urban regions. He has also focused on promoting sustainable financing solutions, such as loans for electric vehicles (EVs), while forging strategic partnerships with fintech companies to deliver customised financial products.

Raul is actively engaged in industry leadership and policy advocacy. He is a member of the Finance Industry Development Council (FIDC). Academically, he holds a Post Graduate degree in Management from the Goa Institute of Management. Under his leadership, Mahindra Finance continues to advance its vision of empowering emerging India through inclusive and innovative financial solutions.

CHRISHANTHI JAYAWARDENA

Non-Executive Independent Director

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

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

THILAN WIJESINGHE

Non-Executive Independent Director

Thilan Wijesinghe is widely credited as the pioneer in public-private partnership (PPP) transactions in Sri Lanka. Over a period of 26 years, Thilan has played a leadership role in financially closing around USD 2.2 billion in PPP transactions in Sri Lanka and has carried out PPP-related assignments in Sri Lanka, Bangladesh, Maldives, Nepal and Malta. His other specialisations include investment banking, privatisation and real estate.

Thilan graduated with honours from the State University of New York and Cornell University, USA, with three BSc degrees in Business Administration, Industrial Engineering and Economics (the latter 2 from Cornell).

Having commenced his career as Senior Management Consultant at Price Waterhouse Coopers, Colombo, and subsequently Head of Planning at Sampath Bank, in 1992 Mr. Wijesinghe pursued entrepreneurial interests by co-founding Asia Capital PLC, which became Sri Lanka's largest investment bank in terms of market capitalisation in the 1990s. Thilan was a key initiator in successfully launching the Regent Sri Lanka Fund in 1993, the first-ever country fund dedicated to Sri Lankan equities. He served on the Board of this Dublin-listed fund for 3 years.

Having sold his investment in Asia Capital, in September 1995, Mr. Wijesinghe was appointed as Chairman & Director-General of the Board of Investment (BOI) by the former President of Sri Lanka. He became the youngest-ever and longest-serving Chairman to head

the BOI. During his tenure, net FDI reached an all-time record level of 2.8% of GDP in 1997 and he was responsible for many pioneering privatisation and PPP transactions in large-scale infrastructure covering ports, telecom, power, mini-hydro, housing/townships, hospitals and software parks. He directly oversaw financial closing of USD 800 Mn in PPP transactions between 1996 and 2000.

Mr. Wijesinghe is a co-founder (in 1998) of the Sri Lanka Institute of Information Technology (SLIIT), Sri Lanka's largest IT University with 15,000 students. He serves as a Board member for life in this non-profit university.

Returning to the private sector in 2002, Thilan was Co-CEO at Asian Hotels Properties PLC, Sri Lanka's largest listed property Company. Having facilitated the sale of this Group to John Keells Holdings, he accepted an invitation by MJF Group, makers of Dilmah Tea, to steer the Group's diversification into the leisure sector. Concurrently, he assumed the role of Group Managing Director of Forbes & Walker Ltd, Sri Lanka's largest commodity broker and subsidiary Company of MJF Group. Mr. Wijesinghe was responsible for co-founding Ceylon Tea Trails, one of Sri Lanka's most successful small luxury hotels, which has won many international accolades including TripAdvisor awards for "Best All-inclusive Hotel (World)" category for four consecutive years from 2009-12. He continues to serve on the Boards (Non-Executive) of the leisure companies of MJF Group. In 2010, Thilan functioned as Group Managing Director of Overseas Realty (Ceylon) PLC, owning Company of the Colombo World Trade Centre and Havelock City, thus having the distinction of having headed Sri Lanka's 2 largest real estate companies.

Thilan returned to his entrepreneurial roots in 2011 to pursue his passion for real estate and investment banking by setting up TWC HOLDINGS and TWC Corp (TWC), an investment banking and consultancy Company based in Sri Lanka and Singapore that also engages in real estate development management via a subsidiary. He is also Non-Executive Chairman and investor in several pioneering start-up ventures and serves on Boards of several other public and private companies. Other than the TWC HOLDINGS and TWC Corp Pvt Ltd, he holds directorships in TWC Development Management Pvt Ltd, TWC Capital Pvt Ltd, TWC Insights (Pvt) Ltd, MJF Leisure Pvt Ltd, Ceylon Tea Trails, Resplendent Ceylon Pvt Ltd, Amana Takaful PLC, Serendib Leisure PLC, Sri Lanka Institute of Information Technology Pte Ltd, Sri Lanka Institute of Nano Technology Pvt Ltd, SLINTEC Academy Pvt Ltd, Sapphirus Lanka Pvt Ltd, Sapphirus Corporation Pvt Ltd, Colombo Academy of Hospitality Management Pvt Ltd, Ventive Hospitality Ltd, Maldives Property Holdings Pvt Ltd, SS&L Beach Pvt Ltd and KUDAKURATHU ISLAND RESORT PVT LTD.

From July 2017 to December 2019, Thilan served in an honorary capacity as the founding Chairman of the National Agency for Public Private Partnership (NAPPP), an institution under the Ministry of Finance he set up from ground-up. The NAPPP overlooked around 20 PPP transactions ranging from highways, power, real estate, digitisation and transport valued at over USD 3 billion. Thilan was also entrusted with several privatisation transactions during this period. He resigned from this position in December 2019 to pursue entrepreneurial interests.

NIMISHA WELGAMA

Non-Executive Non-Independent Director

Nimisha Welgama was appointed to the Board of Mahindra Ideal Finance Limited on 19th February 2025 as a Non-Executive, Non-Independent Director. Ms. N Welgama having qualified with LLB Honors from the University of Warwick in the U.K., completed her Bar Vocational Course attached to Lincoln's Inn, UK. Subsequently, she moved to Sydney, Australia, practised as a solicitor in Australia gaining experience in many international and blue chip companies at senior level. Prior to returning to Sri Lanka, she worked at Mills Oakley (Sydney) as Senior Associate - Toxic Torts. Before that, she was at DLA Piper (Sydney) as Solicitor - Litigation and Dispute Resolution.

She is also the Director, Legal & Corporate Affairs, for Ideal Motors (Private) Limited, and worked as Advisor - Corporate Strategy and New Business Development of the Ideal Group.



PRIYANGI ANUSHKA WIJENAYAKE

Non-Executive Non-Independent Director

Anushka joined the Board as a Non-Executive Director on 19th February 2025.

She currently serves as an Education Consultant to Gateway College and is a member of the Australian Human Resources Institute. She holds directorships as Non-Executive Director at Ideal Premier (Pvt) Ltd, Prompt express Pvt Ltd, Ideal Drive Pvt Ltd, EMG Logistic Pvt Ltd, Arcasia Investment and Trading Pvt Ltd, Synnova Capital Ventures Pvt Ltd, Arvana Investments Pvt Ltd, Ideal Property Investments Pvt Ltd and Skynet WWE Pvt Ltd.

Anushka completed her secondary education in Melbourne, Australia. She graduated from Deakin University, Victoria, with a Bachelor of Science - Extended Major in Psychology & Minor in Biological Science. Thereafter, she completed a Post Graduate Diploma in Economics - specialised in Human Resource Management from La Trobe University, Melbourne, Victoria.

Anushka has work experience at ANZ Bank in Australia and in a diverse range of entities in Sri Lanka. She is passionate about community work and has provided leadership to many volunteer projects.



MUFADDAL A. CHOONIA

Managing Director & CEO

Mufaddal Choonia was appointed as the Managing Director & CEO of Mahindra Ideal Finance, Sri Lanka, in July 2024 and is responsible for running all the affairs of the Company on a day-to-day basis. A professional with over 25 years of rich experience (of which 15 years have been spent on international assignments), Mufaddal has played various critical roles throughout his career, setting up and then leading, businesses and functions in many geographies across India, Europe and the Middle East. Prior to this role, he held the position of Dy. Senior Vice President - Emerging Markets, at Mahindra Finance in India, where he was responsible for leading Mahindra Finance's entry into India-like Asian markets.

Mufaddal joined the Mahindra Group in 1999, as part of its flagship Group management trainee programme that nurtures future leaders for the Mahindra Group. He has held various key responsibilities in marketing, sales and strategy across the automotive and financial services businesses, as well as the Group strategy office of the Mahindra Group. As the first Brand Manager of the "Scorpio", he was part of the core team that developed and launched the iconic vehicle that in many ways defined the future of the Group's automotive business. He was also the first Marketing

Head of Mahindra Finance where he was responsible for launching the Company's first ever integrated marketing campaign as well as its first corporate identity programme. He was also part of the core team that in the year 2006, launched Mahindra Finance's IPO that was extremely well received in the Indian stock exchanges.

Mufaddal has also played the role of the Chief Executive Officer of Mahindra Racing SpA, Italy, where he set up Mahindra Group's performance and racing motorcycle development and manufacturing Company in Italy. He has also had a stint in the Group strategy office wherein he was closely involved in supporting various business leaders of the Mahindra Group in developing long-term business strategies and business performance improvement programmes.

Besides the Mahindra Group, Mufaddal has worked with the Emirates Bank Group in Dubai from 2007 to 2009 as Head of Marketing for their consumer finance business called Emirates Money. He was part of the leadership team that was responsible in setting up this highly successful business in the UAE.

Mufaddal has completed his Postgraduate qualification in Management from the prestigious Indian Institute of Management, Mumbai (formerly called NITIE). He also holds a Bachelor's Degree in Engineering from Mumbai University.



ROHITHA BANDUSENA

Chief Operating Officer

Mr. Rohitha Bandusena who counts over 20 years of experience in finance operations, treasury, credit and risk management, holds a BSc (Hons) (Business Administration) special degree from the University of Sri Jayawardenapura.

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

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



ROHIT AGARWALLA

Chief Financial Officer

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



PRADEEP DE SILVA

Deputy General Manager - Gold Loans

With over 38 years of experience in the finance sector, Mr. Pradeep De Silva began his career at L B Finance PLC in 1987. Following the launch of the Company's gold loan business in 1998, he was appointed to lead gold loan operations and subsequently promoted to Senior Manager. In 2008, he joined Alliance Finance as Assistant General Manager - Gold Loans, later taking on a similar role at Orient Finance Ltd. in 2016. In 2017, he brought his expertise to Mahindra Ideal Finance Limited as Assistant General Manager - Gold Loans and was promoted to Deputy General Manager - Gold Loans in October 2024.

Pradeep plays a key role in driving the growth and expansion of gold loan products. He is also responsible for identifying and assessing potential locations through feasibility studies, leading to the strategic establishment of new branches to support the Company continued expansion.



VISHMITH KARIYAWASAM

Assistant General Manager - Human Resources

Mr. Vishmith Kariyawasam has over 20 years of experience in human resource management in plantation, IT consultation, telecommunications, and financial services industries. He began his career as a Human Resource Executive in year 2004 and subsequently practiced Human Resource Management in Virtusa (Pvt) Ltd. and Dialog Axiata PLC in the capacities of Human Resources Manager and Senior Business HR Partner. He holds a BSc in Human Resources Management degree from University of Sri Jayewardenepura and Master of Business Administration from the Postgraduate Institute of Management (PIM) - University of Sri Jayewardenepura.



MANJULA BALASURIYA

Assistant General Manager - ICT

Mr. Manjula Balasuriya has more than twenty years of ICT experience of which 12+ years with the non-banking financial services industry including Siyapatha Finance PLC and Peoples Leasing PLC. He is an IT professional with a sound knowledge in banking & finance operations. Further, he has experience in IT operation management, project management, IT infrastructure solutions management and IT security administration. He is very familiar with core banking solutions within NBFi operations.

Manjula has played many key roles in system implementation, project management, product management and business solution architecture. He is designated as Assistant General Manager - Information and Communication Technology in his current role, where he is responsible for the overall ICT requirements of the Company. He is a member of the British Computer Society, BCS-the Chartered Institute for IT - UK and He is also a practitioner of ITIL.



SAMEERA KAUMUDI

Assistant General Manager - Compliance

Ms. Sameera Kaumudi counts over 18 years of experience in the fields of risk management and compliance. She is experienced in financial as well as at non-financial institutions including leading conglomerates with exposure to multiple sectors such as financial services, healthcare, leisure, FMCG, power, insurance, automobile, retail, and media. Prior to joining Mahindra Ideal Finance Limited, she served Softlogic Finance PLC as the Head of Risk Management.

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



CHATHURA GALHENA

Assistant General Manager- Internal Audit

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

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

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



SAMINDA GAMMANPILA

Assistant General Manager - Asset Finance

Mr. Saminda Gammanpila has held the position of Assistant General Manager of Asset-Backed Finance at Abans Finance PLC. He began his career in 1998 as a Banking Assistant at Seylan Bank PLC. In 2004, he joined Nations Trust Bank as a Senior Banking Assistant and was later promoted to Bank Manager of the Gampaha branch. In 2010, he transitioned to Merchant Bank, and by 2012, he was serving as Branch Manager at Vallibel Finance PLC, where he was promoted to Senior Manager - Regions in 2016. In 2020, he joined Fintrex Finance Limited as AGM of Business Development, and in 2022, he became part of Abans Finance PLC. With a total of 12 years of experience in banking and another 12 years in finance, Mr. Gammanpila brings a wealth of expertise to his role.



SONALI NIRANJALA DUNUWILLE

Company Secretary

Ms. Sonali Niranjala Dunuwille is currently the Company Secretary at MIFL. Before joining to MIFL she worked at Siyapatha Finance as the Deputy Company Secretary. She has experience working as the Company Secretary at Corporate Services (Private) Limited affiliated to F J & G De Saram Attorneys-at-Law and Company Secretary at Lyceum Global Holdings (Private) Limited, affiliated to Lyceum International School.

Sonali has acquired a Distinction in Secretarial Practice Diploma and has also qualified at the London Chamber of Commerce & Industries for Secretarialship (LCCI). She qualified as a Company Secretary from the Institute of Chartered Corporate Secretaries of Sri Lanka (ICCS - SL). She also qualified in Human Resources Management (PQHRM) at the Chartered Institute of Personnel Management (CIPM) together with an Executive Certificate in Labour Laws of Sri Lanka. Sonali has a MSC in Human Resources Management & Development from Salford University, Manchester.

She is currently reading for the Doctorate in Business Administration 2023/2026 at the Faculty of Management and Finance, University of Colombo.

CORPORATE GOVERNANCE

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

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

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

BOARD OF DIRECTORS

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

COMPOSITION AND INDEPENDENCE

The Board comprises Seven (07) members, with the balance of skills and experience appropriate for the business carried out by the Company.

The Board has determined that three (03) Non-Executive Directors, namely, Ms. Chrisanthi Jayawardena, Mr. Sujeewa Mudalige and Mr. Thilan Wijesinghe are "Independent".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. Mufaddal Choonia serves as the Managing Director & Chief Executive Officer of the Company.

TENURE, RETIREMENT AND RE-ELECTION OF DIRECTORS

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

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

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

BOARD MEETINGS

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

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

APPRAISAL OF THE BOARD PERFORMANCE

As per the Direction No 05 of 2021 Corporate Governance Direction, MIFL conducts Board performance evaluation for each Director at MIFL Board. The appraisal includes Board self-evaluation of each Director and CEO, performance evaluation of the Non-Executive Directors by Chairman, performance evaluation of Chairman by Non-Executive Directors and Chairman assessing the performance of the CEO.

A summary of the evaluations is prepared by the Company Secretary and is tabled at the Board Meeting by her.

BOARD SUBCOMMITTEES

A Board Audit committee, Integrated Risk Management committee, Remuneration committee, Nomination committee, Related-Party Transactions Review committee and an IT Steering committee function as subcommittees of the Board.

COMPLIANCE OFFICER

The Company has a Compliance Officer to ensure compliance with the regulatory and statutory requirements and the laws and regulations governing finance companies, public listed companies and business activities undertaken by the Company in general.

THE MANAGEMENT

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



ensuring the achievement of targets within defined time frames and budgets.

FINANCIAL DISCLOSURES AND TRANSPARENCY

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

BDO Partners acts as External Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the Financial Statements of the Company. The Auditors are provided with all required Information for examinations.

ETHICAL STANDARDS

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

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

STATUTORY PAYMENTS

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

COMPLIANCE WITH CENTRAL BANK REGULATIONS

As both a registered finance Company and a registered finance leasing establishment, the Company is governed by the non-bank financial institutions directions and rules issued by the Monetary Board of the Central Bank of Sri Lanka.

Accordingly, the Company is required to carry out and maintain business activities in compliance with the directions from time to time issued by the Central Bank of Sri Lanka.

ACCOUNTABILITY AND DISCLOSURE

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

OUTLOOK

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

Mr. Sujeewa Mudalige

Senior Independent Director

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

Section	Corporate Governance Principle	Compliance
1.	BOARD'S OVERALL RESPONSIBILITIES	
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of the FC's corporate strategy, setting up the governance framework, establishing a corporate culture, and ensuring compliance with regulatory requirements.	Strategic objectives and corporate values are communicated throughout the Company at Management & staff meetings in order to enhance their understanding regarding the future goals and objectives of the Company.
1.2	Business Strategy and Governance Framework	
1.2.a	Approving and overseeing the implementation of strategic objectives, including the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	Board-approved business plan for 2026-2028 and projected financial statements / budget for these years are in place. The Board measures corporate performance against predetermined goals.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	The Board-approved governance framework is in place.
1.2.c	Assessing the effectiveness of its governance framework periodically.	The governance framework is assessed periodically by the Board of Directors.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board is in the process of appointing a new Chairman. The Managing Director also acts as the CEO of the Company. The Board-approved corporate governance framework defines functions and responsibilities of the Chairman and the CEO.
1.3	Corporate Culture and Values	
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour.	A Board-approved code of conduct for employees is in place. The code of conduct translates generic values into more specific policies and guidance, which in turn influences behaviour. The code of conduct emphasises that the Company sees the value in acting with integrity.
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	This code focuses mainly on the following areas: Conflict of interest, corporate opportunities, antitrust and fair dealing, Confidential Information, outside Directorship and other activities, insider trading, families and relatives and harassment and discrimination areas.
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies	Board-approved sustainable finance policy is in place. We have already implemented sustainable initiatives such as financing electronic cars and etc., where strategies will be incorporated in the next financial step as we have taken only the initial steps this year.

Section	Corporate Governance Principle	Compliance
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, with a view to projecting a balanced view of the Company's performance, position and prospects with the public and regulators.	The Board-approved communication policy is in place which covers all stakeholders including depositors, creditors, shareholders, and borrowers.
1.4	Risk Appetite, Risk Management, and Internal Controls	
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	Board-approved RAS is in place along with the quantified risk limit which is subject to periodic review.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Risk indicators and monitoring pertaining to credit risk, liquidity risk, operational risks, and other residual risks are discussed and appropriate mitigating actions are recommended at the BIRMC meeting.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	<p>The Board Audit committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company. The internal audit team adds to the process by monitoring compliance with policies and procedures and their suitability of design and effectiveness on an ongoing basis.</p> <p>Further, the External Auditors were engaged in providing assurance on the Directors' Responsibility Statement on Internal Controls over financial reporting included in the annual report, and their opinion was submitted to the Board.</p>
1.4.d	Approving and overseeing business continuity and disaster recovery plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Board-approved comprehensive business continuity and disaster recovery plan are in place and Company ensures stability and preserve critical operations and services under unforeseen circumstances.
1.5	Board Commitment and Competency	
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	<p>The views of the Board of Directors on issues under consideration are ascertained, and a record of such deliberations are reflected in the minutes. Further, the Board is in complete control of the Company's affairs and aware of its obligations to all shareholders and other stakeholders.</p> <p>Board of Directors regularly attend for the Board and subcommittee meetings.</p>
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	Directors have recognised the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Any training programmes relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation.

Section	Corporate Governance Principle	Compliance
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. The records of such assessments are maintained by the Company Secretary. The summary of the assessments is submitted to the Board.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	Procedure manual of the Company contains a section providing the procedures on seeking independent professional advice by Directors at Company expense.
1.6	Oversight of Senior Management	
1.6.a	Identifying and designating Senior Management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management.	In line with the Central Bank of Sri Lanka (CBSL) Finance Business Act Directions No. 06 of 2021 Assessment of Fitness and Propriety of Key Responsible Persons, KRPs are defined as per the mentioned direction.
1.6.b	Defining the areas of authority and key responsibilities for the Senior Management.	Job Descriptions have been updated and reviewed by the Nomination committee.
1.6.c	Ensuring the Senior Management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	The set of skills and competencies expected by the Company is determined through the recruitment process. A candidate is evaluated and verified during the interview process. Information related to experience and qualifications is verified through their affidavit and declaration, which is submitted to the CBSL. Further, the physical documents/ confirmations are verified and obtained from the candidates during the on-boarding process.
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by Senior Management.	To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the CEO. To ensure better management, development, and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview.
1.6.e	Ensuring the FC has an appropriate succession plan for Senior Management.	Board-approved succession plan is in place.
1.6.f	Meeting regularly with the Senior Management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Key Responsible Persons are invited to the Board and the committee to explain matters relating to their areas of functions.
1.7	Adherence to the Existing Legal Framework	
1.7.a	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders.	A Board-approved governance framework and communication policies are in place. The Company operates within the governance framework and the laws and directions issued by the regulator.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board-approved code of conduct for all employees is in place and it is signed off by each employee, and the Board regularly monitors compliance with the code of conduct.

