Mahindra
IDEAL FINANCE

STRONGER TWOGETHER

PARTNERING FOR YOUR SUCCESS

ANNUAL REPORT
2021-22

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Inner Back Cover Corporate Information

A long-standing relationship between the Mahindra Group and Ideal Group was further solidified when Mahindra Finance entered into a partnership with Ideal Finance and became its majority shareholder in July 2021.

Ideal Finance has thus become Mahindra Ideal Finance Limited with an aim to be one of the leading Non-Banking Financial Institutions in Sri Lanka by combining the substantial strength and scope of Mahindra Finance with the inherent strength and local expertise of Ideal Finance.

We're truly...stronger together!

About the Company

Date of Incorporation
24 January 2012

Branches as at March 2022
20

Credit Rating
Fitch Ratings "AA-(lka)"; Outlook Stable

Shareholders
Total number of shareholders is limited to four. This is made up of one local individual, two local institutions and one foreign institution

The main Shareholder is Mahindra & Mahindra Financial Services Limited

Capitalisation
As at 31 March 2022, the Total Capital ratio was 39.65% while the Tier 1 Capital ratio was 38.58% compared to the regulatory minimum ratios of 11% and 7%, respectively

Total Employees
261
Permanent – 149
Probation – 109
Contract – 3

Since its inception in 2012, Mahindra Ideal Finance Limited (MIFL)'s Board of Directors and the Management have taken all necessary steps and actions to develop Sri Lanka's small-scale entrepreneurs and meet the personal financial needs of those requiring finance and leasing facilities. While catering to business owners, MIFL supports those who are marginalised and cannot satisfy the requirements of the traditional banking system to realise their aspirations.

Our Vision

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

Our Mission

To be the most credible, trustworthy, and professional financial institution with a heart, which will deliver financial favours to our customers.

Enhance professionalism and the lives of our employees to be the most sought after employer.

Increase shareholder wealth – make them proud to be a shareholder of the Company.

Our Values

Professionalism

We genuinely believe in our profession and take responsibility by saying "no" if saying "yes" would not do right by you. We create solutions that are simple, understandable, and workable, and we strive to improve ourselves everyday by working together and learning from one another – and from you. We will work together as a team, supporting each other, respecting every individual, and drawing strength from our diversity.

Innovate

We are always stretching our boundaries and striving to achieve more for you. We make it our business to know what is going on in the market and pushing our boundaries to respond proactively, and we do everything possible to understand what you really need and to craft innovative solutions. Our optimism about the future drives our ambition to offer you more.

Service

We provide simple and transparent financial services which are most needed for small businesses and always strive for excellence in serving our internal and external customers, through professionalism, innovation, and creativity. We are open-minded and embrace change in a globalised world. We want our clients to succeed and know they can count on MIFL for the financial support they need.

Supporting Enterprises and Individuals

We want to work with entrepreneurs who are striving to grow their businesses no matter how small the business may be. MIFL seeks to help in building vibrant business communities that will drive the country's economy forward. We want to inspire our customers as well as help tomorrow's entrepreneurs to achieve their ambitions.

A Responsible Corporate Citizen

Good citizenship is about doing business in a responsible way that recognises our wider influence as a company. This contains information on how we manage our impacts on society, from our tax contributions, the way we govern our environmental, social and ethical risks, and our environmental impacts. We commit to becoming a financial institution known for outstanding ethics and high quality governance, management, and staff. Being a good corporate citizen also means playing a positive role in society and contributing financial and volunteering support to the communities we operate in.

Ethical Employer

Our people are uniting behind our purpose of serving our customers well. Our job is to make sure every aspect of what it means to work at MIFL is geared towards helping them be successful in that. That kind of simplicity and focus is what drives employee engagement and what builds a really good company. We work to attract and retain the best people, promote flexibility and diversity in the workplace, and undertake comprehensive activity to understand and respond to our employees' feedback.

A compliant Corporate Citizen

About the Report

Presenting Our 2021/22 Integrated Annual Report

We are pleased to present to our stakeholders, MIFL's integrated Annual Report for the year 2021/22. Here, we lay out the Company's strategy, performance, governance and future focus, within the context of a challenging operating environment that existed in the year under review. We aim to document how the Company identified its markets, pitched its products, upgraded its systems, and trained its employees, while delivering value to its customers and the community at large through its many faceted interactions with these segments.

Assured Integrity of the Report

The Board of Directors take full responsibility in assuring the integrity of this report. We have exercised necessary due diligence to ensure that the report addresses all material issues that impacted the Company, while documenting those issues reflecting a fair account of the Company's performance. MIFL's Board Audit Committee provides internal assurance on an annual basis to the Board. The modus operandi of the Audit Committee is based on the Company's overall risk management systems and is driven by an annual audit plan that is supervised by the Integrated Risk Management Committee under the purview of the Board.

Future Focused

Where it is possible to document, the report contains our plans for the future. These are based on our Company's strategic view and the economic headwinds we encountered at the point of writing it. We are fully cognisant of the myriad challenges that we navigated in the year under review and the continuing effects of it in the current year. As such, we recognise that our future focused statements may be impacted by further developments in the operating environment and therefore, should not be construed as a guaranteed result-oriented course of action. The Board of Directors will periodically evaluate the operating environment and make adjustments to its future focus, where and when necessary.

Reporting Period

The Annual Report 2021/22 covers the period from 1 April 2021 to 31 March 2022 and covers a 12-month period of the Company's performance. This is consistent with the previous cycle for financial reporting.

Materiality

Materiality analysis reflects the choices the Company made, within the operating environment in 2021/22. The materiality matrix identifies the significant impact those choices had on the stakeholders and the Company.

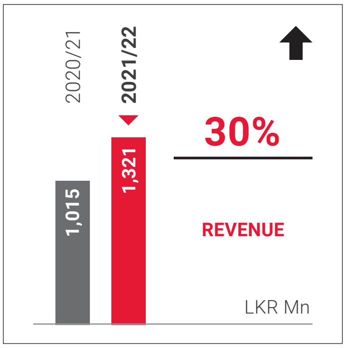
Key Frameworks, Guidelines, Policies, and Compliance

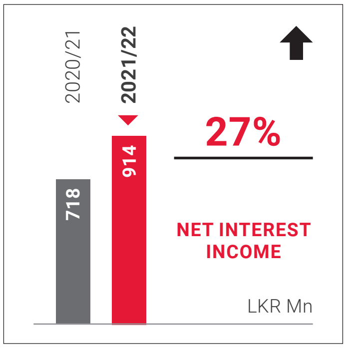
This report was prepared drawing on concepts, principles and guidelines established in the International Integrated Reporting Framework. It is in compliance with all applicable laws, regulations and standards as given below:

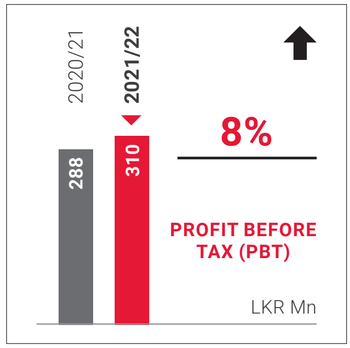
- Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs)
- Directions, Rules, and Regulations issued by the Central Bank of Sri Lanka, applicable for licensed Finance Companies
- Sri Lanka Auditing Standards (SLAuSs) promulgated by The Institute of Chartered Accountants of Sri Lanka
- Applicable rules of the Colombo Stock Exchange
- Sri Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka
- Inland Revenue Act No. 24 of 2017
- Sustainable Development Goals (SDGs) of the United Nations

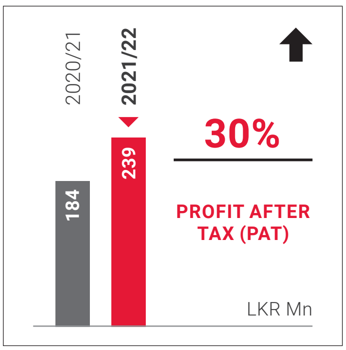
Financial Highlights

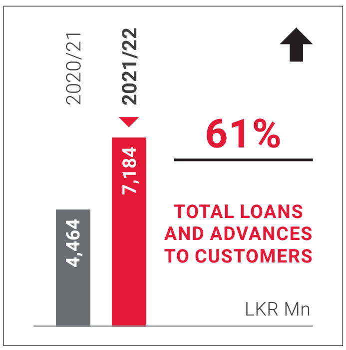
Key Performance Indicators	2021/22	2020/21
Financial Performance (LKR)		
Revenue	1,321,536,812	1,015,293,382
Net Interest Income	913,720,470	717,775,684
Net Operating Income	904,852,890	670,668,899
Operating Profit Before Taxes on Financial Services	400,793,685	360,214,781
Profit Before Tax (PBT)	310,288,911	288,437,688
Profit After Tax (PAT)	239,221,795	183,755,275
Position at Year End (LKR)		
Total Loans and Advances to Customers	7,184,105,123	4,464,014,335
Total Assets	8,485,368,885	5,519,828,611
Total Equity	2,746,232,901	2,505,427,388
Deposits from Customers	2,195,018,842	929,639,458
Financial Ratios (%)		
Profitability Perspective		
Operating Profit Margin	30.33	35.48
Net Interest Margin	14.17	14.27
Return on Average Assets – Pre Tax	4.43	5.40
Return on Average Assets – Post Tax	3.44	3.45
Investor Perspective		
Earnings per Share (LKR)	1.64	1.26
Return on Average Equity – Pre Tax (%)	11.82	11.95
Return on Average Equity – Post Tax (%)	9.17	7.64
Net Assets Value per Ordinary Share (LKR)	18.86	17.20
Statutory Ratios		
Capital Adequacy		
Tier 1 (Minimum Requirement – 7%)	38.62	43.47
Total Capital Ratio (Minimum Requirement – 11%)	39.68	44.83
Statutory Liquidity Ratio (%)	17.51	61.74
Leverage Ratio (Debt Equity Ratio) (Times)	1.85	1.05
Non-Performing Advances Ratio		
Gross NPL (%)	3.02	3.29
Net NPL (%)	-1.93	-0.40
Provision Coverage (Times)	1.68	1.12

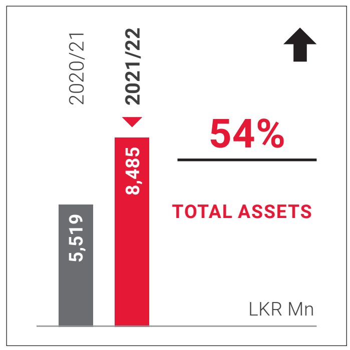


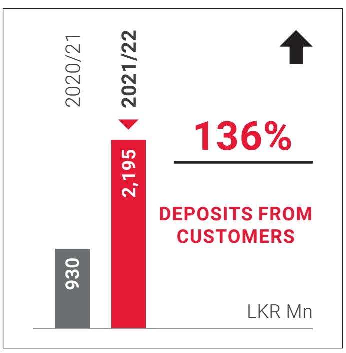


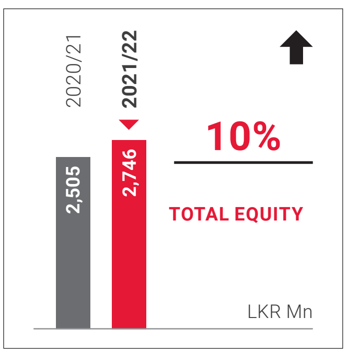




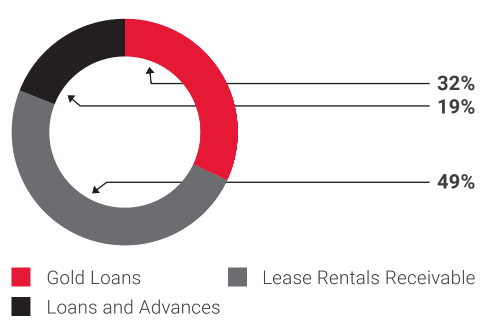




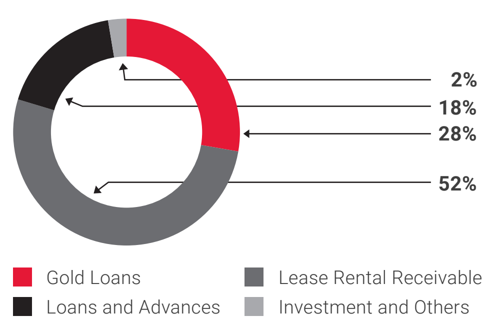




PRODUCT PORTFOLIO



INTEREST INCOME – PRODUCT-WISE



Operational Highlights

The COVID-19 pandemic dictated a new normal that significantly changed the way we did business in the year under review. Relentless onslaught of the variants forced us to adopt the new normal in carrying out our routine operations. This, however, gave us an opportunity to think out of the box, serve our customers at a consistently high level and ensure a successful financial year for the Company. Undeterred, we took up the challenge in stride to deliver on our strategy.

The Partnership

Mahindra & Mahindra Financial Services Limited (MMFSL) invested in MIFL owning a controlling share of 58.2%. MMFSL is represented by four of their resources on the MIFL Board.

Fitch Ratings Recognition

This resulted in MIFL achieving an AA- rating from Fitch Ratings, which added muscle to our borrowing strength from the local banks while enhancing our visibility among our peers and the general public.

Migration of Best Practices

Partnership with MMFSL saw the migration of best practices to MIFL on several platforms, providing a stronger framework to our operations.

An Up-skilled and Healthy Workforce

We continued with our strict adherence to health guidelines in ensuring our workforce was safe and healthy. Work-from-home model continued for those non-customer-interface staff while branch staff was provided with the necessary paraphernalia to stay healthy. The Call Centre delivered value, through customer engagement and inter-connecting customers and Company staff.

Profit Targets and Asset Growth

As enumerated in our Financial Highlights section, despite many challenges we delivered well on swelled up profit lines. Through our personalised customer engagement we were able to retain our asset quality with healthy NPL levels.

Maintaining Credit Quality

Stringent lending criteria were adopted while continuously monitoring the portfolio to ensure good credit quality.

Strengthened Customer Screening

Migrating best practices from MMFSL, we strengthened our customer due diligence process on its “Know Your Customer” model to further ensure financial crime risk is well mitigated.

Cost Control

We continued with this aspect to maintain our operational excellence, although we navigated the pandemic situation well and ensured success for our Company. As our marketing staff was unable to engage with the customers at the desired level, we took a close view at expenses and took several initiatives to ensure a healthy control.

Continuous Expansion

We expanded our branch network to serve our customer better. 111 personnel, experienced in the leasing and loan products were recruited in readiness to market it, when it becomes conducive to do so.

Journey

2020/21

- During the pandemic, IFL opened two branches in Vavuniya and Gampaha and Elpitiya Branch was relocated to serve our customers better.
- Achieved LKR 1 Bn in gold loans.
- Deposit base LKR 920.94 Mn, revenue LKR 1 Bn, and highest net profit of LKR 184.4 Mn was achieved.
- BB-(LKA) rating watch positive by Fitch Ratings since 10 June 2020.
- IFL was awarded the "Great Place to Work" award for the second consecutive year.

2021/22

- In July, MMFSL becomes the parent company of MIFL with a 58.20% controlling share.
- Opened eight new branches during the pandemic in Welimada, Chunnakam, Nelliadi, Kaduwela, Ja-ela, Kadawatha, Galle and Kuliyapitiya.
- Completed ten years of a successful journey in the month of March 2022.
- With the investment of MMFSL, IFL was rebranded as Mahindra Ideal Finance Limited (MIFL) as of January 2022.
- AA- Outlook stable by Fitch Ratings with effect from 26 July 2021.

2017/18

- Jaffna and Monaragala branches were relocated to serve our customers better.

2018/19

- Kandy and Matara branches were opened that increased our branch strength to ten.

2019/20

- MMFSL partners with IFL as the second largest Shareholder.
- IFL was awarded Great Place to work 2019-20.

2015/16

- Gold loans, Business and Personal Loans were introduced.
- In October, IFL gained the affirmation of being a sustainable ongoing finance business from Fitch Ratings with a B+(LKA) stable rating.

2016/17

- Monaragala branch was opened during the year. Income was LKR 391 Mn, portfolio was LKR 2 Bn and net profit was LKR 57.6 Mn.

2012/13

- Ideal Finance Limited (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.

2013/14

- SME sector was given a significant place in the lending activities.
- Anuradhapura, Elpitiya, Embilipitiya, Jaffna, Kurunegala branches were opened with a service center in Bandarawela.

2014/15

- At the year-end, income derived was LKR 175 Mn, portfolio was LKR 737 Mn, deposit base was LKR 170 Mn and a net profit of LKR 28.9 Mn was made.

Chairman's Message

We believe that MMFSL's decision to partner with us speaks volumes for the trust they placed in us, our Company's management style, capabilities, and financial stability.

It is with great pleasure that I present to our Shareholders the Annual Report and Audited Accounts for the financial year 2021/2022. The highlight of the year under review is the partnership we formed with MMFSL. This rich partnership, cultivated over a period of ten years, culminated when MMFSL took a controlling 58.2% share of MIFL in July 2021. In a carefully crafted move following MMFSL's scrutiny of the Company's governance and risk management, due diligence processes, and financial stability, we were proud to rebrand the Company as Mahindra Ideal Finance Limited.
As a company with over USD 20 Bn asset value and 20,000 employees in India (currently rated as the 4th largest auto manufacturer in the world), we believe that MMFSL's decision to partner with us speaks volumes for the trust they placed in us, our Company's management style, capabilities, and financial stability. Our partnership with MMFSL brought us a repertoire of expertise and deep pockets of knowledge in the finance and leasing industry, corporate and risk governance, and superior HR practices.

MMFSL's investment in Sri Lanka is a part of its international strategy of expanding into Asian markets similar to India – especially those that are of strategic importance for the Mahindra Group for its automotive and farm equipment products. MMFSL believes that the Sri Lankan market holds great potential with a strong, long-term growth opportunity. The newly formed entity will be a win-win for both partners in this market as Mahindra brings in the required resources, capital, and expertise to fuel this growth.

Operating Environment

The cataclysmic event, the COVID-19 pandemic, continued to rage across the world in 2021, disrupting economic recovery, increasing job losses, squeezing disposable incomes, and driving inflation higher. Certain countries may eventually require debt restructuring that will further slow down recovery. Global growth is forecasted to moderate from 5.9% in 2021 to 4.4% in 2022. Inflation soared, and many nations resorted to money printing, escalating it further.

In this backdrop, the Sri Lankan economy took a deep curve, with the concatenated effect of 2020 and 2021 resulting in a negligible GDP growth of 0.1%. The country recorded an external trade balance of minus USD 8.1 Bn and a shortage of foreign currency liquidity in the domestic market was experienced.

The Rupee recorded a depreciation of 33% to the US Dollar, while national inflation climbed to 14% by December, 2021. The pandemic forced the global food inflation to a heady 30% and in Sri Lanka a 21.5%, in December 2021.

Although the country experienced an acutely constricted economic environment, the financial sector stability was well preserved in the year under review. As a non-banking financial sector institution, the Company is categorised under Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs). The total assets of the LFCs and SLCs increased by 6.1% amounting to LKR 1,487.7 Bn as of end 2021 as opposed to the contraction of 2.2% that took place in 2020. The deposits increased by 4.6%, while borrowings declined by 0.6% during the year[1].

With MMFSL's partnership, MIFL has gained further strength in its business operations and we have closed 2021/22 on a high note.

[1] CBSL AR 21

Our Financial Performance

With MMFSL's partnership, MIFL has gained further strength in its business operations and we have closed 2021/22 on a high note. We, however, concentrated intensely on our cash flow management and collections, and follow-up on debt collection took priority in our routine actions. We exceeded our financial targets with a 30.1% growth in total income that reached LKR 1,321 Mn. The total asset base has expanded by 53.7% to reach LKR 8,485 Mn, which is well above the average growth of the Non-Banking Financial Institutions (NBFI) sector. We have achieved a remarkable growth in profits of 30.2 %, which have recorded LKR 239 Mn. NPLs were managed well and we have kept them at a healthy level. As finance and leasing products took a back seat in the minds of the customer base due to the downward economic trends and the prohibition of vehicle imports by the Government, we concentrated on our collection aspect, which ensured a steady cash flow to boost our liquid reserves. As an impetus from our Company to uplift the economy in the long term, the Mahindra assembly plant in Sri Lanka continued to roll out a smaller number of vehicles, so that the vehicle leasing industry does not fully shut down. This, in turn, continues to feed the leasing business to MIFL.

We are well capitalised, maintain a clear focus on our expenses and carry a strong portfolio with a healthy level of non-performing loans. The year has been a great success not only financially but on many other fronts that saw us through a difficult year.

Migration of Strong Governance Practices

The MMFSL partnership has given us great financial strength as well as migration of best practices in the areas of governance, risk management, compliance, and human resource development. We are pleased that MMFSL is represented on the Board of Directors by four individuals who are experts in finance, risk, and marketing.

It is relevant to mention that performing customer due diligence on the "Know Your Customer" model is an imperative for a financial institution like our Company, to screen customers in order to prevent money laundering and mitigate any financial crime risk. MMFSL, which is regulated by the Reserve Bank of India, is well versed with such due diligence processes, and the migration of best practices is now giving us a firm and healthy framework to our customer screening platform.

Fitch Ratings

Our partnership with MMFSL has yielded us a AA- Fitch Ratings, in a contracted economic climate that has unfortunately witnessed a rating downgrading for the country as a whole. The fact that as at end 2020/21, our rating was BB- speaks volumes for the value addition from the merger. The AA- rating is just a notch less than that of MMFSL, and will provide us with greater access and options when approaching the financial markets for our funding needs.

Training and Development

A noteworthy achievement of our human resources management was that two of our high performers were picked to be in MMFSL's MD's Club. In this staff development scheme, out of a 20,000-strong staff cadre in India, only 55 high performers are selected. Those selected for this programme are provided with a package of benefits, including a cash reward, a meet-up with the MD of Mahindra Group, enrolment in a short course in a reputed Technology University in India, and the opportunity to be groomed to be among the future managers of the Mahindra Group. A great deal of interaction is taking place in the human resource development, where we have much to learn from the systems and processes that MMFSL had developed over the years. We are bound to see the results of these inputs in a few years from now.

Our Response to the COVID-19 Pandemic

The Company strictly adhered to the requirements of the health authorities, implementing the required precautions at its Head Office and branches and building awareness among its staff while safeguarding its customer base that visited the branches, when able to do so. Personal visits, however, were largely hampered by mobility restrictions.

A balanced view of the pandemic was cultivated in the Company where, while adhering to health regulations, our staff continued with their daily routines keeping within the new normal that had emerged. Those who were not required in office on a daily basis were mandated to work from home.

Future Plans

We are motivated and working towards becoming one of the five top finance companies in Sri Lanka, a goal encouraged by our parent, MMFSL. We opened eight branches in 2021/22 and are well represented in most of the districts in Sri Lanka. We will flow with our customer-centric focus, which is well supported by our parent who has the same customer culture. This is a key aspect we will build on as we were already known for our customer-centricity which has now acquired larger proportions. With our large capital base, well above requirements, and support from MMFSL, we are excellently positioned for future expansion.

Detailed budgets have been prepared for the period 2022-2026. Subsequent to March 2022, eight new branches shall be opened. Furthermore, seven new branches are expected to be opened in 2023/24; 106 new staff are expected to be recruited in 2022/23 and 156 in 2023/24. The lease and loan portfolio is projected to grow by around 250% between 2022/23 and 2025/26; gold loans by 165%, and total revenue by 250% over the same period.

Acknowledgements

Our footprint is indelibly imprinted on the financing landscape in Sri Lanka and it is bound to get stronger in the years to come. I am thankful to the excellent team that helped us through the years and especially, in a difficult year like 2021/22. I am grateful to our parent, MMFSL for their strong bond with us, and the invaluable partnership that has already given us a significant edge in a fiercely competitive market.

We are capable of handling any challenge under the leadership of the CEO, as amply demonstrated during this financial year. I would like to thank our customers and other stakeholders for their continued faith in our capability and for helping us improve our processes to develop ourselves to this enviable position. I also take this opportunity to thank our shareholders for their support and confidence in the Company.

I thank the members of the Board, the Deputy Chairman, the Board Committees and the CEO, for their invaluable contributions in navigating the Company to its current successful conclusion during a universally difficult time. In this context, I would also like to formally acknowledge the supportive role of our Internal and External Auditors. I must also thank the Governor of the Central Bank and Officials of the Non-Bank Financial Institutions Supervision Division for their guidance during the year. I invite all our stakeholders to continue to partner with our success in the future financial years.

Nalin J Welgama
Chairman

30 April 2022

Chief Executive Officer's Message

It is with pride that I note the successful strides our Company made in a year that was marked with many economic challenges and an unrelenting COVID-19 virus that spread across the island. Our Company was able to secure the trust, confidence and the partnership of MMFSL, who now holds a 58.2% controlling share. We rebranded our Company as Mahindra Ideal Finance Limited and gained significant financial robustness to achieve a Fitch Ratings of AA- in the year under review.

LKR **239** Mn

Highest ever PAT with a YoY increase by 30.2%

Summary of Performance

In 2021/22, despite the major headwinds of COVID-19 and the macroeconomic situation such as foreign exchange constraints, MIFL was able to record an extremely impressive financial performance. The profit after tax increased by 30.2% YoY (and was the highest ever PAT) and the asset base grew by 54%. Driven by the expansion of the Company's branch network, the disbursements also reached an unprecedented level of LKR 10 Bn. What makes these achievements all the more impressive, is that a high portfolio quality was maintained with both gross NPL and net NPL being reduced over that of 2020/21. This was in a climate where the majority of NBFIs suffered a general deterioration in asset quality and an increase in non-performing loans. The investment from Mahindra contributed greatly to our receiving a positive rating of AA- from Fitch Ratings.

The total equity of the Company increased by 10% as of end March 2022, and our capital was comfortably in excess of regulatory requirements. The Tier 1 Capital Ratio was 38.62% against the minimum statutory requirement of 7.00%, whilst the Total Capital Ratio stood at 39.68% against the minimum statutory requirement of 11.00%. Our total assets are around LKR 8.2 Bn, that has a well-structured break-up; our capital accounts for around LKR 2.7 Bn, loans from the banking system accounting for LKR 2.2 Bn, and another LKR 2.2 Bn from the deposits.

Our offices are well maintained and the staff well-groomed so as to impart confidence to the customer that he is dealing with an ethical place of business, where his asset is safe and he is given a good service while retaining confidentiality.

Our Marketing Strategy

We have chosen to concentrate on onboarding new customers, rather than strive to increase our market share on a base of existing customers. We understood that the established players already had a hold on that existing customer base, and therefore we targeted those who were untapped by the NBFI sector. Our target market is largely the rural and semi-urban population. To service this market, we sited most of our branches in locations that are key economic and commercial hubs for our target market segment. To support our strategy, prior to 2021/22, we opened the majority of our branches in non-urban or semi-urban locations such as Jaffna, Anuradhapura, Embilipitiya, Monaragala, and Bandarawela.

Leasing

We have continued our vehicle leasing business that has been the traditional mainstay of our business and still continues to account for most of our revenue. The range of vehicles we finance includes private vehicles, commercial vehicles, motorbikes, and trucks and trailers. Around half of our clientele for the leasing business is from the SME sector, while the remaining half is from the salaried class. Since the Mahindra assembly plant located in Sri Lanka is a franchise we hold, we had an advantage over our competitors in offering leasing to the vehicles that roll off the assembly line. The year under review saw us scaling up the transaction values. From approximately LKR 10 Mn transaction values, we moved to leasing top-notch luxury vehicles of much larger transaction values. That helped us to be competitive and include those products in our range of services. We conducted a Facebook campaign to promote our new products. MIFL has a range of leasing products that offer maximum benefits at competitive rates to both corporate bodies and individuals. Our leasing disbursements amounted to LKR 3.9 Bn during 2021/22.

Gold Loans

We moved aggressively to promote our gold loan products in the year under review, as we felt the market for vehicle financing had shrunk due to the economic conditions as well as the Government's ban on import of vehicles. With the move into the gold loan market, there was also a certain shift in our branch location strategy. As the gold loan product is used by a cross-section of the society in times of financial need, we identified that our new branches should be sited in a location that is easily accessible to any type of customer. With this in mind, we opened many of our new branches, such as our branch in Galle, in urban city centres. A total of eight new branches were opened across the country in the year under review.

We expect to draw most of our customers from a radius of about 10-20 km from the branch. The customers can range from businessmen who are looking at sizable investments or working capital as well as micro-entrepreneurs who are looking to service their day-to-day cash requirements.

We have to create the right ambience to draw the customers. The interior of the branch should have the look and feel to make the customer comfortable about handing over his valuables to us. The customer should feel assured of the confidentiality of his transactions. The staff also should be cordial and impart a sense of confidence in the customer; the customers have diverse profiles, and they should also be able to identify and promote a product that meets the customers' needs.

Our strategy to pitch our product to the new customer was a challenge as we were a start-up and a relatively smaller player in the business. We also primarily located our gold loan operations in close proximity to already established peers and sought to benchmark our performance against a key player in the market. Our strategy paid off handsomely as we were able to capture a large section of the gold loan market; for example, we lead the business in the Monaragala area, while we rank second in some other key regions. In 2021/22 we achieved LKR 1.6 Bn in gold loan disbursements.

Human Resource Requirements

We were faced with the need to quickly expand our staff to facilitate the leasing business. To market the leasing product, we were able to attract 166 experienced new recruits, primarily through referrals. In recruiting, we were able to showcase to them our strategy in human resource management and the corporate culture we had developed over the years. In this context, MMFSL's input in migration of best HR practices was pivotal in offering new recruits a superior employee proposition. This was the key to attracting new recruits from our competitors. The staff we recruited was trained through our online platform, and we ensured they adhered to Company processes and policies and are compliant with the regulations.

A Positive Approach to Customer for Life

Though the fresh wave of COVID-19 hampered our business operations to some extent, we took it in our stride while adhering to strict health guidelines. It is worth mentioning that our team took it positively, in that serving our customers was our chief priority. We felt that our customers needed us, especially during these trying times, when some had lost their employment and some others suffered a reduction in their pay. We strove to keep our gold loan operations open for walk-in customers whenever possible so that whenever an urgent financial need arose, we were ready to serve them. This added to our customer base as most competitors had closed their centres during this time.

We also had a good collection ratio last year, although the general thinking was that defaulting will soar. Our Call Centre delivered great value in this respect as the focal point for customer interaction, assisting our customers and attending to their needs, while exercising the collection effort.

Partnering with Mahindra

Our partnership with MMFSL took place in July of 2021, during the height of the pandemic. Although MMFSL had their own challenges during that time with the pandemic's devastating effects on India, we are pleased they moved ahead in partnering with us. Since then, we were able to draw great insights into human resource management, liquidity management and risk and governance aspects that are practised at MMFSL, positioning us on a steady step to face the challenges in the current year. We are pleased that two of our employees were selected to be members of the MMFSL's MD's Club, the selection for which is highly competitive. This reflects MMFSLs positive engagement with us and the impact they have started to make through the transfer of capabilities and resources to our Company.

Rebranding Benefits and Process Re-engineering

Rebranding our Company as Mahindra Ideal Finance Limited and the achievement of AA- rating from Fitch Ratings, propelled us into a financially strong arena, where lending institutions place a great deal of value on the partnership. At the end of 2020/21, our rating was BB-, which demonstrates how our financial strength has been recognised subsequent to the partnership.

We now implement MMFSL's practice of a 90-day impairment period although the CBSL's requirement is 120 days. This demonstrates the rigour of our financial policies, as we are following more conservative guidelines than the regulator requires. With MMFSL's inputs, we were able to complete our audited accounts within two weeks of the closure of the financial year and follow a provisioning policy modelled on their accounting standard, that is a reflection of the International Accounting Standards.

Customer Relationship Management

Our offices are well maintained and the staff well-groomed so as to impart confidence to the customer that he is dealing with an ethical place of business, where his asset is safe and he is given a good service while retaining confidentiality. Therefore, we ensure our interiors communicate this confidence to him. We are also aware that we attract a range of customers, and that the ambience of our offices should neither intimidate nor discourage. This is our baseline strategy to grow our portfolio and we are pleased to report that it has grown our customer base and rendered value for our effort.

As one-to-one customer approach became difficult in the height of the pandemic, we carried out a mobile unit promotion that attracted new customers to our base.

In an effort to further engage with the government sector, we extended a special eighteen month finance facility for military personnel to purchase smartphones to facilitate online education for their children.

Debt Moratorium

The regulator mandated a debt moratorium. However, out of the 480 applications received, only 180 opted for it. We were able to educate the customers on the pros and cons of such moratoria, so that they could make an informed decision. We retained a good asset portfolio and a steady cash flow that saw us soundly liquid and functioning well. Our Call Centre was a vital point of customer contact that enabled us to educate our customers on this issue.

