

**MAHINDRA IDEAL FINANCE LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2023**

BW/WDPL/PR/AD

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

Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of MAHINDRA IDEAL Finance Limited ("the Company"), which comprise the statement of financial position as at 31 March 2023, 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 2023, 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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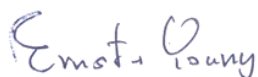
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.



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21 April 2023  
Colombo

**1. CORPORATE INFORMATION**

**1.1 General**

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

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

**1.2 Principal Activities and Nature of Operations**

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

**1.3 Parent Entity and Ultimate Parent Entity**

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

**1.4 Date of Authorization for Issue**

The financial statements of MAHINDRA IDEAL Finance Limited for the period ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 21 April 2023.

## **2. ACCOUNTING POLICIES**

### **2.1 Basis of Preparation**

#### **2.1.1 Statement of Compliance**

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with Accounting Policies and Notes, ('Financial Statements'), as at 31 March 2023 and for the period then ended, have been prepared in accordance with Sri Lanka Accounting Standards (hereafter referred as "SLFRS"), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

#### **2.1.2 Responsibility for Financial Statements**

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

#### **2.1.3 Basis of measurement**

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

#### **2.1.4 Presentation of Financial Statements**

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

The company presents its Statements of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 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 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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

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

### **2.1.7 Comparative Information**

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous financial year. Further comparative information is reclassified whenever necessary to comply with the current presentation in the Financial Statements. However, the Company has not restated comparative information for 2022.

### **2.1.8 Statement of Cash Flow**

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

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

### **2.1.9 Events After the Reporting Date**

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

## **2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

### **i. Going Concern**

The board has made an assessment of the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Further, the Directors have considered the potential downsides that the 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

**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.

**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".

**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 amortization of property, plant, equipment and intangible assets at each reporting date. The judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

**vii. Fair value of Property, Plant & 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 & 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 2022/23.

**2.3.1.3 De-recognition of Financial Instruments**

**2.3.1.3.1 Financial Assets**

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

**2.3.1.3.2 Financial Liabilities**

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

**2.3.1.4 Impairment of Financial Assets**

**Overview of the Expected Credit Loss (ECL) Principles**

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

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

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

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

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

***Stage 1***

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

***Stage 2***

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

***Stage 3***

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

**2.3.1.4.1 The Calculation of Expected Credit Loss (ECL)**

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

***Definition of default***

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

***Probability of Default (PD)***

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

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

***EAD***

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

***LGD***

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

**2.3.1.4.2 The mechanics of the ECL method are summarized below:*****Stage 1***

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

***Stage 2***

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

***Stage 3***

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

***Assessment of significant increase in credit risk***

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

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

- Stage 1 and Stage 2 facilities of a Stage 3 customer are also classified as Stage 3.
- Stage 1 facilities of a Stage 2 customer are classified as Stage 2.
- Facilities related to management identified risk elevated industries are classified as Stage 3.
- Rescheduled facilities are categorized based on their aggregate days past due, ie, the aggregate of the present age of the facility and the age prior to reschedule.

**Forward Looking Information**

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

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

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

To reflect the uncertainties in the calculation of expected credit losses, the Company has changed the weightages assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2022/23.

	2022/23	2021/22
Base case	50%	30%
Best case	10%	10%
Worst case	40%	60%

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

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

#### 2.3.1.5 Determination of Fair Value

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The disclosure of fair value of financial instruments is disclosed in Note 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 recognized as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognized as unearned finance income, which is allocated to accounting periods reflect a constant periodic rate of return.

#### **2.3.2.2 SLFRS 16 – Leases**

##### **Company as a lessee**

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

The company has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. At the date of adoption, right of use was recognized as amount equal to the lease liability, adjusted by the amount of prepaid lease rentals.

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

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

### **2.3.3 Cash and cash equivalents**

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

### 2.3.4 Property, Plant and Equipment

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

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

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

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

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

### 2.3.5 Right-Of-Use Assets

#### 2.3.5.1 Basis of recognition

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

#### Basis of measurement

The company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are amortised on the straight line basis over the lease term.

When measuring lease liabilities for leases that were classified previously as operating leases, the company discounted future lease payments due as of 1 April 2019 using the incremental borrowing rate as at 1 April 2019. The rate applicable was 14%.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 2.3.6 Intangible assets

The company's other intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial yearend.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of comprehensive income.

Computer System software is amortised over: 10 years

### 2.3.7 Other Assets

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

### 2.3.8 Inventories

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

### 2.3.9 Impairment of non-financial assets

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

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

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

### **2.3.10 Employee Retirement Benefits**

#### **Defined Contribution Plan Costs**

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

#### **Defined Benefit Plan Costs**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rate that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating to the terms of the liability.