Section	Corporate Governance Principle	Compliance
1.7.c	Act with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Continuous monitoring is in place to avoid criminal liabilities through implementing a governance framework, recruiting Directors of suitable calibre and obtaining fit & propriety of members annually.
2.	GOVERNANCE FRAMEWORK	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions No. 05 of 2021.	A Board-approved governance framework is in place.
3.	COMPOSITION OF THE BOARD	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
3.2	The number of Directors on the Board shall not be less than 7 and not more than 13.	As at 31.03.2025, the Board consists of seven Directors, which is within the statutory requirement.
3.3	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	As at 31.03.2025, the Board does not consist of any Director who has exceeded nine years of service.
3.4	Non-Executive Directors, who directly or indirectly hold more than 10% of the voting rights, or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights, by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions, subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of Non-Executive Directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of Directors on the Board.	None of the Directors hold more than nine years of service on the MIFL Board.
3.5	Executive Directors	
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of Directors of the Board.	CEO is serving as the Managing Director.

Section	Corporate Governance Principle	Compliance
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an Executive Director or as Senior Management. Provided, however, existing Executive Directors with a contract of employment and functional reporting line and existing Senior Management are allowed to continue as an Executive Director/Senior Management until the retirement age of the FC and may be reappointed as a Non-Executive Director subject to provisions contained in directions 4.2 and 4.3. Existing Executive Directors without a contract of employment and functional reporting line need to step down from the position of Executive Director from the effective date of this direction and may be reappointed as Non-Executive Directors subject to provisions contained in directions 4.2 and 4.3.	No such circumstance transpired.
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	
3.5.d	All Executive Directors shall have a functional reporting line in the organisation structure of the Company.	Only the CEO has been appointed as the Managing Director and no other Director is appointed as Executive Director.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	
3.5.f	Executive Directors shall refrain from holding executive Directorships or Senior Management positions in any other entity.	No Executive Directors hold positions in any other entities.
3.6	Non-Executive Directors	
3.6.a	Non-Executive Directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct.	The Non-Executive Directors of the Company possess vast experience and skills in the relevant fields.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company.	One of the Non-Executive Directors was appointed as the Executive Director with the approval of the CBSL.
3.7	Independent Directors	
3.7.a	The number of Independent Directors of the Board shall be at least three or one-third of the total number of Directors, whichever is higher.	As at 31.03.2025, the Board comprised 3 Independent Directors.
3.7.b	Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records, and sufficient experience.	All Independent Non-Executive Directors of the Company are of the highest calibre with professional qualifications, proven track records, and sufficient experience in the given fields.

Section	Corporate Governance Principle	Compliance
3.7.c	A Non-Executive Director shall not be considered independent if such:	
3.7.c.i	Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company;	In 2024/25, no such circumstance transpired.
3.7.c.ii	Director or a relative has or had during the period of one year immediately preceding the appointment as Director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	In 2024/25, no such circumstance transpired.
3.7.c.iii	Director has been employed by the Company or its affiliates or is or has been a Director of any of its affiliates during the one year immediately preceding the appointment as Director;	In 2024/25, no such circumstance transpired.
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as Director;	In 2024/25, no such circumstance transpired.
3.7.c.v	Director has a relative, who is a Director or Senior Management of the Company or has been a Director or Senior Management of the Company during the one year, immediately preceding the appointment as Director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company;	In 2024/25, no such circumstance transpired.
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the FC;	Three Directors out of seven represents the shareholders of MIFL
3.7.c.vii	Director is an employee or a Director or has a direct or indirect shareholding of 10% or more of the stated capital in a Company or business organisation, in which any of the other Directors of the FC is employed or a Director;	In 2024/25, no such circumstance transpired.
3.7.c.viii	Director is an employee or a Director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other Directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	In 2024/25, no such circumstance transpired.



Section	Corporate Governance Principle	Compliance
3.7.d.	The Nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a Director's independence or the perception of the independence.	In 2024/25, no such circumstance transpired.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such Director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	In 2024/25, no such circumstance transpired.
3.8	Alternate Directors	There were no Alternate Director appointments.
3.9	Cooling-off periods	One of the Independent Directors was appointed after six months of cooling-off period.
3.10	Common Directorships	
3.10	Director or Senior Management of a Company shall not be nominated, elected, or appointed as a Director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	No Directors or Senior Managers held positions in other finance companies during the year.
3.11	The Board shall determine the appropriate limits for Directorships that can be held by Directors. However, a Director of a Finance Company shall not hold office as a Director or any other equivalent position (shall include alternate Directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	None of the Directors holds office as a Director of more than 20 Companies.
4.	ASSESSMENT OF FIT AND PROPER CRITERIA	
4.1	No person shall be nominated, elected, or appointed as a Director of the Company or continue as a Director of such Company unless that person is a fit and proper person to hold office as a Director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Board appoints Directors subject to the policy that is in line with the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
4.2	A person over the age of 70 years shall not serve as a Director of an FC.	None of the Directors of the Company are above the age of 70 years.

Section	Corporate Governance Principle	Compliance
4.3	Notwithstanding provisions contained in 4.2 above, a Director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a Director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following:	No such appointments occurred.
4.3.a	Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction;	In 2024/25 , no such appointments occurred.
4.3.b	Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a);	In 2024/25, no such appointments occurred.
4.3.c	The maximum number of Directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of Directors;	No such appointments occurred.
4.3.d	The Director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	No such appointments occurred.
5.	APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT	
5.1	The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Company conforms to the provisions of Finance Business Act Direction No.6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.
6.	THE CHAIR AND THE CHIEF EXECUTIVE OFFICER	
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	The roles of the Chairman and the Chief Executive officer are separated and not performed by the same individual.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented terms of reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other Directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	The Board is in the process of appointing a new Chairman. At present, the Senior Independent Director chairs the Board meetings.

Section	Corporate Governance Principle	Compliance
6.4	Responsibilities of the Chairperson	
6.4.a	Provide leadership to the Board;	Chairman’s key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled.
6.4.b	Maintain and ensure a balance of power between the Executive and Non-Executive Directors;	
6.4.c	Secure effective participation of both Executive and Non-Executive Directors;	Company Secretary compiles the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman.
6.4.d	Ensure the Board works effectively and discharges its responsibilities;	The Board-approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers.
6.4.e	Ensure all key issues are discussed by the Board in a timely manner;	
6.4.f	Implement decisions/directions of the regulator;	Annual assessment of the Directors has been done in the 2024/25 and a summary of it tabled by the Company Secretary.
6.4.g	Prepare the agenda for each Board meeting and may delegate the function of preparing the agenda and maintaining minutes in an orderly manner to the Company Secretary;	
6.4.h	Not engage in activities involving direct supervision of Senior Management or any other day-to-day operational activities;	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board;	
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	

Section	Corporate Governance Principle	Compliance
6.5	Responsibilities of the CEO	
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include:	
6.5.a	Implementing business and risk strategies in order to achieve the FCs strategic objectives;	
6.5.b	Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions;	
6.5.c	Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behaviour.	The Board-approved functions and responsibilities of the Chief Executive Officer are in place.
6.5.d	Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator;	The Chief Executive Officer functions as the apex executive in charge of the day-to-day operations of the Company and he acts as a direct liaison between the Board and Management of the Company.
6.5.e	Strengthening the regulatory and supervisory compliance framework;	
6.5.f	Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner;	
6.5.g	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a Non-Executive Director of another Company, subject to Direction 3.10.	
7.	MEETINGS OF THE BOARD	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Board has met 12 times during the year 2024/25. There were instances where the Board's consent has been obtained through the circulation of written resolutions/papers during the year 2024/25.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all Directors of the Board are to be represented in the agenda for scheduled Board meetings.	Agenda is circulated, among the Board members by electronic mail prior to the meeting, which enables Directors to communicate any matters which they wish to be discussed at the meeting to be included in the agenda. Procedure manual of the Company includes the procedure on enabling all Directors to include matters and proposals in the agenda.
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, reasonable notice shall be given.	As a practice, Directors are given a notice of at least seven days for regular Board meetings and also the next Board meeting is finalised at the end of the previous meeting.
7.4	A Director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes.

Section	Corporate Governance Principle	Compliance
7.5	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of Directors that constitute the quorum at such meeting are Independent Directors.	In 2024/25, no such incidents occurred.
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	There have been two meetings during the 2024/25 financial year with the presence of the Senior Independent Director and with the Non-Executive Directors.
7.7	A Director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern in which he has a substantial interest is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Articles of Association give evidence on the procedure for "Restrictions on Voting" by Board of Directors when they have a substantial interest on any matter and not to be counted in the quorum. No such transaction has taken place during the year.
7.8	A Director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a Director. Provided that participation at the Directors' meetings through an Alternate Director shall be acceptable as attendance.	The Board of Directors has fully complied with the requirement and each Director of the Board is well-informed and acquainted with their attendance. Further, the Company Secretary monitors attendance. During the year 2024/25, none of the Directors has been absent for three consecutive meetings. Details of the Director's attendance are set out on page 91 of the Annual Report
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings	
	For the scheduled meetings, participation in-person is encouraged and for ad hoc meetings where the Director cannot attend on short notice, participation through electronic means is acceptable.	Please refer Directors' attendance and committee attendance in the subcommittee reports of the Annual Report. Further, participation in-person or through electronic media is clearly recorded in the minutes.
8.	COMPANY SECRETARY	
8.1.a.	The Board shall appoint a Company Secretary considered to be Senior Management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	The Company appointed a Company Secretary who is a permanent employee at MIFL. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures, and other applicable rules and regulations are followed.
8.1.b.	The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a Secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	The Company appointed a Company Secretary who is an employee at MIFL.

Section	Corporate Governance Principle	Compliance
8.2	All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	A Board-approved procedure is in place to enable all Directors to have access to the advice and services of the Company Secretary and to ensure all Board procedures, applicable laws, rules, directions, and regulations are followed.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Agenda and previous month's Board minutes are prepared by the Company Secretary.
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes.
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Minutes of the Board meetings with all submissions to the Board are maintained from the inception.
8.6	<p>Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following:</p> <p>(a) a summary of data and information used by the Board in its deliberations;</p> <p>(b) the matters considered by the Board;</p> <p>(c) fact-finding discussions and the issues of contention or dissent including contribution of each individual Director;</p> <p>(d) the explanations and confirmations of relevant parties which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions;</p> <p>(e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted;</p> <p>(f) the decisions and Board resolutions.</p>	Minutes of the Board meetings are recorded in sufficient detail.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Board meeting minutes are open for inspection at any reasonable time or notice by any Director.
9. DELEGATION OF FUNCTIONS BY THE BOARD		
9.1	The Board shall approve a DA and give clear directions to the Senior Management as to the matters that shall be approved by the Board before decisions are made by Senior Management, on behalf of the FC.	Board-approved DA procedure is in place.

Section	Corporate Governance Principle	Compliance
9.2	In the absence of any of the subcommittees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Board subcommittees are in operation.
9.3	The Board may establish appropriate Senior Management-level subcommittees with appropriate DA to assist in Board decisions.	Asset and Liability committee and Credit committee are in operation.
9.4	The Board shall not delegate any matters to a Board Subcommittee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board is empowered by the Articles of Association to delegate its powers to a committee of Directors or to a Director or employee upon such terms and conditions and with such restrictions as the Board may think fit.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	The delegation process is periodically reviewed to ensure it fulfills the demands of the Company.
10.	BOARD SUBCOMMITTEES	
	Board subcommittees	
	FCs with asset base of less than Rs. 20 Bn:	
	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), and Related-Party Transactions Review committee.	In terms of the FBAD No.05 of 2021, the Company has in operation a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Nomination Committee (BNC), Board Human Resource and Remuneration Committee (BHRRC), and Board Related-Party Transactions Review Committee (BRPTRC).
	Meetings - Meetings shall be held at least quarterly for BAC and BIRMC. Other committees shall meet at least annually.	There were 4 BAC meetings and 4 BIRMC meetings held during the year 2024/25, which comply with the requirements. Please refer board subcommittee attendance summary in page 91
10.1.b	Each Board subcommittee shall have a written terms of reference specifying clearly its authority and duties.	Written term of references clearly specifying the authority and duties are in place for each subcommittee.
10.1.c	The Board shall present a report on the performance of duties and functions of each Board subcommittee, at the Annual General Meeting of the Company.	Performance, duties, and functions of all subcommittees are disclosed on pages 92 to 100 of the Annual Report.
10.1.d	Each subcommittee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretary is the Secretary to the Board Nomination committee and Board Remuneration committee. The AGM internal Auditor is the secretary to the BAC and the Risk Manager is the secretary to the IRMC
10.1.e	Each Board subcommittee shall consist of at least three Board members and shall only consist of members of the Board who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	Members of all Board subcommittees consist of Board members and the performance, duties, and functions of all subcommittees are disclosed on pages 92 to 100 of the Annual Report.

Section	Corporate Governance Principle	Compliance
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board subcommittee to avoid undue concentration of power and promote new perspectives.	Latest rotation happened on 29.11.2024.
10.2	Board Audit Committee (BAC)	
	The following shall apply in relation to the Board Audit committee;	
10.2.a	The Chairperson of the committee shall be an Independent Director who possesses qualifications and experience in accountancy and/or audit.	Chairman of the Audit committee is an Independent Non-Executive Director and possesses qualifications and related experience.
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	All members of the Board Audit committee are Non- Executive Directors. All of them have expertise and knowledge in the fields of banking, finance, leasing, information technology, etc.
10.2.c	The secretary to the Board Audit committee shall preferably be the Chief Internal Auditor (CIA)	AGM Internal Auditor is the secretary to the BAC.
10.2.d	External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the Auditor.	The Auditor's appointment, service periods, and fees are determined and recommended by the BAC at the end of each financial year.
	ii. Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for more than ten years, consecutively.	Company appointed BOD Partners as Auditors from 2024/25 after completing the 10 years of service from Ernst and Young.
	iii. The audit partner of an FC shall not be a substantial shareholder, Director, Senior Management or employee of any FC.	Audit partner was not a substantial shareholder, Director, Senior Management or employee of any FC.
	iv. The committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	External Auditor is independent since they directly report to the Board Audit committee and their report on the Financial Statements of the Company for the year 2024/25 indicates that the audit is carried out in accordance with SLAuS. Further, the Auditors have declared that their independence has not been impaired.

Section	Corporate Governance Principle	Compliance
10.2.d	<p>v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the External Auditor's independence or objectivity.</p> <p>vi. The BAC shall, before the Audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with directions issued under the Act and the Management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between Auditors where more than one Auditor is involved.</p> <p>vii. The BAC shall review the financial information of the Company, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgements contained therein.</p> <p>In reviewing the Company's Annual Report and Accounts and Periodical Reports before submission to the Board, the committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.</p> <p>viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss including those matters that may need to be discussed in the absence of Senior Management, if necessary.</p> <p>ix. The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such, and report to the Board.</p>	<p>Board-approved the procedure on engagement of an External Auditor to provide non-audit services.</p> <p>Committee has developed a mechanism to meet the External Auditors before commencing the audit to inquire about the nature and scope of the audit, in accordance with SLAS.</p> <p>Committee has a process to review the financial information of the Company.</p> <p>The Board Audit committee discusses issues, problems, and reservations arising from the interim and final audits with the External Auditors. The committee has held two meetings with the External Auditors, without the Executive Management being present, to discuss any matters the Auditor may wish to discuss related to 2024/25 year.</p> <p>The committee has reviewed the External Auditor's Management letter and Management responses thereto, relating to the audit for the year ended 2023/24</p>

Section	Corporate Governance Principle	Compliance
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Presently the effectiveness of the Company's internal control mechanism has been certified by the Directors on page 114 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting" where the Company will adhere to the said criteria effective from the next financial year.
10.2.f	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by Auditors and supervisory bodies with respect to the internal audit function of the Company.	BAC monitors this through regular reporting from the Internal Auditors.
10.2.g	Internal Audit function:	
	i. The committee shall establish an Independent internal audit function, either in-house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended, that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes.	Company established an in-house Internal Audit Department effective from December 2023.
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively.	There is a Board-approved internal audit charter that defines the purpose, authority and responsibility of the Internal Auditor. The said mandate establishes the independence of the department too. The Board Audit committee has reviewed and approved the annual internal audit programme. Internal audit reports, with the Management comments, have been discussed at length, and action is taken to rectify the same.
	iii. The BAC shall take the following steps with regard to the internal audit function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work;	Scope of the audit has been included in their audit reports. Internal audit reports have been submitted to the Audit committee for their review.
	(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit ;	The Board Audit committee has reviewed and approved the annual internal audit programme. Internal audit reports, with the Management comments, have been discussed at length, and action is taken to rectify the same.
	(iii) Assess the performance of the head and senior staff members of the Internal Audit Department;	The performance of the CIA has been assessed by the BAC.
	(iv) Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency, and due professional care;	CIA is independent and he directly reports to Board Audit committee.

Section	Corporate Governance Principle	Compliance
10.2.g	(v) Ensure the internal audit function carries out a periodic review of the compliance function and regulatory reporting to regulatory bodies;	Compliance audit is included in the internal audit plan.
	(vi) Examine the major findings of internal investigations and Management's responses thereto.	There is regular reporting to the BAC on the status of investigations.
10.2.h	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time-bound action plan quarterly.	BOD reviews the status of the pending action points of the statutory examination report of the CBSL on every quarter and presents to the Board every month to ensure necessary actions are taken.
10.2.i	Meetings of the Committee	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	BAC has met four times for the financial year and meeting minutes are in place.
	ii. Other Board members, Senior Management, or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Members of the Board Audit committee, CFO, CEO, COO, CIA attend the meetings by invitation.
	iii. BAC shall meet at least twice a year with the External Auditors without any other Directors / Senior Management / employees being present.	Two meetings were held with the External Auditors without any other Directors / Senior Management being present.
10.3	Board Integrated Risk Management Committee (BIRMC)	
	The following shall apply in relation to the BIRMC:	
10.3.a.	The committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The committee consisted of three Non-Executive Directors and the committee is chaired by an Independent Director. The Chief Executive Officer may attend the meetings upon invitation.
		The committee closely works with Key Responsible Personnel and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.
10.3.b	The secretary to the committee may preferably be the CRO.	The Risk Manager acts as the secretary of the IRMC.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company at least once on a two-monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The committee has an appropriate process to assess the impact of all risks quarterly through identified risk indicators and management information.

Section	Corporate Governance Principle	Compliance
10.3.d	<p>Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite, linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.;</p>	<p>Board-approved risk appetite mechanism is in place along with the quantified risk limits</p>
10.3.e.	<p>The BIRMC shall review the Company's risk policies including RAS, at least annually;</p>	<p>All policies including the risk policies are reviewed by BIRMC on an annual basis.</p>
10.3.f	<p>The BIRMC shall review the adequacy and effectiveness of Senior Management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.</p>	<p>In fulfilling its responsibilities, the committee reviewed the adequacy and effectiveness of Management committees to manage risks. BIRMC assessed the adequacy and effectiveness of the Assets & Liabilities Committee (ALCO) to address specific risks.</p>
10.3.g	<p>The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.</p>	<p>Any event which impacts the business continuity is discussed in the meeting. Disaster recovery is an important part of Company's IT policy.</p>
10.3.h	<p>BIRMC shall annually assess the performance of the Compliance Officer and the CRO.</p>	<p>BIRMC assessed the performance of the Compliance Officer in 2024/25. The Risk Manager was appointed on October 2024. Therefore, his performance will be assessed in 2025/26</p>
10.3.i	<p>Compliance Function</p>	
10.3.ii	<p>BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.</p>	<p>The BIRMC has established an independent compliance function.</p>

Section	Corporate Governance Principle	Compliance
10.3.i.ii	For a Company with an asset base of more than LKR 20 Bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The Compliance Officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the Chief Operating Officer, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer or any other Senior Management shall not serve as the Compliance Officer.	<p>Although the Company is below LKR 20 Bn asset base, BIRMC has appointed a dedicated Compliance Officer by the Board with the approval of CBSL.</p> <p>As per the job description, Compliance Officer does not involve in any of these activities mentioned in the direction.</p>
10.3.i.iii	For FCs with an asset base of less than LKR 20 Bn, an officer with adequate seniority considered to be Senior Management shall be appointed as a Compliance Officer, avoiding any conflict of interest.	Although the Company is below the LKR 20 Bn asset base BIRMC has appointed a dedicated Compliance Officer.
10.3.i.iv	The Responsibilities of a Compliance Officer Would Broadly Encompass the Following	
	i) Develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements;	Board-approved policies and procedures are in place and available on the intranet which is accessible to all employees of the Company.
	ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	IRMC-approved compliance policy is in place and has been communicated. Specific trainings are given to employees such as such as on the anti-money laundering policy, etc.
	(iii) Ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.
	(iv) Understand and apply all new legal and regulatory developments relevant to the business of FC;	The Company implements all new legal and regulatory developments that are applicable to its business.
	v) Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards;	All regulatory compliances are ensured before launch of any new product.
	vi) Highlight serious or persistent compliance problems and where appropriate, work with the Management to ensure that they are rectified within an acceptable time-frame; and	Compliance testing is carried out periodically and action is taken to rectify if deviations are noted. Currently, this is tested by the Compliance department and reported periodically. To enhance this process, we have developed a compliance testing plan where we have given responsibility for the relevant departments to comply and to confirm the testing in each quarter.
	vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity.	With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications.