Acknowledgements

As we conclude yet another challenging year in the history of the Company, I wish to thank the Chairman and other members of the Board for their guidance in navigating this difficult period. I am grateful to MMFSL for their expertise and knowledge sharing and the value they add to the Board. I also extend my appreciation to the officials of the Central Bank of Sri Lanka and the Department of Supervision of Non-Bank Financial Institutions.

In Conclusion

Our Company, Mahindra Ideal Finance Limited, has had an excellent performance in a year that was predicted with economic doom. We attribute this to great teamwork, an ethical place to work, a value-adding partnership, and our focus on retaining a customer for life. We are confident of greater success in the current financial year and look forward to the continued support from all our stakeholders.

Duminda Weerasekare
Chief Executive Officer

30 April 2022

Operating Environment

The Global Pandemic Effect

COVID-19 dominated the world economies, contracting most and creating societal challenges, hitherto unknown. The interconnectedness and interdependence of the global economy made an unprecedented impact on all areas of human interactions and global trade. The adverse effects of the pandemic may even surpass the effects of two world wars, the great depression, and the global financial crisis. The positive outlook that was predicted for 2021, was partly negated by the variants that spread across the globe, retarding economic recoveries.

COVID variants raged across Europe with their tentacles being in hot pursuit in US and Asia. As deaths increased, albeit of a supposedly milder virus than that of the Delta variant, lockdowns were re-enforced and mobility restricted. As such, global growth is estimated to moderate from 5.9% in 2021 to 4.4% in 2022, largely reflecting forecast markdowns in the two largest economies, namely the USA and China. The US removed its Build Back Better fiscal policy package, with earlier withdrawal of monetary accommodation and continued supply shortages, resulting in a downward 1.2% revision for its economic growth. Zero-tolerance policy toward COVID-19 in China caused disruption to its economy with protracted financial stress among property developers, inducing a 0.8% downgrade[1].

Other major countries also saw their growth forecasts being scaled down. In Canada, weaker data outturns toward the end of 2021 and anticipated dampened external demand for 2022 (related to the US revision) have led to a 0.8% downgrade. In the euro area, prolonged supply constraints and COVID disruptions also produced a reduced forecast, albeit a less severe one, of 0.4%. This reduction was led by a markdown of 0.8% for Germany, largely due to the economy's exposure to supply chain shocks. Mobility restrictions imposed toward the end of 2021 are expected to drag down growth in the euro area in early 2022. In the United Kingdom, disruptions related to Omicron and supply constraints (particularly in labour and energy markets) mean that growth is revised down by 0.3% to 4.7%[2].

To counter the adverse effects of the overall de-growth resulting from the pandemic, Central Banks and monetary authorities worldwide adopted both conventional and unconventional approaches to monetary policy. These included monetary policy relaxations, asset repurchase/ quantitative easing programmes and relaxed regulations, as well as government-led fiscal measures such as tax reductions, deferments, direct cash payments, insolvency support, payment freezes and moratoria[3]. By December 2021, the global inflation rate had accelerated to 6.4%, largely driven by higher prices and supply disruptions.

The Local Landscape

Considering the concatenated impact of 2020 and 2021, Sri Lanka's economy marked a negligible GDP growth of 0.1%. While the economy contracted by 3.6% in 2020, it indicated a growth of 3.7% in 2021. Sector-wise, the Agricultural sector recovered from a -2.2% in 2020 to a growth of 2.0% in 2021. Similarly, the Industry sector's de-growth of -6.9% in 2020, was partially alleviated by a growth of 5.3% in 2021. The Service sector bounced back from -1.6% to 3.0%. The country, however, recorded an external trade balance of minus USD 8,139 Bn. Acute shortage of foreign currency liquidity in the domestic market was experienced due to sovereign rating downgrades, reduced remittance inflows, slow recovery of tourism, slow conversion of export proceeds, and increased import expenditure that negatively impacted almost every industry sector in the country, contributing to a contracted economy, job losses, and reductions in private consumption[4].

[1] IMF Jan 22 World Economic Outlook (WEO)
[2] IMF Jan 22 WEO
[3] CBSL Annual Report 2021
[4] CBSL AR 21

Financial Sector

Despite the country experiencing such strong macroeconomic headwinds, the stability of the financial sector was preserved in 2021.

Banking

The banking sector continued to be predominant in the financial sector, accounting for 63.35% of total assets as at end 2021. The sector expanded moderately and remained resilient with adequate liquidity buffers. Its asset base increased by LKR 2.3 Tn, surpassing LKR 16.9 Tn by end 2021, recording a year-on-year growth of 15.4% compared to 17.1% growth by end of 2020.

Non-Banking Financial Sector (LFCs/SLCs)

Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) recorded a considerable improvement in credit growth and profitability. Regulated by the Department of Supervision of Non-Bank Financial Institutions (DSNBFI) of Central Bank of Sri Lanka, the Financial Sector Consolidation Master Plan progressed during 2021, with the aim of building strong and stable LFCs in the medium term and safeguarding the sector depositors. To support a COVID-19-impacted economy, the CBSL relaxed some of the regulations pertaining to financial institutions under its purview, in the year under review.

Total Asset Value

Total assets of the LFCs and SLCs increased by 6.1% amounting to LKR 1,487.7 Bn as of end 2021, marking an improved performance by the sector as opposed to the 2.2% contraction that took place in 2020. This represents 5.6% of the total asset portfolio of Sri Lanka's financial system. Loans and advances accounted for 76.8% of its asset portfolio, concentrated highly on finance leases amounting to 48.3% of total loans and advances by the end of 2021. Accordingly, the loans and advances provided by the LFCs and SLCs sector increased by 9.9% (LKR 102.7 Bn) to LKR 1,142.5 Bn in 2021, compared to the contraction of 5.7% in 2020. Growth of the leasing portfolio, however, declined due to the Government-imposed restrictions on vehicle imports, a measure seen to restrict the foreign currency outflow.

Performance

Although the performance of the LFCs and SLCs recorded an impactful growth, the investment portfolio of the sector recorded only a marginal growth of 5.4%, reaching LKR 167.4 Bn in 2021, compared to a significant investment growth of 20.2% in 2020. The investment portfolio generally comprises of investments in equities, corporate debt instruments, Government securities, and investment in properties. Other assets include cash and cash balances with banks and financial institutions, which declined by 12.4% in 2021.

Liabilities

As inherent to the financial sector, customer deposits continued to dominate the liabilities of the LFCs and SLCs accounting for a share of 52.7%. The deposits increased by 4.6% (LKR 34.7 Bn) to LKR 783.3 Bn, while borrowings declined by 0.6% (LKR 2.1 Bn) to LKR 325.9 Bn during the year.

Profitability of the Sector

Due to the significant decline in interest expenses by 27.1% (LKR 31.8 Bn) and the decline in interest income by 5% (LKR 11.5 Bn), the net interest income of the sector grew by an admirable 18.2% (LKR 20.2 Bn) in 2021. The loan loss provisions made against non-performing loans (NPLs) declined by LKR 27.1 Bn, mostly due to relentless collection efforts in 2021. The sector's profit after tax grew by 307.1% from LKR 13.7 Bn in 2020, to LKR 55.6 Bn in 2021, mainly due to the substantial increase in non-interest income by LKR 17.5 Bn including gains from trading or investment securities by LKR 1.2 Bn, service charges by LKR 1.8 Bn and default charges by LKR 6.8 Bn.

Capital

Overall, the sector maintained a robust capital requirement above the regulatory stipulations, in the year under review. The capital base improved to LKR 251.6 Bn by end 2021, compared to LKR 218.9 Bn recorded by end 2020, with the infusion of new capital by several LFCs to meet regulatory requirements of LKR 2 Bn by 1 January 2021. Further, the Masterplan was introduced by CBSL to build strong and stable 25 Non-Bank Financial Institutions, complying with prudential requirements with diversified business models.

Impact on Our Business

As an institution, we were challenged by many restrictions imposed by the government on the daily routines of both our staff and our customers. However, we managed such restrictions to the best of our ability in conducting business as usual.

Although 70% of our loan and leasing portfolio consists of the transportation sector, a significant portion of it is derived from the personal vehicle category. Though challenged, lockdowns and mobility restrictions did not adversely impact the collection effort as the Collections Team with the inputs of the Marketing Team and the Call Centre carried out an excellent collection drive that ensured a steady cash flow. We are pleased to report that these factors contributed to an NPL ratio lower than most of our peers in the 2021/22 financial year.

Although we were presented with stiff challenges on the business front, we took the opportunity to delve deeper into customer needs and restructure their borrowings/ financing to offer them some leeway in managing their finances. This, no doubt, was well received and contributed to retaining our customer base, strengthening the Company's philosophy of "Customer for Life".

Cost Control

We mandate that all internal communication be done via intranet, email or WhatsApp on every possible occasion in order to reduce paper usage, which can otherwise be considerably high, given the need for reports and customer sign-off documents. Similarly, we advocated the re-use of paper wherever possible. (Please refer to Social and Environmental Capital at page 48 for more information that contributed towards cost saving).

Expansion

In an effort to curb the outflow of scarce foreign exchange, vehicle imports were restricted by the Government. This gave rise to the vehicle second-hand market, which had the prices soaring. With low-interest rates, the Company was well able to garner a positive impact on its product portfolio through this new business opportunity.

The Company formed a partnership with MMFSL, India and re-branded it as Mahindra Ideal Finance Limited and also saw branch expansion. We are confident that the financial acumen and long-standing expertise of MMFSL will add bench strength to our Company as we focus on the future and continue with our expansion.

Continuous Development

We invested heavily in our Human Capital in the year 2021 for their well-being in a difficult year. We incurred increased costs in providing them with the required health care as per the guidelines and ensuring all our business locations are well equipped and able to work with the new normal that came into being. This is well documented in the Human Capital segment of the report.

Our continuous development, therefore, was not only in business expansion but also in ensuring the well-being of our employees, their skill development, and creating deeper relationships with our stakeholders.

We implemented a holistic approach to focus on the future to deliver business goals while creating lasting relationships based on the Company's value system that believes in the "Customer for Life" philosophy.

Value Creation Model

BUSINESS VALUE

INPUTS

WHAT HELPS US TO CREATE VALUE

FINANCIAL CAPITAL

- Shareholder Funds
- Borrowed Funds
- Customer Deposits
- Cash Flow from Operations
- Financial Covenants

INSTITUTIONAL CAPITAL

- Institutional Knowledge
- Migration of Best Practices
- Software
- Data Analytics
- Business Process Re-Engineering
- Transfer of Knowledge

MANUFACTURED CAPITAL

- Property, Plant and Equipment
- Information and Communication
- Customer Touch Points
- Public Goods
- Investments in Process Improvement

HUMAN CAPITAL

- Skills
- Competencies
- Creativity
- Ethical Conduct
- Open Door Culture
- Commitment

SOCIAL AND ENVIRONMENTAL CAPITAL

- Services and Supplies
- Community Relations
- Partnerships and Alliances

CUSTOMER CAPITAL

- Service Standards
- Customer Relationship Management

OUR PROCESS

WHAT WE DO TO CREATE VALUE

VISION

VALUES/SUSTAINABLE DEVELOPMENT GOALS

CAPITAL FUNDING AND LIQUIDITY MANAGEMENT

RISK MANAGEMENT AND OPERATIONAL EXCELLENCE

Business Units, Products and Services and Delivery Channels

Primary Activities Undertaken to Create Value

Financial Intermediation

Accept Deposits and Borrowing Funds and Loans Provided to Customers

Maturity Transformation

Collections from Loans (Interest Income) Repayment of Funds (Interest Expense)

Support Value Driver Activities

Service Standards, Delivery Channels, Products and Services, Internal Processes

CORPORATE GOVERNANCE AND CUSTOMER CENTRICITY

STRATEGY

CREATION MODEL

OUTPUT | OUTCOMES

POLICIES AND PROCEDURES

MISSION

A CUSTOMER CENTRIC PRODUCT PORTFOLIO AND SERVICES

LEASING

LENDING PRODUCTS
Personal and Business Loans
Property Mortgage Loans

GOLD LOANS

DEPOSIT PRODUCTS
Fixed Deposits

RESULTS OF OUR OUTPUTS

FINANCIAL CAPITAL

- Portfolio Growth
- Good Shareholder Returns
- Well Capitalised, Funded and Liquid
- Optimum Risk-return Trade-off
- Well Governed and Fully Compliant

INSTITUTIONAL CAPITAL

- Enhanced Brand Equity
- Integrity
- Functional Efficiency and Data Protection
- New Products
- Simplicity

MANUFACTURED CAPITAL

- Safe Work Environment
- Enhanced Productivity
- Growth in Capacity

HUMAN CAPITAL

- Cordial Industry Relations
- Empowerment and Engagement
- Job Satisfaction and Secure Workplace
- Training Development and Career Progression

SOCIAL AND ENVIRONMENTAL CAPITAL

- Workmen Empowerment
- Strong Partnerships with Suppliers
- "Social License" to operate
- Financial Inclusion
- Community Financial Literacy

CUSTOMER CAPITAL

- Customer Convenience
- Customer Centricity
- Growth in Customer Base
- Superior Value Added Service

Our Strategy in Action

Our strategy is based on a well thought-out plan that involves identifying our stakeholders and focusing on their aspirations to deliver value through our business processes. To achieve this, we evaluate our approach in engaging with them by analysing a variety of factors based on several material imperatives that contribute to the end result of healthy relationships and a profitable venture.

It is the collaboration, partnerships and strong relationships we created, and nurtured over the last decade that helped us navigate our business through the turbulent and contracted economic landscape that was 2021/22.

Engaging with Our Stakeholders

Our stakeholders are those who are influenced by and have the ability to influence our business activities and decision-making processes. This requires a proactive and deep understanding of the issues that matter most to our stakeholders, thereby enabling the Company to formulate a strategy that effectively addresses those issues. To promote greater stakeholder inclusivity and ensure meaningful engagement with all stakeholder groups, we have developed a stakeholder engagement strategy and closely adhered to it through 2021/22.

It is the collaboration, partnerships and strong relationships we created and nurtured over the last decade that helped us navigate our business through the turbulent and contracted economic landscape that was 2021/22. In this respect, our Call Centre played an indispensable role in interconnecting our stakeholders and the Company resources fulfilling a range of stakeholder requirements. We plan to build on the strong relationships we currently enjoy with our stakeholders to grow our business in a sustainable manner, for the mutual benefit of all concerned.

Stakeholder Engagement Process

	Identify Stakeholders	Identify Assessment	Plan Communication	Engage Stakeholder
Task	• Identify Stakeholder Groups • Identify Individual Stakeholder Representatives • Create Initial Stakeholder List	• Conduct High-level Stakeholder Assessment • Prioritise Stakeholder • Develop Stakeholder Map	• Create Stakeholder Communication Planning Sheet • Identify Engagement Activities • Develop Detailed Engagement Plans	• Maintain Plan to Support Ongoing Engagement Activities • Execute Stakeholder Communication Plan • Monitor Progress
Output	• Stakeholder List	• Stakeholder Map • Engagement Grid • Updated Stakeholder List	• Stakeholder Communications Planning Sheet	• Updated Stakeholder Communication Plan • Communication and Engagement Activities • Feedback Mechanisms Implemented

Responding to Our Stakeholders

Stakeholder Group	How We Respond
Customers	• Ensure security and privacy • Consistently deliver superior customer service • Need-based product offering • Affordability of services and convenience • Maintain a grievance handling procedure • Easy access to the Call Centre • Provide financial literacy • Develop customer-focused products
Shareholders	• Maintain a strong financial performance • Good governance • Transparency and disclosure • Devise strategies and plans for business expansion • Manage risks • Invest in sustainable growth • Build resilience to the effects of the pandemic • Manage NPAs and impairment charge

Stakeholder Group	How We Respond
Partner – MMFSL	• Ensure transparency in all dealings and disclosures • Be committed to migration of best practices for a better workplace • Engage in dialogue when making strategic decisions that impact the Company
Employees	• Provide training and development opportunities • Provide career advancement opportunities • Encourage work-life balance • Ensure safety and well-being at work • Ensure non-discrimination in any form • Fair and equal opportunity employer
Government	• Comply with all regulatory requirements that emanate from regulatory bodies • Contribute to the economic recovery of Sri Lanka
Community	• Adhere to ethical business practices • Safeguard the environment • Provide employment opportunities • Conduct community welfare projects • Be mindful and operate within the "Social Licence" granted to the Company
Suppliers	• Source from local suppliers to support the local resources • Adhere to an ethical procurement process

Identifying Our Challenges and Opportunities

Subsequent to identifying our stakeholders we proceed to pin down the most important issues that affect them and our business through a materiality analysis. This is another critical part of MIFL's strategy planning process and has the ability to position the Company for a sustainable long-term growth. Assessing the operating environment and the macroeconomic scenario in the year under review, MIFL associated the following aspects to be of material significance to its overall strategy.

Macroeconomic Aspects

Challenges

- Slowdown in the economic growth
- The heightened fiscal and external risks
- High inflation
- Declining global competitiveness in Sri Lanka
- Declined net foreign assets of the banking system
- Currency depreciation against the US dollar
- Import restrictions
- Uncertain economic outlook in Sri Lanka
- Increased credit risk defaults and lower recoveries
- Reduced cash inflows from loan and lease payments

Opportunities

- Create a platform to grow the gold loan portfolio with the globally increased gold prices
- Gold loans are now seen by entrepreneurs, large and small, as a source of working capital
- Opportunity to pursue refinancing model with the restrictions on vehicle import

Impact on MIFL

- Impact on Company's profits with the requirement for higher provisioning
- Higher operating costs due to high inflation

Our Response

- Manage liquidity by leveraging on the low interest rate in the first half of 2021/22 while ensuring a low-cost funding.
- Proactive management of credit portfolio risk
- Closely monitored the NPLs with different Days Past Due (DPD) levels
- Operate with a low-cost strategy while maintaining the quality of our services

Technology

Challenges

- NBFI sector is significantly digitalised in customer interface and back-end operations in the post COVID-19 era
- Complexity of managing cyber risk, information and technology

Opportunities

- Opportunity to create a more interactive platform to serve customers more efficiently
- Customer awareness and usage of digital platforms have significantly increased

Impact on MIFL

- MIFL had to blend with the flow and adopt technological changes in order to provide an efficient service to the customers and ensure continuous operations in the lockdown period.

Our Response

- Secure data communication through Secure Sockets Layer (SSL) Virtual Private Network (VPN) for remote users over a public internet connection
- Use of effective video calling platforms and instant communication tools for an effective communication.
- Usage of digital assistants such as Cloud-based and digital transaction management service.

Governance, Social and Environmental Matters

Challenges

- Complexity of regulatory and statutory requirements on financial services industry
- Increased requirements to continue with eco-friendly business model
- Continuity of business operations with COVID-19 related lockdowns and mobility restrictions
- Disruption to social resilience with the economic downturn

Opportunities

- Aligning MIFL with the "Road Map for sustainable finance in Sri Lanka " launched by CBSL.
- Opportunity to create sustainable financial solutions
- Opportunity to support SME sector in Sri Lanka

Impact on MIFL

- Need to combine MIFL strategies with sustainable goals to ensure compliance with regulatory requirements and social expectations.
- Need to create sustainable and customised product to uplift the society

Our Reponses

- MIFL ensured the continuity of operations during lockdown periods
- Mitigate the impact of COVID-19 through customer relief measures and demonstrated resilience in the face of unexpected events
- BOD remained continuous monitoring the impact of COVID-19 and economic crisis
- MIFL ensured job- security while continuously investing in people, processes and systems across MIFL

Executing Our Strategy During 2021/22

With the new normal in place, strategies were developed for all key areas of the business such as business development, process re-engineering, recruitment and training, Call Centre operations, and human resource management to ensure sustainable growth in a difficult year. While the expansion of branches took centre stage, traditional marketing activities were curtailed due to the pandemic situation in the country in the year under review. We resorted to below-the-line (BTL) marketing, media blitz and mobile unit marketing to overcome this challenge.

Please refer the sections on Human Capital on page 38, Institutional Capital on page 36, Social and Environmental Capital on page 48 and Customer Capital on page 44 for further details on strategy implementation and outcomes during the year.

A Value Enhancing Partnership

In July of 2021, MMFSL took a 58.2% share of MIFL. This spelt a new era for the strategic focus of our Company, as we had the opportunity to share in the vast experience and knowledge MMFSL has in the financial sector. More importantly, this opened the way for our Company to achieve a Fitch Ratings of AA-, which added strength to our borrowings with the banking sector. From small transaction value lending we seamlessly moved to high value transaction values as a spin-off from this valuable partnership.

Gold Loans

In an effort to expanding our gold loan product, we extended our gold loan operations across several regions. With the expansion of gold loans, there was a shift in our branch location strategy. Formerly, we gave priority to locating branches in towns which served as commercial hubs for the surrounding rural areas. In 2021/22 there was a shift to locating branches in urban city centres.

Collections

Our core business of lease financing took a back seat as the contracted economy forced the Government to prohibit vehicle imports. Although the second-hand vehicle market gained traction, the inflated prices deterred a purchasing boom as salaried personnel were affected by job losses or reduction in remuneration while a large section of the Micro, Small and Medium (MSM) business community lost their business.

Our strategy in forcefully marketing to the MSM sector was shelved during that period and we focused more on our collection efforts to ensure a steady cash flow. As the current year has brought in its wake a different set of challenges, we will keep our focus on collections while strongly promoting our gold loan product.

Human Resource Development

Another focus area in 2021/22 was the development of the leasing business line, with the present and future expansion of our branch network in mind. We also recruited 111 well-experienced marketing professionals to implement our marketing strategies. Gearing up for future business is our focus on this front. By partnering with MMFSL, we were able to migrate best practices on human resource management and training and development. Further, it paved the way for two of MIFL's high performers to be included in MMFSL's MD's Club award scheme, boosting their morale and motivation.

Process Re-engineering

Sharing knowledge and migrating best practices on many operational areas took place with MMFSL's partnership in 2021/22 and will continue in the future. It is worthy to note that our customer screening process was further augmented in a structured manner by adhering to a more robust "Know Your Customer" regime of MMFSL to perform more intrusive customer due diligence, which strengthened our anti-money laundering mechanisms. This will form a part of our onboarding strategy and ensure a high-quality customer base for the long term and stand us in good stead with the regulator.

Customer-centricity

Onboarding untapped customer segments is our focus when marketing our products as the already engaged customer bases may exhibit strong loyalty towards their current providers. Having acquired our customer, our strategy is to retain him/her for the long-term based on our philosophy "Customer for Life". Where opportune, this strategy helps us in cross-selling our products and be confident of good debt servicing from the customer.

Doing Well by Doing Good

While conducting our business in an ethical and compliant manner as a responsible corporate citizen we continue with our interactions with the community and our commitment to uplifting disadvantaged and vulnerable groups therein. This was evident during the pandemic when the Company assisted those most affected by it. Please refer Social and Environmental Capital on page 48 for more information.

Financial Capital

Financial Capital is foundational to a Company's sustainability, achievement of short and long-term goals and delivering value to all its stakeholders. In this chapter, we highlight how we have managed and grown our Financial Capital in 2021/22.

Revenue 30%

LKR 1.3 Bn

Profit After Tax 30%

LKR 239 Mn

Overview

In the context of the volatile and complex operating environment, the Company recorded a commendable performance, achieving the highest-ever profits in the history of the Company. The profit after tax increased by 30.2% YoY in 2021/22 while the asset base grew by 53.7% to surpass LKR 8 Bn as at 31 March 2022. The rapid expansion of the branch network enabled the Company to record the highest-ever disbursements which amounted to LKR 10 Bn for the year. Driven by the strong customer confidence in the Company, the fixed deposit base exponentially increased by 136% YoY. By strengthening credit appraisal and post-sanction monitoring as well as reflecting the efficiency of the collection process and the effective NPL management, the Company could improve the quality of the portfolio as evident from the improvements in the gross non-performing loan (NPL) ratio and net NPL ratios YoY. As the investment by MMFSL resulted in a Fitch upgrading of its rating to AA- (Outlook Stable), favourable credit facilities were secured to enhance its volume of operations.

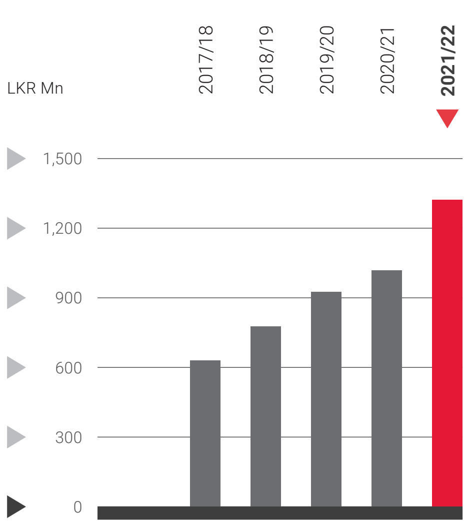
Financial Highlights

	2021/22 LKR Mn	2020/21 LKR Mn	Growth Percentage %
Revenue	1,322	1,015	30
Net Interest Income (NII)	914	718	27
Profit Before Tax (PBT)	310	288	8
Profit After Tax (PAT)	239	184	30
Total Loans and Advances to Customers	7,184	4,464	61
Total Assets	8,485	5,520	54
Deposits from Customers	2,195	930	136
Total Equity	2,746	2,505	10

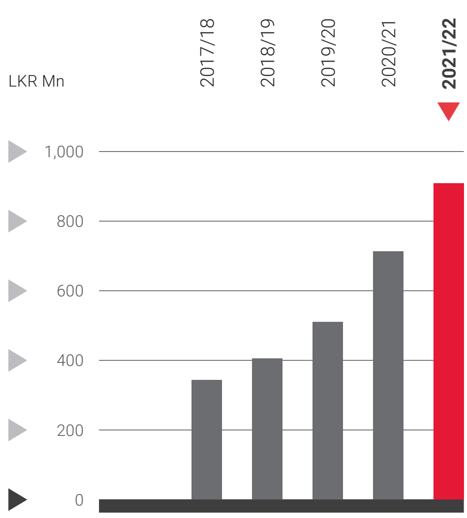
Income Statement

The total income of the Company increased by 30.16% YoY to LKR 1,322 Mn in 2021/22 from LKR 1,015 Mn in the previous year. This increase is attributed to the growth in the leasing and gold loan portfolios during the year under review. The gold loan portfolio increased by 91.00% YoY to LKR 2,259 Mn making the largest contribution to income growth in the financial year. Both fee and commission income and other operating income recorded growth with the latter recording an increase of LKR 38 Mn YoY, mainly due to the gold loan service charge. NII recorded a growth of 27.30% YoY to LKR 914 Mn due to growth in the leasing and gold loan portfolios. Due to the combined effect of the increases in NII, fee and commission income and other operating income, the net operating income increased by 34.92% YoY to LKR 905 Mn from LKR 671 Mn in 2020/21.

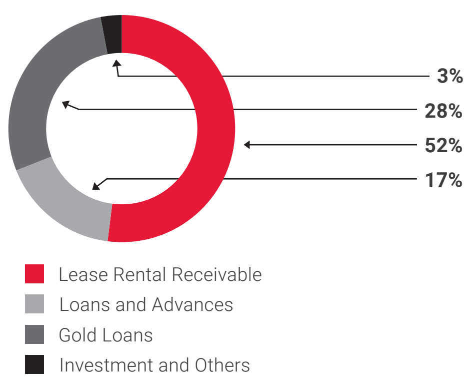
Total Income



Net Interest Income



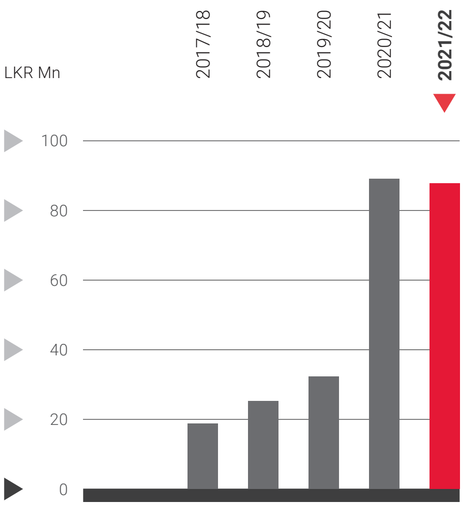
Composition of Interest Income



Impairment Charges

The impairment charge for the financial year decreased by 0.28% to LKR 88 Mn in 2021/22. Loans written-off too are included in the impairment charge. The Company has made adequate impairment provisions taking into consideration the pandemic and worst-case economic scenarios.

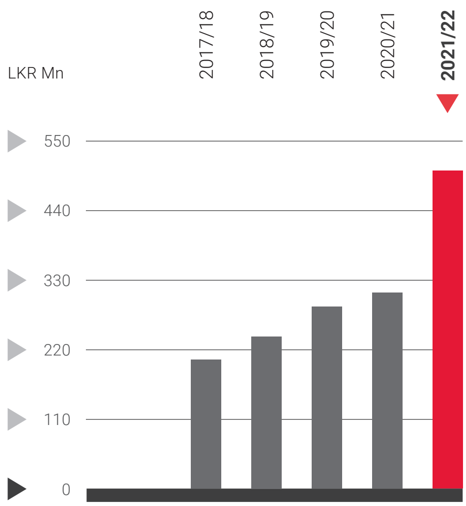
Impairment Charges



Operating Expenses

Total operating expenses rose by 62.58% to LKR 504 Mn from LKR 310 Mn in 2020/21. A higher percentage of the operating expenses (55.36%) was due to personnel expenses which amounted to LKR 279 Mn compared to LKR 194 Mn in the previous year, recording an increase of LKR 85 Mn for the year under review. The increase in personnel expenses is attributed to the increase in staff cadre from 168 in the previous year to 261 in the year under review and the salary increments. Other operating expenses increased by LKR 86 Mn and amounted to LKR 147 Mn in 2021/22, and accounted for 29.17% of the total operating expenses. The rise in other operating expenses was mainly due to the increase in advertising and promotional expenses that saw an investment of LKR 55 Mn following the rebranding of the Company. Administration expenses such as electricity, water, telephone, and internet expenses were prudently managed during the year.

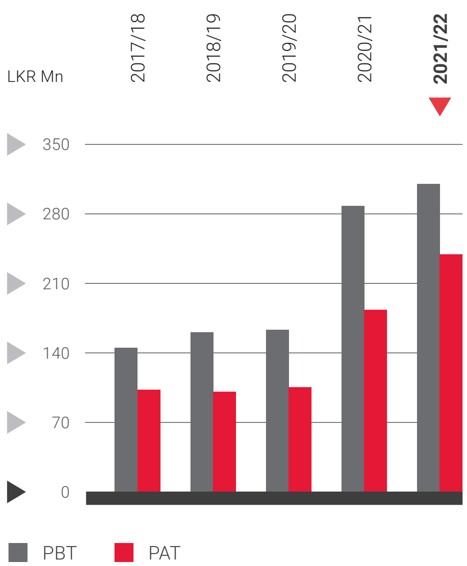
Total Operating Expenses



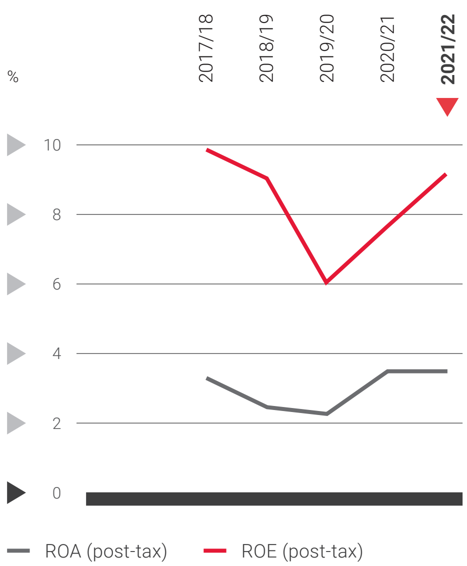
Profitability

The PBT increased by 8% YoY to LKR 310 Mn from LKR 288 Mn a year ago. The income tax charge decreased by 32.11% to LKR 71 Mn in 2021/22 as consequent to the reduction of the income tax rate from 28.00% to 24.00% and the deferred tax adjustment. Consequently, PAT increased by 30.18% to LKR 239 Mn from LKR 184 Mn achieved in the previous year, recording the highest PAT in the history of the Company. Accordingly, earnings per share increased from LKR 1.26 to LKR 1.64 in 2020/21 while the return on average equity – pre-tax, declined from 11.95% (2020/21) to 11.82% (2021/22). This was due to the higher increase in average equity compared to the increase in PBT. The return on average equity – post-tax increased to 9.17% in 2021/22 from 7.64% reflected in the previous year as a result of the higher increase in PAT compared to the increase in average equity. The return on average assets – pre-tax declined from 5.40% (2020/21) to 4.43% (2021/22). The return on average assets – post-tax too declined marginally from 3.45% (2020/21) to 3.44% (2021/22). This was due to the higher increase in average assets compared to the increases in PBT and PAT.