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

However, according to the payment of Gratuity Act No.12 of 1972, the liability for payment to an employee arises only after the completion of 5 years continued services. The liability is not externally funded.

### **2.3.11 Provisions**

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

### **2.3.12 Other Liabilities**

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

### **2.3.13 Foreign currency translation**

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

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



### 2.3.14 Recognition of income and expenses

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

#### (i) Interest income and interest expense

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

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

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

#### (ii) Fee and commission income

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

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

#### Fee income from providing transaction services

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

#### (iii) Dividend income

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

#### (iv) Expenditure Recognition

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

### 2.3.15 Taxes

#### a. Current Tax

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

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

#### b. Deferred Tax

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credit and unused tax losses can be utilized.

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

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

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

Value Added Tax on Financial Services is calculated at the rate of 18% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto. The Social Security Contribution Levy is calculated at the rate of 2.5% on the turnover applicable for Value Added Tax on Financial Services with effect from 01<sup>st</sup> October 2022.

### 2.3.16 Regulatory provisions

#### a) Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 “Insurance of Deposit Liabilities” issued on 27 September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October 2010. The said Scheme was renamed as the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No. 1 of 2013.

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

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

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

**b) Crop Insurance Levy (CIL)**

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

**2.3.17 Related Party Transactions**

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

**2.3.18 Segment Reporting**

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

- Finance 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 2023**

- SLFRS 17 Insurance Contracts

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

No material impact on the financial statements of the Company.

- Amendments to LKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

These amendments clarify the following,

Distinction between changes in accounting estimates, changes in accounting policies and the correction of errors.

How entities use measurement techniques and inputs to develop accounting estimates

A change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

No material impact on the financial statements of the Company.

- Amendments to LKAS 1 – Presentation of Financial Statements

Replaces the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose ‘material accounting policies’.

Provides guidance on how the entities apply the concept of materiality in making decisions about accounting policy decisions.

Specify the requirements for classifying liabilities as current or non-current.

No material impact on the financial statements of the Company.

- Amendments to LKAS 12 – Income taxes

The amendments introduce an exception to the initial recognition exemption in LKAS 12. The effect of these amendments essentially mean that the initial recognition exemption is not available for transactions which involve the recognition of both an asset and liability which in turn leads to equal and opposite temporary differences. Therefore, deferred taxes are calculated and booked for both temporary differences, at initial recognition and subsequent.

No material impact on the financial statements of the Company.

# Mahindra Ideal Finance Limited

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 LKR	2022 LKR
<b>Income</b>	3	1,924,279,355	1,321,536,812
Interest Income	4.1	1,805,299,948	1,242,067,922
Interest Expenses	4.2	(921,725,959)	(328,347,452)
<b>Net Interest Income</b>		<u>883,573,989</u>	<u>913,720,470</u>
Fees and Commission Income	5	13,067,675	12,097,982
<b>Net Fee and Commission Income</b>		<u>13,067,675</u>	<u>12,097,982</u>
Other Operating Income	6	105,911,732	67,370,908
<b>Total Operating Income</b>		<u>1,002,553,396</u>	<u>993,189,360</u>
Impairment Charges for Loans and other Losses	7	(70,983,116)	(88,336,470)
<b>Net Operating Income</b>		<u>931,570,280</u>	<u>904,852,890</u>
<b>Operating Expenses</b>			
Personnel Expenses	8	(349,974,582)	(272,916,930)
Depreciation of Property Plant & Equipment	22.2	(93,972,623)	(71,243,356)
Amortization of Intangible Assets	23	(3,333,640)	(6,292,103)
Other Operating Expenses	9	(236,296,248)	(153,606,816)
<b>Operating Profit before VAT on Financial Services and Social Security Contribution Levy</b>		<u>247,993,187</u>	<u>400,793,685</u>
Value Added Tax on Financial Services	10	(88,673,219)	(90,504,774)
Social Security Contribution Levy	10	(6,227,766)	-
<b>Profit before Taxation</b>		<u>153,092,202</u>	<u>310,288,911</u>
Income Tax Expenses	11.1	(66,194,388)	(71,067,116)
<b>Profit/ (Loss) for the period</b>		<u>86,897,814</u>	<u>239,221,795</u>
Basic and Diluted Earning per Share	12.2	0.60	1.64
<b>Profit/ (Loss) for the period</b>		<u>86,897,814</u>	<u>239,221,795</u>
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial Gain/ (Loss) on Defined Benefit Obligations	28.3	2,130,956	2,083,840
Deferred Tax (Charge)/Reversal on Other Comprehensive Income	29	(639,287)	(500,122)
<b>Other Comprehensive Income for the period, Net of Tax</b>		<u>1,491,669</u>	<u>1,583,718</u>
<b>Total Comprehensive Income for the period, Net of Tax</b>		<u>88,389,483</u>	<u>240,805,513</u>