Section	Corporate Governance Principle	Compliance
10.3.j	Risk Management Function	
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	A dedicated Risk Manager is assigned to carry out the risk function.
10.3.j.ii	For FCs with an asset base of more than LKR 20 Bn, it is expected to have a separate risk management department and a dedicated CRO, considered to be Senior Management, shall carry out the risk management function and report to the BIRMC periodically.	This is not required as we are a Company with an asset base less than LKR 20 Bn.
10.3.j.iii	The CRO has the primary responsibility for implementing the Board-approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Board-approved RAS is in place.
10.3.j.iv	<p>The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board-approved integrated risk management framework that covers: various potential risks and frauds; possible sources of such risks and frauds; mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing.</p> <p>Effective measures to control and mitigate risks at prudent levels; and</p> <p>Relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.</p>	The Company has established risk management policy covering various types of risks, their identification and mitigation plan. The policy is reviewed in periodical basis.
10.3.j.v	The Chief Risk Officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc, and make recommendations on risk management.	The Manager Risk Management overlooks the risk management function. However, the risk management/mitigation strategies are considered in making decisions.
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	The Risk Manager maintains a risk register and he submits it to the BIRMC on a quarterly basis.
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting, seeking the Board's views, concurrence and/or specific directions.	This has been adopted from 2024/25 financial year.

Section	Corporate Governance Principle	Compliance
10.4	NOMINATION COMMITTEE	
	The following shall apply in relation to the Nomination committee:	
10.4.a.	The committee shall be constituted of Non-Executive Directors and preferably the majority may be Independent Directors. An Independent Director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The Company is in process of reconstituting the committee in June 2025.
10.4.b	Secretary to the Nomination committee may preferably be the Company Secretary.	Secretary to the committee is the Company Secretary.
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new Directors and Senior Management. Senior Management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer.	KRP appointments are subject to the respective committee approvals.
10.4.d	The committee shall ensure that Directors and Senior Management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons).	The committee ensures that this has been complied with the terms of FBA (Assessment of Fitness and Propriety of Key Responsible Persons) and with the committee recommendation for the Board approval.
10.4.e	The selection process shall include reviewing whether the proposed Directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is carried out to confirm with the stated section.
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC, as a whole.	The composition of the Board is not in any manner dominated by an individual or a small group of individuals.
10.4.g	The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and Senior Management.	The committee considers and recommends to the Board the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and Senior Management.
10.4.h	Upon the appointment of a new Director to the Board, the committee shall assign the responsibility to the Company Secretary to disclose to shareholders: (i) a brief resume of the Director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the Director holds Directorships or memberships in Board committees; and (iv) whether such Director can be considered as independent.	The Company Secretary has disclosed the appointment of new Directors with the said information to the shareholders.

Section	Corporate Governance Principle	Compliance
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the Director concerned towards the discharge of the Board's overall responsibilities.	Company Secretary follows said criteria's.
10.4.j	The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Senior Management.	Board-approved succession plan is in place.
10.4.k	A member of the Nomination committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the committee when it is dealing with the appointment of the successor.	Members of the Board Nomination committee are not involved in the decision-making process for their own appointment or re-appointment.
10.5	Human Resources and Remuneration Committee	
	The following shall apply in relation to the Human Resources and Remuneration committee:	
10.5.a	The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.	The committee comprises of three Directors and two of the Directors are Non-Executive Directors.
10.5.b	The secretary to the Human Resource and Remuneration committee may preferably be the Company Secretary.	The Company Secretary functions as the secretary to the committee.
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and Senior Management of the FC and fees and allowances structure for Non-Executive Directors.	Presently the remuneration and benefits of the Senior Management are decided by the BRC.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	The existing remuneration mechanism focuses on achieving transparent, fair and equitable benefits.
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	The remuneration and benefits are reviewed annually and recommended by the committee and approved by the Board.
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take an excessive risk or to act in self-interest.	The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It also includes measures to prevent conflicts of interest.

Section	Corporate Governance Principle	Compliance
10.5.g	The committee shall review the performance of the Senior Management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	The performance of the Senior Management has been reviewed by the BRC. Financial benefits have been decided based on their performance. The Compliance Officer and Chief Internal Auditor's performance is directed to the relevant subcommittees.
10.5.h	The committee shall ensure that the Senior Management shall abstain from attending committee meetings when matters relating to them are being discussed.	The committee adheres to the stated section.
11 INTERNAL CONTROLS		
11.1	FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	
11.2	A proper internal control system shall: promote effective and efficient operations; provide reliable financial information; safeguard assets; minimise the operating risk of losses from irregularities, fraud, and errors; ensure effective risk management systems; and ensure compliance with relevant laws, regulations, directions, and internal policies.	This is ensured through: ▶ Board-approved policies and procedures ▶ TORs for subcommittees ▶ Approved organisational structure ▶ Job descriptions ▶ Regular reviews of internal controls by the IAD
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12. RELATED PARTY TRANSACTIONS		
12.1	Board shall establish a policy and procedures for related-party transactions, which covers the following;	A board approved RPT policy is in place.
12.1.a	All FCs shall establish a Related-Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	The Board has established a Board Related-Party Transactions Review committee, in conformity with the Direction.
12.1.b	All related-party transactions shall be prior reviewed and recommended by the RPTRC.	Related-party transactions are subject to prior approval.

Section	Corporate Governance Principle	Compliance
12.1.c	<p>The business transactions with a related party that is covered in this Direction shall be the following:</p> <p>Granting accommodation;</p> <p>Creating liabilities to the FC in the form of deposits, borrowings and any other payable;</p> <p>Providing financial or non-financial services to the FC or obtaining those services from the FC;</p> <p>Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.</p>	<p>The policy which speaks on types of related-party transactions for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties is in place.</p> <p>All related-party transactions have been disclosed in the Financial Statements.</p>
12.2	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises;</p> <p>Directors and Senior Management.</p> <p>Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC;</p> <p>Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa;</p> <p>Directors and Senior Management of legal persons in paragraph (b) or (c);</p> <p>Relatives of a natural person described in paragraph (a), (b) or (d);</p> <p>Any concern in which any of the FC’s Directors, Senior Management or a relative of any of the FC’s Director or Senior Management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.</p>	<p>The Board is well aware of the requirement of identification of related-party transactions and a Board-approved Related party transaction guide is in place which discusses categories of related parties, and aids the Company in avoiding any conflicts of interest that may arise from any transaction of the Company.</p>

Section	Corporate Governance Principle	Compliance
12.3	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favourable treatment” than that which is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favourable treatment” shall mean:</p> <p>Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FC’s regulatory capital, as determined by the committee;</p> <p>Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counter-party;</p> <p>Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties;</p> <p>Providing or obtaining services to or from a related party without a proper evaluation procedure;</p> <p>Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.</p>	<p>There is a documented process approved by the Board which clearly defines related-party transactions and ensures that the Company does not engage in such transactions in a manner that would grant such related parties “more favourable treatment” than what is accorded to other constituents of the Company carrying out similar transactions with the Company.</p>
13.	GROUP GOVERNANCE	
13.1	Responsibilities of the FC as a Holding Company.	The Company is a fully owned subsidiary of Mahindra and Mahindra Financial Services Limited India. The Company does not have subsidiaries or associates.
13.2	Responsibilities as a Subsidiary	
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The Company is a fully owned subsidiary of Mahindra and Mahindra Financial Services Limited. The Company fulfills its own legal and governing obligations.
14.	CORPORATE CULTURE	
	A FC shall adopt a code of conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	The Company has an internally developed code of conduct for all employees including Corporate and Senior Management. This code focuses mainly on the following areas: Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline, etc.

Section	Corporate Governance Principle	Compliance
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company maintains records of breaches of the code of conduct. If any breach of the code of conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.
14.3	A FC shall establish a whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	A Board-approved whistleblowing policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the code of ethics of the Company .
15. CONFLICTS OF INTEREST		
15.1.a	Relationships between the Directors shall not result in undue influence or coercion. A Director shall abstain from voting on any Board resolution in relation to a matter in which such Director or any of the relatives or a concern in which such Director has a substantial interest, is interested, and such Director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Board is well aware of the requirement of identification of related-party transactions and a Board-approved related-party transaction policy is in place which speaks on categories of related parties, and aids the Company in avoiding any conflicts of interest that may arise from any transaction of the Company.
15.1.b	<p>The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall:</p> <p>Identify circumstances that constitute or may give rise to conflicts of interests;</p> <p>Express the responsibility of Directors and Senior Management to avoid, to the extent possible, activities that could create conflicts of interest;</p> <p>Define the process for Directors and Senior Management to keep the Board informed of any change in circumstances that may give rise to a conflict of interest;</p> <p>Implement a rigorous review and approval process for Directors and Senior Management to follow before they engage in certain activities that could create conflicts of interest.</p> <p>Identify those responsible for maintaining updated records on conflicts of interest with related parties; and</p> <p>Articulate how any non-compliance with the policy is to be addressed.</p>	<p>A Board-approved policy on related-party transactions is in place.</p> <p>Board-approved conflict of interest policy is in place which lines with the said criteria.</p>

Section	Corporate Governance Principle	Compliance
16.	DISCLOSURES	
16.1	<p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC:</p> <p>i. Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include:</p> <p>A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures;</p> <p>A statement of responsibility of the Board in preparation and presentation of financial statements.</p> <p>ii. Chairperson, CEO and Board-Related Disclosures</p> <p>Name, qualification and a brief profile.</p> <p>Whether executive, Non-Executive and/or Independent Director.</p> <p>Details of the Director who is serving as the Senior Director, if any;</p> <p>The nature of expertise in relevant functional areas;</p> <p>Relatives and/or any business transaction relationships with other Directors of the Company.</p> <p>Names of other companies in which the Director/ CEO concerned serves as a Director and whether in an executive or non-executive capacity;</p> <p>Number/percentage of Board meetings of the FC attended during the year; and</p> <p>Names of Board committees in which the Director serves as the Chairperson or a member.</p> <p>iii. Appraisal of Board Performance</p> <p>An overview of how the performance evaluations of the Board and its committees have been conducted.</p>	<p>Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.</p> <p>Further, such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on page 111 of the Annual Report.</p> <p>Details of the Directors including names and transactions with the Finance Company are given on pages 50 to 55 of the Annual Report.</p> <p>A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. The summary of the self- assessment is submitted to the Board enabling Directors to discuss relevant matters if any.</p>

Section	Corporate Governance Principle	Compliance
	<p>iv. Remuneration</p> <p>A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of Senior Management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)</p> <p>The aggregate values of remuneration paid by the FC to its Directors and Senior Management.</p>	<p>Performance-driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the strategic annual plan and the budget.</p> <p>All employee's annual promotions, increments, bonus are directly related to the employee's performance, contribution, commitment, professional conduct and behaviour.</p> <p>The remuneration structure of the staff and Senior Management shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest, in particular, incentives embedded within the remuneration structures that do not incentivise employees to take excessive risk or act in self-interest</p> <p>Aggregate values of remuneration paid for:</p> <p>Senior Management Remuneration - Rs 103,619,996</p> <p>Directors' fees are given in Note 9 of the Financial Statement.</p>
	<p>v. Related-Party Transactions</p> <p>The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.</p> <p>Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.</p> <p>The aggregate values of the transactions of the FC with its Senior Management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.</p>	<p>Total of net accommodation granted in respect of each category of related parties:</p> <p>Net accommodation for Directors - Nil</p> <p>Net accommodation for Senior Management - Nil</p> <p>The aggregate values of the deposits outstanding as at 31st March 2025 with Senior Management is Rs 1,523,868.15</p>
	<p>vi. Board-appointed committees</p> <p>The details of the chairperson and members of the board committees and attendance at such meetings.</p>	<p>Please refer "Directors' attendance and committee Memberships" in the relevant subcommittee reports of the Annual Report.</p>
	<p>vii. Group Structure</p> <p>The Group structure of the FC within which it operates:</p> <p>The group governance framework</p>	<p>The Company is a fully owned subsidiary of Mahindra and Mahindra Financial Services Limited , India . The Company fulfills its own legal and governing obligations.</p>

Section	Corporate Governance Principle	Compliance
	<p>viii. Director's Report - A report, which shall contain the following declarations by the Board:</p> <p>The FC has not engaged in any activity which contravenes laws and regulations;</p> <p>The Directors have declared all related-party transactions with the FC and abstained from voting on matters in which they were materially interested;</p> <p>The FC has made all endeavours to ensure fair treatment for all stakeholders, in particular the depositors;</p> <p>The business is a going concern with supporting assumptions; and</p> <p>The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.</p>	<p>The points are covered in page no 111 and in page 114 covers the Board has conducted a review of Internal controls</p>
	<p>ix. Statement of Internal Control</p> <p>A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements;</p> <p>The External Auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published;</p> <p>A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances;</p> <p>A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.</p>	<p>Given on page 114 of the Annual Report.</p>
	<p>x. Corporate Governance Report</p> <p>Shall disclose the manner and extent to which the Company has complied with Corporate Governance Direction and the External Auditor's assurance statement of the compliance with the Corporate Governance Direction.</p>	<p>The Corporate Governance Report is set out on page 60 of the Annual Report of the Company.</p> <p>The Company has obtained an independent assurance report from the External Auditors regarding compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.</p>

Section	Corporate Governance Principle	Compliance
	xi. Code of Conduct FC's code of business conduct and ethics for Directors, Senior Management and employees. The Chairperson shall certify that the Company has no violations of any of the provisions of this code.	A Board-approved code of conduct is in place. Please refer the Annual Report of the Directors on the State of Affairs of the Company on page 111 that the Company has no violations of any of the provisions of this code.
	xii. Management Report Industry structure and developments; Opportunities and threats; Risks and concerns; Sustainable finance activities carried out by the Company; Prospects for the future.	Please refer CEO's message on page 12
	xiii. Communication with Shareholders The policy and methodology for communication with shareholders; The contact person for such communication.	The Board-approved communication policy is in place which covers all stakeholders including depositors, creditors, shareholders, and borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary shall communicate with the shareholders through the Annual report and by notices issued to the shareholders.

BOD ATTENDANCE FOR BOARD MEETINGS AND BOARD SUB COMMITTEES

Full Name of Director	Designation	Board Meeting	Board Audit committee	Board Integrated Risk Management committee	Board Remuneration committee	Board Related-Party Transactions committee
Mr. Nalin Jayaraj Welgama **	Non-Independent Non-Executive Director	6/7	-	-	1/4	-
Mr. Pinnaduwaage Aravinda De Silva **	Non-Independent Non-Executive Director	5/7	-	1/4	1/4	-
Mr. Vivek Anant Karve	Non-Independent Non-Executive Director	5/7	1/4	2/4	-	-
Mr. D.T.S.H. Mudalige	Senior Independent Non-Executive Director	11/12	4/4 (Chairman)	4/4 (Chairman)	4/4	1/1 (Chairman)
Ms. Chrishanthi L.Jayawardena	Independent Non-Executive Director	12/12	3/4	2/4	-	1/1
Mr. Mufaddal Abbas Choonia	Managing Director / CEO	12/12	-	-	4/4	-
Mr. Wijesinghe Arachchige Thilan Manjith Wijesinghe *	Independent Non-Executive Director	5/5	1/4	2/4 (Chairman)	3/4 (Chairman)	1/1
Ms. Nimisha Welgama	Non-Independent Non-Executive Director	2/2	-	-	-	-
Ms. Priyangi Anushka Wijenayake *	Non-Independent Non-Executive Director	1/2	-	-	-	-
Mr. Raul Ignatius Rebello	Non-Executive Director	8/12	-	-	-	-

** Mr. Welgama and Mr. De Silva ceased to be Directors from 08.11.2024

* Mr. Wijesinghe was appointed to the board on 29.10.2024 and Ms. Welgama and Ms. Wijenayake were appointed on 19.02.2025

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

COMPOSITION

The committee's composition during the period ended 31 March 2025 is as follows:

Mr. D. T. Sujeewa H. Mudalige

(Chairman)

Senior Independent Non-Executive Director

Mr. Thilan Wijesinghe

Independent Non-Executive Director

Ms. Chrishanthi L. Jayawardena

Independent Non-Executive Director

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

Brief profiles of the members are given on pages 50 to 55 of the Annual Report.

MEETINGS

During the year 2024/25, the committee convened four (04) meetings and two (02) meetings were held with the External Auditors during the year, without any other Directors, Senior Management and employees being present. The details of attendance of the committee members at these meetings are given in the table

on page 91 of the Annual Report. The other members of the Board, MD/CEO, the Management members and representative from the external audit may also attend meetings upon the invitation of the committee.

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

THE TERMS OF REFERENCE

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

FUNCTIONS OF THE COMMITTEE

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

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

REGULATORY COMPLIANCE

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

ROLES AND RESPONSIBILITIES

The committee is responsible for:

- Reviewing the integrity of Interim Financial Statements and the Annual Financial Statements prepared for disclosure, prior to submission to the Board of Directors;
- Ensuring adherence to applicable accounting standards, statutory and regulatory compliance requirements and best practices;
- Overseeing the appointment of the External Auditor for audit services in compliance with the relevant statutes; approval of the audit fee, service period and any matters relating to the resignation or dismissal of Auditors;
- Ensuring that the internal audit function is independent of the activities it audits and it is performed with impartiality, proficiency and due professional care;
- Reviewing the internal audit programme, commenting on the audit findings, recommending appropriate action, ensuring coordination between the Internal and External Auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company;
- Ensuring that the committee is apprised of the resignation of senior staff members of the Internal Audit Department including the Head of Internal Audit and any outsourced service providers, and providing an opportunity for the resigning senior staff members and outsourced service



providers to submit reasons for resigning;

- g) Reviewing the Company's statement on internal control systems before endorsement by the Board, and ensuring the adequacy and effectiveness of the internal control systems in the Company.

**SUMMARY OF ACTIVITIES
FINANCIAL REPORTING**

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

EXTERNAL AUDIT

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

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

The committee discussed the audit plan, approach and scope of the audit before commencing the audit. The committee reviewed the audited Financial Statements with the External Auditor, who is responsible for expressing an opinion

on whether the Company's financial statements give a true and fair view of the financial position, financial performance and cash flows of the Company. The committee also reviewed the Management Letter issued by the External Auditor with the Management responses.

In accordance with the Company's policy on engagement of External Auditors and the Finance Business Act Direction no 05 of 2021-Corporate Governance, the Company is mandated not to engage the services of the same External Auditor for more than ten (10) consecutive years. Consequently, Messrs. BDO Partners-Chartered Accountants were appointed as the External Auditor for the Financial Year ended 31 March 2025. This appointment was approved by the Board of Directors and approved by the shareholders at the 12th Annual General Meeting.

INTERNAL AUDIT

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

The committee also reviewed and approved the revised audit score card and ensured that other required policies and procedures are in place.

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

The committee reviewed the internal audit programme, significant audit findings, and Management action plans for the audit recommendations. They also evaluated the effectiveness of the management action plan in terms of timely implementation

and addressing repetitive audit issues. The committee also reviewed the resource requirement of the Internal Audit Department and evaluated the performance of the Head of Internal Audit.