Movement of PBT and PAT



Movement of ROA and ROE

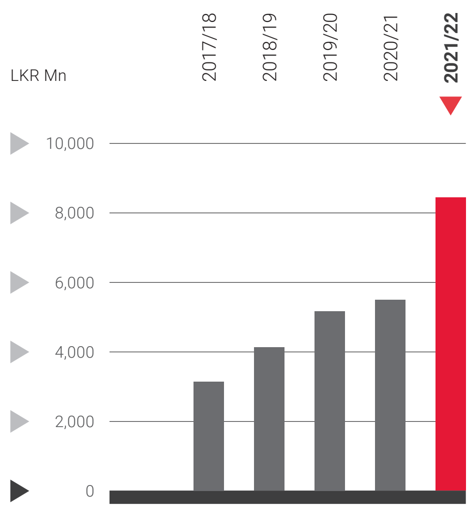


Statement of Financial Position

Assets

Total assets grew by 53.73% to LKR 8,485 Mn as at 31 March 2022 compared to LKR 5,520 Mn which was recorded a year ago. The total earning assets amounted to LKR 7,721 Mn accounting for 91.00 % of the total asset base. The growth in the asset base was driven by the expansion in gold loans, leases, and loans. The investments in government securities reduced by 50.00% from LKR 502 Mn (2020/21) to LKR 249 Mn (2021/22). However, placements with banks and other financial institutions increased by LKR 77 Mn to LKR 288 Mn at the end of the year under review.

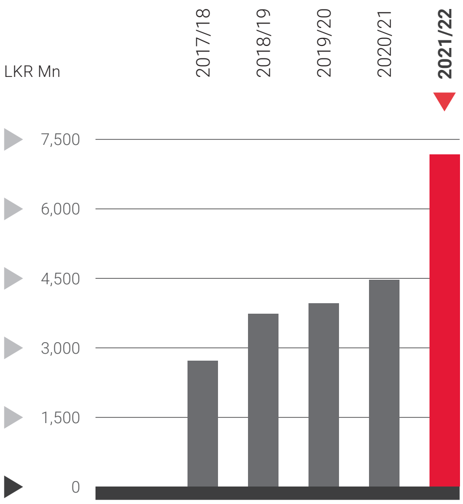
Total Assets



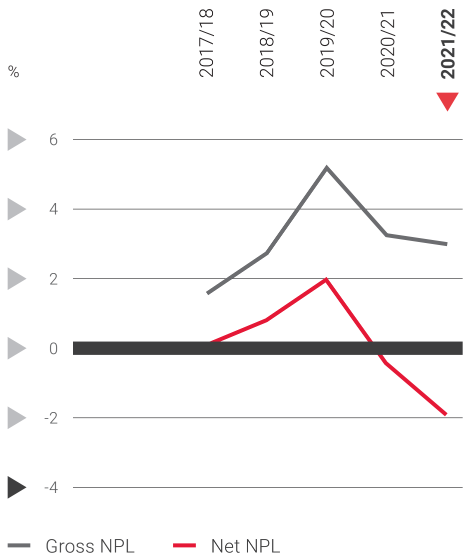
Loans and Advances

Driven by the growth in gold loans, leasing, and other lending, the net loans and advances swelled by 61.00% to LKR 7,184 Mn (2021/22) from LKR 4,464 Mn (2020/21). The gold loan portfolio was the fastest-growing product in the lending portfolio which recorded a growth of 91.00% to LKR 2,259 Mn in 2021/22. The leasing and Loan portfolio expanded by LKR 1,645 Mn (50.15%) to LKR 4,925 Mn.

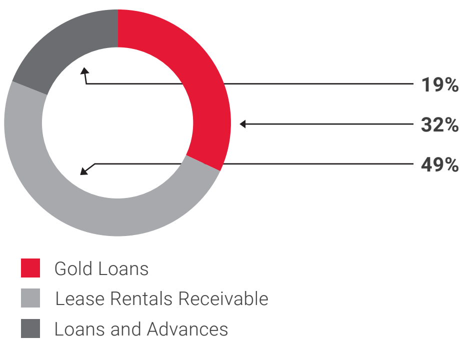
Loans and Advances



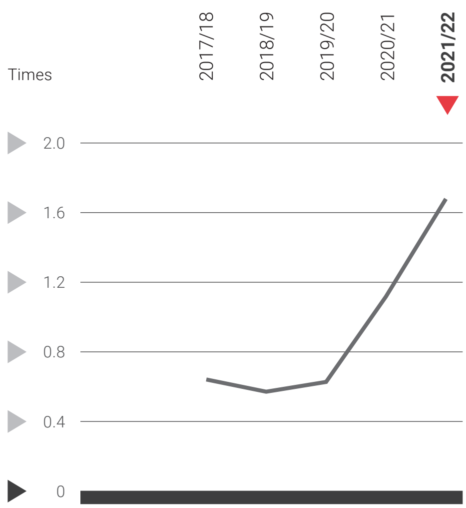
Movement of Gross and Net NPL Ratio



Product Portfolio



Provision Coverage



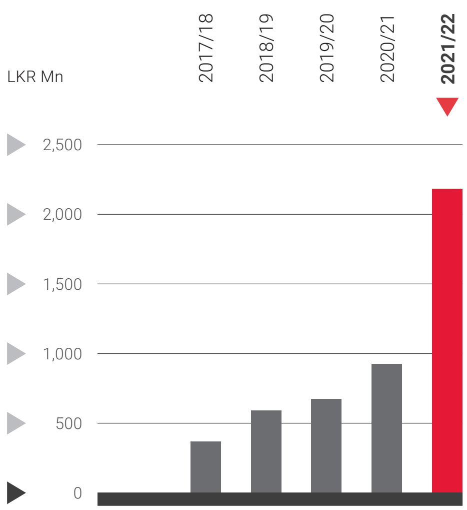
Asset Quality

Although the Non-Bank Financial Institutions (NBFI) sector in Sri Lanka experienced a general deterioration in asset quality and an increase in non-performing loans (NPLs) during the year due to the pandemic and deteriorating economic conditions, we are pleased to report an improvement in our asset quality. This was due to our stringent credit approval framework and close monitoring. Both gross and net NPL ratios improved to 3.02% and -1.93% respectively at the end of the FY2021/22. The total impairment provision amounted to LKR 241 Mn as at 31 March 2022. The provision coverage increased from 1.12 times (2020/21) to 1.68 times (2021/22).

Deposits

The customer deposit base grew by 136.00% YoY to LKR 2,195 Mn as at 31 March 2022. This was due to the strong customer confidence in the Company as a stable and strong financial institution. The deposit growth was fuelled by a well-coordinated, branch-based deposit mobilisation drive coupled with the Company's strong credit rating, personalised service, and long-standing customer relationships.

Deposits



Capital

The total equity of the Company increased by 10.00% to LKR 2,746 Mn as at 31 March 2022, thereby meeting the minimum capital requirement of the Central Bank of Sri Lanka. Accordingly, the Tier 1 capital ratio was 38.62% against the minimum statutory requirement of 7.00%, whilst the total capital ratio stood at 39.68% against the minimum statutory requirement of 11.00%, resulting in an exceptionally stable and well-capitalised financial institution.

Capital Adequacy	2021/22	2020/21
Tier 1 (Minimum Requirement – 7%)	38.62	43.47
Total Capital Ratio (Minimum Requirement – 11%)	39.68	44.83
Statutory Liquidity Ratio (%)	17.51	61.74
Leverage Ratio (Debt Equity Ratio) Times	1.85	1.05

Institutional Capital

Institutional Capital refers to the intangible assets that contribute to the Company's bottom line. These assets include the expertise of our employees, training and HR practices, business processes, and any other proprietary information that may provide the Company with a competitive advantage. All the informational resources the Company has at its disposal combine to deliver value, drive profits and improve the long-term prospects of a business.

AA- rating

from Fitch Ratings Lanka Limited

111 new recruits

well-experienced marketing professionals

The Partnership

As a member of the Ideal Group of Companies, which has been in operation in Sri Lanka for 12 years, MIFL is privileged to draw from business expertise and societal goodwill that accompanies the Group. MMFSL's decision to partner with us was a further boost to the existing institutional capital of our Company as it added great value in many intangible ways. Primarily, four individuals with expertise in Risk and Governance, Marketing and Human Resource Management from MMFSL are represented on the MIFL Board, adding bench strength to the Company's decision-making body.

The highest achievement in this context was MIFL gaining AA- rating from Fitch Ratings Lanka Limited. This no doubt speedily propelled the Company to new heights in brand visibility and borrowing power from the local banking system.

This also paved the way to migrate many best practices, particularly in the area of human resource management and development. With their long experience in the financial sector in India, MMFSL introduced methods of training and development and factors for employee satisfaction through incentivising the staff for higher performance. Such HR practices saw the inclusion of two of our best performers in their MD's Club programme which develops future managers.

MMFLS's inputs on financial management/auditing aspects from the early part of the year helped us to prepare and submit our audited accounts within 14 days of the closure of the current financial year. Even while the first few months of our partnership have already yielded important skill and practice transfers, the Company has plans to adopt many other MMFSL best practices in areas such as human resource development, risk governance, and customer relationship management in the coming years.

Adding a Reservoir of Expertise

The Company's management draws expertise from a variety of disciplines and is committed to driving the growth of the business operation in a sustainable manner. To invigorate the marketing of our products, we recruited 111 personnel who were well-experienced in different areas which are essential for business functioning. We are pleased that we were able to boost our institutional capital with a reservoir of expertise, skill, and knowledge in 2021/22 which no doubt will stand us in good stead, in the future.

Brand Awareness

With the expansion of branches that took place despite the COVID-19 mobility restrictions, the Company's brand visibility was enhanced in high customer engagement areas. This intangible value translated into financial gain as we added a large number of new customers to our gold loan base, which saw a steady cash flow to the Company.

Customer for Life being our philosophy in serving our customers, we held back the auctioning of gold articles that were up for auction during the pandemic period, allowing our customers more time, in settling their dues and redeeming the articles and retaining our customer portfolio.

Technology

In the aftermath of the COVID-19 pandemic, the NBFI sector has seen widespread improvements in digital interfaces as well as automation and digitalisation of back-end system architecture. With this trend, opportunities have been opening up to give more efficient service to customers. There has also been a shift towards a preference for digitalised products among customers.

MIFL was very much aligned with this trend. Some of the developments in this arena have been – secure data communication through SSL VPN for remote users; effective communication through video calling platforms and instant communication tools; and the use of digital assistants such as Cloud-based DocuSign eSignature and digital transaction management service.

Social Media

Our presence on social media increased as a tool for marketing, creating awareness and educating the customers as the pandemic dragged on through 2021/22.

We plan to continue with this effort as the reach is expansive and the cost is minimal.

Regulatory Compliance

The way in which we do business and strict compliance with the regulations has earned us a good reputation among the regulatory authorities. We have had no negative incidents in the year under review and this is a trend that has permeated our business throughout the last decade of its operations.

A Social License to Operate

Our customer-centric approach – a focus on respecting the needs and confidentiality of our external customers and being an ethical, fair and equal opportunity employer towards our internal customers – has earned us a strong social license from the communities we serve. We cannot adequately emphasise the importance of this aspect and are committed to delivering on the values for which we stand.

Human Capital

Human Capital refers to the employees of our Company, an invaluable asset that is the core of our customer-centric business. In this segment of the Report, we specify our approach to recruiting, training, and retaining them for a sustainable future for our business.

An ethical employer creating a Great Place to Work.

The Global Pandemic

The COVID-19 pandemic that raged across the globe in 2020, continued to take its toll despite progress in vaccination. As a financial institution, the underlying principle of our business is one-to-one interactions by our team members with their customers. Therefore, strict measures were introduced to abide by the health guidelines issued by the health authorities in circumventing any COVID cluster formation within the Company as well as to ensure the safety of our customers.

Employee Wellbeing – a Priority

The Company formulated a COVID-19 Response Committee, which was responsible for adopting all required health measures within the Company and its branches, as well as responding to any infections among its team members. In addition, a COVID-19 Health Policy was defined, where all employees were required to strictly adhere to the health measures both within the Company and its branch premises as well as while on travel. It also specified that any COVID-19 related symptom or illness should be disclosed to the Management forthwith and isolation measures be taken to prevent spread.

Staff were encouraged to receive the required vaccinations and the Company interacted with the relevant authorities to ensure staff and their families received the vaccines, provided that they were medically cleared to do so. The Human Resources Department (HRD) defined a special badge that read "I am Vaccinated", so as to encourage team members to follow suit and to afford the customers a sense of comfort, knowing that the staff that serve them had taken the required precaution.

Large gatherings at the Head Office were temporarily suspended while the Branch Managers were empowered to meet their teams at branch level, as we believe small team fellowship is important to the team's cohesiveness for a pleasant work environment. These were carried out within the aforementioned strict health restriction that we had introduced.

The Company led from the front, by providing staff and their family members with Ayurvedic medicines that boost immunity. This was well received by the staff and we allowed them to procure these herbal medicines for their friends and relatives at cost, from the Company.

Cost of hospitalisation or quarantine centre admissions of staff members were fully covered by the Company Health Insurance cover. Where insurance was inadequate, the Company bore the rest of the cost in full. We also reimbursed in full, the costs of PCR and Antigen tests. We provided dry rations and medicines for the staff who were infected and delegated the line managers to manage these processes, so that our employees were well taken care of, during this challenging time.

For the most part, our business involves customer facing and as such, it is not practical for all our teams to work from home. As the year proceeded further with the pandemic raging across the country, pregnant mothers, female employees with children under one year of age, and those with serious or chronic health conditions, however, were exempted from reporting to their workplaces and were allowed to work from home.

Staff members who use public transport were provided with special transport arrangements, during the high-risk periods of the pandemic. Where possible, a roster system was introduced so as to minimise large numbers congregating in the office premises and thereby, reducing their exposure to the virus.

In addition, we ensured that staff were monitored for any fevers or symptoms, provided hand washing and sanitising facilities in all our locations, separators were erected between staff and customers at our counters, and provided face shields and gloves for staff in direct contact with our customers. As a responsible corporate citizen, operating within the constraints of an unforgiving pandemic, we took all possible precautions to alleviate a further spread through our business locations.

We are pleased to report that there were no fatalities due to the pandemic within our staff cadre.

Assistance in the Pandemic

Although the pandemic is global, it weighs heavily on an individual's daily life, restricting mobility and challenging routines. To support our employees through this trying time, we provided them with laptop computers and internet facilities for those who were not required to report to office premises and to work from home. We trained our staff in MS Office portal, where they organised virtual meetings to connect with their managers and colleagues and operate within this restricted work environment. The Company intranet provided them with the necessary policy, procedure, and process tools as well as Company information and data related to other areas of the Company, to stay up to speed with the operations of the Company.

Forward Thinking for Sustainability

A challenging external environment did not deter the Company from focusing on a sustainable future. We place heavy emphasis on a satisfying work environment where our human capital will find fulfilment and career advancement. To create such an environment, it is necessary to have a fair and equitable appraisal system. We, therefore, concentrated on the following HR initiatives, that added value to our human capital in 2021.

- **New Performance Management System:** We introduced a KPI (Key Performance Indicators) based performance system, where we aligned the Company objectives and goals to the performance of our employees. As a quantifiable metric, it helps to assess whether they are meeting the objectives of the Company.

In December 2021, performance evaluations were carried out in line with the KPIs that were introduced where they received merit-based rewards for their year of performance.

Similarly, we also introduced the KRA (Key Result Areas) to measure customer satisfaction at all levels, including the Senior Management. As our core business originates from interaction with customers, we consider the KRA as an applicable tool to measure the effectiveness of any job function, that results in customer satisfaction.

- **Policy Review and Revamping:** We believe that a robust policy framework not only sets standards of operation and performance management, it also contributes to creating a sound corporate culture and employee retention in a heavily competitive financial industry. To this end, we are pleased that in the year under review and amid challenges, we were able to undertake such a project, for the long-term benefit of the Company.

  With the support of MMFSL, the Company undertook an in-Company policy review that governs the human capital and the corporate segments of the Company. The objective was to migrate best practices and streamline our policy base so that our business is geared for sustainability in the long term. We introduced new policies in the areas of Corporate Ethics, Prevention of Harassment in the Work Place, Equal Opportunity, Whistle Blowing, and Prevention of Bribery and Corruption. Further, with the inputs of MMFSL, the Recruitment and Performance Management Policies were reviewed and revamped.

- **Recruitment Drive:** We are also pleased to report that in 2021/22, we embarked on yet another ambitious project, in that we recruited 166 new members to our employee cadre. With the Company's rapid expansion and the strategy for business growth, our HR Department carried out this initiative through referrals that were received through our line managers. 95% of the recruitment is done in that manner. A smaller number of candidates were recruited through social media platforms, job sites and head-hunter companies.

Adhering to the constraints of 2021/22, the HR Department provided the new recruits with online induction and orientation programmes to inculcate our corporate culture in them while training them in our product range.

Motivation is Key

In a difficult year, it was an arduous task to ensure the employees were well motivated, as target achievement was subject to many constraints within the restricted work environment. As the country imposed lockdowns and restrictions, they were unable to engage in their daily activities to ensure the targets were met. While the performance was somewhat negatively affected, we recognised that it also could adversely impact their usually high morale.

To counter this, we carried out a salary survey, to benchmark ourselves against our competitors in the market. This was done with the objective of attracting new talent to the Company while retaining the high performers with us. The survey and findings helped us to offer an attractive and competitive remuneration package to potential hires as well as provide market adjustments to our current staff, increasing their retention. We maintain above 50th percentile compensation and benefits, and for key talent and strategic roles we offer up to 75th percentile in the market.

A performance-based incentive scheme for all employees is available where up to five times their basic salary is awarded as a performance incentive. We recognise our long-standing employees by gifting them with a gold coin, as an appreciation of the service they have rendered to the Company. We offer our staff, welfare incentives at staff weddings, the death of a family member, cash donations in case of the birth of twins, and opening a savings account for the baby with an initial savings deposit from the Company.

A Great Place to Work

Our efforts in reviewing our policy framework underpin our belief that a work environment in which all individuals are treated fairly and respectfully have equal access to opportunities and resources. Augmenting this is also our practice that diversity and inclusion become a norm, in the workplace.

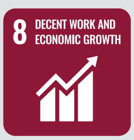
This permeates our overall management principle as we endeavour to provide an inclusive workplace, without any gender bias. In the year under review, 6 out of the 19 promotions were granted to female employees while 2 other female employees were identified to be trained in the Senior Management. Out of the 166 new recruits in

2021/22, 65 are females, emphasising our commitment to a fair and equal opportunities workplace.

Our efforts at creating a workplace providing fair and equal opportunities paid dividends, when our Company was adjudged a "Great Place to Work" for a third consecutive year. We are also recognised as being within the 10 Best Banking, Financial Services and Insurance Sector Organisations in 2021, by the franchise holders of the "Great Place to Work – Sri Lanka" competition.

It is relevant to mention that we build into our workplace ethics, the intentions in the Sustainable Development Goals that dictate:

- **Gender Equality –** MIFL does not discriminate against employees on grounds of gender, age, race or religion. Further, the company follows a non-discriminatory approach at each stage of the employment lifecycle.



- **Decent Work and Economic Growth –** It is not surprising that the Company holds the Great Place to Work certificate, and is one of the top 10 companies in the banking, financial services, and insurance sector recognised as Best Workplaces in 2021. All employee benefits were maintained during the year to support and motivate the MIFL team.

- **Reduced Inequalities –** Equal pay is offered to both men and women in similar roles, and all employees are entitled to equal opportunities for their growth and development.

With the inputs of our partner MMFSL, we aim to train and develop our human capital to achieve greater heights in their career and for the Company in the current year.

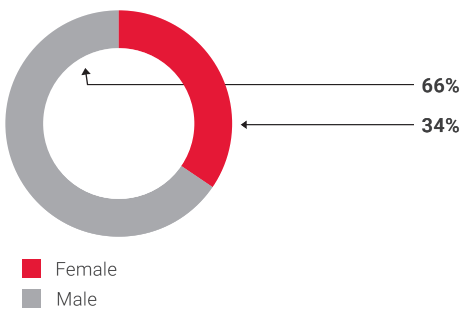
Training and Development

The year under review curtailed our opportunities to meet and train our teams. Our HR Department, however, offered training and development opportunities via online platforms to our line managers on, Recruitment and Interview Skills. Thereafter they were coached in interviewing process and supplied with the required tools to recruit fresh talent to their teams. A further set of employees were trained on MS portal, on 'Conducting Meetings and Presentations, so that the daily workflow could continue, despite the many restrictions that the pandemic imposed on us.

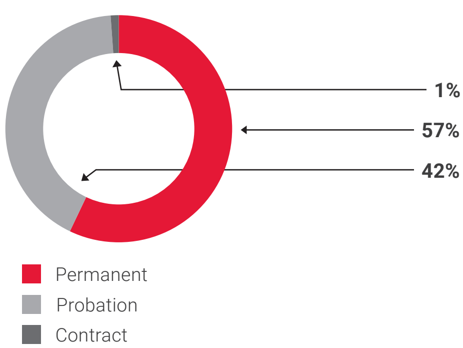
Overall, we are pleased that the loyalty, hard work, and adaptability of our staff stood well for the Company in navigating the turbulent times for the financial sector in 2021/22, amidst a contracted economy and an unrelenting pandemic.

Given below is an analysis of our Human Capital.

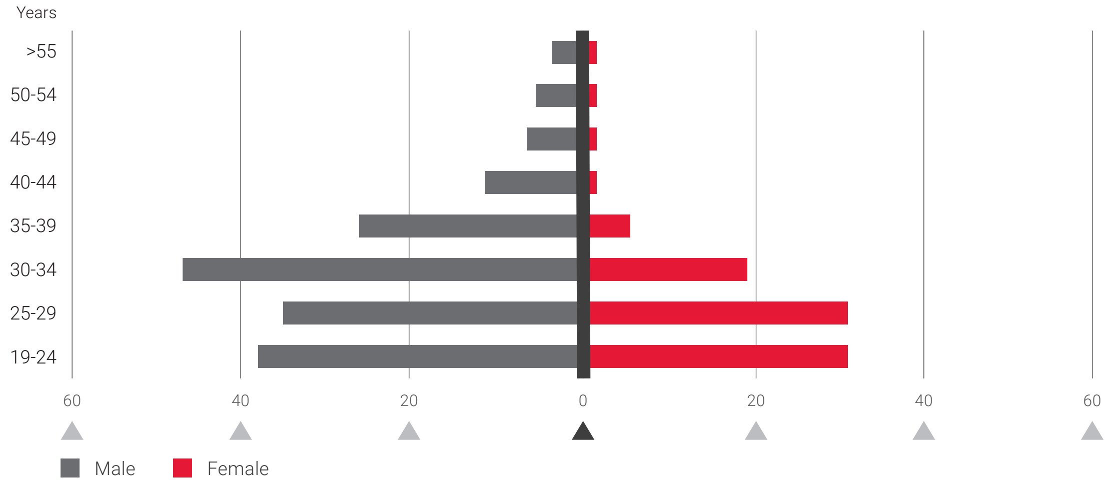
Employees by Gender



Employees by Contract Type



Age Pyramid



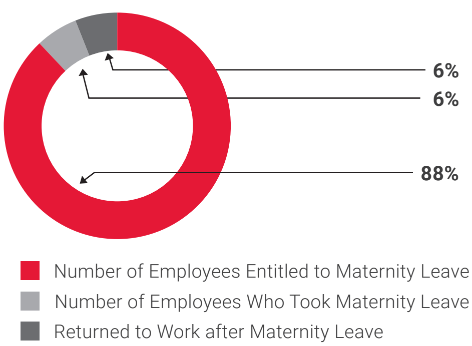
Employees by Functions

	Male		Female		Total
2021/22		171		90	261
	Marketing	125	Marketing	39	
	Operational	46	Operational	51	

Employees by Region

Province/region	Number of staff 2021/22
Central	13
Eastern	0
North	35
North Central	12
North Western	27
Sabaragamuwa	12
Southern	28
Uva	33
Western	101
Total	261

Employees by use of Maternity Leave



New Hires Based on Age and Gender

2021/22	Male		Female		Total
Under 30	Marketing	50	Marketing	22	116
	Operational	12	Operational	32	
30-50	Marketing	31	Marketing	6	48
	Operational	7	Operational	4	
Over 50	Marketing	1	Marketing	1	2

New Hires Based on Employment Category

2021/22	Male		Female		Total
Under 30	Marketing	50	Marketing	22	116
	Operational	12	Operational	32	
30-50	Marketing	31	Marketing	6	48
	Operational	7	Operational	4	
Over 50	Marketing	1	Marketing	1	2

New Hires Based on Region

Province	2021/22
Western	67
Southern	25
North Western	22
North	20
Uva	16
Central	12
North Central	3
Sabaragamuwa	1
Eastern	0
Total	166

Internships Granted in 2020/2021

Total internships	3
Management trainee hires-outside Western Province	0

Training Programmes Conducted in 2020/2021

Training Programme	Number of Participants	Male	Female	Training Hours	Number of Programmes
Recruitment process and interview skills	16	16	–	3	1
Be an effective presenter – conducting meetings and presentations	10	6	4	16	1
Training for effective use of Facebook for business	1	1	–	8	1

Promotions Granted 2021/22

Category	Male	Female
Board of Directors	0	0
Senior Management	0	0
Middle Management	2	0
Junior Management	0	1
Front Line	11	5
Total	13	6
Percentage of total (%)	68	32

Customer Capital

The COVID-19 pandemic not only restricted, but at its critical stages completely barred, a crucial avenue for creating good relationships, whether business or personal: personal interactions. This aspect is the core of our business as we deal with the personal financial requirements of our customer base.

Gold Loan Portfolio

LKR 2.3 Bn

Loans and Lease Portfolio

LKR 1.6 Bn

Fixed Deposit Base

LKR 2.1 Bn

Customer for Life

A customer-centric approach is the foundational principle in our Company, as we serve those who are in need of urgent funding for their business or personal financial needs. Some others plan their future investments and take a calculated credit exposure in materialising those plans in a structured manner. Whatever the need is, MIFL has extended a need-based product and service to its customer base, which has grown year on year.

Leasing and Loan Customers

Our product range includes vehicle leases, business loans, consumer loans, and cash-backed loans against fixed deposits. Restrictions on imports of motor vehicles continued to pose a challenge to the MIFL business portfolio. The loans and lease portfolio expanded by LKR 1.6 Bn in 2021/22 capitalising on a market ranging from agriculture and fishing, construction, infrastructure, manufacturing, tourism and trading, to transport and other services. Given below is the leasing and loan customer base growth, in the past five years.

Year	Number of Customers Active	Newly added Customers for the Year	Number of Customers Active with Settled Accounts
2021/22	**25,305**	**8,222**	**44,385**
2020/21	17,083	6,909	30,849
2019/20	10,174	2,266	19,238
2018/19	7,908	779	14,370
2017/18	7,129	1,960	11,105

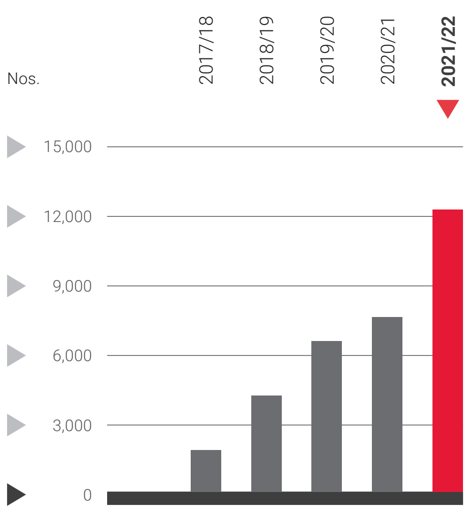
We are pleased to report that from 2019/20 to 2021/22, the customer base has had an exponential growth, with 17,397 new customers, an average of approximately 5,800 per year, on-boarded within a short space of three years.

In 2021/22, approximately 8,000 new customers were added to our portfolio despite mobility restrictions, lockdowns and other constraints that were imposed on the country as a whole. The growth, especially in a year that constrained all our usual business approaches, indicates the good reputation the Company has achieved within a matter of eleven years since its inception.

Gold Loans

The Company entered the gold loans market five years ago and has gained a cumulative value of LKR 2.3 Bn, within a relatively short period. The business is carried out at branches of the Company. At the end of financial year 2021/22, there are twenty branches namely, Head office branch, Anuradhapura, Bandarawela, Elpitiya, Jaffna, Kurunegala, Monaragala, Embilipitiya, Matara, Kandy, Vavuniya, Gampaha, Welimada, Nelliady, Chunnakam, Kaduwela, Ja-Ela, Kadawatha, Kuliyapitiya and Galle.

Gold Loan Customer Base



Our success in this market is attributed to a prudent selection of locations, well thought-out product promotions and the flexibility we offer our customers, in repaying loans. The branches are located in the township of the area and the branch staff carefully monitors the promotions that are carried out, at their location and the branch. Customer behaviour towards gold loans is tracked by the branch which also closely monitors the walk-in customer traffic.

While offering an attractive slab interest rate, we allow a period of one hundred and eighty days (180) leeway for them to fully service the loans. This ensures that they have a significant space of time, in which to reclaim the collateral and is higher than that of the industry norm for reclaiming.

We stay in touch with our customers through SMS alerts, one-to-one and door-step promotions, and various product promotions done by the branches. Partnering with MMFSL has further enhanced our branding and market value as a Company.

Contrary to industry practice, we afford our customers the personalised service that is generally encountered in a mainstream banking channel; for example, customers can conduct their business seated at counters that are designed to preserve the privacy and confidentiality of the transaction. Customer retention is our core principle, and we are pleased to note our efforts have paid dividends in this regard.

In the coming financial year, we propose to introduce further initiatives which are customer-centric and where possible, create cross-sell opportunities geared to retain asset value and build our customer portfolio in a sustainable manner.

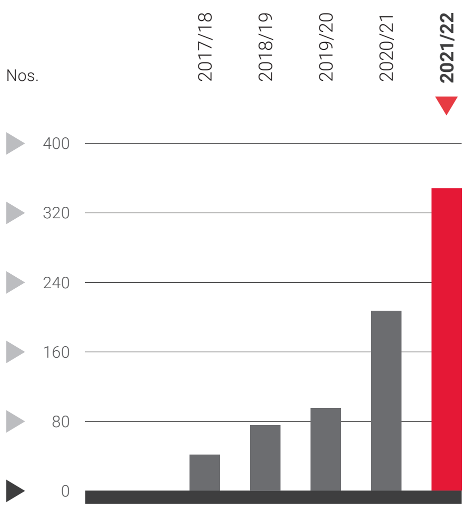
Deposit Holders

While growing our asset portfolios aggressively, we paid similar attention to our deposit holders, even under pandemic conditions. We ensured our deposit holders were given value-added customer service with a view to retaining our portfolios, and we supported them in their financial needs during this challenging time. We

In a difficult year, we are gratified by our customer retention rate as well as the new additions that indicate the value we place on all our customers.

credited their accounts with the monthly/ maturity interest payments, afforded them withdrawals, and attended to any disbursements to their accounts, without any delays.

Deposit Holders



Within the past five years, we are pleased to report an exponential growth in our fixed deposit base. We attribute this to our unwavering customer-centricity in the face of challenges that build confidence in the customer about MIFL. In a contracted economy in the year under review, we are pleased to report an excellent growth rate on this front.

This growth indicated a LKR 2.2 Bn value which is a 136% increase over the previous year. We are aware that the partnership we formed with MMFSL further strengthened customer confidence in our Company and gave us a strong foothold in the marketplace.

Supporting Our Customers

As the pandemic continued its adverse impact on the economy as a whole and on the general populace, we continued to extend our support and advice to our customer base, whether it is entrepreneurs, businesses, families, or individuals and provide customised solutions to immediately respond to their needs.

We took advantage of the customer relationships management software such as InBank, gold loan while communicating with the base via the 3CX Call Centre Solution, WhatsApp, Viber, SMS and Facebook. While supporting our customers, the Call Centre disseminated information on special promotions and other benefit offers that we were able to roll out for them.

The Call Centre as a Pivot Point

We are pleased to report that we maintained a Call Centre Service Level of 94%, which is well above the average industry level call centre service standard of 85%. The performance of the Call Centre agents is tracked in real-time through call monitoring and KPIs to offer a high standard of service to our customers.