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

**Mahindra Ideal Finance Limited**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2023


	Notes	2023 LKR	2022 LKR
<b>ASSETS</b>			
Cash and Bank Balances	13	165,583,696	135,648,058
Investment in Government Securities at Amortized cost	14	458,137,517	248,709,944
Placements with Banks and Other Financial Institutions	15	445,268,915	287,743,917
Gold Advances	16	3,950,688,495	2,258,859,086
Lease Rentals Receivable and Stock out on Hire	17	2,374,025,383	3,564,076,376
Loans and Advances	18	798,812,852	1,406,622,800
Other Financial Assets	19	24,340,891	16,373,433
Other Non Financial Assets	20	58,781,143	177,169,452
Financial Investments-Measured at Fair Value through OCI	21	457,700	457,700
Inventories		-	328,056
Property, Plant and Equipment	22.3	470,357,459	346,499,489
Intangible Assets	23	18,047,136	19,196,706
Deferred Tax Assets	29	27,648,433	23,683,867
<b>TOTAL ASSETS</b>		<b>8,792,149,620</b>	<b>8,485,368,885</b>
<b>LIABILITIES</b>			
Interest Bearing Borrowings	24	1,989,957,781	2,872,386,024
Due to the Customers	25	3,487,076,917	2,195,018,842
Other Financial Liabilities	26	379,280,751	550,307,273
Other Non Financial Liabilities	27	37,393,905	44,966,937
Post Employment Benefit Liability	28	30,896,045	26,338,562
Current Tax Liabilities		32,921,837	50,118,346
<b>TOTAL LIABILITIES</b>		<b>5,957,527,236</b>	<b>5,739,135,984</b>
<b>EQUITY</b>			
Stated Capital	30	1,908,247,125	1,908,247,125
Retained Earnings		878,196,794	794,226,785
Reserves	31	48,178,465	43,758,991
<b>TOTAL EQUITY</b>		<b>2,834,622,384</b>	<b>2,746,232,901</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,792,149,620</b>	<b>8,485,368,885</b>

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

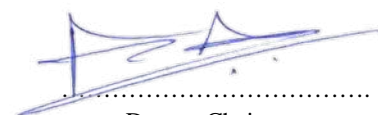


Head of Finance

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



Chairman



Deputy Chairman

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

21 April 2023  
Colombo

Mahindra Ideal Finance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	<b>Stated Capital LKR</b>	<b>Retained Earnings LKR</b>	<b>Statutory Reserve Fund LKR</b>	<b>Total LKR</b>
<b>Balance As at 31 March 2021</b>	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	-
<b>Balance As at 31 March 2022</b>	<u>1,908,247,125</u>	<u>794,226,786</u>	<u>43,758,990</u>	<u>2,746,232,902</u>
<b>Balance As at 1 April 2022</b>	1,908,247,125	794,226,786	43,758,990	2,746,232,902
Total Income / (Loss) for the Period	-	86,897,814	-	86,897,814
Other Comprehensive Income (Net of Tax)	-	1,491,669	-	1,491,669
Transfer to Statutory Reserve Fund	-	(4,419,474)	4,419,474	-
<b>Balance As at 31 March 2023</b>	<u><u>1,908,247,125</u></u>	<u><u>878,196,794</u></u>	<u><u>48,178,465</u></u>	<u><u>2,834,622,384</u></u>