EVALUATION OF THE COMMITTEE

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

REPORTING TO THE BOARD

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

PROFESSIONAL ADVICE

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

DECLARATION

The committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance

On behalf of the Board Audit committee

Sujeewa Mudalige
(Chairman)

Board Audit committee

18 April 2025.

Report of the Human Resources & Remuneration Committee

The Board Human Resources and Remuneration committee (the committee) was established by the Board of Directors of Mahindra Ideal Finance Limited (the Company) to oversee the development and implementation of a fair and transparent remuneration policy. This policy aligns with the Company's human capital management strategy, ensuring the ability to attract new talent, nurture and retain skilled employees, and promote their overall well-being.

The composition of the Remuneration & Human Resources committee is appropriate, with the right mix of knowledge and skills to maximise performance in the light of the committee's responsibilities, wherein the following is the composition of the Directors.

Mr. W. A. Thilan M. Wijesinghe
(Chairman)
Independent Non-Executive Director

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

Mr. Muffadal A. Choonia
Managing Director & CEO

MEETINGS TO DETERMINE INCREMENTS AND BONUS FOR THE YEAR

During the meetings in order to make recommendations to pay performance-based bonus for December 2024 and April 2025 in collaboration with Mahindra Finance India, the Company updated the performance rating scale. The previous categories of A+, A, B+, B, and C have been replaced with Expectation Surpassed, Superior +, Superior, Good, and Must Improve. This change is aimed at fostering a more performance-driven culture, encouraging employees to push themselves and strive towards realising the full potential as an organisation in the upcoming months.

The highlighted fact was that the strategy adopted by the Company was to offer defined increments over high bonuses to ensure stability and motivation towards the staff. The Managing Director / CEO emphasised the importance of linking performance to increments and the one-time salary corrections made for market competitiveness, which would balance off the turnover of attendance and attrition rates.

THE TERMS OF REFERENCE

The committee operates within the Board-approved terms of reference which contain the role and functions of the committee under relevant regulated statutes.

DUTIES AND RESPONSIBILITIES

- ▶ Determine the remuneration policy (salaries, allowances and other financial payments) relating to Executive Directors, CEO and other Key Responsible Officers by adopting a formal and transparent procedure. This policy needs to be recommended by the committee to the BOD for approval. This policy shall be subject to periodic review of the BOD, including when material changes are made.
- ▶ Provide recommendations and decisions (as relevant) on remuneration and all incentive awards including any equity incentive awards and terminal benefits for Executive Directors, CEO and other Key Responsible Officers. Committee shall ensure that the remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of MIFL. It shall also incorporate measures to prevent conflicts of interest.
- ▶ Evaluate the performance of the CEO, Management development plans and succession planning at least annually.

- ▶ Evaluate the performance of the Key Responsible Officers (excluding Chief Internal Auditor, Compliance Officer, and Chief Risk Officer), Management development plans and succession planning at least annually.
- ▶ Evaluate strategic human resources policies.
- ▶ Effective communication with the shareholders on the remuneration policy and committee's work on behalf of the Board through a remuneration committee report.

THE PRIMARY FUNCTIONS OF THE COMMITTEE

The committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Executive Directors and Senior Management of the Company and fees and allowances structure for Non-Executive Directors. Adopting a formal and transparent procedure in developing the remuneration policy. The remuneration structure to be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company. Also incorporate measures to prevent conflicts of interest. In particular, incentives embedded with remuneration structures and not incentivise employees to take excessive risk to act in self-interest. The committee to review the performance of the Senior Management against the set targets and goals, which have been approved by the Board at least annually and determine the basis of revising remuneration, benefits and other payments of performance-based incentives.

REPORTING TO THE BOARD

The minutes of the committee meetings are regularly presented to the Board of Directors, ensuring that Board members are informed of the committee's deliberations.

PROFESSIONAL ADVICE

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

DECLARATION

The committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

APPRECIATION

I would like to express my sincere appreciation to all committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Human Resources and Remuneration committee



W. A. Thilan M. Wijesinghe

(Chairman)

Board Human Resources and Remuneration committee

18 April 2025

Report of the Board Nomination and Governance Committee



The Board Nomination and Governance committee (the committee) is established by the Board of Directors of Mahindra Ideal Finance Limited ("the Company") to assist in the process of identifying, assessing and recommending qualified candidates for the Board and Senior Management positions. Since its formation, the committee has operated in accordance with its terms of reference. The committee ensures that the Company upholds the highest standards of good governance and a structured transparent process for the selection, and appointment of Key Responsible Persons including their succession.

The Board Nomination & Governance committee is appointed by the Board of Directors of the Company and the committee strives to operate within the framework of the Charter adopted. The composition of the committee is determined as follows:

Mrs. Chrishanthi L. Jayawardena

(Chairperson)

Independent Non-Executive Director

Mr. D. T. Sujeewa H. Mudalige

Senior Independent Non-Executive Director

Mr. Mufaddal A. Choonia

Managing Director & CEO

DUTIES AND RESPONSIBILITIES

Director and Senior Management Appointments:

Establish a formal and transparent process for appointing Directors and Senior Management. CEO recommends Senior Management appointments, except for Chief Internal Auditor (CIA), Chief Risk Officer (CRO), and Compliance Officer (CO), who are recommended by respective Board committees.

Assessment of Fitness and Propriety:

Ensure Directors And Senior Management meet the "fit and proper" criteria under Finance Business Act Direction No. 6 of 2021.

Selection Criteria for Directors:

Directors should have the required knowledge, skills, experience, integrity, and time commitment. Avoid Board dominance by any individual or small group. Establish eligibility criteria for CEO and senior Management positions.

Disclosure Requirements for New Appointments:

Upon appointment of a new Director, disclose their resume, expertise, other directorships, and independence status to shareholders.

Re-election and Succession:

Review and recommend the re-election of existing Directors based on performance and contribution. Identify new expertise requirements and succession plans for Directors And Senior Management.

Committee Participation and Leadership:

Committee members should not participate in decisions on their own appointment or reappointment. The Board Chairperson should not chair the committee when selecting their successor.

Board Structure and Composition Review:

Regularly assess and recommend changes to board structure, size, composition (including gender diversity), and competencies.

Director and Key Management Insurance:

Recommend insurance cover for Directors and Key Management Personnel.

THE TERMS OF REFERENCE

The committee is governed by the board approved terms of reference which contain the role and functions of the committee, under relevant regulated statutes.

Duties and responsibilities:

- ▶ Implement a formal and transparent procedure to select/appoint new Directors And Senior Management. Senior Management should be appointed with the recommendation of CEO, excluding Chief internal Auditor, Chief Risk Officer and the Compliance Officer (as the recommendation for the CIA should be made by the Board Audit committee, whereas the CRO and the CO should be recommended by the Board Integrated Risk Management committee).
- ▶ Ensure that Directors And Senior Management are fit and proper persons to perform their functions based on the terms stated in the Finance Business Act Direction No. 6 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons).
- ▶ The selection process shall include reviewing whether the proposed directors:
 - Possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board;
 - Have a record of integrity and good repute;
 - Have sufficient time to fully carry out their responsibilities;
- ▶ Strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the Company as a whole.
- ▶ Set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and Senior Management.
- ▶ Upon the appointment of a new Director to the Board, the committee shall assign the responsibility to the Company Secretary to disclose same to the shareholders.

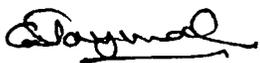
A brief resume of the Director, the nature of the expertise in relevant functional area, the names of companies in which the Director holds directorships or memberships in Board committees and whether such director can be considered as independent.

- ▶ The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the Company and contribution made by the Director concerned towards the discharge of the Board's overall responsibilities.
- ▶ The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors And Senior Management.
- ▶ A member of the Nomination committee shall not participate in decision-making relating to own appointment/re-appointment and the Chairperson of the Board should not chair the committee when it is dealing with the appointment of the successor.
- ▶ Regularly review the structure, size, composition including gender representation and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.
- ▶ Recommend indemnity and insurance cover to be taken in respect of all Directors and other Key Management Personnel.

APPRECIATION

I would like to express my sincere appreciation to all committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Nomination and Governance committee



Chrisanthi L. Jaywardena

(Chairman)

Board Nomination and Governance committee

18 April 2025

Report of the Integrated Risk Management Committee



COMPOSITION

The Board Integrated Risk Management committee for the financial year ended 31 March 2025 consisted of the following members;

- Mr. Thilan Wijesinghe** (*Independent Director/ Chairman of the committee*)
Mr. Sujeewa Mudalige (*Senior Independent Director/ Former Chairman of the committee*)
Ms. Chrishanthi Jayawardena (*Independent Director*)

The following Management team members participated in the committee;

- Mr. Choonia Mufaddal** (*Chief Executive Officer*)
Mr. Rohitha Bandusena (*Chief Operating Officer*)
Mr. Rohit Agarwalla (*Chief Financial Officer*)
Mr. Pradeep De Silva (*DGM- Gold Loan*)
Mr. Manjula Balasuriya (*AGM- IT*)
Ms. Sameera Kaumudi (*AGM- Compliance*)
Mr. Channa Prabath (*Senior Manager - Finance*)
Ms. Sarini Mallawarachchi (*Manager - Compliance*)
Mr. Sanidu Ishan (*Manager- Risk Management/ Secretary to the committee*)

MEETINGS

The committee met in every quarter during the year. The members attendance can be referred to in page 91.

Role of the Committee

According to the Board-approved charter of the committee, following remains the key responsibilities of the BIRMC:

- ▶ Assess all risks, i.e. credit, market, liquidity, operational, strategic, compliance and technology risks to the Company through appropriate risk indicators and management information.
- ▶ Review the Company's risk policies including risk appetite statement (RAS) at least annually.
- ▶ Assess the adequacy and effectiveness of all Management-level committees—such as the Credit committee and the Asset and Liability Management committee—in addressing specific risks and managing them within the quantitative and qualitative risk limits set by the committee.
- ▶ Take prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the committee based on the finance Company's polices and regulatory and supervisory requirements.
- ▶ Initiate appropriate action against officers who fail to identify specific risks or to implement timely corrective measures as recommended by the committee and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- ▶ Establish a dedicated compliance function to assess the finance Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.
- ▶ Set up a separate risk management function with a designated officer-in-charge.

KEY ACTIONS

The BIRMC supported the Board in overseeing risk management and implemented key measures to enhance governance. These included establishing an Independent Risk Management Unit and introducing a comprehensive Risk Register. The BIRMC charter and risk testing framework were updated to meet regulatory standards. With BIRMC's endorsement, regular risk assessment reports were submitted to the Board.

CONCLUSION

The Board Integrated Risk Management committee is satisfied that MIFL has robust risk management strategies and procedures in place to effectively mitigate its risk exposures.

Thilan Wijesinghe

*Chairman
Board Integrated Risk Management
committee*

18 April 2025

Board Related-Party Transactions Review Committee Report

The purpose of the Board Related-Party Transactions Review Committee (RPTRC) is to ensure that terms and conditions of all RPTs must be equivalent to those that prevail in arm's length transactions and shall not involve any favourable treatments to such related parties.

Any related-party transactions entered into by the Corporation or its affiliates shall be in accordance with applicable law, rules and regulations as defined in the Charter. Section 12.1 of the Finance Business Act Direction No. 5 of 2021 (Corporate Governance) states the relevant regulatory provisions relevant to the Related-Party Transactions Review committee.

The composition of the committee comprises the following Board members:

Mr. D. T. Sujeewa H. Mudalige

(Chairman)

Senior Independent Non-Executive Director

Mrs. Chrishanthi L. Jayawardena

Independent Non-Executive Director

Mr. W. A. Thilan M. Wijesinghe

Independent Non-Executive Director

THE TERMS OF REFERENCE

The committee operates within the framework of its terms of reference (ToR) and the related-party transactions procedure, as approved by the Board of Directors. The ToR outlines guidelines for handling related-party transactions and their reporting, except for exempted transactions.

ROLES AND RESPONSIBILITIES DEFINED

All RPTs must be reviewed and recommended by the Related-Party Transactions Review Committee (RPTRC) before approval, including: Granting accommodation (loans, credit facilities) to related parties; creating liabilities (deposits,

borrowings, payables) to MIFL; providing/receiving financial or non-financial services involving MIFL; and/or sharing reporting lines or information flows with related parties that could expose confidential or sensitive information.

Equal Treatment: Related parties must not receive more favourable treatment than unrelated parties in comparable transactions.

More favourable treatment includes: Excessive total accommodation beyond regulatory prudence; preferential interest rates or terms not available to others; services exchanged without proper evaluation; and sharing of sensitive information beyond legitimate duties.

Approval Process: If the RPTRC identifies significant issues or material changes in an RPT, it must be escalated to the Board of Directors for approval before execution. The RPTRC review must consider: The related party's relationship and interest; full facts of the transaction, including value and terms; benefit to MIFL and availability of alternative options; and comparison with market terms and fairness.

Director Involvement: Directors with a conflict of interest must not participate in discussions or decisions on RPTs, except to provide information if requested. The RPTRC may recommend forming a special committee to handle complex or sensitive RPTs.

Ongoing RPTs (Recurrent): The RPTRC can set guidelines for recurrent RPTs and review them annually to ensure continued appropriateness and compliance.

Governance Reference: Finance Business Act Direction No. 5 of 2021 (Corporate Governance), ensures that RPTs are executed transparently, fairly, and in line with regulatory expectations.

FUNCTIONS OF THE COMMITTEE

Review of all relevant related-party transactions by the committee takes place prior to the transaction being entered and the committee communicates its observations to the Board whenever necessary. A system has been developed internally to monitor the RPTs of the Company. The related-party information is updated in the system on a quarterly basis, based on the declarations made by Key Responsible Persons, information obtained from the Company Secretary, Human Resources Department, and the Finance Department of the Company.

POLICIES AND PROCEDURES

The Company has adopted a Related-Party Transactions (RPTs) Guide in respect of the following:

- Review, approval/ratification of related-party transactions;
- Compliance with reporting requirements of related-party transactions;
- Disclosure requirements of related-party transactions.

The committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and are in compliance with the relevant Directions issued by the Central Bank of Sri Lanka, as applicable to licensed finance companies.

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the committee is carried out by the members of the committee and a summary is submitted to the Board for their information.

REPORTING TO THE BOARD

The approved minutes of the committee meetings are regularly reported to the Board of Directors, to seek their views and specific directions.

DECLARATION

The committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and the reviewed transactions are communicated to the Board of Directors for their comments and observations. A declaration is provided by the Board of Directors as an affirmative statement of the compliance with the relevant Directions issued by the Central Bank of Sri Lanka as applicable to licensed finance companies .

APPRECIATION

I would like to express my sincere appreciation to all committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year. On behalf of the Board Related-Party Transactions Review committee



Sujeewa Mudalige (Chairman)

Board Related-Party Transactions Review committee

18 April 2025

OUR RISK LANDSCAPE

Sri Lanka's economy showed a marked recovery in FY 2024/25, supported by the successful execution of the IMF programme and a more stable macroeconomic backdrop. Key milestones such as the completion of domestic debt optimisation and progress in external debt restructuring have helped rebuild financial stability and market confidence.

This positive shift was reinforced by falling inflation, lower interest rates, and improved political stability following national elections. These developments have eased many of the pressures that once weighed heavily on the financial sector.

New opportunities, such as the easing of vehicle import restrictions, offer potential for growth in vehicle-backed lending. At the same time, global uncertainties and domestic fiscal constraints highlight the importance of continued prudence.

We have responded by strengthening our risk management practices enhancing stress testing, deepening capital oversight, and tightening credit governance to stay agile, resilient, and ready to create long-term value in a rapidly evolving environment.

OUR KEY RISK MANAGEMENT INITIATIVES IN FY 2024/25

Independent Risk Management Unit

Established a dedicated unit for independent and centralized risk oversight.

Board Credit Committee (BCC)

Formed to oversee credit risk, monitor large exposures, and guide credit policy within the risk appetite.

Comprehensive Risk Register

Developed a centralised tool to identify, categorise, and monitor key risks, ensuring timely mitigation and accountability.

Stress Testing Framework (STF)

Refined to incorporate broader scenarios assessing vulnerabilities in capital, liquidity, and earnings.

Loan Review Mechanism (LRM)

Introduced a Board-approved framework to assess post-disbursement credit quality and detect early warnings, aligned with FBA Directions No. 02 of 2024 on Credit Risk Management.

OUR APPROACH TO RISK GOVERNANCE

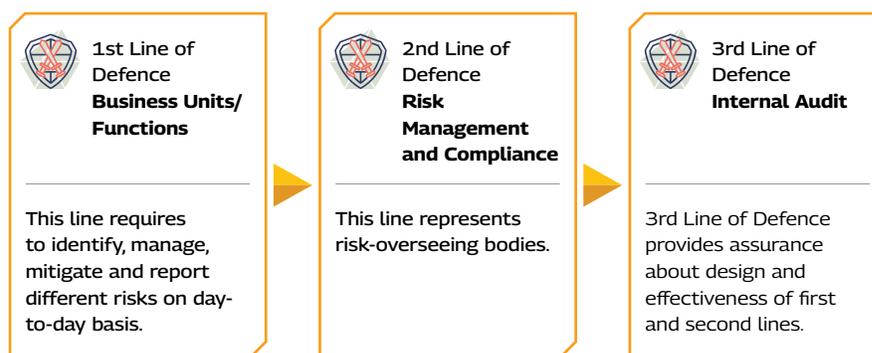
The Board oversees MIFL's risk management, supported by subcommittees. Business units implement strategies, with Senior Management committees reinforcing oversight.

Board committee	Roles & Responsibilities
Board Audit Committee (BAC)	Refer BAC report on page 92
Board Integrated Risk Management Committee (BIRMC)	Refer BIRMC report on page 98

Management committee	Roles & Responsibilities
Credit committee	Approve credit proposals within authority, monitor portfolio quality, and ensure decisions align with policies and risk appetite.
Assets & Liabilities Management Committee (ALCO)	Manage liquidity, interest rate, and funding risks to maintain optimal balance sheet structure and regulatory compliance.

Three Lines of Defence model

The Company follows the 'Three Lines of Defence' model to ensure its risk management approach aligns with leading industry practices.



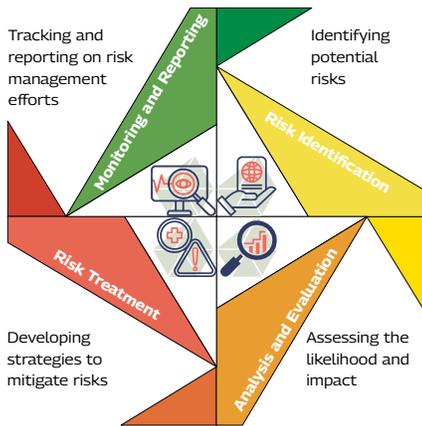
Risk Policy Framework

Our risk policy framework includes the overall risk management policy, specific policies and procedures for credit, liquidity, market and operational risks, along with risk appetite statement and stress testing framework, ensuring comprehensive and aligned risk management.

Risk Culture

MIFL promotes a strong risk-aware culture across all three lines of defence by embedding risk ownership into daily roles. Targeted training, internal audits, incident learnings, and clear SOPs reinforce sound judgment and accountability.

OUR RISK MANAGEMENT PROCESS



Risk Identification

MIFL’s risk identification process integrates internal and external factors, enabling early detection through a strong risk culture. Strategic risks follow a top-down approach by the Board and Management, while operational risks are identified bottom up by frontline teams.

Risk Analysis and Evaluation

MIFL evaluates risk likelihood and impact using both quantitative and qualitative methods, including risk matrices, financial and sensitivity analyses. Regular stress testing is conducted, led by the Risk Management Department.

Risk Treatment

Risk treatment at MIFL involves dynamic strategies acceptance, mitigation, transfer, or avoidance based on assessed risks. Actions may include control enhancements, diversification, or contingency planning, led by the Risk Management Department under BIRMC oversight.

Risk Monitoring and Reporting

At MIFL, quantifiable risks are monitored against defined risk appetite limits using the risk register, which tracks identification, assessment, and mitigation. The Risk Management Department oversees monitoring and reports regularly to Senior Management, BIRMC, and the Board.

OUR RISK PROFILE

The Company faces a wide range of financial and non-financial risks, shaping its overall risk profile, which is monitored against the defined risk appetite. A robust risk management framework is in place, but evolving internal and external factors demand continuous vigilance and adaptability.

Credit Risk

Credit risk, mainly from MIFL’s lending activities, is its largest exposure at LKR 14.8 Bn (87% of total assets, 92% of risk-weighted assets). It is managed through a credit risk management policy aligned with the risk appetite statement and responsive to external changes.