It is Company policy to resolve customer complaints within twenty-four hours. If the call agent is unable to provide a solution, an escalation process is in place and the complaint is documented for resolution. The structured escalation process has worked well for our customers in resolving issues quickly, especially in the restricted environment of 2021/22. We recruit and retain the best talent for the Call Centre, which we identify as an important communication point for both the customer and the Company. We also provide comprehensive training to our call agents. We are pleased to report, that the attrition levels at the Call Centre are low in comparison to industry standards and experienced agents are retained with the Company.

We maintain a fair and equal opportunity workplace and an open-door policy where agents are encouraged to communicate and collaborate as a team and with the management. We are confident that this work environment contributed significantly to the success we have had in the year under review when one-to-one interactions with customers were difficult to achieve.

Moratoriums

As required by the regulator, we offered our customers moratoriums and exercised a non-possession policy, for vehicle leasing/finance products. Following is an analysis of moratoriums and flexibilities we offered our customer base.

Circular	Number of Facilities Granted	Total Granted Value
Circular 04 & 05 – 2020	873	136,189,929
Circular 11 – 2020	43	16,485,700
Circular 04 & 05 – 2021	45	13,222,195
Circular 06 – 2021	9	4,114,200
Circular 09 – 2021	6	1,398,000
	976	171,410,024

Customer Retention and Support

As our philosophy is "Customer for Life", we ensured that our customer base also weathered the stormy economic conditions of 2021/22, in a conducive manner. Although the Company was required to be strictly compliant with the many regulatory directions that afforded the customer base great flexibility, we moved further to help and support our customers through the contracted economic scenario that was 2021/22 through personalised service and when possible, door-step delivery of our products and services.

Growth in our customer base is evidence of the confidence placed in us as a flexible and responsible financial institution that keenly adheres to customer needs and supports them in their various endeavours.

Social and Environmental Capital

The strong relationships we built over a decade with our customers, suppliers, and communities paid dividends in 2021, when business operations encountered challenges as never before. Our approach to all our stakeholders ensured business continuity in a restricted environment, affording us a steady cash flow. While strengthening our customer focus, we were also attentive towards preserving our environment in a responsible manner.

Water Consumption

117,800 litres

Electricity Consumption (Branches)

223,000 kWh

The above figures indicate our commitment to conserving water and electricity within the Company for the year 2020/21.

Our branches remained open whenever possible to serve our customer base and the Call Centre rendered point-of-contact service throughout the difficult period when the pandemic raged. Please refer to Customer Capital on page 44 for a detailed narrative of our relationship with our customer base.

Serving Through Responsible Lending

Our lending is based on understanding and recognising the specific circumstances and needs of each client. Therefore, our staff are trained never to over-sell, which will jeopardise the customer's financial foundation in the long term. While we provide facilities to empower the MSM segment to achieve their business aspirations, we also support customers who may be in need of financial assistance to tide over emergencies, through some part of our gold loans. This need was felt significantly during the pandemic as income avenues were constricted due to mobility restrictions and corporate curtailments.

Serving a Community in Need

3 GOOD HEALTH AND WELL-BEING

During the height of the pandemic, we supported our communities through our branch network by providing dry rations to COVID-19 affected children in Matara and conducting a blood donation campaign at the General Hospital in Vavuniya. This reflects MIFL's commitment to the Good Health and Well Being mandated by the UN SDG.

Blood donors and hospital staff were rewarded with 80 coconut plants, aligning ourselves yet again, with another UN SDG on Life on Land for a greener Planet Earth.

Serving Our Younger Generation

Similarly, we distributed much-needed school stationery and equipment to school children in Kachchigala Vidyala in Embilipitiya, Kappachchi School in Cheddikulum and Mahadeva Archchiramam Ashramaya in Killinochchi. Children of gold loan customers from 25 disadvantaged families were also included in this donation drive. In addition, breakfast and lunch were also served at a children's home.

Plans are afoot to broaden the reach of our community service programmes in the coming years as this aspect has been recognised pivotal for becoming a responsible corporate citizen.

Environmentally Responsible

Underlining responsible consumption and production, which is another SDG, our Company takes all required measures to ensure the conservation of energy without hampering our daily operations. This includes using daylight hours to our advantage and using electricity only when it is needed most. Air conditioners are serviced on a monthly plan to make sure that the units function as efficiently as possible and usage of water is closely monitored.

Document printing is on an absolute need basis and where possible it is mandatory to re-use paper that has only been printed on one side. Daily reports are saved as soft copies wherever possible and printed only with the approval of the Department Head. Toner usage therefore, is well controlled and e-waste is disposed of in a responsible manner.

Envelopes are re-used for hard copy inter-office communications. Food waste is collected by the Municipal authorities.

Contributing to preserving a green environment

Our investment in the future generation

Manufactured Capital

The Company's Manufactured Capital comprises of all types of physical assets that support the accomplishment of the Company's strategy. These assets include the Company's Head Office and Branch Office premises, the Call Centre, vehicles, technology hardware, office furnishings and equipment that cater to the customer needs in the financial market.

Cumulative investment in PPE (at carrying value):

LKR 346.5 Mn

Branch Network (Nos):

20

CAPEX incurred during the year:

LKR 88.3 Mn

Our premises promote the brand visibility of the Company in the market and facilitate interaction between the Company and its various stakeholders. Whether it is by personal interaction, through the Call Centre or a visit to Company premises or by way of any other device used for communication, the Company's Manufactured Capital provides the physical infrastructure through which the Company can deliver value to and derive value from the stakeholders.

Manufactured Capital has a co-relation to the Financial Capital as it is the Financial Capital that allows for the acquisition of Manufactured Capital. In the year under review, the Company invested LKR 346.5 Mn in Manufactured Capital for its business purposes.

Manufactured Capital in a Nut-shell

Branches

Currently, our branches are located in 20 towns and non-urban areas, where our branding is clearly visible for market differentiation and easy access to the customer. In the year under review, we opened eight new branches while a further eight are to be opened in the coming financial year. The interiors are furnished and maintained in a manner that is inviting, with a view, to creating a friendly and helpful atmosphere to conduct business while preserving customer privacy.

These premises function as the primary place of business and provide our customers with the necessary financial products. While we place a strong emphasis on increasing digital engagement with our customers, we recognise that currently and for some time to come in Sri Lanka, the branch will be a central driver of NFBI sector business.

Where promotional drives are concerned, the branches function as data collection and analysis units, facilitating the branch staff to track the progress of the promotions. This, in turn, helps to understand our customer reach and their needs and where necessary, make adjustments to our marketing strategy.

All our premises are well equipped with ICT facilities that connect the out-lying branches and centres with the Head Office in Colombo, facilitating easy access to the senior management when the necessity arises. Intranet facility was pivotal to all internal communications which also provided for paperless mode of office interactions. During the pandemic this mode was used to create product awareness among the staff cadre and offer induction training to the new recruits.

During heightened waves of the pandemic, all our physical locations were equipped with the necessary health tools and separators that ensured the safety of our staff and customers.

With the partnership of MMFSL, our Company is on a journey to migrate best practices in many spheres of the business operations. We plan to draw from their expertise in branch expansion and maintenance of a customer confidence-generating ambience to serve our customers better.

The physical presence of security personnel is available at all locations, with special security measures available at locations where customer assets are stored.

During the year, the Company invested LKR 59.5 Mn in branch openings and upkeep.

MIFL Call Centre

The Call Centre continued to add great value to the Company’s operations during 2021/22 as the pandemic effectively shut down the country or various provinces periodically. While being a contact point for the customer, it doubled as a promotional tool where Call Centre staff disseminated product promotions and information, engaged in collection activities that saw a continuous cash flow to the Company, and collected demographic data to strengthen our customer databases. The Call Centre was also an instrumental platform to educate the customer with regard to the moratorium mandated by the regulator.

ICT Hardware

As the pandemic continued, the Company adopted a work-from-home model for some of its staff who could manage their daily routines from home. Laptops, dongles and mobile phones were purchased for this purpose and allocated to respective staff, while the ownership continues to rest with the Company.

Future Focus

Plans are afoot to open seven new branches in selected locations, over 2023/2024. A structured recruitment drive is also planned to man these new locations. Further, we plan to invest in upgrading our software portals to take advantage of the digital interactions to which our customers are now accustomed.

We have set our sights on being included in the top five non-banking financial institutions in Sri Lanka in the future and are pleased that we are on a strong footing to achieve that goal.

Board of Directors

Mr Nalin J Welgama
Chairman
M M M

Mr Aravinda De Silva
Deputy Chairman
M M M M

Mr Sujeewa Mudalige
Independent Non-Executive Director
C C M M M

Ms Chrishanthi Lucilla Jayawardena
Independent Non-Executive Director
C M

Mr Rajnish Agarwal
Non-Independent Non-Executive Director
M

Dr P L Suren Peter
Senior Independent Non-Executive Director
C M M

Mr Nikhil Sohoni
Non-Independent
Non-Executive Director

M

Mr Vivek Karve
Non-Independent
Non-Executive Director

M M M

Mr Mufaddal A Choonia
Non-Independent
Non-Executive Director

C C M M

Audit Committee
Integrated Risk Management Committee
Human Resource and Remuneration Committee
Nomination Committee
IT Steering Committee
Related Part Transactions Review Committee

C Chairman M Member

Mr Nalin J Welgama 1

Chairman

Mr Nalin Jayaraj Welgama is a Senior Accountant having managed a leading firm of Chartered Accountants in the United Kingdom for several years prior to embarking upon an entrepreneurial function as founder Chairman of Ideal Group. He conceptualised and founded Ideal Plant and Vehicles Ltd. UK in 1986, a company engaged in the worldwide export of luxury motor vehicles, contractors plant, and machinery from the UK.

In 1996, with the formation of Ideal Automotive Parts (Pvt) Ltd., the seeds were sown for the establishment of the Group which at present comprises 20 companies, each of which are playing a leading role in their respective business segments. The Group has diversified in to passenger cars, commercial vehicles, heavy machinery, motor cycles, import and distribution of tyres, financial services, automotive parts, and renewable energy, and constitutes a combined turnover in excess of LKR 20 Bn. annually and employs over 1,000 people.

He was able to realise his dream for his company of becoming the first Sri Lankan company to partner a world-renowned auto major in setting up a fully-fledged auto assembly plant which was launched in August 2019. Mahindra Ideal Lanka Private Ltd., was born to offer a selection of locally assembled vehicles to the Sri Lankan market.

Mr Nalin J Welgama is the youngest son of the renowned philanthropist entrepreneur, Mr S A Welgama whose name is synonymous with road haulage (transport) in Sri Lanka, a company whose origins date back to 1931.

Mr Aravinda De Silva 2

Deputy Chairman

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

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

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

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

Mr Aravinda De Silva sits on a number of Executive Boards in the country and in 2017, he was appointed as Chairman of Thomas Cook Lanka (Pvt) Ltd., a fully owned subsidiary of Fairbridge Capital Canada.

Mr Sujeewa Mudalige 3

Independent Non-Executive Director

We are pleased to inform the appointment of Mr Sujeewa Mudalige to the Board of Directors of Mahindra Ideal Finance as an Independent, Non-Executive Director with effect from 4 January 2022. Mr Mudalige counts over 30 years of experience as a Chartered Accountant. He is also a fellow member of CIMA (UK), ACCA (UK), and CPA (Australia). He has vast experience as the Audit Committee Chair in both public and private sector organisations. Mr Mudalige is the Managing Partner of PricewaterhouseCoopers, He is also an Independent Non-Executive Director at National Development Bank PLC. Mr Mudalige is a past president of ICASL and has been a member of the Council of ICASL and of the Governing Board of CIMA UK-Sri Lanka Division, a commission member of the Securities and Exchange Commission of Sri Lanka, and held several such other positions locally and globally during the span of his career. He was an Independent Non-Executive Director of Hatton National Bank PLC from 2012 to 2018.

Ms Chrishanthi Lucilla Jayawardena 4

Independent Non-Executive Director

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

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

Mr Rajnish Agarwal 5

Non-Independent
Non-Executive Director

Mr Rajnish Agarwal had joined Mahindra Rural Housing Finance Limited a subsidiary of Mahindra & Mahindra Financial Services Limited as Managing Director and CEO from 1 October 2021.

Mr Agarwal is leading a Sales and Recovery Organisation of 11,000 plus team having pan India branch network of 600 plus branches. He is also part of Financial Services Sector (FSS) Steering Committee.

Prior to joining Mahindra Rural Housing Finance Limited, Mr Rajnish Agarwal was Executive Vice-President, Operations of Mahindra & Mahindra Financial Services Limited (MMFSL). With over 29 years of overall rich experience, he has managed and led MMFSL to leadership position across diverse business segments like auto loans, asset risk management, rural management, business and product development, relationship and people management. Mr Rajnish Agarwal had been instrumental in restructuring the business model of MMFSL through "verticalisation" of various vehicle loan businesses which has led to enhanced customer focus. He has been instrumental in leading a Sales and Recovery Organisation of 12,000 plus team size thru 9 verticals, aggregating to 90% of the Company's AUM and profitability. In a stellar career of almost three decades with MMFSL, he has led the Operations Vertical (vehicle financing) to a new high with his strategies and inclination towards future readiness.

Mr Rajnish Agarwal is also functioning as Director in another subsidiary company of MMFSL – Messrs MIBL since 2020.

Prior to joining MRHFL, he has worked with MMFSL, Apple Industries and Tata Finance Limited. Mr Rajnish is an alumni of Mumbai University and has pursued multiple short-term leadership programmes from IIM Bangalore, IIM Indore, and Harvard Business School.

Dr P L Suren Peter 6

Senior Independent
Non-Executive Director

Conferred a doctorate from the Maastricht School of Management (MSM) in the Netherlands, Dr Peter is a Fulbright Scholar and holds a MSc in Management from Georgia Institute of Technology USA and a Master of Philosophy from MSM. His Bachelors was in Industrial Management from the University of Kelaniya Sri Lanka.

As a university academic, he has over 25 years' experience in teaching, research, and consulting, and is currently serving as the Head of Department of Industrial Management at the University of Kelaniya. He has been the National Consultant on numerous projects for UNIDO and UNDP and consulted for several international development organisations, state and private sector entities. He serves as a national reviewer for university degree programmes, and serves on the Board of a few private companies as well.

Mr Nikhil Sohoni 7

Non-Independent
Non-Executive Director

Mr Sohoni joined Mahindra's in 1995 and has been with the Group for the last 26 years. He has been through different roles in F&A including a stint as a CFO of Commercial Vehicle JV before taking over as Group Treasurer. Today as Group Treasurer he is responsible for liquidity/cash management, working capital financing, investments, forex risk/hedging strategy, fund raising, credit rating, capital structuring, capex evaluation, and banking relationship across Mahindra Group. He is presently also serving as a Director on the Boards of several companies, namely, Mahindra Fruits Private Limited, Mahindra Defence Systems Limited, Mahindra Airways Limited, Erkunt Traktor, Erkunt Sanayii, Mahindra Telephonics Integrated Systems Limited, Mahindra Aerospace Private Limited, PF Holdings B.V., Mahindra Bangladesh Private Limited, Mahindra Finance USA, Meru Mobility Tech Private Limited, Meru Travel Solutions Private Limited, Mahindra Auto Steel Private Limited, and Gipps Aero Pty Limited (Australia).

Mr Sohoni is a Chartered Accountant and alumni of ICFAI Treasury and Forex. He is a Fulbright Fellow and was awarded CII-Fulbright Fellowship for Leadership in Management. He has completed Global Leadership Program from Tepper School of Business, Carnegie Mellon University, Pittsburgh, USA.

He has been a recipient of Business Standard Most Promising Future CFO (Large Corporates) as well as Adam Smith Treasury Award for Risk Management in Treasury.

Mr Vivek Karve 8

Non-Independent Non-Executive Director

We are pleased to inform the appointment of Mr Vivek Karve to the Board of Directors of Mahindra Ideal Finance as a Non-Independent Non-Executive Director with effect from 25 February 2022.

Mr Karve is a Chartered Accountant (1994), a Cost Accountant (1993), and a B Com from the University of Bombay (1991). He has more than 25 years of experience in sectors such as FMCG, banking and financial services, and IT across five organisations – Mahindra Finance, Marico, Siemens Information Systems, ICICI, and P&G.

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

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

In 2017, he was recognised as the second Best CFO by Institutional Investor, a reputed magazine for investors. In 2018, Financial Express recognised him as the Best CFO in Large Enterprise Category.

Mr Karve has served as a member of FICCI's Corporate Finance Committee. He is currently a member of FICCI's CFO Conclave.

Mr Mufaddal A Choonia

9

Non-Independent Non-Executive Director

We are pleased to inform the appointment of Mr Mufaddal A Choonia to the Board of Directors of Mahindra Ideal Finance as a Non-Independent Non-Executive Director with effect from 25 February 2022.

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

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

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

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

Corporate Management Team

Duminda Weerasekare
Chief Executive Officer

Rohitha Bandusena
Chief Operating Officer

Gaman Kithsiri
Assistant General Manager ICT

Pradeep De Silva
Assistant General Manager – Gold Loan

Rochelle Vandort
Assistant General Manager (HR)

Madumali Munasingha
Senior Manager Risk and Compliance

Channa Prabhath
Manager Finance

Duminda Weerasekare 1

Chief Executive Officer

With an expansive knowledge and skill experience garnered over three decades, Mr Duminda Weerasekare holds the distinction of being a Fellow of both The Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants of UK. He has functioned in directorial, CEO, and COO positions in a number of leading corporate institutions. His work experience ranges from negotiating and sourcing funding from international funding organisations and agencies to introducing pioneering funding sources into the country to being commissioned by international agencies to develop strategic plans for development in various financial strata and sectors. He is a recipient of a fellowship by the Netherlands Development Bank.

Rohitha Bandusena 2

Chief Operating Officer

Counting over 20 years' experience in finance, operations, treasury, credit, and risk management, he holds a BSc (Hons) in Business Administration – Special Degree from the University of Sri Jayewardenepura. Among the positions Mr Rohitha Bandusena has held are Senior Manager – Finance at Nations Leasing, the leasing arm of Nations Trust Bank PLC, and Assistant General Manager – Treasury and Operations at LB Finance PLC. Prior to joining Mahindra Ideal Finance Limited at its inception in April 2012, he was the Head of Credit and Risk Management at Sampath Leasing and Factoring Limited.

Gaman Kithsiri 3

Assistant General Manager ICT

Prior to taking up the Head of ICT position at Mahindra Ideal Finance Limited, Mr Gaman Kithsiri held the position of Head of ICT in the capacity of Assistant General Manager grade at New World Securities (Pvt) Limited. He has rendered his service and expertise to NWS Financial Services (Pvt) Ltd. and NWS Management (Pvt) Ltd.

Counting over 20 years of experience in the field of IT and over 15 years of ICT management, he has managed many system implementation projects in the capital market, NBFI, and ERP for Automotive industries. He Joined Mahindra Ideal Finance Limited in 2014 and previously was attached to Ceylinco Stock Brokers as Senior Manager IT, Manager IT, and Assistant Manager, and his contribution was rewarded as the Best Y2K Project Co-ordinate from Ceylinco Stock Brokers.

He holds the BSc in Computer Science with First-Class Honors from the University of Hertfordshire and MBCS-CITP (UK) from The Chartered Institute London, Advanced Diploma in Software Engineering (HDCSE) from Londontec City Campus, Sri Lanka, and Network Design and Implementation from the University of Colombo.

Pradeep De Silva 4

Assistant General Manager – Gold Loan

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

Rochelle Vandort 5

Assistant General Manager (HR)

Having held management positions in diversified conglomerates including Abans PLC and Diesel and Motor Engineering PLC, Ms Rochelle Vandort has more than a decade of professional experience in human resources. She holds a BSc in Human Resource Management with First Class Honours from University College Dublin and an Advanced Diploma and Higher Diploma in Business Management from NIBM.

Madumali Munasingha 6

Senior Manager Risk and Compliance

An Associate Member of The Institute of Chartered Accountants of Sri Lanka, Ms Madumali Munasingha holds a First-Class degree in BSc Accounting (Special) from the University of Sri Jayewardenepura. She possesses over 10 years' experience in finance and auditing, combined with extensive knowledge in financial reporting, taxation, treasury and risk management, and auditing & assurance. Prior to joining Mahindra Ideal Finance Limited, she was the Supervisor – Assurance at Ernst & Young, which fueled a sound knowledge in the banking and finance sectors of Sri Lanka.

Channa Prabhath 7

Manager Finance

Mr Channa Prabhath holds a Second-Class (Upper) degree in BSc Accounting (Special) from the University of Sri Jayewardenepura, and a finalist of The Institute of Chartered Accountants of Sri Lanka. Prior to joining Mahindra Ideal Finance Limited, he worked as a Senior Accountant – Assurance at Ernst & Young for more than three years, which gave him greater exposure in the banking and finance sectors of Sri Lanka.

Corporate Governance Report

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 the Management and Directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers.

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

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

Board of Directors

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

Composition and Independence

The Board comprises nine (09) members, including the Chairman, are Non-Executive Directors with the balance of skills and experience appropriate for the business carried out by the Company.

The Board has determined that three (03) Non-Executive Directors, namely, Dr P L Suren Peter, Ms Chrishanithi Jayawardena and Mr Sujeewa Mudalige are 'Independent'.

Chairman and Chief Executive Officer

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

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

Tenure, Retirement, and Re-Election of Directors

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

If a Director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the CBSL 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 wherever necessary, special meetings of the Board are held.

During the year ended 31 March 2022, thirteen (13) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/Non- Executive/ Independent Non-Executive	Attendance
Mr N J Welgama	Non-Executive	13/13
Mr P A De SIlva	Non-Executive	13/13
Dr L Suren Peter	Independent Non-Executive	13/13
Ms Chrishanthi Jayawardena	Independent Non-Executive	13/13
Mr Sujeewa Mudalige	Independent Non-Executive	4/4
Mr Rajnish Agarwal	Non-Executive	3/4
Mr Vivek Karve	Non-Executive	2/2
Mr Mufaddal A Choonia	Non-Executive	2/2
Mr Nikhil Sohoni	Non-Executive	1/2

**Mr Sujeewa Mudalige and Mr Rajnish Agarwal were appointed on 4 January 2022. Mr Vivek Karve, Mr Mufaddal A Choonia and Mr Nikhil Sohoni were appointed on 25 February 2022. Mr Viraj Malwana (Non-Executive Director) resigned on 4 January 2022 with attendance 9/10 and Mr Duminda Weerasekara (Executive Director) resigned on 25 March 2022 with attendance 13/13.*

Board Subcommittees

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

Audit Committee

The Audit Committee is currently comprised Mr Vivek Karve/Mr Nalin J Welgama/Dr Suren P L Peter/ Mrs Chrishanthi L Jayawardena and is chaired by Mr D T Sujeewa H Mudalige (Chairman).

In compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and in the absence of a Head of Internal Audit, Company Secretary acts as the Secretary to the Audit Committee.

Integrated Risk Management Committee (IRMC)

In compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 an Integrated Risk Management Committee was set up in May 2012.

The Committee is chaired by Dr P L Peter, an Independent Non-Executive Director and Mr D T Sujeewa H Mudalige.

Mr Vivek Karve/Mr P Aravinda De Silva/ Mr Mufaddal A Choonia/Mr Nikhil Sohoni are members of the IRMC which also consists of Key Management Personnel supervising Broad risk categories.

Remuneration Committee

The Remuneration Committee is currently comprised Mr Rajnish Agarwal/Mr Nalin J Welgama/Mr P Aravinda De Silva/ Mr D T Sujeewa H Mudalige is chaired by Mr Mufaddal A Choonia.

Nomination Committee

Nomination Committee was formed in March 2014 and is comprised Mr Mufaddal A Choonia/Mr Nalin J Welgama/Mr D T Sujeewa H Mudalige and Ms Chrishanthi L Jayawardena chairs the committee.

IT Steering Committee

IT Steering Committee was formed in March 2014. Dr P L Suren Peter/Mr P Aravinda De Silva are members of the committee and it chaired by Mr Mufaddal A Choonia.

Related Party Transaction Committee

RPT committee was formed in March 2022 where Mr Vivek Karve/Mr P Aravinda De Silva are members of the committee and is chaired by Mr D T Sujeewa H Mudalige.

Compliance Officer

Company has appointed a Compliance Officer at the inception 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.

Messrs Ernst & Young, Chartered Accountants 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 due to the Government, which have fallen due, have been made or where relevant provided for.

Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.16, 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.

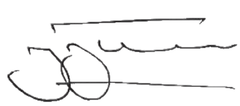
Accordingly the Company is required to carry out and maintain business activities in compliance with the Directions from time to time issued by the Central Bank of Sri Lanka.

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, feedback effective, and transparent communication.



Nalin J Welgama
Chairman

30 April 2022

As the prudential regulator, the CBSL has issued a set of Directions on Corporate Governance – The Finance Companies (Corporate Governance) Direction No. 03 of 2008 to promote prudent business behaviour and risk management on the part of regulated financial institutions such as banks finance companies and insurance companies, so that these institutions are poised to meet their financial promises.

The Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (ICASL) covers the key aspects such as Directors, directors' remuneration, relations with shareholders, accountability and audit and shareholders.

These rules are indispensable in ensuring the creation and maintenance of the confidence of the General Public of the country. The Company's compliance with relevant directions, rules, notices, guidelines and codes are shown below:

Section	Agreed Upon Procedure	Status	Result of Procedure
2 (1)	Procedures to be carried out to ensure the Board has strengthened the safety and soundness of the Finance Company. **(a)** Approving and overseeing the Company's objectives and corporate values and ensure that these are communicated throughout the Company.	Complied	Vision, mission and corporate values of the Company are included in the procedure manual which was approved by the Board on 26 March 2012. Board approved business plan for the next four years is in place for the period 2021 – 2025 including the expansion plan, expected growth and performance along with the budget. Annually reviewed strategic objectives and corporate values are communicated throughout the Company at Management and Staff meetings in order to enhance their understanding regarding the future goals and objectives of the Company.
	(b) Approving the overall business strategy of the Company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years.	Complied	The Board has an approved business plan for 2021-2025 includes the overall business strategy of the Company with measurable goals. However, the Company will revisit the existing risk manual to ensure that it is adequately linked with the overall business strategy of the Company. The Company has a Board approved Risk Management Policy in place to identify risks faced by the Company and the policy has been revised and approved by the Board on 29 October 2021. The Integrated Risk Management (IRM) report defines the risk management strategies along with the key risk factors, related risk and risk mitigation action.
	(c) Identify the risk and ensuring implementation of appropriate system to manage the risk prudently.	Complied	The Board has formed an Integrated Risk Management Committee (IRMC) and delegated the function to manage the risks identified to the Committee. Findings of the IRMC are reported to the Board at the subsequent Board meeting.
	(d) Approving a policy of communication with all stake holders, including depositors, creditors, shareholders and borrowers.	Complied	Company is in the process of reviewing the existing communication policies for shareholders and other internal and external stakeholders.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(e) Reviewing the adequacy and the integrity of the Finance Company's internal control system and management information system.	Complied	The Board reviews the adequacy and the integrity of the Company's internal control system by way of internal audit reports submitted to the Board through the Board Audit Committee. Board approved policies and procedure manuals are in place defining the decision flow and responsibility of each functional area of the Company. Company has a Board approved Information Technology Policies and Procedures and an IT Steering Committee established by the Board. Company evaluated the adequacy and integrity of the Company's Management Information Systems in an ongoing basis.
	(f) Identifying and designating Key Management Personnel, who are in a position to (i) significantly influence policy (ii) direct activities and (iii) exercise control over business activities, operations and risk management.	Complied	Key Management Personnel (KMP) have been defined by the Board on 30 July 2021 as follows including Chief Executive Officer (CEO), Chief Operating Officer (COO), AGM – ICT, AGM – gold loan, Manager-Finance, Senior Manager Risk and Compliance, AGM – HR.
	(g) Defining the areas of authority and key responsibilities for the Board and the Key Management Personnel.	Complied	Corporate Governance Policy approved by the Board of Directors includes an area specifying the responsibilities of the Board of Directors. The Company has a Board approved schedule of matters specifically reserved to the Board of Directors. Further, Articles of Association briefly describes on the powers and duties of the Board of Directors. Key responsibilities of other Key Management Personnel have been defined briefly in KMP Policy which is approved by the Board. Job descriptions of Key Management Personnel are in place.
	(h) Ensuring that there is appropriate oversight of affairs of the Finance Company by Key Management Personnel, that is consistent with the Finance Company's policy.	Complied	Authority of Key Management Personnel are defined under delegated authority limits. Key Management Personnel were invited to the Board meetings to make presentations on overall performance, collections and progress of the Company.
	(i) Periodically assessing the effectiveness of its governance practice including: (i) Selection, nomination and election of Directors and Key Management Personnel;	Complied	As per Articles of Association, Board has the power to make decisions on selection, nomination and election of Directors.
	(ii) Management of conflicts of interests; and,		Further Article of Association addresses the provisions on management of conflicts of interest of Directors.
	(iii) The determination of weaknesses and implementation of changes where necessary.		A self-evaluation process of the Board Members is in place to ensure the own performance, better governance and determination of weaknesses.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(j) Ensuring the Finance Company has an appropriate succession plan for Key Management Personal.	Complied	Board approved succession plan framework is in place. Company is in the process of establishing a one-to-one succession plan for all Key Management Personnel being in line with the Succession Planning Policy of the Company.
	(k) Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	Complied	CEO is represented at the Board, IRMC and IT Steering Committees. CEO attends the Audit Committee upon invitation. Key Management Personnel are invited as and when the need arises by the Board or the Committee to explain matters relating to their areas of functions.
	(l) Understand the regulatory environment.	Complied	All new directions issued by the Central Bank of Sri Lanka have been submitted to the Board by the compliance officer and approved thereof. A summary of statutory payments and returns are presented to the Board by the compliance officer at each Board meeting.
	(m) Exercising due diligence in the hiring and oversight of External Auditors.	Complied	The Company's Articles of Association reveals that there is a process for hiring of External Auditors at their AGM. Oversight of External Auditors is carried out by the Board Audit Committee. The process on engaging with External Auditors is included in the Audit Committee Charter under Authority and Responsibility.
2 (2)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer.	Complied	The Board has appointed a Chairman and a CEO. The Board approved Corporate Governance Policy defines functions and responsibilities of the Chairman and the CEO.
2 (3)	There shall be a procedure determined by the Board to enable Directors, upon reasonable request to seek independent professional advice in appropriate circumstances at the Finance Company's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director(s) to discharge the duties to the Finance Company.	Complied	Procedure manual of the Company contains a section providing the procedures on seeking independent professional advice by Directors at company expense.
2 (4)	Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relatives or a concern, in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied	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.
2 (5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly under its authority.	Complied	Company has a Board approved schedule of matters specifically reserved to the Board for decision making.

Section	Agreed Upon Procedure	Status	Result of Procedure
2 (6)	The Board shall, if it considers that the Finance Company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Non-Bank Supervision of Non-Bank Financial Institution of the situation of the Company prior to taking any decision or action.	Complied	Such a situation has not risen during the year 2021/22.
2 (7)	The Board shall publish in the Company's Annual Report, an Annual Corporate Governance Report setting out the compliance with Direction No. 03 of these Directions.	Complied	This has been disclosed in the Annual Report on pages 60 to 84.
2 (8)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	Complied	Company has a process of evaluating the self-performance of the Board of Directors.
(3)	**Meetings of the Board**		
3 (1)	The Board shall meet regularly and Board meetings shall be held at least 12 times a year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied	Board has met 13 times during the year 2021/22. There were instances where the Board's consent has been obtained through the circulation of written resolutions/papers during the year 2021/22
3 (2)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Finance Company.	Complied	Agenda is circulated by the Company Secretary, 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.
3 (3)	The Board procedures shall ensure that notice of at least seven days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice shall be given.	Complied	Agenda and previous month's Board minutes are sent to the Board members by the Company Secretary via e-mail. Further, as a practice, Directors are given a notice of at least seven days for regular Board Meetings.
3 (4)	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 the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the directors' meetings through an alternate Director shall, however, be acceptable as attendance.	Complied	Such a situation has not arisen during the year in concern.

