



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

9th February 2026

The Board of Directors
Mahindra Ideal Finance Limited,
No. 299, Dr. Colvin R De Silva Mawatha,
Colombo 02.

Dear Sirs,

ACCOUNTANTS' REPORT FOR INCLUSION IN THE PROSPECTUS OF MAHINDRA IDEAL FINANCE LIMITED

Introduction

This report has been prepared for the inclusion in the Prospectus of Mahindra Ideal Finance Limited for the purpose of the issue of Tier 2, listed, rated, unsecured, subordinated redeemable, 5-year debentures amounting to Rupees one thousand million (Rs. 1,000,000,000/-).

We have examined the financial statements of Mahindra Ideal Finance Limited for the years ended 31st March 2021 to 31st March 2025 and report as follows:

1. Incorporation

Mahindra Ideal Finance Limited is a Limited Liability Company incorporated and domiciled in Sri Lanka. The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011 (formerly the Finance Companies Act No.78 of 1988). The Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company and the principal place of business are located at No 299, Dr. Colvin R De Silva Mawatha, Colombo 02.

2. Appointment of auditors

We were appointed as Auditors of Mahindra Ideal Finance Limited with effect from the financial year ended 31st March, 2025.

3. Financial statements

3.1 Five year summary of audited financial statements

A summary of audited statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows of Mahindra Ideal Finance Limited for the financial years ended 31st March 2021 to 31st March 2025, are set out on Appendix 1 to the report.

3.2 Audited financial statements for the year ended 31st March 2025

Our audit report on the financial statements for the year ended 31st March, 2025 together with the financial statements comprising the statement of financial position, statement of income and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows along with the accounting policies and notes thereon is available on the website of Company, www.mahindraifl.lk/ where the management is responsible for the electronic presentation of the financial report and to ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version.

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, BBMgt (Acc.) Sp.

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3.3 Audit reports

We have audited the financial statements of the Company for the financial years ended 31st March 2021 to 31st March 2025. Audit opinions issued are summarized in the table below:

Financial year ended 31 st March	Audit opinion
2021	Unmodified audit opinion
2022	Unmodified audit opinion
2023	Unmodified audit opinion
2024	Unmodified audit opinion
2025	Unmodified audit opinion

3.4 Going concern

No reservations have been made in the auditor's reports on the going concern of the Company during the last five years.

3.5 Accounting policies

The financial statements of Mahindra Ideal Finance Limited for the financial years ended 31st March 2021 to 31st March 2025 have been prepared in accordance with Sri Lanka Accounting Standards.

The accounting policies are stated in detail in the audited financial statements of Mahindra Ideal Finance Limited for the year ended 31st March 2025.

3.6 Dividends

The Company has not paid dividends in respect of Ordinary shares for the financial years ended 31st March 2021 to 31st March 2025.

3.7 Events after the reporting date

There were no significant events which occurred after the last audit report date.

4. Restriction on use

This report is made solely for the purpose of the Board of Directors of Mahindra Ideal Finance for usage in the application for the purpose of issue of tier 2, listed, rated, unsecured, subordinated redeemable, 5-year debentures amounting to Rupees one thousand million (Rs. 1,000,000,000/).

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work and for this report we have prepared. This report should not be used, circulated, quoted or otherwise referred to for any other purposes.

Yours faithfully,

BDO Partners

CHARTERED ACCOUNTANTS

HSR/kp

MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME

APPENDIX 1

	2024/2025	2023/2024	2022/2023	2021/2022	2021/2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Income					
Interest income	2,444,565,889	2,153,618,043	1,805,299,948	1,242,067,922	973,813,610
Interest expenses	(1,109,246,019)	(1,061,880,311)	(921,725,959)	(328,347,452)	(256,037,926)
Net interest income	1,335,319,870	1,091,737,732	883,573,989	913,720,470	717,775,684
Fees and commission income	16,497,935	10,249,062	13,067,675	12,097,982	10,904,398
Other operating income	279,805,694	145,173,275	105,911,732	67,370,908	30,575,374
Less: Operating expenses					
Personnel expenses	(560,528,599)	(501,575,385)	(349,974,582)	(279,077,843)	(194,494,202)
Depreciation and amortization cost	(148,942,034)	(115,492,989)	(97,306,263)	(77,535,459)	(54,367,478)
General and administration expenses	(414,783,308)	(345,864,952)	(236,296,248)	(147,445,903)	(61,592,438)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(73,913,715)	49,871,815	(70,983,116)	(88,336,470)	(88,586,557)
Operating profit before value added tax on financial services	433,455,843	334,098,558	247,993,187	400,793,685	360,214,781
Value added tax on financial services	(135,364,009)	(116,700,020)	(88,673,219)	(90,504,774)	(71,777,093)
Social Security Contribution Levy	(18,800,557)	(16,208,337)	(6,227,766)	-	-
Profit before income tax	279,291,277	201,190,201	153,092,202	310,288,911	288,437,688
Income tax expenses	(133,405,107)	(97,898,498)	(66,194,388)	(71,067,116)	(104,682,413)
Profit for the year	145,886,170	103,291,703	86,897,814	239,221,795	183,755,275
Other comprehensive income not to be re-classified to profit or loss in subsequent periods (net of tax)					
Actuarial gain/(loss) on retirement benefit liability	7,032,661	(8,101,913)	2,130,956	2,083,840	947,411
Deferred tax effect on components of other comprehensive income	(2,109,798)	2,430,574	(639,287)	(500,122)	(265,275)
Other comprehensive income / (expense) for the year net of tax	4,922,863	(5,671,339)	1,491,669	1,583,718	682,136
Total comprehensive income for the year	150,809,033	97,620,364	88,389,483	240,805,513	184,437,411
Earnings per share - basic	1.00	0.71	0.60	1.64	1.26