Performance of Key Credit Risk Metrics

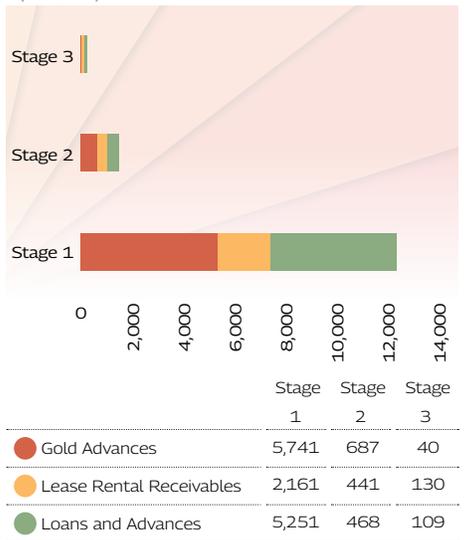
Key Risk Indicators (KRIs)	Risk Appetite	31.03.2025	31.03.2024
Gross Non-Performing Advances to Total Advances	< 10%	1.86%	5.25%
Stage 3 Impairment Coverage Ratio	> 30%	35.09%	20.27%

Gross NPL Ratio (%)



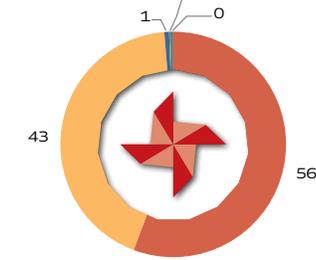
During the year under review, MIFL maintained its NPL ratio well below the industry average, reflecting its continued commitment to prudent credit risk management and portfolio quality.

Stage wise Exposure (LKR Mn)



Stage 1 facilities accounted for 88% of the total loan exposure, indicating a healthy asset quality profile.

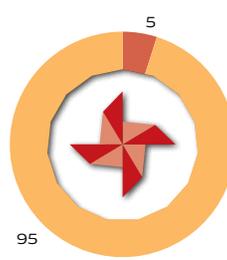
Collateral Distribution
(%)



- Vehicles and Machinery
- Gold
- Deposits
- Immovable Properties
- Personal Guarantees

Almost 100% of the portfolio backed by physical assets, the Company demonstrates a robust collateral framework and effective credit risk mitigation.

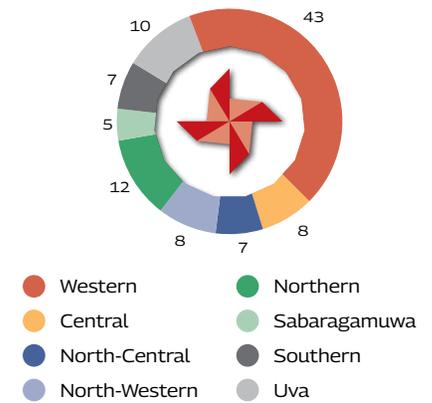
Borrower Concentration
(%)



- Top 10 Customers
- Other Customers

The limited 5% exposure to the top 10 customers reflects a well-distributed credit portfolio and reduced concentration risk.

Geographical Concentration
(%)



- Western
- Northern
- Central
- North-Central
- North-Western
- Southern
- Uva

Although the portfolio is concentrated in the Western Province due to its vibrant economic activity and high population density, MIFL maintains a strong presence across most parts of the country.

Credit Risk Management at MIFL

Credit Risk Components

- ▶ Default Risk
- ▶ Concentration Risk

Review FY 2024/25

During the year, a notable recovery in the operating environment spurred private sector credit growth, to which MIFL responded with resilience, expanding its loan portfolio by 73.3%. Asset quality improved significantly, with the gross stage 3 ratio dropping to 1.86% from 5.25%, driven by a strong credit risk management framework ensuring prudent onboarding and portfolio oversight in line with the Company's risk appetite.

Credit concentration risk was actively managed through strategic diversification across sectors, products, counterparties, and regions, guided by RAS-defined limits and monitored by the Management Credit committee, BIRMC, and the Board.

Future Focus

In line with Finance Business Act Directions No. 02 of 2024 on Credit Risk Management, MIFL will further strengthen loan review processes, enhance early warning systems, and improve borrower assessments while maintaining prudent impairment provisions.

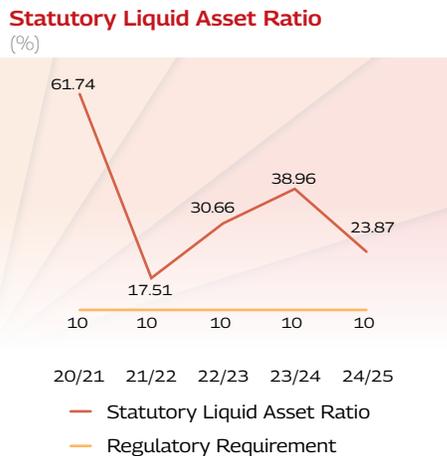
Leveraging relaxed import restrictions, the Company plans to expand vehicle leasing and explore two-wheeler financing, supported by geographic diversification through branch expansion.

Liquidity Risk

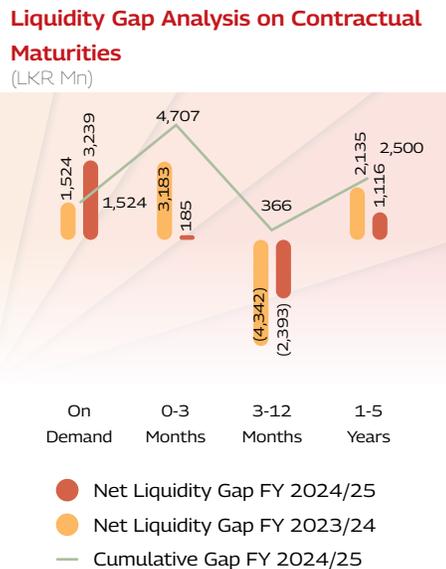
MIFL managed liquidity risk through integrated policies, procedures, measurement, mitigation, stress testing, and contingency plans, maintaining adequate liquidity buffers throughout the year to ensure resilience.

Performance of Key Liquidity Risk Metrics

Key Risk Indicators (KRIs)	Risk Appetite	31.03.2025	31.03.2024
Statutory Liquid Assets Ratio	> 10%	23.87%	38.96%
Deposit Renewal Ratio	> 70%	67%	58%



MIFL maintained strong liquidity levels, exceeding regulatory requirements, while effectively optimising returns.



Although the 3-12 month maturity bracket reflects a negative liquidity gap on a contractual basis, healthy fixed deposit renewals and consistent gold loan rollovers result in a positive gap from a behavioural perspective.

Liquidity Risk Management at MIFL

Liquidity Risk Components	Review FY 2024/25	Future Focus
Funding Risk Liquidity Risk	<p>During the financial year, MIFL's ALCO actively oversaw the Company's liquidity position, ensuring compliance with regulatory liquid asset requirements and aligning asset and liability structures to maintain a strong liquidity profile.</p> <p>The low interest rate environment challenged deposit mobilisation, as customers favoured higher yielding alternatives. In response, MIFL adopted a prudent funding strategy, shifting towards more cost-efficient sources such as bank borrowings and institutional funding. This approach was strengthened by the strong market reputation and financial stability of its parent Company, enabling access to funding on favourable terms. These measures supported the Company's growth ambitions while sustaining a stable and well-diversified funding base.</p>	<p>Looking ahead, MIFL will remain focused on maintaining a robust liquidity position while strategically optimising its funding mix to support continued business expansion.</p> <p>A key priority will be strengthening the retail deposit base by capitalising on the growing branch network and enhancing customer outreach. In parallel, the Company will continue to refine its funding strategies to stay responsive to evolving market dynamics and regulatory requirements, ensuring a stable and cost effective funding structure.</p>

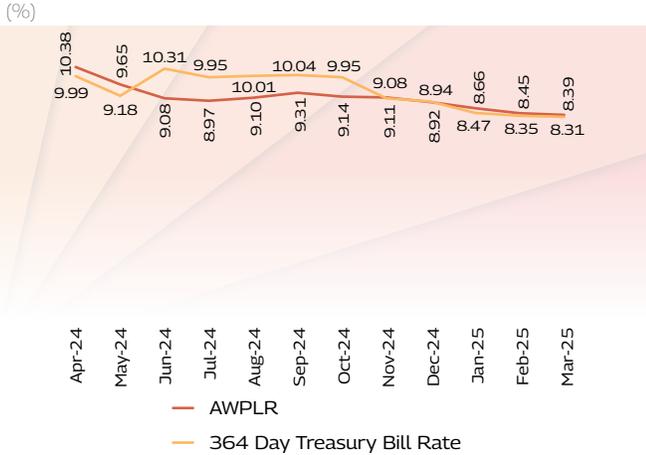
MARKET RISK

MIFL's profitability is influenced by external market factors that affect asset and liability valuations. The Company actively manages these risks, balancing profitability and stability within the Board-approved risk appetite.

Performance of Key Market Risk Metrics

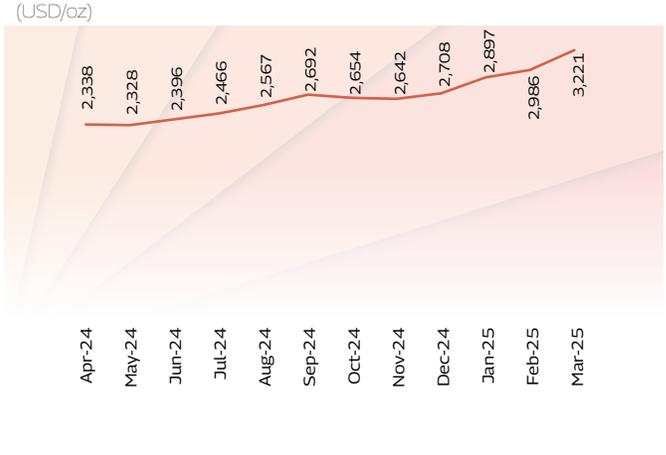
Key Risk Indicators (KRIs)	Risk Appetite	31.03.2025	31.03.2024
Net Interest Margin	> 10%	9.92%	11.65%
Gold Loan Portfolio LTV	< 70%	69.9%	73.4%

Market Interest Rate Movement



Market interest rates dropped gradually, falling around 200 basis points during the reporting period.

Gold Market Price Movement



Throughout the financial year, gold prices exhibited significant volatility, rising by 38% from the start of the period.

Market Risk Management at MIFL

Market Risk Components	Review FY 2024/25	Future Focus
Interest Rate Risk	Interest rate and commodity price risks remained key focus areas within MIFL's risk framework. During the year, declining market interest rates were closely monitored by ALCO and BIRMC. Although lower rates posed risks due to MIFL's short-tenure loan exposure, these were mitigated by growth in vehicle financing and reduced borrowing costs, supporting healthy risk-adjusted returns.	Looking ahead, MIFL will maintain a more proactive approach to managing interest rate and commodity price risks, aligned with its strategic goals and risk appetite. To address potential rate fluctuations, the Company plans to enhance risk assessment techniques and strengthen monitoring.
Commodity Price Risk	Commodity price risk, primarily from gold price fluctuations, was managed through short-tenure gold loans (1-3 months) that allowed frequent repricing. The Company also adjusted maximum advance amounts based on market trends to maintain portfolio stability.	For gold loans, MIFL will continue refining pricing strategies, improving market tracking systems, and maintaining short tenures to respond swiftly to price volatility.

OPERATIONAL RISK

As an integral aspect of all products and processes, the Company is dedicated to the effective management of operational risk.

Operational Risk Management at MIFL

Operational Risk Components	Review FY 2024/25	Future Focus
Information Technology and Information Security Risk Legal and Compliance Risk Fraud Risk Business Continuity Risk	<p>During the year, MIFL strengthened its operational resilience by enhancing its IT and information security framework through targeted audits, active monitoring of system logs, and thorough analysis of security incidents to promptly address vulnerabilities.</p> <p>The Company maintained a strong commitment to regulatory compliance, supported by rigorous due diligence from legal and compliance teams and a zero-tolerance stance on non-compliance, with continuous oversight and timely action by the Board and its subcommittees.</p> <p>Fraud risk management was reinforced by fostering accountability among staff, monitoring emerging risks, encouraging confidential whistleblowing, and implementing robust internal controls alongside independent audits and competitive, performance-based compensation to deter misconduct.</p> <p>Additionally, MIFL ensured business continuity by effectively operating core systems from its disaster recovery site, conducting regular recovery drills, and maintaining a designated list of key personnel to coordinate swift responses during operational disruptions.</p>	<p>MIFL plans to enhance its IT and information security risk management in line with Finance Business Act Directions No. O1 of 2022, while maintaining a strong culture of compliance with evolving regulations and standards.</p> <p>The Company will strengthen fraud risk management by improving the risk control self-assessment process and encouraging business units to actively identify risks and evaluate controls.</p> <p>Business continuity will be bolstered through regular disaster recovery drills, system resilience reviews, and updates to the continuity plan. Automation of critical recovery processes and targeted staff training will further ensure preparedness for disruptions.</p>

STRATEGIC RISK

MIFL proactively manages strategic risk by integrating risk evaluation into planning and budgeting, aligning closely with its vision, mission, and risk appetite for resilient decision-making.

Performance of Key Strategic Risk Metrics

Capital Requirement for Risk Exposures and Available Cushion
(%)



In line with the applicable regulatory guidelines, after allocating capital for credit and operational risk exposures, a capital buffer of 48% remains available as of 31 March 2025.



Strategic and Capital Management at MIFL

Strategic Risk Components	Review FY 2024/25	Future Focus
Strategic Risk Capital Management Risk	During the financial year, MIFL effectively managed strategic and capital planning risks by implementing business initiatives, supported by annual budgets aligned with the Company's long-term vision. A key focus was expanding the vehicle financing portfolio to capitalise on emerging market opportunities. The Company also maintained financial resilience through prudent capital management, with a total capital adequacy ratio of 25.29%, well above the regulatory minimum of 12.5%, ensuring its ability to absorb shocks and support future growth.	MIFL will strengthen its strategic and capital management by developing a comprehensive strategic plan and implementing a Board-approved capital adequacy assessment to maintain a strong capital buffer and support future growth.

REPUTATIONAL RISK

MIFL maintains a strong reputation through effective leadership, solid business strategy, robust risk management, ethical conduct, and a commitment to corporate responsibility.

Reputational Risk Management at MIFL

Reputational Risk Component	Review FY 2024/25	Future Focus
Reputational Risk	During the year under review, the Company strengthened its reputational risk management by consistently promoting ethical conduct through its code of conduct policy and ensuring transparent communication via its corporate communication policy. The sustained AA- (lka) credit rating, one of the highest in the industry, reflects strong financial and operational discipline. Backed by a well-regarded parent Company in India, the Company continues to uphold stakeholder trust and maintain a solid reputation in the market.	Looking ahead, the Company will continue to enhance its reputational risk management by reinforcing ethical standards, strengthening internal awareness of the Code of Conduct, and ensuring transparent, timely stakeholder communication.

OUR STRESS TESTING MECHANISM

Stress testing is a vital element of MIFL's risk management process, used to assess the Company's capacity to withstand adverse economic conditions while maintaining sufficient capital and liquidity. Conducted quarterly under a well defined policy framework covering objectives, governance, and methodology, these tests provide valuable insights into potential vulnerabilities through "what if" scenarios. During the year, stress scenarios were updated to reflect current economic realities, and outcomes were regularly presented to the BIRMC and Management committees to support effective risk management.

Unfolding Responsible Growth

Our commitment to sustainability
and governance strengthens
long-term value creation.



FINANCIAL REPORTS

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



The Board of Directors of Mahindra Ideal Finance Limited (MIFL) has the pleasure of presenting its Annual Report on the State of Affairs of the Company to the Shareholders of MIFL for the financial year ended 31 March 2025, together with the Audited Financial Statements of the Company and the Independent Auditors' Report on the said Financial Statements, conforming to the relevant statutory requirements. The Financial Statements, reviewed and recommended by the Board Audit committee, were approved by the Board of Directors on 18 April 2025. The Report includes the information required by the Companies Act No.7 of 2007 and Finance Business Act Direction No.05 of 2021 on Corporate Governance and is also guided by the Recommended Best Practices on Corporate Governance. This report was approved by the Board of Directors on 18 April 2025. The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka, and to the Sri Lanka Accounting and Auditing Standards Monitoring within the statutory deadlines.

Mahindra Ideal Finance Limited ("the Company"), bearing registration No. PB4963 was incorporated on 12th March 2012 under the Companies Act No. 07 of 2007 as Ideal Investments Limited and subsequently changed to Ideal Finance Limited and subsequently on 28th January 2022 changed its name as Mahindra Ideal Finance Limited. Fitch Rating Lanka Limited has affirmed the Company's rating as AA- (Outlook Stable) as at 31 March 2025. The registered office of the Company is located at No.299, Dr. Colvin R De Silva Mawatha (previously known as Union Place) Colombo 02.

As per the requirements set out in Section 168 of the Companies Act No.07 of 2007, the following information is disclosed in this Report for the year under review.

1. NATURE OF THE BUSINESS

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

2. PERFORMANCE OF THE COMPANY

The review of the Company's business and its performance during the year which comments of the financial results are contained in the financial statements including the auditors' report (annexed hereto), which forms part of this annual report.

The accounting policies adopted in the preparation of the financial statements are given on pages 120 to 123 in the financial statements.

3. CHANGES IN THE ACCOUNTING POLICIES

The accounting policies adopted by the Company have been consistently applied without any change from the previous years.

4. ENTRIES MADE IN THE INTEREST REGISTER

Entries made in the Interest Register are disclosed under the heading "Related-Party Transactions" on page 167 in the notes to the financial statements.

5. REMUNERATION AND OTHER BENEFITS OF DIRECTORS

Directors' emoluments for the financial year ended 31 March 2025 is given in Note 09 to the financial statements.

6. DONATIONS

There were no corporate donations made by the Company for the financial year 2024-25

7. DIRECTORS OF THE COMPANY

The directors of the Company during the financial year ended 31 March 2025 are as follows:

Mr. D T S H Mudalige

Senior Independent Non-Executive Director

Mr. M A Choonia

Managing Director & CEO

Mrs. C L Jayawardena

Non Executive Independent Director

Mr. R I Rebello

Non-Executive Non-Independent Director

Mr. W A T M Wijesinghe

Non-Executive Independent Director

Ms. N Welgama

Non-Executive Non-Independent Director

Mrs. P A Wijenayake

Non-Executive Non-Independent Director

Mr. V A Karve Non-Executive Director resigned from the Board with effect from 31 October 2024.

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

Mr. W A T M Wijesinghe, Non-Executive Independent Director was appointed to the Board with effect from 29th October 2024.

Ms. N Welgama and Mrs. P A Wijenayake both Non-Executive Non-Independent Directors were appointed to the Board on 19th February 2025.

In terms of Article 24(2) of the Articles of Association of the Company Mr. W A T M Wijesinghe retires and being eligible offers himself for re-election.

In terms of Article 24(6) of the Articles of Association of the Company Mrs. C L Jayawardena retire by rotation at the Annual General Meeting and being eligible offer herself for re-election until she retires in reaching the age of 70 on 13th December 2025.

8. THE BOARD SUB-COMMITTEES

The Board of Directors of the Company has formed six Board Sub-Committees in compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance. This adherence also aligns with the recommended Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. The following Directors served as members of the Board Sub-Committees.

▶ Board Audit committee

Mr. D T S H Mudalige
Committee Chairman

Mrs. C L Jayawardena
Member

Mr. W A T M Wijesinghe
Member

▶ Board Integrated Risk Management committee

Mr. W A T M Wijesinghe
Committee Chairman

Mr. D T S H Mudalige
Member

Mrs. C L Jayawardena
Member

▶ The Board Human Resources and Remuneration committee

Mr. D T S H Mudalige
Committee Chairman

Mr. M A Choonia
Member

Mr. W A T M Wijesinghe
Member

▶ The Board Nomination and Governance committee

Mrs. C L Jayawardena
Committee Chairperson

Mr. D T S H Mudalige
Member

Mr. M A Choonia
Member

▶ The Board Related-Party Transactions Review Committee

Mr. D T S H Mudalige
Committee Chairman

Mrs. C L Jayawardena
Member

Mr. W A T M Wijesinghe
Member

▶ The Board IT Steering Committee

Mr. M A Choonia
Committee Chairman

Mrs. C L Jayawardena
Member

Mr. W A T M Wijesinghe
Member

9. AUDITOR'S FEE

The auditors of the Company, Messrs. BDO Partners, Chartered Accountants were paid Rs. 1.8 Mn as audit fees and expenses and is given on Note 9 of the notes to the financial statements.

10. AUDITORS INTEREST IN THE COMPANY OTHER THAN AS AUDITORS

The Directors are satisfied that the auditors do not have any relationship or interest in the Company that would impair their independence.

11. DIVIDENDS

The Directors do not recommend a dividend for the financial year ended 31 March 2025.

12. INVESTMENTS

Details of investments held by the Company are disclosed in Note: 14 and 15 to the Financial Statements.