Section	Agreed Upon Procedure	Status	Result of Procedure
3 (5)	Board shall appoint a Company Secretary, whose primary responsibilities shall be to handle the secretariat services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied	SSP Corporate Services (Private) Limited was appointed by the Board as their Company Secretary.
3 (6)	If the chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function.	Complied	Company Secretary has been delegated with the power to circulate the agenda prior to every Board meeting.
3 (7)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions rules and regulations are followed.	Complied	All Directors have access to advice and services of the Company Secretary. A provision in this regard is included in the Corporate Governance Policy of the Company.
3 (8)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied	Company Secretary maintains the minutes of Board meetings. Procedure manual of the Company includes a chapter; "Maintaining Minutes of the Board Meetings" in this regard.
3 (9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: **(a)** a summary of data and information used by the Board in its deliberations; **(b)** the matters considered by the Board; **(c)** the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence, including the name of the Directors;	Complied	Detailed minutes are kept covering the given criteria. Board minutes contain the required details as specific.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; **(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; and **(f)** the decisions and Board resolutions.		
(4)	**Composition of the Board**		
4 (1)	The number of Directors on the Board shall not be less than 5 and not more than 13. A transitional provision will apply if the number of Directors on the Board of the Finance Company is either less than 5 or exceed 13 such companies may continue for a maximum of 3 years commencing 1 January 2009.	Complied	The Board has comprised not less than 5 and not more than 13 Directors during the year 2021/22 which is in line with the direction.
4 (2)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years, and such period in office of a Non-Executive Director shall be inclusive of the total period of service served by such Director up to 1 January 2009.	Complied	With the new Corporate Governance Direction which will be effective from 1 July 2022. Directors who directly or indirectly hold more than 10% of shares can be stayed more than nine years with the prior approval of Director – Supervision of Non-Bank Financial Institutions, CBSL. The Company has submitted the relevant documents for approval.
4 (3)	An employee of a Finance Company may be appointed, elected, or nominated as a Director of the Finance Company (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed one-half of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive of the Company.	Complied	The CEO was the only Executive Director in the Board of the Company. After his resignation from the Board on 25 March 2022, no Executive Directors were appointed.
4 (4)	From 1 January 2012 , the total number of Independent Non-Executive Directors, of the Board shall be at least one fourth of the total number of Directors. A Non-Executive Director shall not be considered independent if he/she:	Complied	The Board comprised two Independent Non-Executive Directors up to 3 January 2022 and then increased to three thereafter, which complies with the Direction.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(a) holds shares exceeding 2% of the paid up capital of the Finance Company or more than 10% of paid up capital of any other Finance Company;		Mr N J Welgama and Mr P A De Silva hold shares in Mahindra Ideal Finance until takeover by MMFSL, India on 8 July 2021. Mr J V W Malawana holds shares of the Company. However, he resigned from the Board on 4 January 2022.
	(b) has or had during the period of two years immediately preceding his/her appointment as Director, any business transactions with the Finance Company as described in paragraph nine hereof, aggregate value outstanding at a particular time exceeding 10% of the capital funds of the Finance Company as shown in its last audited B/S;		
	(c) has been employed by the Finance Company during the two year period immediately preceding the appointment as Director;		
	(d) has a relative; who is a Director, CEO, Key Management Personnel, or holds shares exceeding 10% of the paid up capital of the Finance Company or exceeding 12.5% of the paid up capital of another Finance Company;		
	(e) represents a shareholder, debtor, or such other similar stakeholders of the Finance Company;		Mr N J Welgama and Mr P A De Silva hold shares in Ideal Motors (Pvt) Limited where Ideal Motors is a shareholder of MIFL and they represent Ideal Motors (Pvt) Limited. Mr Rajnish Agarwal – A.w.e.f. 4 January 2022, Mr Mufaddal A Choonia – A.w.e.f. 25 February 2022, Mr Vivek Karve- A.w.e.f. 25 February 2022 and Mr Nikhil Sohoni – NE/NED – A.w.e.f. 25 February 2022 represents Mahindra and Mahindra Financial Services Ltd. which is the parent company of MIFL.
	(f) is an employee or a Director or has a shareholding of 10% or more of the paid up capital in a company or business organisation: (i) which has a transaction with the Finance Company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds (regulatory capital) as shown in its last audited B/S of the Finance Company, or		

Section	Agreed Upon Procedure	Status	Result of Procedure
	(ii) in which any of the other Directors of the Finance Company is employed or is a Director or holds shares exceeding 10% of the capital funds (material share holding) as shown in its last audited B/S of the Finance Company, or (iii) in which any of the other Directors of the Finance Company have a transaction as defined in paragraph nine, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds (regulatory capital) as shown in its last audited B/S of the Finance Company.		
4 (5)	In the event an alternate Director is appointed to represent an Independent Non-Executive Director, the person so appointed shall also meet the criteria that apply to the Independent Non-Executive Director.	Complied	Such an incident has not taken place during the year 2021/22.
4 (6)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied	Articles of Association address the appointment and removal of Directors. The Company has a procedure for appointing the Non-Executive Directors, which has been approved by the Board.
4 (7)	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-half of the number of Directors present at such meeting are Non-Executive.	Complied	During the financial year 2021/22 more than 50% of the Directors participated at Board meetings are Non-Executive.
4 (8)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Finance Company. The Finance Company shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report.	Complied	Company has disclosed the composition of the Board as required in the Direction on page 88 of the Annual Report.

Section	Agreed Upon Procedure	Status	Result of Procedure
4 (9)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied	The Company's Articles of Association address a general procedure for appointment of new Directors. When appointing a member to the Board, the Company has a policy which specifies the responsibility should rest with the Nomination Committee.
4 (10)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied	
4 (11)	If a Director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the Director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant Director's disagreement with the Company, if any.	Complied	A Director who had completed nine years of service resigned from the Company with the approval of Director Supervision of the Non-Banking Financial Institutions of CBSL.
(5)	**Criteria to assess the fitness and propriety of Directors**		
5 (1)	The age of a person who serves as Director shall not exceed 70 years.	Complied	None of the Directors exceeded 70 years of age.
5 (2)	A person shall not hold office as a Director or any other equivalent position in more than 20 companies/ societies/bodies corporate including subsidiaries or associate companies of the Finance Companies provided that such 20 companies/entities/ institutions, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.	Complied	None of the Directors are direction of more than 20 companies/entities/institutes inclusive of subsidiaries or associate companies during the year 2021/22.
(6)	**Management functions delegated by the Board**		
6 (1)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied	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.
6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Finance Company.	Complied	The delegated powers are reviewed by the Board to ensure that they remain relevant to the needs of the Company.

Section	Agreed Upon Procedure	Status	Result of Procedure
(7)	**The Chairman and CEO**		
7 (1)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Complied	Roles of Chairman and CEO are separate and held by two individuals appointed by the Board.
7 (2)	The Chairman shall be a Non-Executive Director and preferably an Independent Director as well. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Non-Executive Director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Finance Company Annual Report.	Complied	Chairman is a Non-Executive Director. The Company has designated an Independent Non-Executive Director as the Senior Director of the Company. (This is disclosed in the Annual Report page 56).
7 (3)	The Board shall disclose in its Corporate Governance Report, which shall be an integral part of its Annual Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family, or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied	Company has a process to identify the relationship between Chairman, CEO, and the Board members and the nature of any relationship amongst the members of the Board. The Board is aware that there are no material relationships whatsoever, including financial, business, family, and any other material relationship between the Chairman and the CEO and the other members of the Board as per the annual declarations made by the Directors and disclosed in the Annual Corporate Governance Report. This is disclosed in the Annual Report page 60.There were no such relationships during the year 2021/22.
7 (4)	The Chairman shall: **(a)** provide leadership to the Board; Company has a Board approved corporate; **(b)** ensure that the Board works effectively and discharges its responsibilities; and **(c)** ensure that all key and appropriate issues are discussed by the Board in a timely manner.		Company has a Board approved Corporate Governance Policy which defines the functions and responsibilities of the Chairman. The Company expanded the format of annual assessment by including an area to measure the effective discharge of Board functions. All key and appropriate issues are discussed by the Board on a timely basis.
7 (5)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	Complied	Company Secretary circulates the agenda to the Board members under the instructions of the Chairman.

Section	Agreed Upon Procedure	Status	Result of Procedure
7 (6)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	Complied	The Chairman ensures, that all Directors are properly briefed on issues arising at Board meetings by submission of the agenda and Board papers with sufficient time prior to the meetings. Agenda and the minutes of the previous Board meeting are sent to the Directors at least seven days prior to the next Board Meeting for their review. Further, minutes of previous month's Board meeting are distributed to the Board members and tabled at the following month's Board Meeting for review and approval.
7 (7)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Finance Company.	Complied	The Chairman has ensured the fullest contribution and participation of all members.
7 (8)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between executive and Non- Executive Directors.	Complied	The Chairman facilitates the contribution of all Directors including Non-Executive Directors.
7 (9)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	Complied	Chairman is a Non-Executive Director. The Chairman does not directly get involved in the supervision of Key Management Personnel or any other executive duties.
7 (10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied	AGM of the Company is the main forum where the Board maintains effective communication with shareholders. Further a Board approved Communication Policy for shareholders, is in place.
7 (11)	The Chief Executive Officer shall function as the apex executive-in-charge of the day-today-management of the Finance Company's operations and business.	Complied	As per the functions and responsibilities of the CEO, he is the apex executive-in charge of the day-to-day management of the Company's operations and business as mentioned in the Corporate Governance Policy.

Section	Agreed Upon Procedure	Status	Result of Procedure
(8)	**Board appointed committees**		
8 (1)	Every Finance Company shall have at least the two Board committees set out in paragraphs 8 (2) and 8 (3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the Committee. The Board shall present a report on the performance, duties and functions of each committee, at an annual general meeting of the Company.	Complied	At present the Company has established five Board Committees including Board Audit Committee (BAC) and Integrated Risk Management Committee (IRMC) as set out in paragraphs 8 (2) and 8 (3) of the Direction. Both committees submit their reports to the Main Board for their review and approved thereon. A report by each committee on its performance, duties and functions has been disclosed in the Annual Report on pages 85 to 92.
8 (2)	Audit Committee:		
	(a) The Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied	Chairman of the Audit Committee is a Non-Executive Director and possesses qualifications and related experience.
	(b) Check that all members of the Committee are Non-Executive Directors.	Complied	All other members of the Committee are Non-Executive Directors.
	(c) The Committee shall make recommendations on matters in connection with:	Complied	
	(i) The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) The implementation of the Central Bank guidelines issued to Auditors from time to time; (iii) The application of the relevant accounting standards; and		Committee has discussed the issues in Corporate Governance Factual Finding Report issued by the External Auditors. Committee has made recommendations on matters in connection with the application of accounting standards as and when required.
	(d) The service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the Audit Partner shall not exceed five years, and that 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.	Complied	Board approved the re-appointment of Auditors and the audit fee with regard to the current financial year.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(e) 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.	Complied	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 2021/22 indicates that the audit is carried out in accordance with SLAuS.
	(f) The Committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the Committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non- audit services, the Committee shall consider: (i) Whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; (ii) Whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and (iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/or independence of the External Auditor.	Complied	Board approved the procedure on engagement of an External Auditor to provide non-audit services.
	(g) The Committee 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 Finance Company's compliance with the relevant Directions in relation to Corporate Governance and the Management's internal controls over financial reporting;	Complied	Committee has developed a mechanism to meet the auditors before commencing the audit to inquire about the nature and scope of the audit, with the External Auditors in accordance with SLAuS.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(ii) The preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations; and	Complied	BAC has discussed the preparation of Financial Statements in accordance with relevant accounting principles and reporting requirements.
	(iii) The coordination between firms where more than one audit firm is involved.	N/A	
	(h) The Committee shall review the financial information of the Finance Company, in order to complied with monitor the integrity of the Financial Statements of the Finance Company, its Annual Report, accounts and quarterly reports prepared for disclosure, and the significant financial reporting judgements: (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.	Complied	Committee has a process to review the financial information of the Company.
	(i) The Committee 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 Key Management Personnel, if necessary.	Complied	Committee has met the External Auditors during the year at committee meetings in the absence of the Executive Management.
	(j) The Committee shall review the External Auditor's management letter and the Management's response thereto.	Complied	Committee has reviewed the External Auditor's management letter for the year end 31 March 2021 and the Management's response thereto. Management letter for the year ended 31 March 2022 will be reviewed upon receipt of the same.
	(k) Committee shall take the following steps with regard to the internal audit function of the Finance Company.		
	(i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work;	Complied	Internal audit function of the Company has been outsourced to a firm of Chartered Accountants and their scope of the audit has been included in their audit reports. Internal Audit Reports have been submitted to the Audit Committee for their review.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(ii) Reviewed the resources of the Internal Audit Department, and satisfy itself that the department has the necessary resources to carry out its work;	N/A	Not relevant as the Internal Audit function of the Company has been outsourced to a firm of Chartered Accountants.
	(iii) 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 Department;	Complied	Audit Committee has reviewed the Internal Audit programme and the Audit Reports were reviewed and discussed thereon. However, due to travel restrictions imposed in the country and health measures adopted by the Company as well as by the Internal Auditors during the COVID-19 pandemic the Company was unable to conduct the Internal Audits after 30 September 2020.
	(iv) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	N/A	Not relevant as the Internal Audit function of the Company has been outsourced to a firm of Chartered Accountants.
	(v) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	N/A	Not relevant as the Internal Audit function of the Company has been outsourced to a firm of Chartered Accountants.
	(vi) Ensure that the Committee is appraised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;	N/A	Not relevant as the Internal Audit function of the Company has been outsourced to a firm of Chartered Accountants.
	(vii) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	Complied	The Internal Audit function is independent as it is outsourced and reports directly to the Board Audit Committee and is performed in with proficiency and due professional care, in an impartial manner.
	(viii) Ensure that a process has been documented which addresses that the audit work has been performed with impartiality, proficiency and due professional care.	Complied	Documented process is available in the Internal Audit charter approved by the Board.
(I)	The Committee shall consider the major findings of internal investigations and the Management's responses thereto;	Complied	No such major findings have been reported to the Committee during the year.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(m) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at once in six months, the Committee shall meet with the External Auditors without the Executive Directors being present.	Complied	Audit Committee has met the External Auditors without the Executive Directors being present.
	(n) The Committee shall have; (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied	An Audit Committee Charter is in place including Terms of Reference of the Committee which is approved by the Board.
	(o) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied	During the year under review, the Committee has met twice and maintained minutes appropriately. Going forward, we will ensure the meetings take place regularly.
	(p) The Board shall, in the Annual Report, disclose in an informative way: (i) details of the duties and functions of the Committee; (ii) details of the activities of the Audit Committee; (iii) the number of Audit Committee meetings held during the year; and (iv) details of attendance of each individual director at such meetings.	Complied	Company has disclosed the required details in the Annual Report on pages 85 to 86.
	(q) The Secretary of the Committee (who may be the Company Secretary or the head of the internal audit function) shall record and keep detailed minutes of the Committee meetings.	Complied	Company Secretary has been appointed as the Secretary to the Audit Committee.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(r) Company shall have a "Whistle Blower" Policy which covers the process of dealing with: (i) The improprieties in financial reporting, internal control or other matters; (ii) In relation to (i) the Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters; and (iii) Appropriate follow-up action; (iv) Protection of the whistle blower.		Company has established a Whistle Blower Policy approved by the Board.
8 (3)	Integrated Risk Management Committee (IRMC):		
	(a) The Committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel very closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.		Committee consists of the following NEDs: Dr P L Suren Peter (Chairman) Mr D T Sujeewa H Mudalige Mr Vivek Karve Mr P Aravinda De Silva Mr Mufaddal A Choonia Mr Nikhil Sohoni
	(b) The Committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Finance Company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the Finance Company basis and group basis.		CEO, COO, Compliance Officer and other Executive Management Personnel participate to the Committee meetings whenever necessary. IRMC assesses the risks such as credit/default risk, interest rate risk, currency risk, collateral risk, strategic risk, regulatory risk, operational risk and reputational risk on a quarterly basis through risk indicators and management information. This process will be strengthened by setting risk limits based on risk appetite levels of the Company. There are no subsidiaries or associates under this Company.
	(c) The Committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.		Company has established two management level committees such as Credit Committee and Assets and Liability Committee. The Committee has taken steps to review the adequacy and effectiveness of all management level committees. This process will be strengthened going forward.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(d) The Committee shall take prompt corrective action to mitigate the effects of complied with specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Finance Company's policies and regulatory and supervisory requirements.	Complied	Committee has reviewed and considered all risk indicators. Company is in the process of strengthening this by setting more risk appetite limits.
	(e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied	IRMC has met five times during the financial year.
	(f) The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied	At the Company specific risks and the limits are identified by the Risk Management Committee and decisions are taken collectively. Further, Director of the Department of Supervision of Non-Bank Financial Institutions of the CBSL has not issued any Directions to the Company in this regard during the current financial year.
	(g) The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied	IRMC findings are submitted to the subsequent Board meeting for their review, in order to identify the potential risks to the Company and the impact caused by them.
	(h) The Committee shall establish a compliance function to assess the Finance Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the Committee periodically.	Complied	A dedicated Compliance Officer has been selected from Key Management Personnel to carry out the compliance function and report to the Committee periodically. Compliance report has been presented to the BIRMC on a quarterly basis by the Compliance Officer on compliance with statutory requirements and directions issued by CBSL. Further, compliance Officer submits a monthly report on Compliance with the Directions issued by the CBSL, Statutory Requirements and the Financial Transactions Reporting Act No. 06 of 2006 for the Board.
(9)	**Related Party Transactions**		
9 (1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction No. 01 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction No. 02 of 2007 or such other directions that shall repeal and replace the said directions from time to time.		

Section	Agreed Upon Procedure	Status	Result of Procedure
9 (2)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Finance Company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: **(a)** A subsidiary of the Finance Company; **(b)** Any associate company of the Finance Company; **(c)** A Director of the Finance Company; **(d)** A Key Management Personnel of the Finance Company; **(e)** A relative of a Director or a Key Management Personnel of the Finance Company; **(f)** A shareholder who owns shares exceeding 10% of the paid up capital of the Finance Company; **(g)** A concern in which a Director of the Finance Company or a relative of a Director or a shareholder who owns shares exceeding 10% of the paid up capital of the Finance Company, has substantial interest.	Complied	Board approved Related Party Transaction Policy is in place to comply with the Direction.
9 (3)	The transactions with a related party that are covered in this Direction shall be the following: Type of transactions are as follows: **(a)** The grant of any type of accommodation; **(b)** The creation of any liabilities of the Finance Company in the form of deposits, borrowings and investments; **(c)** The providing financial or non-financial services to the Finance Company or received the same from the Finance Company;	Complied	Company has identified the types of related party transactions as mentioned in the Direction as documented in the Related Party Transaction Policy.
	(d) The creation or maintenance of reporting lines and information flows between the Finance Company and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.		Company has defined the related party transactions and more favourable treatment in its Related Party Transaction Policy.

Section	Agreed Upon Procedure	Status	Result of Procedure
9 (4)	The Board shall ensure that the Finance Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Finance Company. For the purpose of this paragraph, "more favourable treatment" shall mean: **(a)** Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the Finance Company's regulatory capital, as determined by the Board. For purposes of this sub-direction: The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Finance Company's share capital and debt instruments with a maturity of five years or more;		The Company will strengthen the existing system to input RPT data in order to extract a report with required details of such transactions with related parties and to monitor that no "more favourable treatment" will be offered to related parties than that is given to other constituents of the Finance Company engaging in the same business.
	(b) Charging of a lower rate of interest than the Finance Company's best lending rate or paying more than the Finance Company's deposit rate for a comparable transaction with an unrelated comparable counter party;		
	(c) Providing of preferential treatment, such as favourable terms, covering trade losses and/ or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with related parties;		
	(d) Providing services to or receiving services from a related-party without a proper evaluation procedure;		
	(e) Maintaining reporting lines and information flows between the Finance Company and any related party that may lead to sharing potentially 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.		

Section	Agreed Upon Procedure	Status	Result of Procedure
(10)	**Disclosures**		
10 (1)	The Board shall ensure that:		
	(a) Annual audited Financial Statements and periodical Financial Statements (six months ended end September) are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English. (RFC guideline No. 2 of 2006)	Complied	Annual and periodic Financial Statements are prepared and published in accordance with the defined standards. Company has published its Interim Financial Statements in the newspapers in all three languages.
10 (2)	The Board shall ensure that at least the following disclosures are made in the Annual Report:		
	(a) The 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.	Complied	Company has disclosed the relevant statement in the Annual Report on page 101, Statement of Directors' Responsibilities for Financial Reporting.
	(b) The report by the Board on the Finance Company's internal control mechanism that confirms that the financial reporting system has been designed to provide 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.	Complied	A report by the Board on the Company's internal control mechanism is disclosed in the Annual Report on page 100, Directors' Statement on Internal Control over Financial Reporting.
	(c) Details of Directors, including names, transactions with the Finance Company.	Complied	Details of Directors are disclosed on pages 52 to 57 and the transactions with the Company disclosed on page 145 under Notes (Note 39) to the Financial Statements. Other than Directors' emoluments no other transactions recorded.
	(d) Fees/remuneration paid by the Finance Company to the Directors in aggregate, in the Annual Reports published after 1 January 2010.	Complied	The required information has been disclosed in the Annual Report on page 125.
	(e) Total net accommodation as defined in paragraph 9 (4) outstanding 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 Finance Company's capital funds.	Complied	During the Financial Year there were no accommodation granted to the related parties.

Section	Agreed Upon Procedure	Status	Result of Procedure
	(f) The aggregate values of remuneration paid by the Finance Company to its Key Management Personnel and the aggregate values of the transactions of the Finance Company with its Key Management Personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Finance Company.	Complied	The aggregate amount of remuneration paid to the Key Management Personnel of the Company and the aggregate value of transactions done with KPMs have been disclosed in the Annual Reports on page 146, under Note 39, transactions with Key Management Personnel. There are no accommodations granted to the KMPs. Total deposits made by KMPs during the year 2021/22 was LKR 1,876,365.90
	(g) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Complied	The required information regarding the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance has been disclosed in the Annual Report on page 63.
	(h) A statement of the regulatory and supervisory concerns on lapses in the Finance Company's risk management, or non-compliance with the Act, and Rules and Directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Finance Company to address such concerns.	Complied	Such a situation has not arisen.
	Check that the Board has obtained the External Auditor's certification of the compliance with the Corporate Governance Directions issued by the Monetary Board in the Annual Corporate Governance Reports published after 1 January 2011.	Complied	External Auditors have issued the Corporate Governance Factual Finding Report in this regard.
11	**Disclosures**		
	Check that the Board has obtained the External Auditor's report on the effectiveness of the internal control mechanism referred in 10 (2) (b) above.	Complied	Board has obtained the External Auditor's report on the effectiveness of the internal control mechanism and disclosed in Directors' responsibility statement on internal control over financial reporting and disclosed on page 100 of the Annual Report.

Report of the Audit Committee

Composition

The composition of the Audit Committee during the year was as follows:

- Mr D T Sujeewa H Mudalige (Chairman)
- Mr Vivek Karve
- Mr Nalin J Welgama
- Dr Suren P L Peter
- Mrs Chrishanthi L Jayawardena

Mr Mudalige is a Fellow Member of CIMA (UK), ACCA (UK) and CPA (Australia). He has vast experience as the Audit Committee Chair in both public and private sector organisations. He is a past President of CA Sri Lanka and has been a member of the Council of CA Sri Lanka and of the Governing Board of CIMA UK-Sri Lanka Division, a Commission member of the Securities and Exchange Commission of Sri Lanka.

Meetings

The Committee met twice during the year under review.

The Chief Executive Officer and the Senior Management attended the meetings by invitation. Internal Audit Consultants and the External Auditors were invited to participate at the meetings as and when required.

The Company Secretaries, S S P Corporate Services (Private) Limited. acted as Secretaries to the Audit Committee.

The proceedings of the Audit Committee were reported to the Board of Directors on a regular basis.

Role of the Committee

The main objective of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in the financial reporting process, the system of internal controls and risk management, the independence and audit process of the External Auditors, and the process for monitoring compliance with laws and regulations.

Summary of Activities

The Committee carried out the following activities during the year:

- Reviewed the consistency and appropriateness of the accounting policies adopted by the Company to ensure compliance with the Sri Lanka Accounting Standards.
- Reviewed the effectiveness of the internal financial controls to ensure reasonable assurance that the financial reporting system adopted by the Company can be relied upon in the preparation and presentation of the quarterly and annual Financial Statements.
- Considered the Internal and External Audit Reports and identified control weaknesses and accounting issues highlighted and directed the Management to take appropriate and relevant follow-up actions.
- Held two special meetings with the External Auditors without the presence of Management to discuss the matters relating to management co-operation, quality, timeliness and accuracy of the accounting and management information provided.

Internal Audit

The internal audit function is outsourced to BDO Partners.

The scope of work covers the head office functions and all branches. The scope of work of the Internal Audit Consultants includes the review of the efficacy of the internal controls and the actions taken to mitigate operational and business risks. In addition they monitor and report on compliance with statutory requirements and the Company's accounting and operational policies. Internal audit representatives are present at all Audit Committee meetings during discussion of the respective Internal Audit Reports.

External Audit

The Committee ensured that the Auditors have not carried out any non-audit services that would have impaired their independence.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be reappointed as Auditors for the financial year ending 31 March 2021 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendations with regard to the remuneration of the Auditors.

Risk Management

In terms of the Central Bank's Direction No. 03 of 2008 under the Finance Companies Act, the Company appointed an Integrated Risk Management Committee during the year. The Committee's decree is to identify the business and operational risks the Company is exposed to and develop appropriate strategies to manage and monitor these risks and thereby eliminate/mitigate its adverse impacts.

Conclusion

The Audit Committee is satisfied that the internal controls and the procedure in place for assessing and managing risk are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safe guarded, and that the Financial Statements are reliable.

Sujeewa Mudalige
Chairman
Audit Committee

30 April 2022

Report of the Remuneration Committee

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

Composition

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

Meetings

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

Functions

The primary objective of the committee is to attract, motivate, and retain talent with the appropriate professional, managerial, and operational expertise necessary to achieve the objectives of the Company.

The Company remuneration framework for the Executive Directors and Corporate Management Team is designed to ensure alignment between short and long term interests of the Company and thereby create and enhance value for all stakeholders of the Company.

Directors' Remuneration

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

Choonia

Mufaddal A Choonia
Chairman
Remuneration Committee

30 April 2022

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

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2022. The details set out herein provide pertinent information required by the Companies Act No. 07 of 2007 and are guided by recommended best accounting practices.

1. Principal Activities

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

2. Financial Statements

The Financial Statements of the Company are given on pages 104 to 157.

3. Auditor's Report

The Auditor's Report on the Financial Statements is given on page 102.

4. Accounting Policies

The Accounting Policies adopted in preparation of Financial Statements and the other explanatory notes are given on pages 108 to 157. There were no material changes in the Accounting Policies adopted.

5. Interest Register

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

6. Directors' Interest

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 39, related party transactions to the Financial Statements.

7. Directors' Remuneration and Other Benefits

Directors' remuneration in respect of the Company for the year ended 31 March 2022 is given in Note 9 to the Financial Statements.

8. Corporate Donations

There were no donations made by the Company for the year ended 31 March 2022.

9. Directors

The Directors of the Company as at 31 March 2022

Mr N J Welgama	– Non-Executive Chairman
Mr P A De Silva	– Non-Executive Director
Dr P L S Peter	– Non-Executive Independent Director
Mrs C L Jayawardena	– Non-Executive Independent Director
Mr R Agarwal	– Non-Executive Director
Mr D T S H Mudalige	– Non-Executive Independent Director
Mr V A Karve	– Non-Executive Director
Mr N Sohoni	– Non-Executive Director
Mr M A Choonia	– Non-Executive Director

Mr R Agarwal, Non-Executive Director and Mr D T S H Mudalige, Non-Executive Independent Director were appointed to the Board with effect from 4 January 2022.

Mr J V W Malawana, Non-Executive Director resigned from the Board with effect from 4 January 2022.

Messrs V A Karve, N Sohoni and M A Choonia Non-Executive Directors were appointed to the Board with effect from 25 February 2022.

Mr D M Weerasekare, Executive Director resigned from the Board with effect from 25 March 2022.

The Board wishes to place on record the Company's sincere appreciation to Mr J V W Malawana, Non-Executive Director and Mr D M Weerasekare, Executive Director for the valuable contribution extended to the Company since the inception of the Company.

In terms of Article 24 (2) of the Articles of Association of the Company, Messrs R Agarwal, D T S H Mudalige, V A Karve, N Sohoni and M A Choonia retire at the Annual General Meeting and being eligible offer themselves for re-election.

In terms of Article 24 (6) of the Articles of Association of the Company Mr P A De Silva retires by rotation at the Annual General Meeting and being eligible offers himself for re-election.

10. Board Subcommittees

The following Board Subcommittees are functional.

Audit Committee

Mr D T Sujeewa H Mudalige –
Chairman/Non-Executive Independent Director

Mr Nalin J Welgama –
Member/Non-Executive Director

Mr Vivek A Karve –
Member/Non-Executive Director

Dr P L Suren Peter –
Member/Non-Executive Independent Director

Ms Chrishanthi L Jayawardena –
Member/Non-Executive Independent Director

Integrated Risk Management Committee

Dr P L Suren Peter –
Chairman/Non-Executive Independent Director

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

Mr Vivek A Karve –
Member/Non-Executive Director

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

Mr Mufaddal A Choonia –
Member/Non-Executive Director

Mr Nikhil Sohoni –
Member/Non-Executive Director

Human Resource and Remuneration Committee

Mr Mufaddal A Choonia –
Chairman/Non-Executive Director

Mr Nalin J Welgama –
Member/Non-Executive Director

Mr Rajnish Agarwal –
Member/Non-Executive Director

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

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

Nomination Committee

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

Mr Mufaddal A Choonia –
Member/Non-Executive Director

Mr Nalin J Welgama –
Member/Non-Executive Director

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

IT Steering Committee

Mr Mufaddal A Choonia – Chairman/Non-Executive Director

Dr P L Suren Peter – Member/Non-Executive Independent Director

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

Related Party Transaction Review Committee

Mr D T Sujeewa H Mudalige – Chairman/Non-Executive Independent Director

Mr Vivek A Karve – Member/Non-Executive Director

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

11. Directors Shareholding

None of the Directors held shares in the Company as at 31 March 2022.

12. Auditors

The Financial Statements for the year ended 31 March 2022 have been audited by Messrs Ernst & Young, Chartered Accountants, who express their willingness to continue in office. In accordance with Section 158 of the Companies Act No. 07 of 2007, the Auditors are deemed to be re-appointed and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 9. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

13. Dividends

The Directors do not recommend a dividend for the financial year ended 31 March 2022.

14. Investments

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

15. Intangible Assets

There were no intangible assets, other than Computer System Software, which is disclosed in Note 24 to the Financial Statements.

16. Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 23 to the Financial Statements.

17. Capital Commitments

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

18. Stated Capital

The Stated Capital of the Company is LKR 1.9 Bn.

19. Taxation

The tax position of the Company is given in Noted 10, 11 and 30 to the Financial Statements.

20. Statutory payments

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

21. Corporate Social Responsibility

Our Company specialises 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 in which we operate.

Our products go a long way towards minimising the felling of trees and are completely recyclable without any negative impact on the environment. Schemes are in place to collect residue and waste which are recycled in-house for special applications.

22. Contingent Liabilities

There were no material contingent liabilities outstandings as at 31 March 2022.

23. Post Balance Sheet Events

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

For and on behalf of the Board of Directors of Mahindra Ideal Finance Limited.

Nalin J Welgama
Director

Aravinda De Silva
Director

S S P Corporate Services (Private) Limited
Secretaries

19 April 2022

Report of the Integrated Risk Management Committee

Composition

The Integrated Risk Management Committee for the financial year ended 31 March 2022 comprised the following members:

- Dr P L Suren Peter (Chairman)
- Mr D T Sujeewa H Mudalige
- Mr Vivek Karve
- Mr P Aravinda De Silva
- Mr Mufaddal A Choonia
- Mr Nikhil Sohoni

The following members participate for the Integrated Risk Management Committee.

- Mr Duminda Weerasekare (CEO)
- Mr Rohitha Bandusena (Chief Operating Officer)
- Mr Gaman Kithsiri (Chief Information Officer)
- Mr Pradeep De Silva (AGM – Gold Loan)
- Mr Joy Fernando (Senior Manager – Recoveries)
- Ms Madumali Munasingha (Senior Manager – Risk and Compliance)
- Mr T M M B Tennakoon (Senior Manager – Mortgage Loans and Fixed Deposits)
- Mr Channa Prabhath (Manager – Finance)
- Ms Sarini Mallawarachchi (Assistant Manager – Compliance)

Meetings

The Committee met on a quarterly basis of which attendance of the members of the Board are as follows:

Dr P L Suren Peter (Chairperson)	4/5
Mr D T Sujeewa H Mudalige	–
Mr Vivek Karve	–
Mr P Aravinda De Silva	4/5
Mr Mufaddal A Choonia	–
Mr Nikhil Sohoni	–

Since the Board subcommittee reconstitute in March there were no meetings held after the new members' appointment.