Figures in brackets indicate deductions.

MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION

APPENDIX 1 (CONTD...)

	31/03/2025	31/03/2024	31/03/2023	31/03/2022	31/03/2021
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Cash and Bank Balances	178,134,163	110,767,720	165,583,696	135,648,058	71,609,393
Investment in Government Securities at Amortized cost	1,248,943,875	1,819,024,328	458,137,517	248,709,944	502,394,473
Financial Investments-Measured at Fair Value through PL	-	1,001,278,217	-	-	-
Placements with Banks and Other Financial Institutions	151,075,892	355,848,060	445,268,915	287,743,917	211,016,918
Gold Advances	6,422,978,337	4,505,162,573	3,950,688,495	2,258,859,086	1,183,764,064
Lease Rental Receivables	2,656,512,819	2,864,129,749	2,374,025,383	3,535,934,193	2,414,429,648
Loans and Advances	5,723,479,604	1,173,631,285	798,812,852	1,389,311,844	865,820,622
Other Financial Assets	21,012,383	29,495,526	24,340,891	61,826,573	41,054,449
Other Non Financial Assets	73,409,769	188,496,352	58,781,143	177,169,452	27,054,720
Financial Investments-Measured at Fair Value through OCI	457,700	457,700	457,700	457,700	457,700
Inventories	-	-	-	328,056	511,273
Property, Plant and Equipment	584,938,750	534,360,642	470,357,459	346,499,489	188,756,810
Intangible assets	34,497,811	43,094,228	18,047,136	19,196,706	12,958,541
Deferred tax assets	35,978,217	24,116,990	27,648,433	23,683,867	-
TOTAL ASSETS	17,131,419,320	12,649,863,370	8,792,149,620	8,485,368,885	5,519,828,611
LIABILITIES					
Interest Bearing Borrowings	6,949,676,275	3,843,671,591	1,989,957,781	2,872,386,024	1,706,358,102
Due to the Customers	6,254,214,091	5,204,224,178	3,487,076,917	2,195,018,842	929,639,458
Other Financial Liabilities	639,571,564	547,160,170	379,280,751	550,307,273	236,443,617
Other Non Financial Liabilities	104,444,871	67,585,280	37,393,905	44,966,937	26,294,479
Post Employment Benefit Liability	37,738,100	49,036,778	30,896,045	26,338,562	23,049,390
Current Tax Liabilities	62,722,638	5,942,625	32,921,837	50,118,346	87,363,461
Deferred Tax Liabilities	-	-	-	-	5,252,716
TOTAL LIABILITIES	14,048,367,539	9,717,620,622	5,957,527,236	5,739,135,984	3,014,401,223
SHAREHOLDERS' FUNDS					
Stated Capital	1,908,247,125	1,908,247,125	1,908,247,125	1,908,247,125	1,908,247,125
Retained Earnings	1,114,204,721	970,936,139	878,196,794	794,226,785	565,461,548
Reserves	60,599,935	53,059,484	48,178,465	43,758,991	31,718,715
TOTAL EQUITY	3,083,051,781	2,932,242,748	2,834,622,384	2,746,232,901	2,505,427,388
TOTAL LIABILITIES AND EQUITY	17,131,419,320	12,649,863,370	8,792,149,620	8,485,368,885	5,519,828,611
COMMITMENTS AND CONTINGENCIES					
NET ASSETS VALUE PER SHARE	21.17	20.13	19.46	18.86	17.20

Figures in brackets indicate deductions.