13. INTANGIBLE ASSETS

There were intangible assets to be disclosed to the Financial Statements in Note: 23 wherein computer system software were valued at Rs. 98,983,502.00

14. PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 22 to the financial statements.

15. CAPITAL COMMITMENTS

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

16. STATED CAPITAL

The Stated Capital of the Company is Rs. 1,908,247,125.00

17. TAXATION

The tax position of the Company is given in Notes 11 to the Financial Statements.

18. STATUTORY PAYMENTS

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

19. CORPORATE SOCIAL RESPONSIBILITY

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

20. ADHERENCE TO THE COMPANY'S CODE OF CONDUCT

We are proud to report that MIFL has maintained strict adherence to all provisions of our Code of Conduct

21. CONTINGENT LIABILITIES

There were no material contingent liabilities outstanding as at 31 March 2025.

22. POST BALANCE SHEET EVENTS

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. There are also no significant post balance sheet events which in the opinion of the Directors require disclosure Capital Commitments. There were no capital commitments outstanding as at the Balance Sheet date.

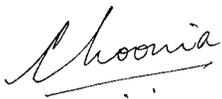
23. NOTICE OF THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 04th Floor Board Room of Mahindra Ideal Finance Limited as at 29th August 2025 at 4:00 p.m. The Notice of Meeting is provided on page 188 of this Annual Report.

As required by Section 168(1)(k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this report.

For and on behalf of the Board of Directors,

MAHINDRA IDEAL FINANCE LIMITED



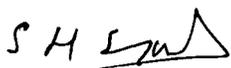
Mufaddal A Choonia

Director



W A T M Wijesinghe

Director



S N S Dunuwille

Company Secretary

18 day of April 2025

Directors' Responsibility Statement on Internal Control over Financial Reporting



RESPONSIBILITY

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

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

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

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

Board policies and procedures pertaining to internal control over financial reporting have been documented. The implementation of such policies and procedures is carried out with the assistance of the management. In order

to assess the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statement of the Company. The Internal Audit Department of the Company observes and checks them annually for suitability of design and operating effectiveness.

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

- ▶ Establishment of various sub Committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to the Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- ▶ Policies and Procedures are developed to capture all functional areas of the Company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies and Procedures are reviewed periodically and approved by the Board.
- ▶ The Internal Audit Department of the Company verifies whether policies and procedures of the Company are being complied with, while ascertaining effectiveness of the internal control mechanism, on an ongoing basis during their process audits. The risk-based auditing approach is adopted by the Company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit committee. Independent and objective reports covering significant Observations of the Internal Audit Department are also tabled for review by the Board Audit committee, at their periodic meetings.

- ▶ The Board Audit committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit committee.
- ▶ Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management.
- ▶ In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are continuously reviewed and updated by identified officers of the Company. The Internal Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.
- ▶ The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

CONFIRMATION

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



REVIEW OF THE STATEMENTS BY EXTERNAL AUDITORS

The external Auditors, Messrs. BDO Partners, have reviewed the above Directors' statement on Internal Control over Financial Reporting included in this Annual Report of the Company for the year ended 31 March 2025 and reported to the board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal Controls over Financial Reporting of the Company. Their report on the statement of Internal Control over Financial Reporting is given on page 116 of this Annual Report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

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

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

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

By order of the Board,

Sujeewa Mudalige

*Senior Independent Director/Chairman -Board Audit committee
Mahindra Ideal Finance Limited*

18 April 2025.



Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

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

REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We were engaged by the Board of Directors of Mahindra Ideal Finance Limited ("the Company") to provide assurance on the Directors' Statement on Internal Control ("the Statement") over financial reporting of the Company included in the annual report for the year ended 31 March 2025.

MANAGEMENT'S RESPONSIBILITY

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

OUR INDEPENDENCE AND QUALITY CONTROL

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

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

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

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

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

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

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

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

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SUMMARY OF WORK PERFORMED

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

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

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

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

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

OUR CONCLUSION

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

BDO Partners

CHARTERED ACCOUNTANTS

Colombo 02
18 April 2025
HSR/cc



Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

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Sri Lanka

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

Report on the Audit of the Financial Statements Opinion

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

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31 March 2025 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Matter

The Financial Statements of Mahindra Ideal Finance Limited for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those Financial Statements on 1 April 2024.

Other Information

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

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above, when it becomes available, and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or whether it appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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.

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

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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 misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

BDO Partners

CHARTERED ACCOUNTANTS

Colombo02
18 April 2025

Statement of Comprehensive Income

For the Year Ended 31 March 2025	Notes	2025 LKR	2024 LKR
Income	3	2,740,869,518	2,309,040,380
Interest Income	4.1	2,444,565,889	2,153,618,043
Interest Expenses	4.2	(1,109,246,019)	(1,061,880,311)
Net Interest Income		1,335,319,870	1,091,737,732
Fees and Commission Income	5	16,497,935	10,249,062
Net Fee and Commission Income		16,497,935	10,249,062
Other Operating Income	6	279,805,694	145,173,275
Total Operating Income		1,631,623,499	1,247,160,069
Impairment Charges for Loans and other Losses	7	(73,913,715)	49,871,815
Net Operating Income		1,557,709,784	1,297,031,884
Operating Expenses			
Personnel Expenses	8	(560,528,599)	(501,575,385)
Depreciation of Property Plant and Equipment	22.2	(140,150,617)	(110,425,685)
Amortisation of Intangible Assets	23	(8,791,417)	(5,067,304)
Other Operating Expenses	9	(414,783,308)	(345,864,952)
Operating Profit before VAT on Financial Services and Social Security Contribution Levy		433,455,843	334,098,558
Security Contribution Levy			
Value Added Tax on Financial Services	10	(135,364,009)	(116,700,020)
Social Security Contribution Levy	10	(18,800,557)	(16,208,337)
Profit before Taxation		279,291,277	201,190,201
Income Tax Expenses	11.1	(133,405,107)	(97,898,498)
Profit/ (Loss) for the period		145,886,170	103,291,703
Basic and Diluted Earnings per Share	12.2	1	0.71
Profit/ (Loss) for the period		145,886,170	103,291,703
Other Comprehensive Income not to be re-classified to profit or loss in subsequent periods			
Actuarial Gain/(Loss) on Defined Benefit Obligations	28.3	7,032,661	(8,101,913)
Deferred Tax (Charge)/Reversal on Other Comprehensive Income	29	(2,109,798)	2,430,574
Other Comprehensive Income for the period, Net of Tax		4,922,863	(5,671,339)
Total Comprehensive Income for the period, Net of Tax		150,809,033	97,620,364

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 124 to 179 form an integral part of these Financial Statements.

Statement of Financial Position



MAHINDRA IDEAL FINANCE LIMITED
Annual Report 2024/25

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

The Accounting Policies and Notes on pages 124 to 179 form an integral part of these Financial Statements. These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

Rohit Kumar Agarwalla
Chief Financial Officer

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

Mufaddal Choonia
Managing Director and CEO

Thilan Wijesinghe
Director

Colombo
18 April 2025

Statement of Changes in Equity

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

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 124 to 179 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31 March 2025	Note	2025 LKR	2024 LKR
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		279,291,277	201,190,201
Adjustment for Other Non-Cash Items Included in Profit Before Tax			
Depreciation of Property, Plant and Equipment and ROU Assets	22.3	140,150,617	110,425,685
Amortisation of Intangible Assets	23	8,791,417	5,067,304
Provision for Impairment	7	73,913,715	(49,871,815)
Interest expenses on Borrowings	4.2	403,685,122	377,945,850
Defined Benefit Obligation	8	14,271,083	12,673,570
Dividend Income	6	-	(179,520)
Disposal (Gain)/Loss on Fixed Assets		(21,772,078)	-
Operating Profit before Working Capital Changes			
(Increase)/Decrease in Lease Rental Receivables		214,288,953	(463,612,467)
(Increase)/Decrease in Loans and Advances		(4,610,148,089)	(347,074,261)
(Increase)/Decrease in Gold Advance		(1,938,101,734)	(558,838,332)
(Increase)/Decrease in Other Financial Assets		8,483,143	(5,154,635)
(Increase)/Decrease in Other Non-Financial Assets		91,755,762	(123,753,192)
(Increase)/Decrease in Inventories		-	-
Increase/(Decrease) in Amounts Due to Customers		1,049,989,913	1,717,147,261
Increase/(Decrease) in Other Financial Liabilities		171,098,332	231,602,035
Increase/(Decrease) in Other Non-Financial Liabilities		36,859,592	30,191,375
Increase/(Decrease) in Current Tax liabilities		13,971,025	(8,732,522)
Cash Generated from Operations			
		(4,063,471,950)	1,129,026,537
Retirement Benefit Liabilities Paid	28.2	(18,537,100)	(2,634,750)
Income Tax Paid		(90,596,119)	(116,145,188)
Net Cash Flows from/(Used in) Operating Activities			
		(4,172,605,169)	1,010,246,599
Cash Flows from / (Used in) Investing Activities			
Purchase of Property, Plant and Equipment	22.1	(117,080,251)	(88,766,534)
Purchase of Right-of-Use Assets	22.1	(81,359,758)	(85,662,333)
Purchase of Intangible Assets	23	(195,002)	(30,114,398)
Disposal of Property, Plant and Equipment		38,843,160	
Dividend Received	6	-	179,520
Investment in Treasury Bills	14	424,191,672	(515,700,380)
Investment in Fixed Deposits	15	104,772,168	189,420,855
Net Cash Flows from/(Used in) Investment Activities			
		369,171,989	(530,643,270)
Cash Flows from / (Used in) Financing Activities			
Proceeds from Bank Borrowings		10,559,108,022	15,985,000,000
Repayment of Bank Borrowings		(7,979,559,624)	(15,340,051,428)
Rental Paid for Lease Obligation		(78,686,938)	(63,722,616)
Repayment of Other Borrowed Funds		-	-
Net Cash Flows from/(Used in) Financing Activities			
		2,500,861,460	581,225,956
Net Increase/(Decrease) in Cash and Cash Equivalents			
		(1,302,571,720)	1,060,829,285
Cash and Cash Equivalents at the Beginning of the Period			
		1,312,744,367	251,915,083
Cash and Cash Equivalents at the End of the Year			
	32	10,172,647	1,312,744,367

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 124 to 179 form an integral part of these Financial Statements.



1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Date of Authorisation for Issue

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

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

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

2.1.2 Responsibility for Financial Statements

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

2.1.3 Basis of measurement

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

2.1.4 Presentation of Financial Statements

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

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

12 months after the reporting date (non-current) is presented in Note 35.

2.1.5 Functional and presentation currency

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

2.1.6 Materiality, Aggregation, Offsetting and Rounding Off

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

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

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

2.1.7 Comparative Information

The accounting policies have been consistently applied by the Company, and are consistent with those used in the previous financial year. Further comparative information is re-classified whenever necessary to comply with the current presentation in the Financial



Statements. However, the Company has not re-stated comparative information for 2024.

2.1.8 Statement of Cash Flows

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

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

2.1.9 Events After the Reporting Date

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

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

i. Going Concern

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

ii. Impairment losses on loans and receivables

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

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

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

iii. Fair Value of Financial Instruments

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



iv. Financial Assets and Financial Liabilities Classification

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

v. Defined Benefit Plan

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

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

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

2.3 Summary of Significant Accounting Policies

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

2.3.1 SLFRS 09 Financial Instruments

SLFRS 9 -Financial Instruments replaces LKAS 39 for annual periods on or after 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 and Measurement of Financial Assets and Liabilities

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

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

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

2.3.1.2 Financial Assets and liabilities

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

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

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

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

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

(a) Business Model Assessment

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

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

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

(b) The SPPI Test

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

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

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

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

2.3.1.2.2 Re-classification of Financial Assets and Liabilities

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

2.3.1.3 Derecognition of Financial Instruments

2.3.1.3.1 Financial Assets

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

2.3.1.3.2 Financial Liabilities

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

2.3.1.4 Impairment of Financial Assets

Overview of the Expected Credit Loss (ECL) Principles

The Company's loan loss impairment method is by using the forward-looking Expected Credit Loss (ECL) approach. From 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, all referred to as 'financial instruments' in this section. Equity instruments are not subject to impairment under SLFRS 9.

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

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

2.3.1.4.1 The Calculation of Expected Credit Loss (ECL)

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

Definition of default

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

Probability of Default (PD)

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

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

EAD

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

LGD

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

2.3.1.4.2 The mechanics of the ECL method are summarised below:

Stage 1

The 12-month ECL is calculated as the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD

and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2

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

Stage 3

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

Assessment of significant increase in credit risk

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

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

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

Forward Looking Information

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

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

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

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

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

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

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

2.3.1.5 Determination of Fair Value

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

2.3.2 Lease

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

2.3.2.1 Finance Lease

Company as a lessor

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

2.3.2.2 SLFRS 16 - Leases

Company as a lessee

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

The Company has adopted SLFRS 16 using the modified retrospective method from 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 recognised as amount equal to the lease liability, adjusted by the amount of prepaid lease rentals.

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

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

2.3.3 Cash and cash equivalents

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

2.3.4 Property, Plant and Equipment

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

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

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

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

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

2.3.5 Right-Of-Use Assets

2.3.5.1 Basis of recognition

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

Basis of measurement

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the

amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight line basis over the lease term.

When measuring lease liabilities for leases that were classified previously as operating leases, the Company discounted future lease payments due as of 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 year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing

the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of comprehensive income.

Computer System software is amortised over 10 years

2.3.7 Other Assets

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

2.3.8 Inventories

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

2.3.9 Impairment of non-financial assets

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

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

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

2.3.10 Employee Retirement Benefits

Defined Contribution Plan Costs

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

Defined Benefit Plan Costs

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial



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

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

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

2.3.11 Provisions

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

2.3.12 Other Liabilities

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

2.3.13 Foreign currency translation

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

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

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 recognised in profit or loss in the statement of comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of Comprehensive Income (Profit or loss). For the purpose of presentation of the statement of comprehensive Income, the “function of expenses” method has been adopted, on the basis that it presents fairly the element of the Company’s performance.

2.3.15 Taxes

a. Current Tax

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

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

b. Deferred Tax

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable

that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilised.

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

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

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

Value Added Tax on Financial Services is calculated at the rate of 18% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto. The Social Security Contribution Levy is calculated at the rate of 2.5% on the turnover applicable for Value Added Tax on Financial Services with effect from 01 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 should include demand, time and savings deposit liabilities and exclude the following.

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



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

b) Crop Insurance Levy (CIL)

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

2.3.17 Related Party Transactions

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

2.3.18 Segment Reporting

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

- ▶ Finance Leases
- ▶ Term Loans
- ▶ Gold Loans
- ▶ Others

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

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

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

2.3.19 Changes in Accounting Policies

a) New standards, interpretations and amendments adopted from 01 January 2024

(i) Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases)

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

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

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

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

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

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

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

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

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

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

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



3. INCOME

	2025 LKR	2024 LKR
Interest Income (4.1)	2,444,565,889	2,153,618,043
Fee and Commission Income (5)	16,497,935	10,249,062
Other Operating Income (6)	279,805,694	145,173,275
Total Income	2,740,869,518	2,309,040,380

4. NET INTEREST INCOME

4.1 Interest Income

	2025 LKR	2024 LKR
From Placements with Banks and Other Financial Institutions	16,098,166	70,723,448
From Government Securities	82,318,822	169,043,385
From Lease Rental Receivables	646,764,638	574,634,047
From Loans and Advances	559,799,028	154,281,660
From Gold Advances	1,138,127,704	1,183,588,966
From Refundable Deposits	1,457,531	1,346,537
Total Interest Income	2,444,565,889	2,153,618,043

4.2 Interest Expense

	2025 LKR	2024 LKR
Due to Banks	403,685,122	377,945,850
Due to Customers	657,915,837	646,062,235
On Obligation to Make the Lease Payment for Right-of-Use Assets	47,645,060	37,872,226
Total Interest Expenses	1,109,246,019	1,061,880,311
Net Interest Income	1,335,319,870	1,091,737,732

5. FEE AND COMMISSION INCOME

	2025 LKR	2024 LKR
Commission Income	16,497,935	10,249,062
Fee and Commission Income	16,497,935	10,249,062

**6. OTHER OPERATING INCOME**

	2025 LKR	2024 LKR
Dividend Income	-	179,520
Service Charges	169,390,052	88,645,242
Fair Value Gain or Loss	66,720,473	45,883,569
Other Operating Income	43,695,169	10,464,944
Total Other Operating Income	279,805,694	145,173,275

7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES

	2025 LKR	2024 LKR
Charge/(written back) to the statement of comprehensive income		
- Impairment on individually significant loans	3,528,992	(12,422,784)
- Impairment on collective loan portfolio	59,922,245	(97,507,252)
- Write-offs net of recoveries	10,462,478	60,058,221
Total Impairment Charge	73,913,715	(49,871,815)
Lease Rental Receivables (Note 17.2.a)		
Stage 1	(8,913,930)	(5,674,981)
Stage 2	(7,501,154)	(29,921,311)
Stage 3	(698,267)	(50,953,828)
	(17,113,351)	(86,550,120)
Loans and Advances (Note 18.2.a)		
Stage 1	40,180,618	4,985,876
Stage 2	5,477,809	(8,415,989)
Stage 3	14,641,344	(24,314,060)
	60,299,771	(27,744,173)
Gold Advances		
Stage 1	15,135,831	9,057,810
Stage 2	5,599,829	(1,501,914)
Stage 3	(449,693)	(3,191,639)
	20,285,967	4,364,256



8. PERSONNEL EXPENSES

	2025 LKR	2024 LKR
Salaries	426,929,560	373,156,843
Employers' Contribution to Employee's Provident Fund	40,725,887	33,224,198
Employers' Contribution to Employee's Trust Fund	10,180,952	8,303,550
Gratuity Charge for the year	14,271,083	12,673,570
Other Staff Related Expenses	68,421,117	74,217,224
Total Personnel expenses	560,528,599	501,575,385

9. OTHER OPERATING EXPENSES

	2025 LKR	2024 LKR
Directors' Emoluments	4,265,770	4,499,783
Auditor's Remuneration	1,833,981	1,663,063
Professional and Legal Expenses	18,165,447	14,263,904
Office Administration and Establishment Expenses	207,803,338	176,433,985
Advertising and Promotional Expenses	69,275,533	65,632,021
Disallowable Input VAT and VAT on Other Income Sources	18,770,299	14,453,226
License and Renewal Fees	2,664,934	1,083,080
Other Expenses	92,004,006	67,835,890
Total Other Operating expenses	414,783,308	345,864,952

10. VALUE ADDED TAX ON FINANCIAL SERVICES AND SSCL

	2025 LKR	2024 LKR
VAT on Financial Services	135,364,009	116,700,020
Social Security Contribution Levy (SSCL)	18,800,557	16,208,337
	154,164,566	132,908,357

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

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

11.2 Reconciliation of Accounting Profit and Taxable Income

	2025 LKR	2024 LKR
Accounting Profit / (Loss) Before Income Taxation	279,291,277	201,190,201
Aggregate allowable expenditure	(218,956,803)	(69,686,692)
Tax loss utilised	-	-
Aggregate disallowable expenditure	430,919,299	174,121,831
	491,253,773	305,625,340
Tax at statutory rates	147,376,132	91,687,602
Less : Due to rate reduction	-	-
Less : Tax Adjustment with Final Payment	-	248,879
	147,376,132	91,936,481
Deferred taxation charged/(Reversal)	(13,971,025)	5,962,017
Less : Due to rate change	-	-
	133,405,107	97,898,498
Effective Tax Rate	47.77%	48.66%

12. BASIC AND DILUTED EARNINGS PER ORDINARY SHARES

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

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

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

13. CASH AND BANK BALANCES

	2025 LKR	2024 LKR
Cash in Hand	106,885,007	102,627,472
Bank Balances	71,249,156	8,140,248
	178,134,163	110,767,720

14. INVESTMENT IN GOVERNMENT SECURITIES

	2025 LKR	2024 LKR
Investment in Treasury Bills with Original Maturity more than 3 months	391,837,971	816,029,643
Investment in Reverse Repurchase Agreements (less than 3 months)	857,105,904	1,002,994,685
	1,248,943,875	1,819,024,328

14.1 Financial Investments - Measured at Fair Value Through PL

	2025 LKR	2024 LKR
Investment in Unit Trust Funds	-	1,001,278,217
	-	1,001,278,217

15. PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2025 LKR	2024 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	151,075,892	255,848,060
	151,075,892	355,848,060

16. GOLD ADVANCES

	2025 LKR	2024 LKR
Gold Advances	6,468,266,314	4,530,164,580
Less : Allowance for Impairment Losses	(45,287,977)	(25,002,009)
Net Gold Advances	6,422,978,337	4,505,162,571