Role of the Committee

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

Conclusion

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

Dr P L Suren Peter
Chairman
Integrated Risk Management Committee

30 April 2022

Risk Management Report

Introduction

Mahindra Ideal Finance Limited (MIFL) works in the space of being a financial services provider offering an expansive range of financial products including leases, loans, fixed deposits, gold loans and mortgage loans. The Company's expansion plans also revolve on extending its branch network for more accessibility.

The MIFL Board of Directors remains very proactive in the Company's risk management, with expansive risk mitigation strategies introduced and implemented to ensure that operations are at its optimum while financial and business risks are minimised.

The Integrated Risk Management Committee (IRMC) is a Board appointed committee which meets quarterly to discuss and evaluate the prevalent risk management procedures and risk levels faced by the Company at present and in the future. The Integrated Risk Management Report presented to the IRMC and Committee analyses and evaluates the adequacy and efficacy of the current risk mitigation strategies in place.

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

Key Risks Faced by the Company

Due to the nature of our business and resulting from the macroeconomic environment which poses a majority of the inherent risks, the Company is exposed to the following risks:

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

The risk identification process involves identifying all risk categories and subcategories the business is exposed to. In the event of changes to the business environment or new products to be introduced, all risks must be identified. If MIFL plans on introducing a new product to the market, all inherent risks are identified to minimise and avoid facing unexpected and adverse outcomes.

Risk Management Process

Managing risk is a multistage process as seen below.

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

These are then monitored to avoid the accumulation of risk. Findings are reported to the Board through IRMC.

Once risks are identified, these are analysed and evaluated using both quantitative and qualitative techniques. Based on these findings, necessary action is taken to manage risk and reduce the impact of risk occurrence.

Credit Risk

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

Default Risk

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

Concentration Risk

Concentration risk occurs when facilities are extended to a single counterparty, industry or geographical area. MIFL sets prudential limits on maximum exposure which are reviewed periodically and single borrower limits as defined by the Finance Companies Direction No. 04 of 2006 issued by Central Bank of Sri Lanka.

Liquidity Risk

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

The following precautionary measures are implemented to maintain a healthy liquidity position.

- Preparation of an annual budget and identification of future funding requirement
- Identification of the cumulative gap in the current year's assets and liabilities
- Identification of the amount of unpredicted cash requirements arose during the past six months
- Identification of the cash flows arising from interest earning assets

Interest Rate Risk

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

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

MIFL conducts periodic review of interest rates by,

- Analysing past fluctuations of interest rate patterns and forecasting interest rate movements based on these past trends
- Monitoring other market factors including market liquidity and Treasury Bill rates
- Identifying the gap analysis of interest earning assets and interest paying liabilities
- Identifying the effect on net interest income.

Currency Risk

Currency risk is defined as the potential changes arising from exchange rates of various currencies. MIFL is exposed to currency risk if the exchange rate risk is not transferable at the time of transaction. The Company monitors currency rate fluctuations and forecasts exchange rate trends based on past movements.

Collateral Risk

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

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

- Physical verification of the asset before granting facilities
- Check absolute ownership of the asset
- Obtain a valuation report from a CBSL approved valuer
- Obtain a full insurance policy for the asset

Strategic Risk

Strategic risk is defined as the adverse impact on Company's earnings and/or equity due to improper implementation of strategies and decisions or unresponsiveness to industry changes. At MIFL, all strategic decisions are discussed and decided at Board level, with the Board obtaining professional and/or external expertise advices when required. Having appropriately addressed the Company's strategic risk indicators, MIFL has minimised the level of strategic risk exposure.

Operational Risk

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

The Company has established a continuous internal audit process using the services of BDO Partners Chartered Accountants.

Regulatory Risk

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

Reputational Risk

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

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Independent Assurance Report

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To the Board of Directors of Mahindra Ideal Finance Limited

Report on the Director's Statement on Internal Control

We were engaged by the Board of Directors of Mahindra Ideal Finance Limited ("The Company") to provide assurance on the Directors' Responsibility Statement on Internal Control over Financial Reporting ("The Statement") included in the annual report for the year ended 31 March 2022.

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 Section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008/Section 10 (2) (b) of the Finance Leasing (Corporate Governance) Direction No. 04 of 8 2009, by The Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

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

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

Our Responsibilities and Compliance with SLSAE 3051

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

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

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

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

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Summary of Work Performed

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

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

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

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

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

Our Conclusion

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

Ernst & Young

19 April 2022
Colombo

Directors Statement on Internal Control over Financial Reporting

Responsibility

In line with the section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 as amended by the Finance Companies (Corporate Governance – Amendment) Direction No. 06 of 2013, the Board of Directors present this report on Internal Control over Financial Reporting. The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Mahindra Ideal Finance Limited. ("the Company"). The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting which, regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements. The Management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The Management is in the process of continuously enhancing the documentation of the system of Internal Control over Financial Reporting. In assessing 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 Statements of the Company. These in turn are being observed and checked by the Internal Auditors of the Company for suitability of the design and implementation effectiveness, on an on-going basis. In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will take place pertaining to Financial Statements risk management disclosures, related party disclosures and management information system. Board has given due consideration for SLFRS 9 "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being made, to strengthen the processes and controls around the management information systems and reports required for validation and compliance in line with SLFRS 9. During the period the Company further strengthened its internal control processes to ensure that the impact of the COVID-19 debt moratorium and impairment provisions were accurately captured in the financial reporting. The Management also ensured that all critical reconciliations were performed without interruption. All required adjustments have been made in the Financial Statements for the year ended 31 March 2022 and progressive improvements on processes and controls are being made to strengthen the process.

Confirmation

Based on the above processes, 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 has been prepared in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditor

The External Auditor, Messrs Ernst & Young, has reviewed the above Directors' Statement on Internal Control for the year ended 31 March 2022 and reported to the Board that nothing has come to their attention that causes 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 control system of the Company.

Nalin Welgama
Chairman

P A De Silva
Deputy Chairman

19 April 2022

Statement of Directors' Responsibilities for Financial Reporting

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

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

The Directors consider that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act No. 42 of 2011 and the relevant Directions issued in respect of Registered Finance Companies.

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

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2021/22, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By order of the Board,
Mahindra Ideal Finance Limited

D M Weerasekare
Chief Executive Officer

19 April 2022

Independent Auditor's Report

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Ernst & Young
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BW/WDPL/PR/TW

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 2022, 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 Significant Accounting Policies.

In our opinion, the accompanying Financial Statements of the Company give a true and fair view of the Financial Position of the Company as at 31 March 2022, and of their 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

19 April 2022
Colombo

Statement of Comprehensive Income

Year ended 31 March	Notes	2022 LKR	2021 LKR
Income	3	1,321,536,812	1,015,293,382
Interest Income	4.1	1,242,067,922	973,813,610
Interest Expenses	4.2	(328,347,452)	(256,037,926)
Net Interest Income		**913,720,470**	**717,775,684**
Fees and Commission Income	5	12,097,982	10,904,398
Net Fee and Commission Income		**12,097,982**	**10,904,398**
Other Operating Income	6	67,370,908	30,575,374
Total Operating Income		**993,189,360**	**759,255,456**
Impairment Charges for Loans and Other Losses	7	(88,336,470)	(88,586,557)
Net Operating Income		**904,852,890**	**670,668,899**
Operating Expenses			
Personnel Expenses	8	(279,077,843)	(194,494,202)
Depreciation of Property, Plant and Equipment	23.2	(71,243,356)	(48,991,168)
Amortisation of Intangible Assets	24	(6,292,103)	(5,376,310)
Other Operating Expenses	9	(147,445,903)	(61,592,438)
Operating Profit Before Taxes on Financial Services		**400,793,685**	**360,214,781**
Value Added Tax on Financial Services	10	(90,504,774)	(71,777,093)
Profit Before Taxation		**310,288,911**	**288,437,688**
Income Tax Expenses	11.1	(71,067,116)	(104,682,413)
Profit/(Loss) for the Period		**239,221,795**	**183,755,275**
Basic and Diluted Earnings Per Share	12.2	1.64	1.26
Profit/(Loss) for the Period		**239,221,795**	**183,755,275**
Other Comprehensive Income Not to be Reclassified to Profit or Loss in Subsequent Periods			
Actuarial Gain/(Loss) on Defined Benefit Obligations	29.3	2,083,840	947,411
Deferred Tax (Charge)/Reversal on Other Comprehensive Income	30	(500,122)	(265,275)
Other Comprehensive Income for the Period, Net of Tax		**1,583,718**	**682,136**
Total Comprehensive Income for the Period, Net of Tax		**240,805,513**	**184,437,411**

The Accounting Policies and Notes on pages 108 through 157 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March	Notes	2022 LKR	2021 LKR
Assets			
Cash and Bank Balances	13	135,648,058	71,609,393
Investment in Government Securities at Amortised Cost	14	248,709,944	502,394,473
Placements with Banks and Other Financial Institutions	15	287,743,917	211,016,918
Gold Advances	16	2,258,859,086	1,183,764,064
Lease Rentals Receivable and Stock Out on Hire	17	3,535,934,193	2,414,429,648
Loans and Advances	18	1,389,311,844	865,820,622
Other Financial Assets	19	61,826,573	41,054,449
Other Non-Financial Assets	20	177,169,452	27,054,720
Financial Investments-measured at Fair Value Through OCI	21	457,700	457,700
Inventories	22	328,056	511,273
Property, Plant and Equipment	23	346,499,489	188,756,810
Intangible Assets	24	19,196,706	12,958,541
Deferred Tax Assets		23,683,867	–
Total Assets	30	**8,485,368,885**	**5,519,828,611**
Liabilities			
Interest Bearing Borrowings	25	2,872,386,024	1,706,358,102
Due to the Customers	26	2,195,018,842	929,639,458
Other Financial Liabilities	27	550,307,273	236,443,617
Other Non-Financial Liabilities	28	44,966,937	26,294,479
Retirement Benefit Liability	29	26,338,562	23,049,390
Current Tax Liabilities		50,118,346	87,363,461
Deferred Tax Liabilities	30	–	5,252,716
Total Liabilities		**5,739,135,984**	**3,014,401,223**
Equity			
Stated Capital	31	1,908,247,125	1,908,247,125
Retained Earnings		794,226,785	565,461,548
Reserves	32	43,758,991	31,718,715
Total Equity		**2,746,232,901**	**2,505,427,388**
Total Liabilities and Equity		**8,485,368,885**	**5,519,828,611**

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

Channa Prabath
Finance Manager

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

Nalin J Welgama
Chairman

Duminda Weerasekare
Chief Executive Officer

The Accounting Policies and Notes on pages 108 through 157 form an integral part of the Financial Statements.

19 April 2022
Colombo

Statement of Changes in Equity

Year ended 31 March	Stated Capital LKR	Retained Earnings LKR	Statutory Reserve Fund LKR	Total LKR
Balance as at 31 March 2020	**1,908,247,125**	**390,246,008**	**22,496,844**	**2,320,989,977**
Total Income/(Loss) for the Period	–	183,755,275	–	183,755,275
Other Comprehensive Income (Net of Tax)	–	682,136	–	682,136
Transfer to Statutory Reserve Fund	–	(9,221,871)	9,221,871	–
Balance as at 31 March 2021	**1,908,247,125**	**565,461,548**	**31,718,715**	**2,505,427,388**
Balance as at 1 April 2021	**1,908,247,125**	**565,461,548**	**31,718,715**	**2,505,427,388**
Total Income/(Loss) for the Period	–	239,221,795	–	239,221,795
Other Comprehensive Income (Net of Tax)	–	1,583,718	–	1,583,718
Transfer to Statutory Reserve Fund	–	(12,040,276)	12,040,276	–
Balance as at 31 March 2022	1,908,247,125	794,226,785	43,758,991	2,746,232,901

The Accounting Policies and Notes on pages 108 through 157 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March	Notes	2022 LKR	2021 LKR
Cash Flows from/(Used in) Operating Activities			
Profit Before Income Tax Expense		**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	23.2	71,243,356	48,991,168
Amortisation of Intangible Assets	24	6,292,103	5,376,310
Provision for Impairment	7	88,336,470	88,586,557
Interest Expenses on Borrowings	4.2	183,688,204	166,134,545
Defined Benefit Obligation	8	5,434,262	6,113,667
Dividend Income	6	(240,000)	(320,000)
Disposal (Gain)/Loss on Fixed Assets		(4,366,107)	235,561
Operating Profit Before Working Capital Changes		**660,677,199**	**603,555,496**
(Increase)/Decrease in Lease Rentals Receivable and Stock Out on Hire		(1,175,879,395)	(148,487,441)
(Increase)/Decrease in Loan Stock		(555,430,251)	88,022,024
(Increase)/Decrease in Gold Advance		(1,075,095,022)	(511,048,668)
(Increase)/Decrease in Other Financial Assets		(18,533,533)	(9,443,491)
(Increase)/Decrease in Other Non-Financial Assets		(150,114,732)	(4,029,958)
(Increase)/Decrease in Inventories		183,217	406,442
Increase/(Decrease) in Amounts Due to Customers		1,265,379,384	257,722,325
Increase/(Decrease) in Other Financial Liabilities		313,863,656	66,019,178
Increase/(Decrease) in Other Non-Financial Liabilities		18,672,458	(7,072,427)
Cash Generated from Operations		(716,277,018)	335,643,480
Retirement Benefit Liabilities Paid	29.2	(61,250)	–
Income Tax Paid		(137,748,935)	(94,550,893)
Net Cash Flows From/(Used in) Operating Activities		**(854,087,203)**	**241,092,587**
Cash Flows from/(Used in) Investing Activities			
Purchase of Property, Plant and Equipment	23.1	(75,779,480)	(42,271,115)
Purchase of Right-of Use-Assets	23.1	(160,707,218)	(29,377,517)
Purchase of Intangible Assets	24	(12,530,268)	(200,000)
Disposal of Property, Plant and Equipment		10,675,000	–
Dividend Received	6	240,000	320,000
Investing in Fixed Deposits	15	(71,441,158)	(210,000,000)
Net Cash Flows from/(Used in) Investment Activities		**(309,543,124)**	**(281,528,632)**
Cash Flows from/(Used in) Financing Activities			
Proceeds from Bank Borrowings		2,673,000,000	1,397,000,000
Repayment of Bank Borrowings		(1,866,078,525)	(1,782,714,413)
Rental Paid for Right-of-Use Assets		(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		**758,889,543**	**(417,347,396)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(404,740,785)**	**(457,783,441)**
Cash and Cash Equivalents at the Beginning of the Period		**470,476,486**	**928,259,927**
Cash and Cash Equivalents at the End of the Year	33	**65,735,701**	**470,476,486**

The Accounting Policies and Notes on pages 108 through 157 form an integral part of the Financial Statements.

Notes to the Financial Statements

Year ended 31 March 2022

1. Corporate Information

1.1 General

Ideal Investment Limited is a limited liability Company, incorporated on 24 January 2012 under Companies Act No. 07 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 28 January 2022 the Company changed its' name to Mahindra Ideal Finance Limited.

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

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were acceptance of deposits, granting lease, loan facilities and gold advances.

1.3 Parent Entity and Ultimate Parent Entity

Mahindra and Mahindra Financial Services Limited, India is the parent of Mahindra Ideal Finance Limited. Further, the Company does not have any investments in the form of subsidiary, joint venture or associate.

1.4 Date of Authorisation for Issue

The Financial Statements of Mahindra Ideal Finance Limited for the period ended 31 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 19 April 2022.

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 2022 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. 07 of 2007.

2.1.3 Basis of Measurement

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

2.1.4 Presentation of Financial Statements

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

The Company presents its Statements of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12-months after the reporting date (current) and more than 12-months after the reporting date (non-current) is presented in Note 36.

2.1.5 Functional and Presentation Currency

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

2.1.6 Materiality, Aggregation Offsetting and Rounding Off

In compliance with LKAS 1 – "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 reclassified whenever necessary to comply with the current, presentation in the Financial Statements. However, the Company has not restated comparative information for 2021.

2.1.8 Statement of Cash Flow

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

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

2.1.9 Events After the Reporting Date

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 38 to the Financial Statements.

2.2 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgements, 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.

COVID-19 Impact on the Use of Estimates and Assumptions

The Company has considered the impact of COVID-19 when preparing the Financial Statements and related note disclosures. While the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of Financial Statements, it has resulted in increased estimation uncertainty and application of further judgement within those identified areas.

COVID-19 financial reporting considerations in the preparation of the Financial Statements.

Given the increased economic uncertainties from COVID-19, the Company has enhanced its financial reporting procedures and governance practices surrounding the preparation of the Financial Statements. In addition to standard financial year end reporting practices, the Company has:

- Developed a detailed programme of work to understand and analyse how COVID-19 may impact key disclosures in the Financial Statements;
- Critically assessed estimates, judgements and assumptions used in the preparation of the Financial Statements, including updating the Company's outlook on economic conditions arising from COVID-19;
- Reviewed external publications and market communications to identify other potential COVID-19 impacts in the preparation of the Financial Statements;
- Considered emerging market practice and trends along with regulatory pronouncements to assess the completeness of assessed COVID-19 impacts in the preparation of the Financial Statements;
- Determined the impact of COVID-19 has had on the reported amounts and disclosures in the Financial Statements and updated these disclosures accordingly.

The most significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

i. Going Concern

The Board has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Further, the Directors have considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Company, in making this assessment. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Ii. Impairment Losses on Loans and Receivables

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

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

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

In response to COVID-19 and the Company's expectations of economic impacts, key assumptions used in the calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 2.3.1.4.2, while the impact on changing the weightages of different macroeconomic scenarios during the year are given in Note 41.5.3. As at the reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the calculation of ECL have remained consistent with prior periods.

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and The Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a Significant Increase in Credit Risk (SICR) which moves an exposure from Stage 1 (12-month ECL) to Stage 2 (lifetime ECL). A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to Stage 2 and Stage 3. Further, the exposures which are not individually significant has been moved to Stage 2 and Stage 3 based on the industry risk of the underlying borrowers. This approach ensures the volume of exposures in Stage 2 and Stage 3 reflects a forward-looking view of the economy as at the reporting date.

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 35 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 35.1 to the Financial Statements. The determination of the fair value of the financial instruments of the Company were not materially affected by the significant volatility in financial markets created by the COVID-19 pandemic.

iv. Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instruments is given in Note 34 "Analysis of Financial Instruments by Measurement Basis". The COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Company did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

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 29.

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 judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Vii. Fair Value of Property, Plant and Equipment

The free hold land of the Company is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Company engages an independent valuation specialist to determine the fair value of free hold land in terms of Sri Lanka Accounting Standard – SLFRS 13, (Fair Value Measurement). The details of freehold land including methods of valuation are given in Note 26 to the Financial Statements. The Company has not revalued its freehold lands and buildings during this year for accounting purposes, on the basis that changes in property prices were not significant compared to the previous year.

2.3 Summary of Significant Accounting Policies

The Significant Accounting Policies applied by the Company in preparation of its Financial Statements are included in below:

2.3.1 SLFRS 09 – Financial Instrument

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

2.3.1.1 Classification 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 payments of the principal amount and interest (referred to as "SPPI").

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

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

2.3.1.2.2 Reclassification of Financial Assets and Liabilities

The Company does not reclassify its financial assets or liability subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. The Company did not reclassify any of its financial assets or liabilities in year 2021/22.

2.3.1.2.3 Modification of Financial Assets and Liabilities

Modification of Financial Assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the company performs an assessment to determine whether the modifications result in the derecognition of that financial asset. If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition.

Modification of Financial Liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in profit or loss.

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

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

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

2.3.1.4.1 The Calculation of Expected Credit Loss (ECL)

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

Probability of Default

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.

Exposure At Default

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.

Loss Given Default

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

Stage 2

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

Stage 3

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

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	
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.

The COVID-19 pandemic has significantly impacted the local economy. The economic environment remains uncertain and future impairment charges may be subject to further volatility depending on the longevity of the COVID-19 pandemic and related containment measures. To reflect these uncertainties in the calculation of expected credit losses, the Company has 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 2021/22.

	2021/22 %	2020/21 %
Base case	30	20
Best case	10	15
Worst case	60	65

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 Write Offs

Financial assets are written off either partially or in their entirely only when the company has no reasonable expectation of recovering a financial asset in its entirely or a portion thereof. If the amount to be written off is greater than the accumulated impairment provision, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Any subsequent recoveries are credited to the impairment charges of the relevant financial year.

2.3.1.6 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 35 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 Rentals Receivable and Stock Out on Hire' 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 reflect a constant periodic rate of return.

2.3.2.2 SLFRS 16 – Leases

Company as a Lessee

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

The Company has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. At the date of adoption, right-of-use was 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 reassess whether an existing contract forms a lease as at 1st April 2019, under the definitions provided in the standard. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

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

2.3.3 Cash and Cash Equivalents

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

2.3.4 Property, Plant and Equipment

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

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

Category	Years
Furniture and Fittings	5
Office Equipment	5
Motor Vehicles	5
Computer Equipment	5

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

Property, plant and equipment is 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 judgement to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Company applies judgements in evaluating the level of certainty whether the option of renewing the lease exits or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

Basis of Measurement

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated 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 an asset may be impaired If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. A previously 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 exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income.

2.3.10 Employee Retirement Benefits

Defined Contribution Plan Costs

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised as a personnel expenses in the Statement of Comprehensive Income in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund and Employees' Trust Fund Contributions in line with the respective statutes and regulations. Accordingly, the Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' 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 defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rate that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating to the terms of the liability.

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

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

2.3.11 Provisions

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

2.3.12 Other Liabilities

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

2.3.13 Foreign Currency Translation

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the Statement of Financial Position date. All differences arising on non-trading activities are taken to "Other operating income" in the Income Statement.

2.3.14 Recognition of Income and Expenses

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

(i) Interest Income and Interest Expense

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

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

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

(ii) Fee and Commission Income

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

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

Fee Income from Providing Transaction Services

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

(iii) Dividend Income

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

(iv) Expenditure Recognition

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

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

b. Deferred Tax

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

Value added tax on financial services is calculated at the rate of 15% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

2.3.16 Regulatory Provisions

a. Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No. 02 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. 01 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. 01 of 2013.

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

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka
- Deposit liabilities to shareholders, directors, Key Management Personnel and other related parties as defined in Finance Companies Act (Corporate Governance) Direction No. 03 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 lease and stock out on hire
- Term loans
- Gold loans
- Others

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

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

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

2.3.19 Sri Lanka Accounting Standards not yet Effective as at 31 March 2022

The following Sri Lanka Accounting Standards/ Amendments and interpretations have been issued by The Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 March 2022. The Company intends to adopt these new and amended standards, if applicable, when they become effective.

1. SLFRS 17 Insurance Contracts

On 8 January 2020, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 – Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

2. Amendments to LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

On 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

3. Amendments to LKAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

On 25 March 2021, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 – Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

4. Amendments to SLFRS 3 Business Combinations: Updating a Reference to Conceptual Framework

On 23 March 2021, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations – Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the framework for the preparation and presentation of Financial Statements, issued in 1989, with a reference to the conceptual framework for financial reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential "'Day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

5. SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16 (a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of SLFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

6. SLFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

7. LKAS 41 Agriculture – Taxation in Fair Value Measurements

As part of its 2018-2020 annual improvements to SLFRS standards process, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

8. Amendments to SLFRS 16 Leases: COVID-19 – Related Rent Concessions Beyond 30 June 2021

On 4 December 2020, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued COVID-19 – Related Rent Concessions – amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

9. Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (IBOR) Phase 1 and 2

IBOR Reform Phase 1

On 15 January 2021, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

- Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- Prospective Assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- **LKAS 39 Retrospective Assessment:** an entity is not required to undertake the – 'LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.
- **Separately Identifiable Risk Components:** For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships.

IBOR Reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context.

3. Income

Year ended 31 March	Notes	2022 LKR	2021 LKR
Interest Income	4.1	1,242,067,922	973,813,610
Fee and Commission Income	5	12,097,982	10,904,398
Other Operating Income	6	67,370,908	30,575,374
Total Income		**1,321,536,812**	**1,015,293,382**

4. Net Interest Income

Year ended 31 March	2022 LKR	2021 LKR
4.1 Interest Income		
From Placements with Banks and Other Financial Institutions	11,404,986	1,129,155
From Government Securities	20,171,944	39,567,391
From Lease Rental Receivable and Stock Out on Hire	644,897,703	529,397,365
From Loans and Advances	220,135,915	214,963,320
From Gold Advances	344,470,014	187,899,111
From Refundable Deposits	987,360	857,268
Total Interest Income	**1,242,067,922**	**973,813,610**
4.2 Interest Expense		
Due to Banks	183,688,204	147,091,025
Due to Customers	126,140,678	78,550,860
On Intercompany Borrowings	–	19,043,520
On Obligation to Make the Lease Payment for Right-of-Use Assets	18,518,570	11,352,521
Total Interest Expenses	**328,347,452**	**256,037,926**
Net Interest Income	**913,720,470**	**717,775,684**

5. Fee and Commission Income

Year ended 31 March	2022 LKR	2021 LKR
Commission Income	12,097,982	10,904,398
Fee and Commission Income	**12,097,982**	**10,904,398**

6. Other Operating Income

Year ended 31 March	2022 LKR	2021 LKR
Dividend Income	240,000	320,000
Net Income from Real Estate Operations	6,491,505	9,303,534
Service Charges Gold Loan	42,484,947	–
Vehicle Hiring Income	–	1,815,807
Other Operating Income	18,154,456	19,136,033
Total Other Operating Income	**67,370,908**	**30,575,374**

7. Impairment Charges for Loans and Other Losses

Year ended 31 March	2022 LKR	2021 LKR
Charge/(Write-back) to the Statement of Comprehensive Income		
– Impairment on Individually Significant Loans	(18,305,295)	10,499,229
– Impairment on Collective Loan Portfolio	106,857,765	39,062,330
– Write-offs/(Recoveries)	(216,000)	39,024,998
– Impairment on Other Financial Assets	–	–
Total Impairment Charge	**88,336,470**	**88,586,557**
Lease Rentals Receivable and Stock Out on Hire (Note 17.2.a)		
Stage 1	24,236,878	14,694,031
Stage 2	17,631,143	7,205,209
Stage 3	12,506,829	22,052,015
	54,374,850	**43,951,255**
Loans and Advances (Note 18.2.a)		
Stage 1	16,691,200	3,738,733
Stage 2	5,147,957	(993,262)
Stage 3	10,099,872	2,469,531
	31,939,029	**5,215,002**
Other Financial Assets (Note 19.1.a)		
Stage 1	183,425	200,355
Stage 2	61,672	38,762
Stage 3	1,993,494	156,183
	2,238,591	**395,300**

8. Personnel Expenses

Year ended 31 March	2022 LKR	2021 LKR
Salaries	179,467,956	133,094,858
Employers' Contribution to Employee's Provident Fund	19,998,779	15,299,974
Employers' Contribution to Employee's Trust Fund	4,999,695	3,824,993
Gratuity Charge for the Year	5,434,262	6,113,667
Other Staff Related Expenses	69,177,151	36,160,710
	279,077,843	**194,494,202**

9. Other Operating Expenses

Year ended 31 March	2022 LKR	2021 LKR
Directors' Emoluments	6,100,000	5,000,000
Auditors' Remuneration	1,593,648	1,759,537
Professional and Legal Expenses	8,337,708	3,171,753
Office Administration and Establishment Expenses	46,657,725	29,791,038
Advertising and Promotional Expenses	66,287,857	10,937,397
License and Renewal Fees	2,364,774	1,714,960
Other Expenses	16,104,191	9,217,753
	147,445,903	**61,592,438**

10. Value Added Tax and NBT on Financial Services

Year ended 31 March	2022 LKR	2021 LKR
VAT on Financial Services	90,504,774	71,777,093
	90,504,774	**71,777,093**

11. Income Tax Expenses

11.1 The Major Component of Income Tax for the Period Ended 31 March 2022 as Follows:

Year ended 31 March	Notes	2022 LKR	2021 LKR
Income Statement			
Current Income Tax			
Income Tax for the Period		121,130,279	144,385,206
Due to Rate Reduction		(20,626,459)	–
Deferred Tax			
Deferred Tax Charge	30	(30,187,092)	(39,702,793)
Due to Rate Reduction		750,388	–
Income Tax Expenses Reported in the Income Statement		**71,067,116**	**104,682,413**
Statement of Other Comprehensive Income			
Deferred Tax Related to Items Recognised in OCI During the Year			
Net Gain/(Loss) on Actuarial Gains/Losses During the Year		500,122	265,275
Income Tax Expenses Reported in the Other Comprehensive Income		**500,122**	**265,275**
Total Income Tax Expense for the Year		**71,567,237**	**104,947,688**
Income Tax Rate Applicable (%)		24	28

11.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by Income tax rate for the year ended 31 March 2022 as follows:

Year ended 31 March	2022 LKR	2021 LKR
Accounting Profit/(Loss) Before Income Taxation	310,288,911	288,437,688
Aggregate Allowable Expenditure	(174,768,110)	(337,641,799)
Tax Loss Utilised	–	–
Aggregate Disallowable Expenditure	369,188,695	564,865,559
	504,709,497	515,661,448
Tax at Statutory Rates	121,130,279	144,385,206
Less: Due to Rate Reduction	(20,626,459)	–
	100,503,820	144,385,206
Deferred Taxation Charged/(Reversal)	(30,187,092)	(39,702,793)
Add: Due to Rate Reduction	750,388	–
	71,067,116	104,682,413
Effective Tax Rate (%)	22.90	36.29

Amendments to the Income Tax Law Announced by the Government

As per the announcement dated 12 February 2020, income tax rate applicable for the finance sector has been reduced to 24% with effect from 1 January 2020. However, as the said amendment is yet to be enacted, both income tax and deferred tax were calculated at the rate of 28% for the year ended 31 March 2021. However, the said amendment was subsequently enacted on 13 May 2021 with retrospective effect from the Year of Assessment 2020/21.

The impact on the income tax expense for the year ended 31 March 2021 and on the deferred tax liabilities/assets as at 31 March 2021 have been considered in the tax expense for the year ended 31 March 2022.