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Fund Rs.	Total Rs.
Balance as at 31st March 2019	<u>808,247,125</u>	<u>291,212,571</u>	<u>17,284,558</u>	<u>1,116,744,254</u>
Total comprehensive income for the year				-
Profit for the year	-	105,351,084	-	105,351,084
Other comprehensive expense (net of tax)	-	(1,105,361)	-	(1,105,361)
Total comprehensive income for the year	<u>-</u>	<u>104,245,723</u>	<u>-</u>	<u>104,245,723</u>
Transactions with equity holders recognized directly in equity				
Share Issue	1,100,000,000	-	-	1,100,000,000
Transfers to reserves	-	(5,212,286)	5,212,286	-
Total transactions with equity holders	<u>1,100,000,000</u>	<u>(5,212,286)</u>	<u>5,212,286</u>	<u>1,100,000,000</u>
Balance as at 31st March 2020	<u>1,908,247,125</u>	<u>390,246,008</u>	<u>22,496,844</u>	<u>2,320,989,977</u>
Total comprehensive income for the year				
Profit for the year	-	183,755,275	-	183,755,275
Other comprehensive expense (net of tax)	-	682,136	-	682,136
Total comprehensive income for the year	<u>-</u>	<u>184,437,411</u>	<u>-</u>	<u>184,437,411</u>
Transactions with equity holders recognized directly in equity				
Transfers to reserves	-	(9,221,871)	9,221,871	-
Total transactions with equity holders	<u>-</u>	<u>(9,221,871)</u>	<u>9,221,871</u>	<u>-</u>
Balance as at 31st March 2021	<u>1,908,247,125</u>	<u>565,461,548</u>	<u>31,718,715</u>	<u>2,505,427,388</u>

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Fund Rs.	Total Rs.
Balance as at 31st March 2021	<u>1,908,247,125</u>	<u>565,461,548</u>	<u>31,718,715</u>	<u>2,505,427,388</u>
Total comprehensive income for the year				
Profit for the year	-	239,221,795	-	239,221,795
Other comprehensive expense (net of tax)	-	1,583,718	-	1,583,718
Total comprehensive income for the year	-	<u>240,805,514</u>	-	<u>240,805,514</u>
Transactions with equity holders recognized directly in equity				
Transfers to reserves	-	(12,040,276)	12,040,276	-
Total transactions with equity holders	-	<u>(12,040,276)</u>	<u>12,040,276</u>	-
Balance as at 31st March 2022	<u>1,908,247,125</u>	<u>794,226,786</u>	<u>43,758,990</u>	<u>2,746,232,902</u>
Total comprehensive income for the year				
Profit for the year	-	86,897,814	-	86,897,814
Other comprehensive expense (net of tax)	-	1,491,669	-	1,491,669
Total comprehensive income for the year	-	<u>88,389,483</u>	-	<u>88,389,483</u>
Transactions with equity holders recognized directly in equity				
Transfers to reserves	-	(4,419,474)	4,419,474	-
Total transactions with equity holders	-	<u>(4,419,474)</u>	<u>4,419,474</u>	-
Balance as at 31st March 2023	<u>1,908,247,125</u>	<u>878,196,795</u>	<u>48,178,464</u>	<u>2,834,622,384</u>
Total comprehensive income for the year				
Profit for the year	-	103,291,703	-	103,291,703
Other comprehensive expense (net of tax)	-	(5,671,339)	-	(5,671,339)
Total comprehensive income for the year	-	<u>97,620,364</u>	-	<u>97,620,364</u>
Transactions with equity holders recognized directly in equity				
Transfers to reserves	-	(4,881,018)	4,881,018	-
Total transactions with equity holders	-	<u>(4,881,018)</u>	<u>4,881,018</u>	-
Balance as at 31st March 2024	<u>1,908,247,125</u>	<u>970,936,140</u>	<u>53,059,483</u>	<u>2,932,242,748</u>
Total comprehensive income for the year				
Profit for the year	-	145,886,170	-	145,886,170
Other comprehensive expense (net of tax)	-	4,922,863	-	4,922,863
Total comprehensive income for the year	-	<u>150,809,032</u>	-	<u>150,809,032</u>
Transactions with equity holders recognized directly in equity				
Transfers to reserves	-	(7,540,452)	7,540,452	-
Total transactions with equity holders	-	<u>(7,540,452)</u>	<u>7,540,452</u>	-
Balance as at 31st March 2025	<u>1,908,247,125</u>	<u>1,114,204,721</u>	<u>60,599,935</u>	<u>3,083,051,781</u>

Figures in brackets indicate deductions.

MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF CASH FLOW

APPENDIX 1 (CONTD...)