16.1 Collective Impairment

	2025 LKR	2024 LKR
As at 01 April	25,002,009	20,637,753
Charges/(reversals) for the year	20,285,968	4,364,256
As at 31 March	45,287,977	25,002,009

16.2 Stage wise allowance for impairment

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

17. LEASE RENTALS RECEIVABLE

	2025 LKR	2024 LKR
Rental Receivable on Lease	3,527,466,056	3,788,875,387
Gross Rentals Receivables	3,527,466,056	3,788,875,387
Less: Unearned Income	(779,423,177)	(796,367,769)
	2,748,042,879	2,992,507,618
Less : Rentals Received in Advance	(15,744,347)	(35,457,655)
Net Rentals Receivables before charging Allowance for Impairment Losses	2,732,298,532	2,957,049,963
Less : Allowance for Impairment Losses (Note 17.2)	(75,785,713)	(92,920,215)
Total Net Rentals Receivable	2,656,512,819	2,864,129,749

**17.1 Net Rentals Receivable on Leases 'LKR**

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

17.2 Allowance for Impairment Losses LKR*(a) Allowance for Impairment stage wise*

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

(b) Movement in allowance for impairment

	2025 LKR	2024 LKR
As at 01 April	92,920,214	179,470,334
Charges/(reversals) for the year	(8,388,236)	(86,550,120)
Amounts written off	(8,746,266)	-
As at 31 March	75,785,712	92,920,214
Individual impairment	-	154,470
Collective impairment	75,785,712	92,765,744
Total	75,785,712	92,920,214



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

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



17.3 Credit Exposure and ECL Stage wise movement

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

Gross exposure reconciliation

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

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

Reconciliation of ECL balance

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

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

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

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


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

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

17.4 Rentals Receivable on Lease

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

18. LOANS AND ADVANCES

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



18.1 Net Receivable on Loans

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

18.2 Allowance for Impairment Losses 'LKR

(a) Allowance for Impairment with stage wise

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

(b) Movement in allowance for impairment

	2025 LKR	2024 LKR
As at 01 April	43,684,818	71,428,991
Charges/(reversals) for the year	60,299,771	(27,744,173)
Amounts written off	-	-
As at 31 March	103,984,589	43,684,818
Individual impairment	5,175,727	1,492,265
Collective impairment	98,808,862	42,192,553
Total	103,984,589	43,684,818

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

	2025 LKR	2024 LKR
Individual Impairment		
As at 01 April	1,492,266	9,021,473
Charges/(reversals) for the year	3,683,462	(7,529,207)
Amounts written off	-	-
As at 31 March	5,175,727	1,492,266
Collective Impairment		
As at 01 April	42,192,553	62,407,519
Charges/(reversals) for the year	56,616,309	(20,214,966)
Amounts written off	-	-
As at 31 March	98,808,862	42,192,553
Total	103,984,589	43,684,819

18.3 Credit Exposure and ECL Stage wise movement

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

Gross exposure reconciliation

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



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

Reconciliation of ECL balance

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



As at 31 March 2025 Particulars	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL allowance balance as at 01 April 2023	7,654,812	10,006,164	53,768,015	71,428,991
Changes due to loans recognised in the opening balance that have been,				
- Transferred to Stage 1	8,194,284	(3,461,362)	(4,732,922)	-
- Transferred to Stage 2	(329,741)	4,925,319	(4,595,578)	-
- Transferred to Stage 3	(404,399)	(548,227)	952,626	-
- Loans that have been derecognised during the period	(4,608,040)	(4,181,560)	(21,380,985)	(30,170,585)
New loans originated during the year	11,241,350	356,165	-	11,597,515
Written off	-	(212,178)	(9,569,885)	(9,782,063)
Net remeasurement of loss allowance	(9,107,577)	(5,294,145)	15,012,683	610,961
ECL allowance balance as at 31 March 2024	12,640,689	1,590,176	29,453,954	43,684,819

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

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

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

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



18.5 Receivable on Loans and Advances

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

19. OTHER FINANCIAL ASSETS

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

20. OTHER NON-FINANCIAL ASSETS

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

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

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

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



22. PROPERTY, PLANT AND EQUIPMENT

22.1 Gross Carrying Amounts

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

22.2 Depreciation

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

22.3 Net Book Values

	2025 LKR	2024 LKR
At Cost		
Furniture and Fittings	126,125,282	125,009,948
Office Equipment	81,567,934	80,578,923
Computer Equipment	27,772,559	24,903,325
Motor Vehicles	41,050,492	29,729,492
	276,516,267	260,221,687
Assets on Leases		
Motor Vehicles	-	-
Right-of-Use Assets	308,422,483	274,138,955
Total Carrying Amount of Property, Plant and Equipment	584,938,750	534,360,642

22.4 Fully Depreciated Property, Plant and Equipment

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

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

23. INTANGIBLE ASSETS

	2025	2024
	LKR	LKR
Computer System Software		
Cost:		
Opening Balance	98,788,502	68,674,106
Addition	195,000	30,114,396
Disposal	-	-
Closing Balance	98,983,502	98,788,502
Less: Amortisation		
Opening Balance	55,694,274	50,626,970
Amortisation Charge for the Period	8,791,417	5,067,304
Closing Balance	64,485,691	55,694,274
Net Book Value as at 31 March	34,497,811	43,094,228

24. INTEREST BEARING BORROWINGS

	2025	2024
	LKR	LKR
Bank Overdraft	1,025,067,419	902,296,255
Bank Borrowings	3,840,335,045	2,324,856,046
Securitisation Borrowings	2,084,273,811	616,519,290
	6,949,676,275	3,843,671,591

24.1 Bank Borrowings

	2025	2024
	LKR	LKR
Gross liability	4,093,376,244	2,399,585,802
Less: Finance Charge Allocated to Future Period	(253,041,199)	(74,729,756)
Net Liability	3,840,335,045	2,324,856,046
Repayable Within one year		
Gross Liability	3,434,920,536	2,341,551,742
Less: Finance Charge Allocated to Future Period	(211,252,158)	(71,789,314)
Net Liability	3,223,668,378	2,269,762,428
Repayable After one year (1 to 5 Year)		
Gross Liability	658,455,708	58,034,060
Less: Finance Charge Allocated to Future Period	(41,789,041)	(2,940,442)
Net Liability	616,666,667	55,093,618
Total Net Liability	3,840,335,045	2,324,856,046

24.2 Securitisation Borrowings

	2025 LKR	2024 LKR
Gross liability	2,523,023,139	789,789,817
Less: Finance Charge Allocated to Future Period	(438,749,328)	(173,270,527)
Net Liability	2,084,273,811	616,519,290
Repayable Within one year		
Gross Liability	839,556,778	154,083,064
Less: Finance Charge Allocated to Future Period	(113,812,967)	(29,963,774)
Net Liability	725,743,811	124,119,290
Repayable After one year (1 to 5 Year)		
Gross Liability	1,683,466,361	635,706,754
Less: Finance Charge Allocated to Future Period	(324,936,361)	(143,306,754)
Net Liability	1,358,530,000	492,400,000
Total Net Liability	2,084,273,811	616,519,290

24.2.1 Institution Wise Loan Facilities

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

25. DUE TO CUSTOMERS

	2025 LKR	2024 LKR
Fixed Deposits accepted from public	6,254,214,091	5,204,224,178
	6,254,214,091	5,204,224,178

26. OTHER FINANCIAL LIABILITIES

	2025 LKR	2024 LKR
Trade Payable	101,755,071	44,585,480
Accrued Expense	78,948,587	85,192,918
Obligation to Make the Lease Payment (Note 26.1)	356,920,646	303,757,226
Sundry Creditors	101,947,260	113,624,546
	639,571,564	547,160,170

26.1 Obligation to Make the Lease Payment

	2025 LKR	2024 LKR
As at 01 April	303,757,226	251,265,783
Additions and Improvements During the Year	93,779,880	78,341,834
Disposals During the Year	(9,574,582)	-
Accretion of Interest During the Year	47,645,060	37,872,226
Payments to Lease Creditors	(78,686,938)	(63,722,616)
As at 31 March	356,920,646	303,757,226

27. OTHER NON-FINANCIAL LIABILITIES

	2025 LKR	2024 LKR
WHT Payable	5,238,719	4,657,803
Stamp Duty Payable	4,142,084	8,351,337
VAT Payable	64,898,874	17,374,405
Dividend Payable	961,829	961,829
Others	29,203,365	36,239,905
	104,444,871	67,585,279



28. RETIREMENT BENEFIT LIABILITY

28.1 Defined Benefit Liability

	2025 LKR	2024 LKR
Defined Benefit Liability	37,738,100	49,036,778
	37,738,100	49,036,778

28.2 Changes in the Defined benefit obligation are as follows.

	2025 LKR	2024 LKR
Opening Liability	49,036,778	30,896,045
Net Benefit Expense	7,238,422	20,775,483
Benefit Paid	(18,537,100)	(2,634,750)
Closing Liability	37,738,100	49,036,778

28.3 Net Benefit expense

	2025 LKR	2024 LKR
Interest Cost	6,031,524	6,055,624
Current Service Cost	8,239,559	6,617,946
Gain on Plan Ammendment	-	-
Actuarial Gain on Obligations	(7,032,661)	8,101,913
	7,238,422	20,775,483

28.4 The principal financial assumptions used are as follows.

Actuarial and Management Consultants (Pvt) Ltd carried out an actuarial valuation of the defined benefit plan gratuity on 31st March 2025. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2025	2024
Discount Rate*	10.00%	12.30%
Future Salary Increment Rate	10.00%	12.00%
Retirement Age	60 Years	60 Years
The weighted average duration of the defined benefit obligation	5.0 Years	8.2 Years

Mortality - GA 1983 Mortality Table issued by the Institute of Actuaries London



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

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

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

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

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

28.6 Maturity Profile of Undiscounted Cash Flows of Defined Benefit Obligation

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

29. DEFERRED TAX (ASSET)/ LIABILITY

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

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

30. STATED CAPITAL

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

31. RESERVES

Issued and Fully Paid - Ordinary Shares	No. of Shares	Rs.
Statutory Reserve Fund		
Opening Balance as at 01 April	53,059,483	48,178,464
Addition during the year	7,540,452	4,881,018
Closing Balance as at 31 March	60,599,935	53,059,483

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

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

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



33. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES ON MEASUREMENT BASIS

As at 31 March 2025	Financial Assets at Fair Value Income Statement LKR	Financial Assets at Fair Value Other Comprehensive Income LKR	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
Financial Assets				
Cash and Bank Balances	-	-	178,134,163	178,134,163
Investment in Government Securities	-	-	1,248,943,875	1,248,943,875
Investment in Unit Trust Funds	-	-	-	-
Placements with Other Banks and Financial Institutions	-	-	151,075,892	151,075,892
Lease Rental Receivables	-	-	2,656,512,819	2,656,512,819
Loans and Advances	-	-	5,723,479,604	5,723,479,604
Gold Advances	-	-	6,422,978,337	6,422,978,337
Financial Investments measured at Fair Value through OCI	-	457,700	-	457,700
Other Financial Assets	-	-	21,012,383	21,012,383
Total Financial Assets	-	457,700	16,402,137,073	16,402,594,773
Financial Liabilities				
Interest Bearing Borrowings	-	-	6,949,676,275	6,949,676,275
Due to the Customers	-	-	6,254,214,091	6,254,214,091
Other Financial Liabilities	-	-	639,571,564	639,571,564
Total Financial Liabilities	-	-	13,843,461,930	13,843,461,930



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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

34.2 Financial Instruments regularly measured using Fair Value - recurring items

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

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

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

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

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

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

34.3 Fair Value of the Financial Instrument Carried at Amortised Cost

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

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

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

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

Assets

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

Financial Liabilities

Bank Overdraft
 Due to the Customers
 Other Financial Liabilities

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

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

As at 31 March 2025	Within 12 Months LKR	After 12 Months LKR	Total LKR
Assets			
Cash and Bank Balances	178,134,163	-	178,134,163
Investment in Government Securities	1,248,943,875	-	1,248,943,875
Placements with Banks and Other Financial Institutions	101,075,892	50,000,000	151,075,892
Gold Advances	6,422,978,337	-	6,422,978,337
Lease Rentals Receivable and Loans and Advances	2,961,414,908	5,418,577,515	8,379,992,423
Other Financial Assets	2,613,543	18,398,840	21,012,383
Other Non-Financial Assets	47,785,934	25,623,835	73,409,769
Financial Investments-Measured at FVOCI	-	457,700	457,700
Property, Plant and Equipment	-	584,938,750	584,938,750
Intangible Assets	-	34,497,811	34,497,811
Deferred Tax Assets	-	35,978,217	35,978,217
Total Assets	10,962,946,652	6,168,472,668	17,131,419,320
Liabilities			
Interest Bearing Borrowings	4,974,479,608	1,975,196,667	6,949,676,275
Due to the Customers	5,416,824,726	837,389,365	6,254,214,091
Other Financial Liabilities	317,370,813	322,217,885	639,588,698
Other Non-Financial Liabilities	104,444,871	-	104,444,871
Current Tax Liabilities	62,722,638	-	62,722,638
Retirement Benefit Liability	-	37,738,100	37,738,100
Total Liabilities	10,875,842,656	3,172,542,017	14,048,384,673
Net Assets	87,103,996	2,995,930,651	3,083,034,647



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

36. COMMITMENT AND CONTINGENCIES

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

36.1 Litigation Against Company

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

36.2 Assets Pledged

The following assets have been pledged as security for liabilities.

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

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

37. EVENTS OCCURRING AFTER THE REPORTING DATE

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

38. RELATED PARTY TRANSACTIONS

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

Terms and Conditions

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

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

38.1 Transactions with Key Managerial Personnel (KMPs)

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

38.1.1 Compensation to KMP

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

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



38.1.2 Transaction with KMP and their Close Family Members

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

	2025 LKR	2024 LKR
Fixed Deposits accepted during the year	10,450	100,000
Fixed Deposits held at the end of the year	110,450	100,000
Interest paid during the year	-	-

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

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

39. CAPITAL

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

39.1 Capital Management

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

Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed finance companies. Accordingly, finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements. The Company's Tier I and Tier II capital adequacy ratios as at the end of the financial year stood at 25.16% and 25.29% respectively.

40. RISK MANAGEMENT

40.1 Introduction

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

Risk Management Framework

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

Risk Management and Reporting

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

40.2 Credit Risk

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

40.2.1 Credit Quality of Financial Assets :

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

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

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



40.2.2 Analysis of Risk Concentration

40.2.2.1 Industry Analysis

Sector wise Break Down as at 31 March 2025	Cash & Bank Balances LKR	Investment in Government Securities at Amortized cost LKR	Placement with Bank & Other Financial Institutions LKR
Agriculture	-	-	-
Manufacturing	-	-	-
Construction	-	-	-
Financial Services	178,134,163	1,248,943,875	151,075,892
Trading	-	-	-
Hotels	-	-	-
Services	-	-	-
Transport	-	-	-
Consumer	-	-	-
Total	178,134,163	1,248,943,875	151,075,892

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

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



Lease Rental Receivables and Loans and Advances LKR	Financial Investments- Measured at Fair Value through OCI LKR	Gold Advances LKR	Other Financial Assets LKR	Total Financial Assets LKR
306,721,403	-	-	-	306,721,403
337,612,971	-	-	-	337,612,971
179,355,671	-	-	-	179,355,671
130,559,478	-	-	-	1,708,713,408
684,635,663	-	-	-	684,635,663
131,928,289	-	-	-	131,928,289
6,505,579,502	457,700	-	-	6,506,037,202
-	-	-	-	-
103,599,445	-	6,468,266,314	21,012,383	6,592,878,143
8,379,992,422	457,700	6,468,266,314	21,012,383	16,447,882,750

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



40.2.2 Analysis of Risk Concentration Contd.

40.2.2.1 Industry Analysis Contd.

Sector wise Break Down as at 31 March 2025	Cash & Bank Balances LKR	Investment in Government Securities at Amortized cost LKR	Placement with Bank & Other Financial Institutions LKR
Agriculture	-	-	-
Manufacturing	-	-	-
Construction	-	-	-
Financial Services	110,767,720	1,819,024,328	355,848,060
Trading	-	-	-
Hotels	-	-	-
Services	-	-	-
Transport	-	-	-
Consumer	-	-	-
Total	110,767,720	1,819,024,328	355,848,060

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

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



Lease Rental Receivables and Loans and Advances LKR	Financial Investments- Measured at Fair Value through OCI LKR	Gold Advances LKR	Other Financial Assets LKR	Total Financial Assets LKR
155,467,844	-	-	-	155,467,844
82,178,113	-	-	-	82,178,113
94,270,057	-	-	-	94,270,057
26,501,994	-	-	-	2,312,142,102
200,260,970	-	-	-	200,260,970
29,214,127	-	-	-	29,214,127
-	457,700	-	-	457,700
3,223,465,451	-	-	-	3,223,465,451
226,402,478	-	6,422,978,337	29,495,526	4,786,062,585
4,037,761,034	457,700	6,422,978,337	29,495,526	10,883,518,949

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

40.2.3 Collateral and Other Credit Enhancement

Quantitative Information of Collateral

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

Gross value of secured assets to value of collateral:

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

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

As at 31 March 2025	Maximum Exposure to Credit risk LKR	Fair Value of Collateral under Base case Scenario			Net Exposure LKR	Associated ECL LKR
		Immovable Collateral LKR	Movable Collateral LKR	Total Collateral LKR		
Stage 1	13,154,197,226	19,628,550	24,111,598,227	24,131,226,777	-	100,819,279
Stage 2	1,595,356,009	28,348,500	2,996,378,773	3,024,727,273	-	26,228,402
Stage 3	279,297,383	82,978,325	458,737,273	541,715,598	-	98,010,599
	15,028,850,618	130,955,375	27,566,714,273	27,697,669,648	-	225,058,280

As at 31 March 2024	Maximum Exposure to Credit risk LKR	Fair Value of Collateral under Base case Scenario			Net Exposure LKR	Associated ECL LKR
		Immovable Collateral LKR	Movable Collateral LKR	Total Collateral LKR		
Stage 1	7,051,796,310	56,650,900	12,380,351,031	12,437,001,931	-	54,437,910
Stage 2	1,208,233,910	25,562,750	2,424,701,034	2,450,263,784	-	20,841,083
Stage 3	446,147,143	99,626,875	765,032,693	864,659,568	-	86,328,050
	8,706,177,363	181,840,525	15,570,084,758	15,751,925,283	-	161,607,043

40.3 Liquidity Risk & Funding Management

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

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

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

40.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

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

As at 31 March 2025	On Demand LKR	Less Than 3 Months LKR	3 to 12 Months LKR	1 to 5 years LKR	Over 5 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	178,134,163	-	-	-	-	178,134,163
Placements with Banks and Other Financial Institutions	-	101,980,852	4,319,344	59,222,702	-	165,522,898
Investment in Government Securities	857,288,949	100,000,000	304,583,000	-	-	1,261,871,949
Gold Advances	1,437,758,844	5,030,511,701	817,348	-	-	6,469,087,893
Lease Rentals Receivable	130,945,614	364,432,219	1,008,141,320	2,024,162,208	-	3,527,681,361
Loans and Advances	94,302,479	550,958,016	1,740,660,525	4,205,781,531	4,332,519	6,596,035,070
Financial Investments Measured at Fair Value through OCI	-	-	-	-	457,700	457,700
Other Financial Assets	-	1,647,843	965,699	2,787,747	15,611,093	21,012,382
Total Financial Assets	2,698,430,049	6,149,530,631	3,059,487,236	6,291,954,188	20,401,312	18,219,803,416
Financial Liabilities						
Interest Bearing Borrowings	1,025,067,419	420,622,452	3,738,410,147	2,341,922,069	-	7,526,022,087
Due to the Customers	-	2,045,208,683	3,688,614,046	979,507,946	-	6,713,330,675
Other Financial Liabilities	140,068,921	141,981,852	617,279	-	-	282,668,052
Obligation to Make the Lease Payment	-	19,536,110	59,598,959	315,069,903	155,219,897	549,424,869
Total Financial Liabilities	1,165,136,340	2,627,349,097	7,487,240,431	3,636,499,918	155,219,897	15,071,445,683
Total Net Financial Assets/ (Liabilities)	1,533,293,709	3,522,181,534	(4,427,753,194)	2,655,454,270	(134,818,585)	3,148,357,733

40.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

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

As at 31 March 2024	On Demand LKR	Less Than 3 Months LKR	3 to 12 Months LKR	1 to 5 years LKR	Over 5 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	110,767,720	-	-	-	-	110,767,720
Placements with Banks and Other Financial Institutions	-	257,004,795	101,416,667	-	-	358,421,462
Investment in Government Securities	1,002,994,685	375,000,000	490,000,000	-	-	1,867,994,685
Financial Investments Measured at Fair Value through P/L	1,001,278,217	-	-	-	-	1,001,278,217
Gold Advances	1,324,963,032	3,088,083,209	118,760,029	5,025	-	4,531,811,295
Lease Rental Receivables	175,393,943	349,555,586	1,276,270,563	1,983,379,020	350,232	3,784,949,344
Loans and Advances	57,749,123	137,277,620	601,107,181	649,728,263	7,598,528	1,453,460,715
Financial Investments Measured at Fair Value through OCI	-	-	-	-	457,700	457,700
Other Financial Assets	-	9,576,512	7,657,938	5,471,124	6,789,952	29,495,526
Total Financial Assets	3,673,146,720	4,216,497,722	2,595,212,378	2,638,583,432	15,196,412	13,138,636,664
Financial Liabilities						
Interest Bearing Borrowings	-	2,252,541,093	1,103,228,131	693,740,813	-	4,049,510,037
Due to the Customers	-	1,581,072,424	3,646,089,452	362,534,610	-	5,589,696,486
Other Financial Liabilities	-	243,199,488	-	-	-	243,199,488
Obligation to Make the Lease Payment	-	16,812,921	49,571,430	252,674,784	166,649,904	485,709,039
Total Financial Liabilities	-	4,093,625,926	4,798,889,013	1,308,950,207	166,649,904	10,368,115,050
Total Net Financial Assets/ (Liabilities)	3,673,146,720	122,871,796	(2,203,676,635)	1,329,633,225	(151,453,492)	2,770,521,614

40.4 Interest Rate Risk

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

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

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

Interest Rate Risk Exposure on Financial Assets and Liabilities

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

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



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

**41. OPERATING SEGMENTS**

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

As at 31 March 2024	Finance Lease LKR	Gold Loan LKR	Loans and Advances LKR	Other LKR	Total 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
	583,927,638	1,257,746,316	159,475,961	307,890,465	2,309,040,380

41. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Securitisation Borrowing LKR	Bank Borrowing LKR
Balance as at 01 April 2024	616,519,290	2,324,856,046
Net cash flows from financing activities	1,359,010,709	1,508,777,875

Non-cash changes

Foreign exchange movements	-	-
Amortisation of loan origination costs	(21,802,005)	(2,803,366)
Accrual for interest expense	130,545,817	9,504,490
Balance as at 31 March 2025	2,084,273,811	3,840,335,045

— **Unfolding**
the Road Ahead

Guided by purpose, driven by performance —
— we're ready for what's next.