12. Basic and Diluted Earnings Per Ordinary Shares

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

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

Year ended 31 March	2022 LKR	2021 LKR
Amount Used as Numerators		
Profit Attributable to Ordinary Shareholders	239,221,795	183,755,275
Number of Ordinary Shares Used as Denominator		
Weighted Average Number of Ordinary Shares	145,639,098	145,639,098
Basic and Diluted Earnings Per Ordinary Shares	1.64	1.26

13. Cash and Bank Balances

Year ended 31 March	2022 LKR	2021 LKR
Cash in Hand	43,786,257	22,483,451
Bank Balances	91,861,801	49,125,942
	135,648,058	**71,609,393**

14. Investment in Government Securities

Year ended 31 March	2022 LKR	2021 LKR
REPO Investment – at Amortised Cost	248,709,944	502,394,473
	248,709,944	**502,394,473**

15. Placement with Banks and Other Financial Institutions

Year ended 31 March	2022 LKR	2021 LKR
Placement With Banks (Fixed Deposit)	287,743,917	211,016,918
	287,743,917	**211,016,918**

16. Gold Advances

Year ended 31 March	2022 LKR	2021 LKR
Gold Advances	2,258,859,086	1,183,764,064
	2,258,859,086	**1,183,764,064**

17. Lease Rentals Receivable and Stock Out on Hire

Year ended 31 March	Notes	2022 LKR	2021 LKR
Rental Receivable on Lease		4,984,921,203	3,402,853,160
Gross Rentals Receivables		**4,984,921,203**	**3,402,853,160**
Less: Unearned Income		(1,243,256,425)	(844,689,833)
		3,741,664,778	2,558,163,327
Less: Rentals Received in Advance		(34,747,857)	(27,125,801)
Net Rentals Receivables Before Charging Allowance for Impairment Losses		**3,706,916,921**	**2,531,037,526**
Less: Allowance for Impairment Losses	17.2	(170,982,728)	(116,607,878)
Total Net Rentals Receivable		**3,535,934,193**	**2,414,429,648**

17.1 Net Rentals Receivable on Lease and Stock Out on Hire

	Net Rentals Receivables LKR	Allowance for Impairment Losses LKR	Total Net Rentals Receivable LKR
Stage 1	2,350,418,718	49,912,519	2,300,506,199
Stage 2	838,982,698	37,349,194	801,633,504
Stage 3	517,515,505	83,721,015	433,794,490
	3,706,916,921	**170,982,728**	**3,535,934,193**

17.2 Allowance for Impairment Losses

(a) Allowance for Impairment with Stage-wise

	Collective			Individual	
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	25,675,641	19,718,051	43,191,752	28,022,433	116,607,878
Charges/(Reversals) for the Year	24,236,878	17,631,143	30,004,089	(17,497,260)	54,374,850
Amount Written-off	–	–	–	–	–
Balance as at 31 March 2022	**49,912,519**	**37,349,194**	**73,195,841**	**10,525,173**	**170,982,728**

(b) Movement in Allowance for Impairment

	2022 LKR	2021 LKR
As at 1 April	116,607,878	72,656,622
Charges/(Reversals) for the Year	54,374,850	72,254,889
Amounts Written-off	–	(28,303,634)
As at 31 March	170,982,728	116,607,878
Individual Impairment	10,525,173	28,022,433
Collective Impairment	160,457,555	88,585,445
Total	**170,982,728**	**116,607,878**

(c) Movements in Individual and Collective Impairment Allowance for Leasing and Hire Purchase Rentals Receivables During the Year

	2022 LKR	2021 LKR
Individual Impairment		
As at 1 April	28,022,433	17,974,778
Charges/(Reversals) for the Year	(17,497,260)	14,378,801
Amounts Written-off	–	(4,331,146)
As at 31 March	**10,525,173**	**28,022,433**
Collective Impairment		
As at 1 April	88,585,445	54,681,844
Charges/(Reversals) for the Year	71,872,110	57,876,088
Amounts Written-off	–	(23,972,487)
As at 31 March	**160,457,555**	**88,585,445**
Total	**170,982,728**	**116,607,878**

17.3 Sensitivity Analysis of Accumulated Impairment for Lease Rentals Receivable and Stock Out on Hire as at 31 March

		2022 LKR	2021 LKR
	Changed Factor	Sensitivity Effect on Impairment Allowance Increase	Sensitivity Effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	9,390,486	5,273,674
Probability of Default (PD)	Increase by 1%	6,304,964	3,805,608
Economic Factor Adjustment (EFA)	Increase by 5%	3,077,001	1,668,815

17.4 Rental Receivable on Lease

	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Rentals Receivables	1,734,181,331	3,242,599,110	8,140,762	4,984,921,203
Less: Unearned Income	(541,842,898)	(700,949,969)	(463,558)	(1,243,256,425)
	1,192,338,433	**2,541,649,141**	**7,677,204**	**3,741,664,778**
Less: Rentals Received in Advance				(34,747,857)
Net Rentals Receivable Before Charging Allowance for Impairment Losses				**3,706,916,921**

18. Loans and Advances

Year ended 31 March	Notes	2022 LKR	2021 LKR
Loan Receivable		1,760,389,068	1,120,740,415
Less: Unearned Interest Income		(279,892,183)	(212,396,098)
Net Receivable		**1,480,496,885**	**908,344,317**
Less: Loan Received in Advance		(25,926,181)	(9,203,864)
Net Loan Receivables Before Charging Allowance for Impairment Losses		**1,454,570,704**	**899,140,453**
Less: Allowance for Impairment Losses	18.2	(65,258,860)	(33,319,831)
Total Net Loan Receivable		**1,389,311,844**	**865,820,622**

18.1 Net Receivable on Loans

	Net Loan Receivables LKR	Allowance for Impairment Losses LKR	Total Net Loan Receivable LKR
Stage 1	1,051,064,474	26,075,948	1,024,988,526
Stage 2	209,632,395	7,993,319	201,639,076
Stage 3	193,873,835	31,189,593	162,684,242
	1,454,570,704	**65,258,860**	**1,389,311,844**

18.2 Allowance for Impairment Losses

(a) Allowance for Impairment with Stage-wise

	Collective			Individual	
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	9,384,747	2,845,362	18,305,594	2,784,127	33,319,831
Charges/(Reversals) for the Year	16,691,200	5,147,957	10,907,906	(808,034)	31,939,029
Amount Written-off	–	–	–	–	–
Balance as at 31 March 2022	**26,075,948**	**7,993,319**	**29,213,500**	**1,976,093**	**65,258,860**

(b) Movement in Allowance for Impairment

	2022 LKR	2021 LKR
As at 1 April	33,319,831	28,104,828
Charges/(Reversals) for the Year	31,939,029	15,936,367
Amounts Written-off	–	(10,721,364)
As at 31 March	**65,258,860**	**33,319,831**
Individual Impairment	1,976,093	2,784,127
Collective Impairment	63,282,767	30,535,704
Total	**65,258,860**	**33,319,831**

(c) Movements in Individual and Collective Impairment Allowance for Loans and Advances During the Year

	2022 LKR	2021 LKR
Individual Impairment		
As at 1 April	2,784,127	2,332,554
Charges/(Reversals) for the Year	(808,034)	451,573
Amounts Written-off	–	–
As at 31 March	**1,976,093**	**2,784,127**
Collective Impairment		
As at 1 April	30,535,703	25,772,274
Charges/(Reversals) for the Year	32,747,064	15,484,794
Amounts Written-off	–	(10,721,364)
As at 31 March	**63,282,767**	**30,535,703**
Total	**65,258,860**	**33,319,831**

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

		2022 LKR	2021 LKR
	Changed Factor	Sensitivity Effect on Impairment Allowance Increase	Sensitivity Effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	3,444,912	1,716,371
Probability of Default (PD)	Increase by 1%	2,333,930	1,253,202
Economic Factor Adjustment (EFA)	Increase by 5%	1,116,653	448,319

18.4 Receivable on Loan Stock

	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Receivables	1,073,640,967	676,356,455	10,391,646	1,760,389,068
Less: Unearned Income	(178,188,461)	(100,644,641)	(1,059,081)	(279,892,183)
	895,452,506	**575,711,814**	**9,332,565**	**1,480,496,885**
Less: Rentals Received in Advance				(25,926,181)
Net Receivable Before Charging Allowance for Impairment Losses				**1,454,570,704**

19. Other Financial Assets

Year ended 31 March	2022 LKR	2021 LKR
Refundable Deposit	12,782,277	9,001,709
Sundry Debtors	2,126,837	1,543,016
Other Receivable	46,917,459	30,509,724
	61,826,573	**41,054,449**

19.1 Other Receivable

Year ended 31 March	2022 LKR	2021 LKR
Other Charges Recoverable	17,361,172	2,463,497
Insurance Recoverable	27,226,459	23,545,255
Other Receivable	6,642,145	6,574,698
Less: Allowance For Impairment Losses	(4,312,317)	(2,073,726)
	46,917,459	**30,509,724**

Impairment Allowance for Other Receivables

(a) Allowance for Impairment with Stage-wise

	Collective			Individual	
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Stage 3 LKR	Total LKR
Balance as at 1 April 2021	242,423	72,065	1,759,238	–	2,073,726
Charges/(Reversals) for the Year	183,425	61,672	1,993,494	–	2,238,591
Amount Written-off	–	–	–	–	–
Balance as at 31 March 2022	**425,848**	**133,737**	**3,752,732**	**–**	**4,312,317**

(b) Movement in Allowance for Impairment

	2022 LKR	2021 LKR
As at 1 April	2,073,726	1,678,426
Charges/(Reversals) for the Year	2,238,591	395,300
Amounts Written-off	–	–
As at 31 March	**4,312,317**	**2,073,726**
Collective Impairment	4,312,317	2,073,726
Total	**4,312,317**	**2,073,726**

Collective Impairment

	2022 LKR	2021 LKR
As at 1 April	2,073,726	1,678,426
Charges/(Reversals) for the Year	2,238,591	395,300
Amounts Written-off	–	–
As at 31 March	**4,312,317**	**2,073,726**
Total Allowance for Impairment	**4,312,317**	**2,073,726**

19.2 Sensitivity Analysis of Accumulated Impairment for Other Receivable as at 31 March

		2022 LKR	2021 LKR
	Changed Factor	Sensitivity Effect on Impairment Allowance Increase	Sensitivity Effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	243,265	123,566
Probability of Default (PD)	Increase by 1%	43,850	32,271
Economic Factor Adjustment (EFA)	Increase by 5%	19,194	11,548

20. Other Non-Financial Assets

Year ended 31 March	2022 LKR	2021 LKR
Advances and Prepayment	177,169,452	27,054,720
	177,169,452	**27,054,720**

21. Financial Investment Measured at Fair Value Through Other Comprehensive Income

	2022 LKR	Number of Shares	2021 LKR	Number of Shares
Equities – Unquoted				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	457,700	**100**	**457,700**	**100**

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

22. Inventories

Year ended 31 March	2022 LKR	2021 LKR
Stationeries	328,056	511,273
	328,056	**511,273**

23. Property, Plant and Equipment

23.1 Gross Carrying Amounts

At cost	Balance as at 31 March 2021 LKR	Additions/ Transfers LKR	Disposals/ Transfers LKR	Balance as at 31 March 2022 LKR
Freehold Assets				
Furniture and Fittings	84,375,406	44,283,380	–	128,658,786
Office Equipment	50,054,105	22,684,708	–	72,738,813
Computer Equipment	21,897,384	8,811,392	–	30,708,776
Motor Vehicles	53,547,000	–	(10,390,000)	43,157,000
	209,873,895	**75,779,480**	**(10,390,000)**	**275,263,375**
Assets on Leases				
Right-of-Use Assets	124,518,171	160,707,218	(2,314,178)	282,911,211
Total Value of Depreciable Assets	**334,392,066**	**236,486,698**	**(12,704,178)**	**558,174,586**

23.2 Depreciation

At cost	Balance as at 31 March 2021 LKR	Charge for the Year/Transfers LKR	Disposals/ Transfers LKR	Balance as at 31 March 2022 LKR
Freehold Assets				
Furniture and Fittings	43,990,174	17,111,246	–	**61,101,420**
Office Equipment	24,948,441	10,187,734	–	**35,136,175**
Computer Equipment	14,893,160	3,264,761	–	**18,157,921**
Motor Vehicles	16,818,820	3,292,974	(3,895,500)	**16,216,294**
	100,650,595	**33,856,715**	**(3,895,500)**	**130,611,810**
Assets on Leases				
Motor Vehicles	–	–	–	**–**
Right-of-Use Assets	44,984,661	37,386,641	(1,308,014)	**81,063,287**
Total Depreciation	**145,635,256**	**71,243,356**	**(5,203,514)**	**211,675,097**

23.3 Net Book Values

Year ended 31 March	2022 LKR	2021 LKR
At Cost		
Furniture and Fittings	**67,557,366**	40,385,232
Office Equipment	**37,602,638**	25,105,664
Computer Equipment	**12,550,855**	7,004,224
Motor Vehicles	**26,940,706**	20,912,718
	144,651,565	**93,407,838**
Assets on Leases		
Motor Vehicles	**–**	15,815,462
Right-of-Use Assets	**201,847,924**	79,533,510
Total Carrying Amount of Property, Plant and Equipment	**346,499,489**	**188,756,810**

23.4 Fully Depreciated Property, Plant and Equipment

The initial cost of fully-depreciated property, plant and equipment as at 31 March 2022, which are still in use as at the reporting date is as follows:

Year ended 31 March	2022 LKR	2021 LKR
Furniture and Fittings	**10,864,526**	9,512,357
Office Equipment	**10,203,353**	8,322,700
Computer Equipment	**9,782,645**	8,527,645
Motor Vehicles	**3,257,000**	3,257,000
	34,107,524	**29,619,703**

24. Intangible Assets

Year ended 31 March	2022 LKR	2021 LKR
Computer System Software		
Cost:		
Opening Balance	53,959,768	53,759,768
Addition	12,530,268	200,000
Disposal	–	–
Closing Balance	**66,490,036**	**53,959,768**
Less: Amortisation		
Opening Balance	41,001,227	35,624,917
Amortisation Charge for the Period	6,292,103	5,376,310
Closing Balance	**47,293,330**	**41,001,227**
Net Book Value as at 31 March	**19,196,706**	**12,958,541**

25. Interest Bearing Borrowings

Year ended 31 March	2022 LKR	2021 LKR
Leases	–	1,182,051
Bank Over Draft	318,622,301	103,527,380
Bank Borrowings	1,639,108,936	1,283,279,661
Securitisation Borrowings	914,654,787	318,369,010
	2,872,386,024	**1,706,358,102**

25.1 Lease Liability

Year ended 31 March	2022 LKR	2021 LKR
Gross Liability	–	1,218,044
Less: Finance Charge Allocated to Future Period	–	(35,993)
Net Liability	**–**	**1,182,051**
Repayable Within One Year		
Gross Liability	–	1,218,044
Less: Finance Charge Allocated to Future Period	–	(35,993)
Net Liability	**–**	**1,182,051**
Total Net Liability	**–**	**1,182,051**

25.2 Bank Borrowings

Year ended 31 March	2022 LKR	2021 LKR
Gross Liability	1,759,134,644	1,396,835,211
Less: Finance Charge Allocated to Future Period	(120,025,708)	(113,555,550)
Net Liability	**1,639,108,936**	**1,283,279,661**
Repayable Within One Year		
Gross Liability	1,322,408,092	873,808,750
Less: Finance Charge Allocated to Future Period	(76,259,161)	(75,635,276)
Net Liability	**1,246,148,931**	**798,173,474**
Repayable After One Year (1 to 5 Years)		
Gross Liability	436,726,552	523,026,461
Less: Finance Charge Allocated to Future Period	(43,766,547)	(37,920,274)
Net Liability	**392,960,005**	**485,106,187**
Total Net Liability	**1,639,108,936**	**1,283,279,661**

25.3 Securitisation Borrowings

Year ended 31 March	2022 LKR	2021 LKR
Gross Liability	1,048,984,158	340,464,393
Less: Finance Charge Allocated to Future Period	(134,329,371)	(22,095,382)
Net Liability	**914,654,787**	**318,369,010**
Repayable Within One Year		
Gross Liability	560,764,932	233,506,372
Less: Finance Charge Allocated to Future Period	(60,061,697)	(7,137,362)
Net Liability	**500,703,235**	**226,369,010**
Repayable After One Year (1 to 5 Years)		
Gross Liability	488,219,225	106,958,021
Less: Finance Charge Allocated to Future Period	(74,267,673)	(14,958,021)
Net Liability	**413,951,552**	**92,000,000**
Total Net Liability	**914,654,787**	**318,369,010**

25.2.1 Institution-wise Loan Facilities

Year ended 31 March	As at 31 March 2022 LKR	As at 1 April 2021 LKR	Security
Short-term			
Seylan Bank PLC	200,405,479	–	Mortgage Over Lease Receivables
Hatton National Bank PLC	454,478,596	75,096,233	Mortgage Over Gold Loan Receivables
Commercial Bank of Ceylon PLC	200,356,164	140,030,137	Lien Over Corporate Fixed Deposits
	855,240,239	**215,126,370**	
Long-term			
Bank of Ceylon	538,725,463	743,801,635	Mortgage Over Lease Receivables
Seylan Bank PLC	1,033,162	60,558,251	Mortgage Over Lease Receivables
Hatton National Bank PLC	244,110,073	66,026,255	Mortgage Over Loan Receivables
M Power Capital Limited	238,381,587	315,987,557	Mortgage Over Gold Loan Receivables
National Development Bank PLC	163,408,323	200,148,603	Mortgage Over Lease Receivables
Agora Securities (Private) Limited	512,864,876	–	Mortgage Over Lease Receivables
	1,698,523,484	**1,386,522,301**	
	2,553,763,723	**1,601,648,671**	

26. Due to Customers

Year ended 31 March	2022 LKR	2021 LKR
Fixed Deposit	2,195,018,842	929,639,458
	2,195,018,842	**929,639,458**

27. Other Financial Liabilities

Year ended 31 March	Note	2022 LKR	2021 LKR
Trade Payable		189,659,666	73,917,533
Accrued Expense		54,488,607	43,381,234
Obligation to Make the Lease Payment	27.1	205,263,559	84,559,422
Sundry Creditors		100,895,441	34,585,428
		550,307,273	**236,443,617**

27.1 Obligation to Make the Lease Payment

Year ended 31 March	2022 LKR	2021 LKR
As at 1 April	84,559,422	76,031,354
Effects of SLFRS 16 Adoption as at 1 April 2019	–	–
Additions and Improvements During the Year	150,227,218	25,177,517
Disposals During the Year	(1,191,771)	–
Accretion of Interest During the Year	18,518,570	11,352,521
Payments to Lease Creditors	(46,849,881)	(28,001,970)
As at 31 March	**205,263,558**	**84,559,422**

28. Other Non-Financial Liabilities

Year ended 31 March	2022 LKR	2021 LKR
Stamp Duty Payable	9,559,575	3,531,243
Dividend Payable	961,829	961,829
Other Liabilities	34,445,533	21,801,407
	44,966,937	**26,294,479**

29. Retirement Benefit Liability

Year ended 31 March	2022 LKR	2021 LKR
29.1 Defined Benefit Liability		
Defined Benefit Liability	26,338,562	23,049,390
	26,338,562	**23,049,390**
29.2 Changes in the Defined Benefit Obligation		
Opening Liability	23,049,390	17,883,134
Net Benefit Expense	3,350,422	5,166,256
Benefit Paid	–	–
Closing Liability	**26,399,812**	**23,049,390**
29.3 Net Benefit Expense		
Interest Cost	1,659,556	1,738,240
Current Service Cost	5,191,889	4,375,427
Gain on Plan Amendment	(1,417,183)	–
Actuarial Gain on Obligations	(2,083,840)	(947,411)
	3,350,422	**5,166,256**

29.4 The Principal Financial Assumptions Used

Messrs Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31 March 2022. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Year ended 31 March	2022	2021
Discount Rate (%)	15.11	7.20
Future Salary Increment Rate (%)	12.00	6.00
Retirement Age (Years)	60	55
The Weighted Average Duration of the Defined Benefit Obligation (Years)	7	5.5
Mortality – GA 1983 Mortality Table Issued by The Institute of Actuaries London		

The retirement age was amended from 55 years to 60 years due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

29.5 Sensitivity Analysis

+/- 1% change on discount rate and salary increase – present value of defined benefit obligation as at 31 March 2022.

	Present Value of Defined Benefit Obligation (PVDBO)		
	31 March 22	31 March 22	31 March 22
Discount Rate (%)	14.11	15.11	16.11
Basic Salary Scale (%)	12.0	12.0	12.0
Census at	31 March 22	31 March 22	31 March 22
Total PVDBO	27,897,819	26,338,562	24,991,754

	Present Value of Defined Benefit Obligation (PVDBO)		
	31 March 22	31 March 22	31 March 22
Discount Rate (%)	15.11	15.11	15.11
Basic Salary Scale (%)	11.0	12.0	13.0
Census at	31 March 22	31 March 22	31 March 22
Total PVDBO	24,966,371	26,338,562	27,904,205

Sensitivity Analysis

+/- 1% change on discount rate and salary Increase – present value of defined benefit obligation as at 31 March 2021.

	Present Value of Defined Benefit Obligation (PVDBO)		
	31 March 21	31 March 21	31 March 21
Discount Rate (%)	6.20	7.20	8.20
Basic Salary Scale (%)	6.0	6.0	6.0
Census at	31 March 21	31 March 21	31 March 21
Total PVDBO	24,274,895	23,049,390	22,004,540

	Present Value of Defined Benefit Obligation (PVDBO)		
	31 March 21	31 March 21	31 March 21
Discount Rate (%)	7.20	7.20	7.20
Basic Salary Scale (%)	5.0	6.0	7.0
Census at	31 March 21	31 March 21	31 March 21
Total PVDBO	22,006,321	23,049,390	24,251,222

30. Deferred Tax Assets/Liability

Year ended 31 March	Statement of Financial Position 2022 LKR	Statement of Financial Position 2021 LKR	Statement of Comprehensive Income 2022 LKR	Statement of Comprehensive Income 2021 LKR	Statement of Other Comprehensive Income 2022 LKR	Statement of Other Comprehensive Income 2021 LKR
Deferred Tax Liability						
Property, Plant and Equipment	11,183,186	10,380,765	802,421	1,293,998	–	–
Intangible Assets	1,791,923	3,374,646	(1,582,722)	(1,063,312)	–	–
Lease Rental	5,015,292	17,597,132	(12,581,841)	(27,816,214)	–	–
Lease Creditor	–	4,087,294	(4,087,294)	788,371	–	–
	17,990,401	**35,439,837**	**(17,449,437)**	**(26,797,157)**	**–**	**–**
Deferred Tax Assets						
Defined Benefit Plan Obligation	6,321,255	6,453,829	(367,547)	(1,711,827)	500,122	265,275
Impairment of Loans and Receivables	23,885,966	19,946,810	(3,939,157)	(11,059,701)	–	–
Tax Paid in Advance for Real Estate Income	–	842,168	842,168	1,110,603	–	–
Brought Forward Tax Loss	–	–	–	–	–	–
Right-of-Use Assets	12,217,434	2,944,315	(9,273,119)	(1,244,712)	–	–
	42,424,655	**30,187,122**	**(12,737,655)**	**(12,905,636)**	**500,122**	**265,275**
Deferred Income Tax Income/(Expense)	**(24,434,255)**	**5,252,716**	**(30,187,092)**	**(39,702,793)**	**500,122**	**265,275**
Deferred Tax (Asset)/Liabilities	(24,434,255)	5,252,716				
Due to Rate Reduction	750,388	–				
Net Deferred Tax (Asset)/Liabilities	**(23,683,867)**	**5,252,716**				

31. Stated Capital

	Number of Shares	LKR
Issued and Fully Paid-Ordinary Shares		
Balance as of 1 April 2020	145,639,098	1,908,247,125
Issued During the Period	–	–
Balance as of 31 March 2021	145,639,098	1,908,247,125
Balance as of 1 April 2021	145,639,098	1,908,247,125
Issued During the Period	–	–
Balance as of 31 March 2022	145,639,098	1,908,247,125

32. Reserves

Year ended 31 March	2022 LKR	2021 LKR
Statutory Reserve Fund	43,758,991	31,718,715
Closing Balance	**43,758,991**	**31,718,715**

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.

33. Cash and Cash Equivalents for the Purpose of Cash Flow Statement

Year ended 31 March	Note	2022 LKR	2021 LKR
Components of Cash and Cash Equivalents			
Favourable Cash and Cash Equivalents Balance			
Cash and Bank Balance	13	135,648,058	71,609,393
Investment in Government Securities	14	248,709,944	502,394,473
		384,358,002	**574,003,866**
Unfavourable Cash and Cash Equivalents Balance			
Bank Over Draft	25	318,622,301	103,527,380
		318,622,301	**103,527,380**
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement		**65,735,701**	**470,476,486**

34. Analysis of Financial Assets and Liabilities by Measurement Basis

As at 31 March 2022	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	–	–	135,648,058	135,648,058
Investment in Government Securities	–	–	248,709,944	248,709,944
Placements with Other Banks and Financial Institutions	–	–	287,743,917	287,743,917
Lease Rentals Receivable and Stock Out on Hire	–	–	3,535,934,193	3,535,934,193
Loans and Advances	–	–	1,389,311,844	1,389,311,844
Gold Advances	–	–	2,258,859,086	2,258,859,086
Financial Investments-Measured at Fair Value Through OCI	–	457,700	–	457,700
Other Financial Assets	–	–	61,826,573	61,826,573
Total Financial Assets	–	**457,700**	**7,918,033,615**	**7,918,491,315**
Financial Liabilities				
Interest Bearing Borrowings	–	–	2,872,386,024	2,872,386,024
Due to the Customers	–	–	2,195,018,842	2,195,018,842
Other Financial Liabilities	–	–	550,307,273	550,307,273
Total Financial Liabilities	–	–	**5,617,712,139**	**5,617,712,139**

As at 31 March 2021	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	–	–	71,609,393	71,609,393
Investment in Government Securities	–	–	502,394,473	502,394,473
Placements with Other Banks and Financial Institutions	–	–	211,016,918	211,016,918
Lease Rentals Receivable and Stock Out on Hire	–	–	2,414,429,648	2,414,429,648
Loans and Advances	–	–	865,820,622	865,820,622
Gold Advances	–	–	1,183,764,064	1,183,764,064
Financial Investments-Measured at Fair Value Through OCI	–	457,700	–	457,700
Other Financial Assets	–	–	41,054,449	41,054,449
Total Financial Assets	**–**	**457,700**	**5,290,089,567**	**5,290,547,267**
Financial Liabilities				
Interest Bearing Borrowings	–	–	1,706,358,102	1,706,358,102
Due to the Customers	–	–	929,639,458	929,639,458
Other Financial Liabilities	–	–	236,443,617	236,443,617
Total Financial Liabilities	**–**	**–**	**2,872,441,177**	**2,872,441,177**

35. Fair Value of Financial Instruments

35.1 Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

Financial Investments-Measured at Fair Value Through Other Comprehensive Income

Equity instruments at fair value through OCI/Available-for-sale financial assets 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.

35.2 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 2022	Level	Carrying Amount LKR	Fair Value LKR
Financial Assets			
Lease Rentals Receivable and Stock Out on Hire	Level 02	3,535,934,193	3,701,940,710
Loans and Advances	Level 02	1,389,311,844	1,475,555,073
Financial Liabilities			
Interest Bearing Borrowings	Level 02	2,553,763,722	2,364,364,916

As at 31 March 2021	Level	Carrying Amount LKR	Fair Value LKR
Financial Assets			
Lease Rentals Receivable and Stock Out on Hire	Level 02	2,414,429,648	2,533,566,709
Loans and Advances	Level 02	865,820,622	901,171,057
Financial Liabilities			
Interest Bearing Borrowings	Level 02	1,601,648,671	1,435,344,492
Finance Lease		1,182,051	1,180,714

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

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

Financial Liabilities
Bank Overdraft
Due to the Customers
Other Financial Liabilities

36. Current and Non-Current Analysis of Assets and Liabilities

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 2022	Within 12-months LKR	After 12-months LKR	Total LKR
Assets			
Cash and Bank Balances	135,648,058	–	135,648,058
Investment in Government Securities	248,709,944	–	248,709,944
Placements with Banks and Other Financial Institutions	287,743,917	–	287,743,917
Gold Advances	2,258,859,086	–	2,258,859,086
Lease Rentals Receivable and Stock Out on Hire Purchase and Loans and Advances	1,790,446,222	3,134,799,815	4,925,246,037
Other Financial Assets	53,053,655	8,772,918	61,826,573
Other Non-Financial Assets	100,797,616	76,371,835	177,169,451
Financial Investments-Measured at Fair Value Through OCI	–	457,700	457,700
Inventories	328,056	–	328,056
Property, Plant and Equipment	–	346,499,489	346,499,489
Intangible Assets	–	19,196,706	19,196,706
Deferred Tax Assets	–	23,683,867	23,683,867
Total Assets	**4,875,586,554**	**3,609,782,330**	**8,485,368,884**
Liabilities			
Interest Bearing Borrowings	2,065,474,467	806,911,557	2,872,386,024
Due to the Customers	2,006,588,696	188,430,146	2,195,018,842
Other Financial Liabilities	370,782,225	179,525,048	550,307,273
Other Non-Financial Liabilities	44,966,937	–	44,966,937
Current Tax Liabilities	50,118,346	–	50,118,346
Retirement Benefit Liability	–	26,338,562	26,338,562
Total Liabilities	**4,537,930,671**	**1,201,205,313**	**5,739,135,984**
Net Assets	**337,655,883**	**2,408,577,017**	**2,746,232,900**

As at 31 March 2021	Within 12-months LKR	After 12-months LKR	Total LKR
Assets			
Cash and Bank Balances	71,609,393	–	71,609,393
Investment in Government Securities	502,394,473	–	502,394,473
Placements with Banks and Other Financial Institutions	211,016,918	–	211,016,918
Gold Advances	1,183,764,064	–	1,183,764,064
Lease Rentals Receivable and Stock Out on Hire Purchase and Loans and Advances	1,221,582,422	2,058,667,850	3,280,250,271
Other Financial Assets	35,457,503	5,596,946	41,054,448
Other Non-Financial Assets	25,424,773	1,629,947	27,054,720
Financial Investments-Measured at Fair Value Through OCI	–	457,700	457,700
Inventories	511,273	–	511,273
Property, Plant and Equipment	–	188,756,810	188,756,810
Intangible Assets	–	12,958,541	12,958,541
Total Assets	**3,251,760,819**	**2,268,067,793**	**5,519,828,612**

As at 31 March 2021	Within 12-months LKR	After 12-months LKR	Total LKR
Liabilities			
Interest Bearing Borrowings	1,129,251,916	577,106,187	1,706,358,103
Due to the Customers	463,800,283	465,839,175	929,639,458
Other Financial Liabilities	172,982,759	63,460,859	236,443,618
Other Non-Financial Liabilities	26,294,479	–	26,294,479
Current Tax Liabilities	87,363,461	–	87,363,461
Retirement Benefit Liability	–	23,049,390	23,049,390
Deferred Tax Liabilities	–	5,252,716	5,252,716
Total Liabilities	**1,879,692,898**	**1,134,708,327**	**3,014,401,224**
Net Assets	**1,372,067,921**	**1,133,359,466**	**2,505,427,387**

37. Commitment and Contingencies

There were no significant capital commitment and contingencies as of the reporting date.

37.1 Litigation Against Company

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

37.2 Assets Pledged

The following assets have been pledged as security for liabilities:

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2022 LKR	2021 LKR	
Lease Rentals Receivable and Stock Out on Hire*	Bank loans and overdrafts	2,344,953,053	1,587,623,358	Lease rentals receivable
Loan Receivable*		413,898,346	665,760,262	Loan receivable
		2,758,851,399	**2,253,383,620**	

** 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 hold 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.*

38. Event Occurring After the Reporting Date

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

39. 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:

39.1 Transactions with Key Managerial Personnel (KMPs)

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

Other related parties include CFMs of the KMPs who are family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's Spouse, children, domestic partner and dependents of KMP, KMP's spouse/domestic partner.

39.1.1 Compensation to KMP

Year ended 31 March	2022 LKR	2021 LKR
Short-Term Employment Benefits	31,325,000	28,958,000
Post Employment Benefits	–	–
	31,325,000	**28,958,000**

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.

39.1.2 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.

Year ended 31 March	2022 LKR	2021 LKR
Fixed Deposits Accepted During the Year	–	–
Fixed Deposits Held at the End of the Year	–	–
Interest Paid During the Year	–	–

39.2 Transaction, Arrangements and Agreements Involving with Entities which are Controlled, and/or Jointly Controlled by the KMP's and Their CFMs or Shareholders

	Nature of Relationship	Amount of the Transactions had During the Year LKR	Outstanding Receivable/ (Payable) Balance as at 31 March 2022 LKR	Outstanding Receivable/ (Payable) Balance as at 31 March 2021 LKR
Ideal Motors (Pvt) Ltd.	Parent Company			
Finance Lease Equipment Purchase		57,273,600	(14,766,500)	–
Other Purchases and Services		22,718,390	–	(1,257,093)
Vehicle Repair Services		146,941	–	(825,682)
Ideal Automobile (Pvt) Ltd.	Affiliate Company			
Finance Lease Equipment Purchase		19,595,000	–	–
Fixed Deposits		(40,285,000)	(111,225,000)	(151,510,000)
Interest Expenses – Fixed Deposits		10,041,963	(337,736)	(513,417)
Ideal First Choice (Pvt) Ltd.	Affiliate Company			
Fixed Deposits		(21,437)	(51,131)	(72,568)
Interest Expense – Fixed Deposits		–	(289)	(263)
Vehicle Repair Services		377,078	–	–
Prompt Express Private Limited	Affiliate Company			
Gross Advances		14,350,000	20,687,955	6,994,743
Courier Service Charges		1,332,459	–	(157,308)
Ideal Drive Private Limited	Affiliate Company			
Vehicle Hire Expense		4,697,887	(427,081)	(427,081)
Ideal Greentech (Pvt) Ltd.	Affiliate Company			
Advances		42,947	–	42,947
Mahindra & Mahindra Financial Services Limited	Parent Company			
Share Issue		–	–	1,100,000,000
Ideal Premier (Pvt) Ltd.	Affiliate Company			
Finance Lease Equipment Purchase		2,840,000	–	–
Vehicle Repair Services		2,421,061	–	–

40. Capital

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

40.1 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 11% and a minimum core capital adequacy ratio (Tier I) of 7%.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 38.78% and 39.85% respectively.

41. Risk Management

41.1 Introduction

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

Risk Management Framework

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

Risk Management and Reporting

Monitoring and controlling risks is primarily performed based on policies, limits 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.

Responding to COVID-19 Pandemic Risks

The Company's risk measurement and reporting functions were further strengthened during the year amidst the COVID-19 pandemic. The credit risk of the Company's loan book increased as the loan repayments were impacted by the lock downs and movement restrictions imposed locally and globally. Further, the Company monitored the liquidity position with concern as it was under pressure due to the payment holidays offered under moratoriums. The operational risks too increased owing to the work from home arrangements etc. during the lock down periods.