	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities					
Profit before income tax	279,291,277	201,190,201	153,092,202	310,288,911	288,437,688
Adjustment for Other Non Cash Items Included in Profit Before Tax					
Depreciation of Property, Plant and Equipment & ROU Assets	140,150,617	110,425,685	93,972,623	71,243,356	48,991,168
Amortization of Intangible Assets	8,791,417	5,067,304	3,333,640	6,292,103	5,376,310
Provision for Impairment	73,913,715	(49,871,815)	70,983,116	88,336,470	88,586,557
Interest expenses on Borrowings	403,685,122	377,945,850	434,895,016	183,688,204	166,134,545
Defined Benefit Obligation	14,271,083	12,673,570	9,450,813	5,434,262	6,113,667
Dividend Income	-	(179,520)	(240,000)	(240,000)	(320,000)
Disposal (Gain)/Loss on Fixed Assets	(21,772,078)	-	-	(4,366,107)	235,561
Operating Profit before Working Capital Changes	898,331,153	657,251,275	765,487,410	660,677,199	603,555,496
(Increase)/Decrease in Lease Rental Receivables	214,288,953	(463,612,467)	1,135,054,895	(1,175,879,395)	(148,487,441)
(Increase)/Decrease in Loans and Advances	(4,610,148,089)	(347,074,261)	603,795,207	(555,430,251)	88,022,024
(Increase)/Decrease in Gold Advance	(1,938,101,734)	(558,838,334)	(1,703,801,685)	(1,075,095,022)	(511,048,668)
(Increase)/Decrease in Other Financial Assets	8,483,143	(5,154,635)	(7,967,458)	(18,533,533)	(9,443,491)
(Increase)/Decrease in Other Non Financial Assets	91,755,762	(123,753,192)	113,784,455	(150,114,732)	(4,029,958)
(Increase)/Decrease in Inventories	-	-	328,056	183,217	406,442
Increase/(Decrease) in Amounts Due to Customers	1,049,989,913	1,717,147,261	1,292,058,075	1,265,379,384	257,722,325
Increase/(Decrease) in Other Financial Liabilities	171,098,332	231,602,037	(110,978,929)	313,863,656	66,019,178
Increase/(Decrease) in Other Non Financial Liabilities	36,859,592	30,191,375	(7,573,033)	18,672,458	(7,072,427)
Increase/(Decrease) in Current Tax liabilities	13,971,025	(8,732,522)	3,633,728	-	-
Cash Generated from Operations	(4,063,471,950)	1,129,026,537	2,083,820,723	(716,277,018)	335,643,481
Retirement Benefit Liabilities Paid	(18,537,100)	(2,634,750)	(2,762,375)	(61,250)	-
Income Tax Paid	(90,596,119)	(116,145,188)	(87,024,625)	(137,748,935)	(94,550,893)
Net Cash Flows from/(Used in) Operating Activities	(4,172,605,168)	1,010,246,599	1,994,033,723	(854,087,204)	241,092,588
Cash Flows from / (Used in) Investing Activities					
Purchase of Property, Plant and Equipment	(117,080,251)	(88,766,534)	(141,303,856)	(75,779,480)	(42,271,115)
Purchase of Right of Use Assets	(81,359,758)	(85,662,333)	(76,526,736)	(160,707,218)	(29,377,517)
Purchase of Intangible Assets	(195,002)	(30,114,398)	(2,184,070)	(12,530,268)	(200,000)
Disposal of Property, Plant and Equipment	38,843,160	-	-	10,675,000	-
Dividend Received	-	179,520	240,000	240,000	320,000
Investment in Treasury Bills	424,191,672	(515,700,380)	(300,329,263)	-	-
Investment in Fixed Deposits	104,772,168	189,420,855	(157,524,998)	(71,441,158)	(210,000,000)
Net Cash Flows from/(Used in) Investment Activities	369,171,989	(530,643,270)	(677,628,924)	(309,543,124)	(281,528,632)
Cash Flows from / (Used in) Financing Activities					
Proceeds from Bank Borrowings	10,559,108,022	15,985,000,000	6,424,000,000	2,673,000,000	1,397,000,000
Repayment of Bank Borrowings	(7,979,559,624)	(15,340,051,428)	(7,494,177,824)	(1,866,078,525)	(1,782,714,413)
Rental Paid for Lease Obligation	(78,686,938)	(63,722,616)	(60,047,593)	(46,849,881)	(28,001,970)
Repayment of Other Borrowed Funds	-	-	-	(1,182,051)	(3,631,013)
Net Cash Flows from/(Used in) Financing Activities	2,500,861,460	581,225,956	(1,130,225,417)	758,889,543	(417,347,396)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,302,571,720)	1,060,829,285	186,179,382	(404,740,785)	(457,783,441)
Cash and Cash Equivalents at the Beginning of the Period	1,312,744,367	251,915,083	65,735,701	470,476,486	928,259,927
Cash and Cash Equivalents at the End of the Year	10,172,647	1,312,744,368	251,915,083	65,735,701	470,476,486

Figures in brackets indicate deductions.