	2025	2024	2023	2022
	LKR	LKR	LKR	LKR

Operating Results

Revenue	2,740,869,518	2,309,040,380	1,924,279,355	1,321,536,812
Interest Income	2,444,565,889	2,153,618,043	1,805,299,948	1,242,067,922
Interest Expenses	1,109,246,019	1,061,880,311	921,725,959	328,347,452
Net Interest Income	1,335,319,870	1,091,737,732	883,573,989	913,720,470
Fees and Commission Income	16,497,935	10,249,062	13,067,675	12,097,982
Other Operating Income	279,805,694	145,173,275	105,911,732	67,370,908
Impairment Charges for Loans and other Losses	73,913,717	(49,871,815)	70,983,116	88,336,470
Operating Expenses	1,124,253,940	962,933,326	683,577,093	504,059,205
Value Added Tax on Financial Services	135,364,009	116,700,020	88,673,219	90,504,774
Social Security Contribution Levy	18,800,557	16,208,337	6,227,766	-
Profit Before Taxation	279,291,277	201,190,201	153,092,202	310,288,911
Income Tax Expenses	133,405,107	97,898,498	66,194,388	71,067,116
Profit After Taxation	145,886,170	103,291,703	86,897,814	239,221,795

Liabilities & Equity

Interest Bearing Borrowings	6,949,676,275	3,843,671,591	1,989,957,781	2,872,386,024
Due to the Customers	6,254,214,091	5,204,224,178	3,487,076,917	2,195,018,842
Other Liabilities	781,754,534	663,782,228	447,570,701	621,612,772
Current Tax Liabilities	62,722,638	5,942,625	32,921,837	50,118,346
Deferred Tax Liabilities	-	-	-	-
Total Equity	3,083,051,780	2,932,242,747	2,834,622,384	2,746,232,901
Total Liabilities & Equity	17,131,419,319	12,649,863,370	8,792,149,620	8,485,368,885

Assets

Cash and Bank Balances	178,134,163	110,767,720	165,583,696	135,648,058
Investment in Government Securities & Fixed Deposits	1,400,019,767	2,174,872,388	903,406,432	536,453,861
Financial Investments-Measured at Fair Value through PL	-	1,001,278,217	-	-
Gold Advances	6,422,978,337	4,505,162,571	3,950,688,495	2,258,859,086
Lease Rentals Receivable and Stock out on Hire	2,656,512,819	2,864,129,749	2,374,025,383	3,535,934,193
Loans and Advances	5,723,479,603	1,173,631,285	798,812,852	1,389,311,844
Other Assets	94,879,852	218,449,580	83,579,734	263,465,647
Property, Plant and Equipment	584,938,749	534,360,642	470,357,459	346,499,489
Deferred Tax Assets	35,978,217	24,116,990	27,648,433	-
Intangible Assets	34,497,811	43,094,228	18,047,136	19,196,706
Total Assets	17,131,419,319	12,649,863,370	8,792,149,620	8,485,368,885

Ratios

Growth In Income (%)	19%	20%	46%	30%
Growth In Net Interest Income (%)	22%	24%	-3%	27%
Growth In Profit After Tax (%)	41%	19%	-64%	30%
Growth in Total Assets (%)	35%	44%	4%	54%
Earnings Per Share (LKR)	1.00	0.71	0.60	1.64

2021	2020	2019	2018	2017	2016
LKR	LKR	LKR	LKR	LKR	LKR
1,015,293,382	927,784,733	777,461,473	630,995,212	390,805,849	222,316,313
973,813,610	886,069,373	704,307,306	572,537,068	342,965,230	202,564,337
256,037,926	371,873,790	292,974,160	228,114,523	133,806,481	45,259,962
717,775,684	514,195,583	411,333,146	344,422,545	209,158,749	157,304,375
10,904,398	8,940,422	9,298,176	8,099,316	4,524,547	3,625,563
30,575,374	32,774,938	63,855,991	50,358,828	43,316,072	16,126,413
88,586,557	32,076,446	24,551,990	18,602,824	11,895,328	2,400,000
310,454,118	289,418,308	240,552,579	205,596,345	156,751,722	124,230,807
71,777,093	70,381,010	56,961,345	32,387,274	16,986,682	6,256,568
-	-	-	-	-	-
288,437,688	164,035,179	162,421,399	146,294,246	71,365,635	44,168,975
104,682,413	58,684,095	61,299,253	43,477,954	13,571,601	6,042,993
183,755,275	105,351,084	101,122,146	102,816,292	57,794,034	38,125,982
1,706,358,102	1,877,769,625	2,190,707,788	1,529,388,772	1,183,196,053	484,704,388
929,639,458	671,917,133	584,784,876	367,110,412	301,121,019	380,790,865
285,787,486	212,996,719	156,385,265	170,298,642	148,305,647	103,309,353
87,363,461	38,024,293	19,629,876	9,730,702	-	-
5,252,716	44,690,234	62,911,102	45,328,996	19,027,700	13,643,567
2,505,427,388	2,320,989,977	1,116,744,254	1,043,829,755	738,228,906	683,437,136
5,519,828,611	5,166,387,981	4,131,163,161	3,165,687,280	2,389,879,325	1,665,885,309
71,609,393	44,196,582	42,822,230	51,593,413	37,998,795	22,025,138
713,411,391	939,422,380	67,032,677	66,501,437	41,834,974	37,954,426
1,183,764,064	672,715,396	456,564,892	177,748,346	16,119,775	6,825,383
2,414,429,648	2,309,893,463	2,282,389,816	2,040,010,374	1,743,026,107	1,276,304,949
865,820,622	959,057,649	1,003,352,881	496,510,205	299,830,820	101,079,702
69,078,142	56,632,752	143,549,516	214,224,013	155,215,900	158,272,547
188,756,810	166,334,908	112,358,368	94,701,119	70,399,883	34,275,833
12,958,541	18,134,851	23,092,781	24,398,373	25,453,071	29,147,331
5,519,828,611	5,166,387,982	4,131,163,161	3,165,687,280	2,389,879,323	1,665,885,309
9%	19%	23%	61%	76%	27%
40%	25%	19%	65%	33%	13%
74%	4%	-2%	78%	52%	31%
7%	25%	30%	32%	43%	61%
1.26	1.11	1.12	1.29	0.72	0.48

Information of Ordinary Shares

DISTRIBUTION OF SHAREHOLDING

Shares	No of shareholders	Share %	Number of shares
upto 5,000,000	1	2.02	2,935,851
5,000,001-10,000,000	1	5.24	7,633,211
Above 10,000,000	3	92.74	135,070,036
		100	145,639,098

DISTRIBUTION OF SHAREHOLDING

Type of Investors	No of shareholders	Share %	Number of shares
Local individuals	2	22.51	32,784,164
Local institutions	2	19.29	28,086,804
Foregin Institutions	1	58.20	84,768,130
		100	145,639,098



Earning Assets

Income earning assets held by the Company. Typically include interest bearing balances, Investment securities and loans.

Interest Bearing Liabilities

Liabilities on which the Company is paying interest.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to Maturity.

NET INTEREST MARGIN

Ratio of net interest income to earning assets.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills.

Provision for Bad Debts

Amounts set aside against possible losses on financial leases, hire purchases, advances and other credit facilities according to the Finance Companies Direction 3 of 2006.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Assets Value Per Ordinary Share

Shareholders' funds excluding preference shares divided by the number of ordinary shares in issue.

Risk-Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Equity (ROE)

Net income, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve

Reserves set aside for future distribution and investment.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Net Interest Income

The difference between income earned from interest earning assets and cost incurred on interest bearing liabilities.

Non-Performing Loans

Loan advances and hire purchase/lease finance of which interest or capital is in arrears six months or more.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Return on Average Assets (ROA)

Profit after tax divided by the average assets.

Substance Over Form

The consideration that the accounting treatment and the presenting in Financial Statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.



Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Debt to Equity Ratio

Long-term borrowings of the Company including Debentures divided by shareholders funds.

Interest Cover

Earnings before interest and taxes divided by interest cost.

Liquid Assets Ratio

Liquid Assets divided by public Deposits.

Capital Adequacy Ratios

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial institutions, to suit the local requirements.

Interest in Suspense

Interest suspended on non-performing contracts without recognising to the Income.

Earnings Per Share

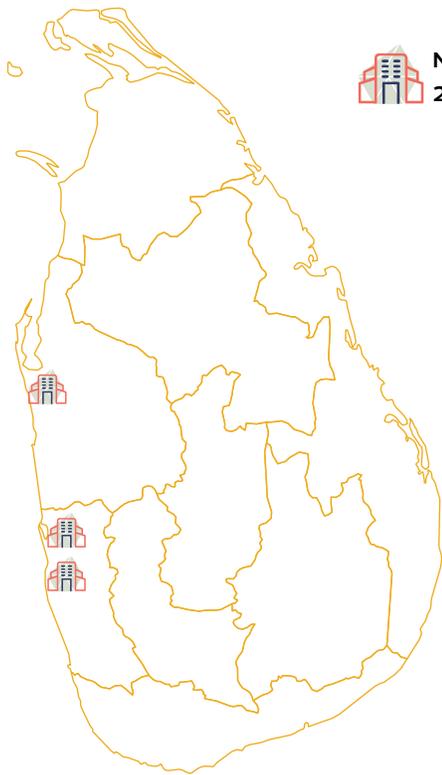
Net profit after tax divided by the number of ordinary shares in issue.

Deferred Tax

Sum set aside in the financial statements for taxation that may become payable/receivable in a financial year other than the current financial year.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.



**NEW 3 BRANCHES
2024/25**

Name	Location	Contact Number
Gampaha	No 3, Bauddaloka Mawatha, Gampaha	0332121321
Welimada	No 28, Nuwaraeliya Road, Welimada	0572236020
Chunnakam	No 59, K.K.S. Road, Chunnakam	021 203 5060
Nelliadi	No 07, Kodikamam Road, Nelliadi	021 203 5050
Ja ela	No 08, Negombo Road, Ja ela	0112103780
Kaduwela	No 482/6, Awissawella Road, Kaduwela	011242 5470
Kadawatha	No 139/6 Kandy Road, Kadawatha	0112103030
Galle	No 18, Mosque Road, Mainstreet, Galle	0912117422
Kuliyapitiya	No 26, Madampe Road, Kuliyapitiya	0372031030
Bandaragama	No 26, Kaluthara Road, Bandaragama	0382117266
Chilaw	No 22, Shirley Corea Mawatha, Chilaw	0322035050
Katugasthota	No.214, Madawala Road, Katugasthota	0812244730
Negambo	No.293/1, Main Street, Negambo	0312035066
Panadura	No 447, Galle Road, Panadura	0382117257
Wattala	No 440, Negambo Road, Wattala	0112010100
Kandana	No 24, Negambo Road, Kandana	0112010666
Ratnapura	No 202, Main street, Ratnapura	0452031500
Matale	No 302, Trincomalee road, Matale	0662117500
Hatton	No 125, Dimbulla road, Hatton	0512018100
Piliyandala	No 64/1, Horana Road, Piliyandala	0112048080
Kaduruwela	No 766/A, Sawmill Junction, Batticaloa road, Kaduruwela	0272030590
Puttalam	No 102/A Kurunagala Road, Puttalam	0322133000
Kochchikade	No102, Chilaw Road, Kochchikade	0312193000
Elakanda	No. 23, Elakanda, Hendala, Wattala.	0112045313

Name	Location	Contact Number
Kandy	119 A, Kotugodella Vidiya, Kandy	0812208708
Head Office	299, Dr Colvin R De Silva Mawatha, Colombo 02	0112396060
Kurunegala	No.34, Suratissa Mawatha, Kurunegala	0372232110
Anuradhapura	No 521/25, Maithreepala Senanayake Mawatha, Anuradhapura	0252237925
Jaffna	No.408, Hospital Road, Jaffna	0212219990
Elpitiya	No 117, Main street, Elpitiya	0912291427
Embilipitiya	No.28, Pallegama, Embilipitiya	0472261467
Bandarawela	No.339, Main Street, Bandarawela	0572221025
Monaragala	100, New Bus Stand, Monaragala	0552055858
Matara	No.91, Anagarika Dharmapala Mawatha, Matara	0412226916
Vavuniya	No 164, Bazaar Street, Vavuniya	0242228989



MAHINDRA IDEAL FINANCE LIMITED - PB 4963

Notice is hereby given that the Thirteenth Annual General Meeting of Mahindra Ideal Finance Limited will be held at the Board Room of Ideal Motors (Pvt) Limited, No.299, Dr. Colvin R. De Silva Mawatha, Colombo 2 on Friday, 29th August 2025 at 4:00 p.m. and the business to be brought before the meeting will be:

AGENDA

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31st March 2025 with the Report of the Auditors thereon.
2. To re-elect Mr. W A T M Wijesinghe, Director who retires in terms of Article 24(2) of the Articles of Association of the Company.
3. To re-elect Ms. C L Jayawardena, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company, who is subject to retire on 13th December 2025 reaching the age of 70 years. In accordance to the Finance Business Act Direction No: 05 of 2021 Clause 4 (4.2) Mrs. C L Jayawardena shall not serve as a director of the Company from 13th December 2025.
4. To appoint BDO Partners, Chartered Accountants and to authorize the Directors to determine their remuneration.

By Order of the Board of Directors of
Mahindra Ideal Finance Limited

S N S Dunuwille
Company Secretary

Colombo
04th July 2025

The member entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such proxy need not be a member of the Company.

A Form of Proxy is enclosed.

Note:-

The completed Form of Proxy should be deposited at the Registered Office of the Company, at No.299, Dr. Colvin R. De Silva Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the meeting.



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MAHINDRA IDEAL FINANCE LIMITED - PB 4963

I (NIC No.) of
.....being a member of the above Company, hereby appoint:

- Mr. Don Tibertius Sujeewa Handapangoda Mudalige.....of Colombo or failing him
- Ms.Chrishanthi Lucilla Jayawardena.....of Colombo or failing her
- Mr. Wijesinghe Arachchige Thilan Manjith Wijesinghe.....of Colombo or failing him
- Mr. Mufaddal Abbas Choonia.....of Colombo or failing him
- Mr. Raul Ignatius Rebelloof India
- Ms. Nimisha Welgama.....of Colombo or failing her
- Ms. Priyangi Anushka Wijenayake.....of Colombo or failing her

Mr./Mrs./Miss(NIC No.)

ofas
my proxy to represent me and vote on my behalf at the Annual General Meeting of the Company to be held on 29th August 2025 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31st March 2025 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. W A T M Wijesinghe, Director who retires in terms of Article 24(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms. C L Jayawardena, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company, who is subject to retire on 13th December 2025 reaching the age of 70 years. In accordance to the Finance Business Act Direction No: 05 of 2021 Clause 4 (4.2) Mrs. C L Jayawardena shall not serve as a director of the Company from 13th December 2025.	<input type="checkbox"/>	<input type="checkbox"/>
4. To appoint BDO Partners, Chartered Accountants and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day ofTwo Thousand and Twenty Five.

Signature:

Note :

1. Please delete the inappropriate words.
2. Instructions for completion of form of proxy are noted on the reverse
3. A proxy need not be a member of the Company



INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, and your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given or if there is any doubt as to how the Proxy should vote by reason of the manner in which the instructions are carried out, the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.299, Dr. Colvin R. De Silva Mawatha, Colombo - 02, not less than 48 hours before the time appointed for holding the meeting.
4. If the Form of Proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

Note: If the shareholder is a Company or body corporate, Section 138 of the Companies Act No.7 of 2007 applies to corporate shareholders of Mahindra Ideal Finance Limited. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this Act or not, may, where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an individual shareholder of that other Company.

Corporate Information

GENERAL

NAME OF THE COMPANY

MAHINDRA IDEAL FINANCE LIMITED

DATE OF INCORPORATION

24th January, 2012

HEAD OFFICE

No 299, Dr. Colvin R De Silva Mawatha,
(Union Place) Colombo 02

TELEPHONE

+94 112396060

FAX

+94 112396757

E-MAIL

info@mahindraifl.lk

WEBSITE

www.mahindraifl.lk

LEGAL FORM

Limited Liability Company incorporated
in Sri Lanka under The Companies Act
No.7 of 2007.

A Finance Company registered under the
Finance Companies Act No. 42 of 2011.

A registered Finance Leasing
Establishment in terms of Finance
Leasing Act No. 56 of 2000.

SECRETARY

Sonali Niranjala Dunuwilla
No 299, Dr. Colvin R De Silva Mawatha,
(Union Place) Colombo 02

BANKERS

Bank of Ceylon
Seylan Bank PLC
Commercial Bank of Ceylon PLC
Cargills Bank Limited
Hatton National Bank
National Development Bank
HSBC
Deutsche Bank

COMPANY REGISTRATION

PB 4963

AUDITORS

BDO Partners

BDO Partners, Chartered
Accountants, Charter House, 65/2 Sir
Chittampalam A Gardiner Mawatha,
Colombo 02

DIRECTORS

Mr Mufaddal A. Choonia

(Managing Director & CEO)

Mr Sujeewa Mudalige

(Senior Independent Non-Executive Director)

Ms Chrishanthi Jayawardena

(Independent Non-Executive Director)

Mr Thilan Wijesinghe

(Independent Non-Executive Director)

Mr Raul Rebello

(Non-Executive Non-Independent Director)

Ms Nimisha Welgama

(Non-Executive Non-Independent Director)

Ms Anushka Wijenayaka

(Non-Executive Non-Independent Director)

SHARE HOLDING

Name of the Company	Holding %
Mahindra & Mahindra Financial Services Limited	58.20
Ideal Motors (Pvt) Ltd	17.27
Mr Aravinda De Silva	17.27
Mr Viraj Malawana	5.24
Veritas Holdings (Pvt) Ltd	2.02

mahindra **IDEAL FINANCE**

Mahindra Ideal Finance Limited

No. 299, Dr Colvin R de Silva Mawatha, (Union Place)
Colombo 02, Sri Lanka.

Telephone : +94 11 239 6060 / Fax : +94 11 239 6757
Email : info@mahindraifl.lk / Website : www.mahindraifl.lk