In this back drop, the Company took additional measures to ensure that the risks caused by the pandemic are adequately managed.

Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include:

- Reviewed risk elevated industries in the context of COVID-19 pandemic.
- Assessed the impact of the COVID-19 lock downs and moratoriums (payment holidays) on the portfolio staging.
- Used of a range of additional stress tests to assess the impact on Company's performance and capital.
- Strengthened Cybersecurity Management in light of the increase in use of digital platforms.
- Ensured adequate liquidity resources were held to meet Company's obligation, given the uncertainties caused by the pandemic.

41.2 Credit Risk

Credit risk is the risk arise due to the uncertainty in counterparty's ability to meet its obligations. The risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation.

The Company considers a financial instrument defaulted for impairment calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

41.2.1 Analysis of Risk Concentration

41.2.1.1 Industry Analysis

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

Sector-wise Break Down as at 31 March 2022	Cash and Bank Balances LKR	Investment in Government Securities at Amortised Cost LKR	Placement With Bank and Other Financial Institutions LKR
Agriculture	–	–	–
Manufacturing	–	–	–
Construction	–	–	–
Financial Services	135,648,058	248,709,944	287,743,917
Trading	–	–	–
Hotels	–	–	–
Services	–	–	–
Transport	–	–	–
Consumer	–	–	–
Total	**135,648,058**	**248,709,944**	**287,743,917**

Provincial break down for lease rental receivables and stock out on hire within Sri Lanka as follows:

	Lease Rental Receivable and Stock Out on Hire Purchase LKR	Loan Stock LKR	Gold Advances LKR
Province			
Central	141,144,463	66,594,829	88,215,503
North Central	259,014,639	244,371,433	124,727,871
North Western	653,434,505	164,259,421	113,549,533
Northern	310,148,843	62,702,238	694,922,920
Sabaragamuwa	410,494,758	27,558,017	109,100,507
Southern	422,162,540	177,495,438	208,994,501
Uva	728,681,507	45,209,217	592,641,790
Western	781,835,666	666,380,111	335,371,938
Total	**3,706,916,921**	**1,454,570,704**	**2,267,524,563**

Lease Rental Receivable, Stock Out on Hire Purchase 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
372,988,097	–	–	–	372,988,097
83,167,828	–	–	–	83,167,828
239,423,489	–	–	–	239,423,489
13,503,982	–	–	–	685,605,901
277,788,460	–	–	–	277,788,460
20,079,086	–	–	–	20,079,086
–	457,700	–	–	457,700
3,794,353,149	–	–	–	3,794,353,149
360,183,534	–	2,267,524,563	61,826,573	2,689,534,670
5,161,487,625	**457,700**	**2,267,524,563**	**61,826,573**	**8,163,398,380**

Sector-wise Break Down as at 31 March 2021	Cash and Bank Balances LKR	Investment in Government Securities at Amortised Cost LKR	Placement With Bank and Other Financial Institutions LKR
Agriculture	–	–	–
Manufacturing	–	–	–
Construction	–	–	–
Financial Services	71,609,393	502,394,473	211,016,918
Trading	–	–	–
Hotels	–	–	–
Services	–	–	–
Transport	–	–	–
Consumer	–	–	–
Total	**71,609,393**	**502,394,473**	**211,016,918**

Provincial break down for lease rental receivables and stock out on hire within Sri Lanka as follows:

	Lease Rental Receivable and Stock Out on Hire Purchase LKR	Loan Stock LKR	Gold Advances LKR
Province			
Central	166,495,719	55,465,250	65,673,893
North Central	244,197,126	218,145,462	77,953,060
North Western	587,528,394	145,064,861	47,609,591
Northern	171,296,248	17,166,897	372,113,878
Sabaragamuwa	367,289,886	34,436,224	66,954,467
Southern	355,217,182	115,838,419	143,102,921
Uva	411,213,116	62,747,258	377,536,819
Western	227,799,857	241,705,904	32,819,434
Total	**2,531,037,527**	**890,570,275**	**1,183,764,064**

41.3 Liquidity Risk and Funding Management

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

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

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

41.3.1 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.

Lease Rental Receivable, Stock out on Hire Purchase 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
568,322,939	–	–	–	568,322,939
51,293,836	–	–	–	51,293,836
87,367,918	–	–	–	87,367,918
20,952,943	–	–	–	805,973,727
226,558,611	–	–	–	226,558,611
21,606,448	–	–	–	21,606,448
154,687,078	457,700	–	–	155,144,778
1,927,423,143	–	–	–	1,927,423,143
371,965,063	–	1,183,764,064	41,054,449	1,596,783,575
3,430,177,979	**457,700**	**1,183,764,064**	**41,054,449**	**5,440,474,975**

As at 31 March 2022	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	135,648,058	–	–	–	–	135,648,058
Placements with Banks and Other Financial Institutions	–	115,985,212	174,849,288	–	–	290,834,500
Investment in Government Securities and Placements with Banks and Other Financial Institutions	–	248,995,612	–	–	–	248,995,612
Gold Advances	–	2,249,478,291	18,046,272	–	–	2,267,524,563
Lease Rentals Receivable and Stock Out on Hire Purchase	173,481,593	407,898,999	1,166,500,915	3,242,599,110	8,140,762	4,998,621,379
Loans and Advances	96,797,447	197,843,806	775,440,861	676,356,455	10,391,646	1,756,830,215
Financial Investments- Measured at Fair Value Through OCI	–	–	–	–	457,700	457,700
Other Financial Assets	–	52,604,296	449,360	5,516,684	3,256,233	61,826,573
Total Financial Assets	**405,927,098**	**3,272,806,216**	**2,135,286,696**	**3,924,472,249**	**22,246,341**	**9,760,738,600**
Financial Liabilities						
Interest Bearing Borrowings	–	1,073,047,987	813,873,863	921,196,951	–	2,808,118,801
Due to the Customers	–	213,303,147	1,851,556,469	202,432,209	–	2,267,291,825
Other Financial Liabilities	–	348,455,540	–	–	–	348,455,540
Obligation to Make the Lease Payment	–	10,902,107	35,473,098	134,613,359	126,684,092	307,672,656
Total Financial Liabilities	**–**	**1,645,708,781**	**2,700,903,430**	**1,258,242,519**	**126,684,092**	**5,731,538,822**
Total Net Financial Assets/(Liabilities)	**405,927,098**	**1,627,097,435**	**(565,616,734)**	**2,666,229,730**	**(104,437,751)**	**4,029,199,778**

As at 31 March 2021	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	71,609,393	–	–	–	–	71,609,393
Placements with Banks and Other Financial Institutions	–	–	211,016,918	–	–	211,016,918
Investment in Government Securities and Placements with Banks and Other Financial Institutions	–	502,394,473	–	–	–	502,394,473
Gold Advances	–	1,171,625,032	14,695,445	–	–	1,186,320,477
Lease Rentals Receivable and Stock Out on Hire Purchase	135,897,406	298,034,352	849,731,622	2,131,050,541	2,627,883	3,417,341,804
Loans and Advances	59,166,659	150,640,138	445,819,383	455,856,459	6,696,578	1,118,179,217
Financial Investments-Measured at Fair Value Through OCI	–	–	–	–	457,700	457,700
Other Financial Assets	–	34,586,549	2,944,680	5,144,209.41	452,736	43,128,175
Total Financial Assets	**266,673,458**	**2,157,280,544**	**1,524,208,048**	**2,592,051,210**	**10,234,897**	**6,550,448,157**
Financial Liabilities						
Interest Bearing Borrowings	103,527,380	370,738,454	751,369,330	629,984,482	–	1,855,619,646
Due to the Customers	–	139,496,864	322,164,313	473,975,315	–	935,636,491
Other Financial Liabilities	–	125,192,916	26,691,280	–	–	151,884,196
Obligation to Make the Lease Payment	–	7,870,067	23,372,677	61,742,143	29,513,525	122,498,411
Total Financial Liabilities	**103,527,380**	**643,298,301**	**1,123,597,599**	**1,165,701,940**	**29,513,525**	**3,065,638,745**
Total Net Financial Assets/(Liabilities)	**163,146,078**	**1,513,982,243**	**400,610,449**	**1,426,349,270**	**(19,278,628)**	**3,484,809,412**

41.4 Interest Rate Risk

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

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

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

Interest Rate Risk Exposure on Financial Assets 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 2022	Total as at 31 March 2022 LKR	Interest Bearing Less than 3 Months LKR	Interest Bearing 3 to 12 Months LKR	Interest Bearing 1 to 5 Years LKR	Interest Bearing Over 5 Years LKR	Non-interest Bearing LKR
Financial Assets						
Cash and Bank Balances	135,648,058	–	–	–	–	135,648,058
Investment in Government Securities and Placements with Banks and Other Financial Institutions	536,453,861	364,205,567	172,248,294	–	–	–
Gold Advances	2,267,524,563	2,249,478,291	18,046,272	–	–	–
Lease Rentals Receivable and Stock Out on Hire Purchase	3,706,916,921	394,929,688	762,660,888	2,541,649,141	7,677,204	–
Loans and Advances	1,454,570,704	212,694,587	656,402,647	576,140,905	9,332,565	–
Financial Investments-Measured at Fair Value Through OCI	457,700	–	–	–	–	457,700
Other Financial Assets	61,826,573	122,316	–	–	–	61,704,257
Total Financial Assets	**8,163,398,380**	**3,221,430,449**	**1,609,358,101**	**3,117,790,046**	**17,009,769**	**197,810,015**
Financial Liabilities						
Interest Bearing Borrowings	2,872,386,024	1,341,585,356	727,637,936	803,162,732	–	–
Due to the Customers	2,195,018,842	212,376,276	1,794,212,420	188,430,146	–	–
Other Financial Liabilities	550,307,273	5,466,733	20,271,778	76,414,325	103,110,723	345,043,714
Total Financial Liabilities	**5,617,712,139**	**1,559,428,365**	**2,542,122,134**	**1,068,007,203**	**103,110,723**	**345,043,714**
Interest Sensitivity Gap	**2,545,686,241**	**1,662,002,084**	**(932,764,033)**	**2,049,782,843**	**(86,100,954)**	**(147,233,699)**

As at 31 March 2021	Total as at 31 March 2021 LKR	Interest Bearing Less than 3 Months LKR	Interest Bearing 3 to 12 Months LKR	Interest Bearing 1 to 5 Years LKR	Interest Bearing Over 5 Years LKR	Non-interest Bearing LKR
Financial Assets						
Cash and Bank Balances	71,609,393	–	–	–	–	71,609,393
Investment in Government Securities and Placements with Banks and Other Financial Institutions	713,411,390	502,394,473	211,016,918	–	–	–
Gold Advances	1,183,764,064	1,169,103,439	14,660,625	–	–	–
Lease Rentals Receivable and Stock Out on Hire Purchase	2,530,610,528	291,402,817	562,152,099	1,674,569,064	2,486,547	–
Loans and Advances	899,567,452	164,885,646	353,069,568	375,724,768	5,887,470	–
Financial Investments-Measured at Fair Value Through OCI	457,700	–	–	–	–	457,700
Other Financial Assets	41,367,103	–	–	–	–	41,367,103
Total Financial Assets	**5,440,787,629**	**2,127,786,375**	**1,140,899,209**	**2,050,293,832**	**8,374,017**	**113,434,196**
Financial Liabilities						
Interest Bearing Borrowings	1,752,092,266	370,738,454	751,369,330	629,984,482	–	–
Due to the Customers	929,639,458	150,845,312	312,954,971	465,839,175	–	–
Other Financial Liabilities	236,443,618	5,061,423	16,037,141	40,421,425	23,039,434	151,884,196
Total Financial Liabilities	**2,918,175,343**	**526,645,189**	**1,080,361,442**	**1,136,245,082**	**23,039,434**	**151,884,196**
Interest Sensitivity Gap	**2,522,612,286**	**1,601,141,186**	**60,537,767**	**914,048,750**	**(14,665,417)**	**(38,450,000)**

41.5 The Impact of COVID-19 on the Risk Management

The unexpected interruptions to business from start of financial year due to the COVID-19 pandemic resulted slowdown in business transactions of the Company. With the developments in certain work measures such as "Work from Home" and re-commencing business operations in the curfew and non-curfew areas, Company ensured uninterrupted service to our customers.

The Central Bank of Sri Lanka (CBSL) issued directions and guidelines for financial institutions to offer concessions on individuals and private companies who has adverse short-term impact on their sources of income. Being inline with these directions and guidelines, the Company initiated appropriate measures for offering relief to affected customers.

41.5.1 Impact on Liquidity Risk

The Company was able to maintain a strong liquid asset portfolio during this uncertain period while achieving key activities of the Company. This was further strengthened by the funds collected from new share issue, which was taken place in the month of February 2020. In addition, the Company took necessary actions to ensure continuation of credit lines with banking institutions and benefited with the debt moratorium offered by banking institutions.

41.5.2 Impact on Credit Risk

Business operations of the Company are spread around the country and majority of loan and lease advance granted to the customers located outside the western province. This was more helpful to the Company to improve the collection from the advance portfolio while reducing the credit risk. In addition, advance portfolio consists with less significant amount of facilities granted to business areas which were effected by Covid-19 such as hotel and tourism industry.

41.5.3 Impact of Assessment of ECL

SLFRS 09 requires the application of judgements and assumptions, both require and allow entities to adjust their approach to determine ECLs in different circumstances. A number of assumptions and linkages underlying the way ECLs have been implemented to date may no longer hold in the current environment due to Covid-19. The Company has assessed ECL based on the available information during the financial period and published guideline of CA Sri Lanka and forecasts of economic conditions by being alert with COVID-19 pandemic.

The extension of payment holiday granted to borrowers in specific industries under Government approved debt moratorium shall not automatically result in all those instruments being consider to have suffered a significant increase in credit risk. Consideration also needed to be given on whether the concessions under moratoriums could enable certain borrowers to resume regular payments in foreseeable future and such that significant increase in credit risk would not occur over expected remaining period of the receivables.

The Company re-assessed and adjusted certain cash flows to reflect the impact on COVID-19 outbreak in the impairment assessment.

41.5.4 Impact on Interest Rate Risk

Due to the impact of Covid-19 pandemic, Central Bank of Sri Lanka reduced policy rates and implemented monetary easing policies to enhance the liquidity of the market to stimulate the economic activities of the country. Company evaluated the impact of the interest rate revisions with the long-term debt obligations obtained with floating rates from banking institutions.

42. Operating Segments

Entity-wide disclosures: analysis of gross income on product basis

As at 31 March 2022	Finance Lease LKR	Gold Loan LKR	Loans and Advances LKR	Other LKR	Total LKR
Interest Income	644,897,703	344,470,014	220,135,915	32,564,290	1,242,067,922
Commission Income	–	–	–	12,097,982	12,097,982
Other Income	–	–	–	67,370,908	67,370,908
	644,897,703	**344,470,014**	**220,135,915**	**112,033,180**	**1,321,536,812**

As at 31 March 2021	Finance Lease LKR	Hire Purchase LKR	Loans and Advances LKR	Other LKR	Total LKR
Interest Income	529,397,365	187,899,111	214,963,320	41,553,814	973,813,610
Commission Income	–	–	–	10,904,398	10,904,398
Other Income	–	–	–	30,575,374	30,575,374
	529,397,365	**187,899,111**	**214,963,320**	**83,033,586**	**1,015,293,382**

43. 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 2022 are disclosed below:

	Securitisation Borrowing LKR	Bank Borrowing LKR	Finance Lease Liabilities LKR
Balance as at 1 April 2021	318,369,010	1,283,279,661	1,182,051
Net Cash Flows from Financing Activities	565,206,852	348,811,429	(1,182,051)
Non-cash Changes			
Foreign Exchange Movements	–	–	–
Accrual for Interest Expense	31,078,925	7,017,846	–
Balance as at 31 March 2022	**914,654,787**	**1,639,108,936**	**–**

A Decade at a Glance

	2022 LKR	2021 LKR	2020 LKR	2019 LKR
Operating Results				
Revenue	1,321,536,812	1,015,293,382	927,784,733	777,461,473
Interest Income	1,242,067,922	973,813,610	886,069,373	704,307,306
Interest Expenses	328,347,452	256,037,926	371,873,790	292,974,160
Net Interest Income	913,720,470	717,775,684	514,195,583	411,333,146
Fees and Commission Income	12,097,982	10,904,398	8,940,422	9,298,176
Other Operating Income	67,370,908	30,575,374	32,774,938	63,855,991
Impairment Charges for Loans and Other Losses	88,336,470	88,586,557	32,076,446	24,551,990
Operating Expenses	504,059,205	310,454,118	289,418,308	240,552,579
Value Added Tax on Financial Services	90,504,774	71,777,093	70,381,010	56,961,345
Profit Before Taxation	310,288,911	288,437,688	164,035,179	162,421,399
Income Tax Expenses	71,067,116	104,682,413	58,684,095	61,299,253
Profit After Taxation	239,221,795	183,755,275	105,351,084	101,122,146
Liabilities and Equity				
Interest Bearing Borrowings	2,872,386,024	1,706,358,102	1,877,769,625	2,190,707,788
Due to the Customers	2,195,018,842	929,639,458	671,917,133	584,784,876
Other Liabilities	621,612,772	285,787,486	212,996,719	156,385,265
Current Tax Liabilities	50,118,346	87,363,461	38,024,293	19,629,876
Deferred Tax Liabilities	–	5,252,716	44,690,234	62,911,102
Total Equity	2,746,232,901	2,505,427,388	2,320,989,977	1,116,744,254
Total Liabilities and Equity	8,485,368,885	5,519,828,611	5,166,387,981	4,131,163,161
Assets				
Cash and Bank Balances	135,648,058	71,609,393	44,196,582	42,822,230
Investment in Government Securities and Fixed Deposits	536,453,861	713,411,391	939,422,380	67,032,677
Gold Advances	2,258,859,086	1,183,764,064	672,715,396	456,564,892
Lease Rentals Receivable and Stock Out on Hire	3,535,934,193	2,414,429,648	2,309,893,463	2,282,389,816
Loans and Advances	1,389,311,844	865,820,622	959,057,649	1,003,352,881
Other Assets	263,465,647	69,078,142	56,632,752	143,549,516
Property, Plant and Equipment	346,499,489	188,756,810	166,334,908	112,358,368
Intangible Assets	19,196,706	12,958,541	18,134,851	23,092,781
Total Assets	8,485,368,885	5,519,828,611	5,166,387,982	4,131,163,161
Ratios				
Growth in Income (%)	30	9	19	23
Growth in Net Interest Income (%)	27	40	25	19
Growth in Profit After Tax (%)	30	74	4	-2
Growth in Total Assets (%)	54	7	25	30
Earnings Per Share (LKR)	1.64	1.26	1.11	1.12

	2018 LKR	2017 LKR	2016 LKR	2015 LKR	2014 LKR	2013 LKR
	630,995,212	390,805,849	222,316,313	175,497,559	131,257,107	58,388,916
	572,537,068	342,965,230	202,564,337	167,630,354	126,993,449	59,702,806
	228,114,523	133,806,481	45,259,962	28,817,761	14,297,277	2,305,056
	344,422,545	209,158,749	157,304,375	138,812,593	112,696,172	57,397,750
	8,099,316	4,524,547	3,625,563	2,214,672	1,530,022	440,467
	50,358,828	43,316,072	16,126,413	5,652,533	2,733,636	(1,754,358)
	18,602,824	11,895,328	2,400,000	2,100,000	2,469,331	1,415,507
	205,596,345	156,751,722	124,230,807	104,213,657	89,185,814	54,434,109
	32,387,274	16,986,682	6,256,568	3,086,059	2,220,475	1,194,405
	146,294,246	71,365,635	44,168,975	37,280,082	23,084,210	960,162
	43,477,954	13,571,601	6,042,993	8,086,145	5,102,165	882,052
	102,816,292	57,794,034	38,125,982	29,193,936	17,982,045	(1,842,214)
	1,529,388,772	1,183,196,053	484,704,388	158,347,533	22,331,079	18,172,838
	367,110,412	301,121,019	380,790,865	170,192,825	205,445,700	48,829,594
	170,298,642	148,305,647	103,309,353	47,484,743	33,140,301	21,035,459
	9,730,702	–	–	–	–	–
	45,328,996	19,027,700	13,643,567	10,773,769	4,537,090	882,052
	1,043,829,755	738,228,906	683,437,136	648,159,573	619,236,968	601,404,911
	3,165,687,280	2,389,879,325	1,665,885,309	1,034,958,443	884,691,138	690,324,855
	51,593,413	37,998,795	22,025,138	3,207,505	22,191,781	1,896,206
	66,501,437	41,834,974	37,954,426	176,086,225	100,540,673	300,126,428
	177,748,346	16,119,775	6,825,383	–	–	–
	2,040,010,374	1,743,026,107	1,276,304,949	708,725,937	574,375,990	285,962,259
	496,510,205	299,830,820	101,079,702	28,448,192	32,177,140	–
	214,224,013	155,215,900	158,272,547	52,440,484	76,176,251	36,292,229
	94,701,119	70,399,883	34,275,833	35,671,537	46,087,945	29,357,732
	24,398,373	25,453,071	29,147,331	30,378,562	33,141,358	36,690,000
	3,165,687,280	2,389,879,323	1,665,885,309	1,034,958,442	884,691,138	690,324,854
	61	76	27	34	125	
	65	33	13	23	96	
	78	52	31	62	1,076	
	32	43	61	17	28	
	1.29	0.72	0.48	0.36	0.22	

Information of Ordinary Shares

Distribution of Shareholding

Shares	Number of Shareholders	Shareholders %	Number of Shares	Shares %
Up to 5,000,000	1	25	2,935,851	2.02
5,000,001-10,000,000	1	25	7,633,211	5.24
Above 10,000,000	2	50	135,070,036	92.74
	4	100	145,639,098	100

Distribution of Shareholding

	31 March 2022			
Type of Investor	Number of Shareholders	Shareholders %	Number of Shares	Shares %
Local Individuals	1	25	7,633,211	5.24
Local Institutions	2	50	53,237,757	58.20
Foreign Institutions	1	25	84,768,130	36.56
Total	4	100	145,639,098	100

Glossary of Financial Statements

Earning Assets
Income earning assets held by the Company. Typically include interest bearing balances, Investment securities and loans.

Interest Bearing Liabilities
Liabilities on which the Company is paying interest.

Investment Securities
Securities acquired and held for yield or capital growth purposes and are usually held to Maturity.

Net Interest Margin
Ratio of net interest income to earning assets.

Interest Spread
Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Non-Performing Loan (NPL) Ratio
The net Non-Performing Loans as a percentage of the total loan portfolio.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills.

Provision for Bad Debts
Amounts set aside against possible losses on financial leases, hire purchases, advances and other credit facilities according to the Finance Companies Direction 3 of 2006.

Materiality
The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

Net Assets Value Per Ordinary Share
Shareholders' funds excluding Preference Shares divided by the number of ordinary shares in issue.

Risk Weighted Assets
On Balance Sheet Assets and the credit equivalent of off Balance Sheet Assets multiplied by the relevant risk weighting factors.

Segmental Analysis
Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Repurchase Agreement
Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Equity (ROE)
Net income, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve
Reserves set aside for future distribution and investment.

Shareholders' Funds
Total of issued and fully paid share capital and capital and revenue reserves.

Net Interest Income
The difference between income earned from interest earning assets and cost incurred on interest bearing liabilities.

Non-Performing Loans
Loan advances and hire purchase/lease finance of which interest or capital is in arrears six months or more.

Prudence
Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Return on Average Assets (ROA)
Profit After Tax divided by the average assets.

Substance Over Form
The consideration that the accounting treatment and the presenting in financial statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital
Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital
Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Value Added
Value of wealth created by providing financial and other related services less the cost of providing such services.

Debt to Equity Ratio
Long term Borrowings of the Company including Debentures divided by shareholders funds.

Interest Cover
Earnings before interest and taxes divided by interest cost.

Liquid Assets Ratio
Liquid Assets divided by public Deposits.

Capital Adequacy Ratios
The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial institutions, to suit the local requirements.

Interest in Suspense
Interest suspended on non-performing contracts without recognising to the Income.

Earnings Per Share
Net profit after tax divided by the number of ordinary shares in issue.

Deferred Tax
Sum set aside in the financial statements for taxation that may become payable/receivable in a financial year other than the current financial year.

Related Parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Branch Network

JAFFNA
No. 408, Hospital Road,
Jaffna
Tel : 021 221 9990
Fax : 021 221 9991

CHUNNAKAM
No. 59, K K S Road,
Chunnakam
Tel : 021 203 5060
Fax : 021 203 5061

NELLIADI
No. 07, Kodikamam Road,
Nelliadi
Tel : 021 203 5050
Fax : 021 203 5051

VAVUNIYA
No. 164, Bazzar Street,
Vavuniya
Tel : 024 222 8989
Fax : 024 222 8997

KURUNEGALA
No. 34, Surathissa Mawatha,
Kurunegala
Tel : 037 223 2110
Fax : 037 223 2010

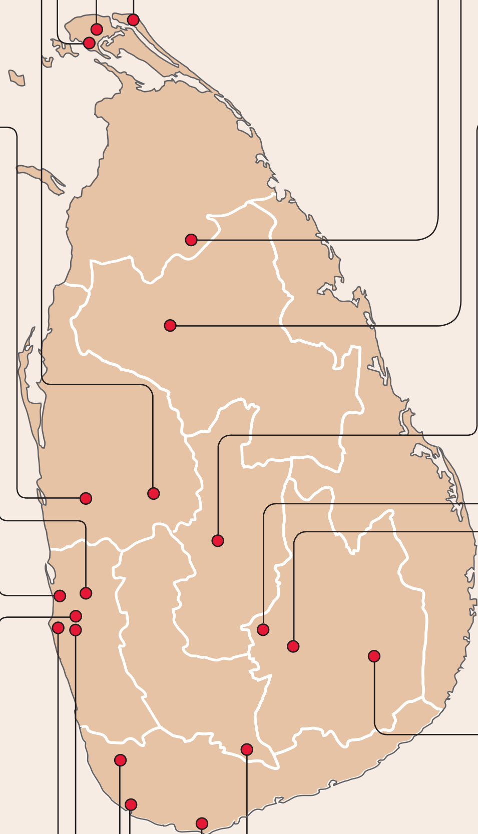
ANURADHAPURA
No. 9, Main Street,
Anuradhapura
Tel : 025 223 7925
Fax : 025 223 7905

KULIYAPITIYA
No. 26, Madampe Road,
Kuliyapitiya
Tel : 037 203 1030

KANDY
No. 119 A, Kotugodella
Weediya, Kandy
Tel : 081 220 8708
Fax : 081 220 8709

GAMPAHA
No. 03, Bauddhaloka
Mawatha, Gampaha
Tel : 011 210 3780
Fax : 011 210 3781

WELIMADA
No. 28, Nuwaraeliya Road,
Welimada
Tel : 057 223 6020
Fax : 057 223 6021



JA-ELA
No. 08, Negombo Road,
Ja-Ela
Tel : 011 210 3780
Fax : 011 210 3781

BANDARAWELA
No. 339, Main Street,
Bandarawela
Tel : 057 223 0022
057 222 1025
Fax : 055 205 5588

KADAWATHA
No. 139/6, Kandy Road,
Kadawatha
Tel : 011 210 3030

MONARAGALA
No. 100, New Bus Stand,
Monaragala
Tel : 055 205 5858
Fax : 055 205 5588

HEAD OFFICE
No. 299, Dr Colvin R de Silva
Mawatha, Colombo 02
Tel : 011 239 6060
Fax : 011 239 6757

EMBILIPITIYA
No. 28, Pallegama,
Embilipitiya.
Tel : 047 226 1467/
047 362 0040
Fax : 047 226 1468

KADUWELA
No. 482/6, Avissawella
Road, Kaduwela
Tel : 011 242 5470
Fax : 011 242 5471

ELPITIYA
No. 117, Main Street,
Elpitiya
Tel : 091 229 1427
Fax : 091 229 1428

GALLE
No. 18, Mosque Road,
Mainstreet, Galle
Tel: 091 211 7422

MATARA
No. 91, Anagarika
Dharmapala Road, Matara
Tel : 041 222 6916
Fax : 041 222 6912

Notice of Meeting

MAHINDRA IDEAL FINANCE LIMITED – PB 4963

Notice is hereby given that the Tenth 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 02 on Friday, 22 July 2022 at 4.00pm 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 31 March 2022 with the Report of the Auditors thereon.
2. To re-elect Mr R Agarwal, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.
3. To re-elect Mr D T S H Mudalige, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.
4. To re-elect Mr V A Karve, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.
5. To re-elect Mr N Sohoni, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.
6. To re-elect Mr M A Choonia, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.
7. To re-elect Mr P A De Silva, Director who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
8. To authorise Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

By Order of the Board of Directors of Mahindra Ideal Finance Limited.

S S P Corporate Services (Private) Limited
Secretaries
Colombo

29 April 2022

The member entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such proxy need not be a member of the Company.

A Form of Proxy is enclosed.

Note:
The completed Form of Proxy should be deposited at the Registered Office of the Company, at No. 299, Dr Colvin R De Silva Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the meeting.

Notes

Form of Proxy

MAHINDRA IDEAL FINANCE LIMITED – PB 4963

I……… (NIC No. ………………………………………………………)

of ……. being a member of the above Company, hereby appoint:

Mr Nalin Jayaraj Welgama	of Colombo or failing him
Mr Pinnaduwage Aravinda De Silva	of Colombo or failing him
Dr Paul Leslie Suren Peter	of Colombo or failing him
Ms Chrishanthi Lucilla Jayawardena	of Colombo or failing her
Mr Rajnish Agarwal	of India or failing him
Mr Don Tibertius Sujeewa Handapangoda Mudalige	of Colombo or failing him
Mr Vivek Anant Karve	of India or failing him
Mr Nikhil Sohoni	of India or failing him
Mr Mufaddal Abbas Choonia	of India or failing him

Mr/Mrs/Miss ………………………………………………………………………………… (NIC No. ………………………………………………………)

of ……

as my proxy to represent me and vote on my behalf at the Annual General Meeting of the Company to be held on 22 July 2022 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 Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31 March 2022 with the Report of the Auditors thereon.		
2. To re-elect Mr R Agarwal, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.		
3. To re-elect Mr D T S H Mudalige, Director who retires in terms Article 24 (2) of the Articles of Association of the Company.		
4. To re-elect Mr V A Karve, Director who retires in terms Article 24 (2) of the Articles of Association of the Company.		
5. To re-elect Mr N Sohoni, Director who retires in terms Article 24 (2) of the Articles of Association of the Company.		
6. To re-elect Mr M A Choonia, Director who retires in terms of Article 24 (2) of the Articles of Association of the Company.		
7. To re-elect Mr P A De Silva, Director who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.		
8. To authorise Directors to determine the remuneration of the Auditors Messrs Ernst & Young Chartered Accountants who are deemed to have been re-appointed as Auditors.		

Signed this ……………………………… day of ……………………. Two Thousand and Twenty Two.

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. 07 of 2007 applies to corporate shareholders of Ideal Finance Limited. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this Act or not, may, where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an individual shareholder of that other Company.

Corporate Information

Name of the Company	:	Mahindra Ideal Finance Limited
Date of Incorporation	:	24 January 2012
Head Office	:	No. 299, Dr Colvin R de Silva Mawatha, (Union Place) Colombo 02 Telephone : +94 11 239 6060 Fax : +94 11 239 6757 Email : info@mahindraifl.lk Website : www.mahindraifl.lk
Legal Form	:	Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 07 of 2007 A Finance Company registered under the Finance Companies Act No. 42 of 2011 A registered Finance Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000
Secretaries	:	SSP Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03
Bankers	:	Bank of Ceylon Cargills Bank Limited Commercial Bank of Ceylon PLC Hatton National Bank PLC National Development Bank PLC Pan Asia Banking Corporation PLC Seylan Bank PLC
Company Registration	:	PB 4963
Auditors	:	Ernst & Young Chartered Accountants 201, de Saram Place, Colombo 10.
Directors	:	Mr Nalin Welgama (Chairman) Mr Aravinda De Silva (Non-Executive Director) Dr Suren Peter (Senior Independent Non-Executive Director) Ms Chrishanthi Jayawardena (Independent Non-Executive Director) Mr Sujeewa Mudalige (Independent Non-Executive Director) Mr Rajnish Agarwal (Non-Executive Director) Mr Vivek Karve (Non-Executive Director) Mr Nikhil Sohoni (Non-Executive Director) Mr Mufaddal A Choonia (Non-Executive Director)
Shareholding	:	Mahindra & Mahindra Financial Services Limited – 58.20% Ideal Motors (Pvt) Ltd. – 34.54% Mr Viraj Malawana – 5.24% Veritas Holdings (Pvt) Ltd. – 2.02%

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