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

**Mahindra Ideal Finance Limited**  
**STATEMENT OF CASH FLOWS**

Year ended 31 March 2023

	Note	2023 LKR	2022 LKR
<b>Cash Flows From / (Used in) Operating Activities</b>			
Profit before Income Tax Expense		153,092,202	310,288,911
Adjustment for Other Non Cash Items Included in Profit Before Tax			
Depreciation of Property, Plant and Equipment & ROU Assets	22.3	93,972,623	71,243,356
Amortization of Intangible Assets	23	3,333,640	6,292,103
Provision for Impairment	7	70,983,116	88,336,470
Interest expenses on Borrowings	4.2	434,895,016	183,688,204
Defined Benefit Obligation	8	9,450,813	5,434,262
Dividend Income	6	(240,000)	(240,000)
Disposal (Gain)/Loss on Fixed Assets		-	(4,366,107)
Operating Profit before Working Capital Changes		765,487,410	660,677,199
(Increase)/Decrease in Lease Rentals Receivable & Stock out on Hire		1,135,054,895	(1,175,879,395)
(Increase)/Decrease in Loan Stock		603,795,207	(555,430,251)
(Increase)/Decrease in Gold Advance		(1,703,801,685)	(1,075,095,022)
(Increase)/Decrease in Other Financial Assets		(7,967,458)	(18,533,533)
(Increase)/Decrease in Other Non Financial Assets		113,784,455	(150,114,732)
(Increase)/Decrease in Inventories		328,056	183,217
Increase/(Decrease) in Amounts Due to Customers		1,292,058,075	1,265,379,384
Increase/(Decrease) in Other Financial Liabilities		(110,978,929)	313,863,656
Increase/(Decrease) in Other Non Financial Liabilities		(7,573,033)	18,672,458
Increase/(Decrease) in Current Tax liabilities		3,633,728	
Cash Generated from Operations		2,083,820,723	(716,277,018)
Retirement Benefit Liabilities Paid	28.2	(2,762,375)	(61,250)
Income Tax Paid		(87,024,625)	(137,748,935)
Net Cash Flows from/(Used in) Operating Activities		1,994,033,723	(854,087,203)
<b>Cash Flows from / (Used in) Investing Activities</b>			
Purchase of Property, Plant and Equipment	22.1	(141,303,856)	(75,779,480)
Purchase of Right of Use Assets	22.1	(76,526,736)	(160,707,218)
Purchase of Intangible Assets	23	(2,184,070)	(12,530,268)
Disposal of Property, Plant and Equipment			10,675,000
Dividend Received	6	240,000	240,000
Investment in Treasury Bills	14	(300,329,263)	-
Investment in Fixed Deposits	15	(157,524,998)	(71,441,158)
Net Cash Flows from/(Used in) Investment Activities		(677,628,924)	(309,543,124)
<b>Cash Flows from / (Used in) Financing Activities</b>			
Proceeds from Bank Borrowings		6,424,000,000	2,673,000,000
Repayment of Bank Borrowings		(7,494,177,824)	(1,866,078,525)
Rental Paid for Lease Obligation		(60,047,593)	(46,849,881)
Repayment of Other Borrowed Funds		-	(1,182,051)
Net Cash Flows from/(Used in) Financing Activities		(1,130,225,417)	758,889,543
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		186,179,382	(404,740,785)
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		65,735,701	470,476,486
<b>Cash and Cash Equivalents at the End of the Year</b>	32	251,915,083	65,735,701

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



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

3. INCOME	2023 LKR	2022 LKR
Interest Income (4.1)	1,805,299,948	1,242,067,922
Fee and Commission Income (5)	13,067,675	12,097,982
Other Operating Income (6)	105,911,732	67,370,908
<b>Total Income</b>	<u>1,924,279,355</u>	<u>1,321,536,812</u>
4. NET INTEREST INCOME	2023 LKR	2022 LKR
<b>4.1 Interest Income</b>		
From Placements with Banks and Other Financial Institutions	55,087,026	11,404,986
From Government Securities	60,364,968	20,171,944
From Lease Rental Receivable & Stock Out on Hire	641,168,494	644,897,703
From Loans and Advances	239,486,405	220,135,915
From Gold Advances	807,982,594	344,470,014
From Refundable Deposits	1,210,461	987,360
<b>Total Interest Income</b>	<u>1,805,299,948</u>	<u>1,242,067,922</u>
<b>4.2 Interest Expense</b>		
Due to Banks	434,895,016	183,688,204
Due to Customers	452,995,806	126,140,678
On Intercompany Borrowings	-	-
On Obligation to Make the Lease Payment for Right of Use Assets	33,835,137	18,518,570
<b>Total Interest Expenses</b>	<u>921,725,959</u>	<u>328,347,452</u>
<b>Net Interest Income</b>	<u>883,573,989</u>	<u>913,720,470</u>
5. FEE AND COMMISSION INCOME	2023 LKR	2022 LKR
Commission Income	13,067,675	12,097,982
<b>Fee and Commission Income</b>	<u>13,067,675</u>	<u>12,097,982</u>
6. OTHER OPERATING INCOME	2023 LKR	2022 LKR
Dividend Income	240,000	240,000
Net Income from Real Estate Operations	-	6,491,505
Service Charges Gold Loan	88,672,799	42,484,947
Other Operating Income	16,998,933	18,154,456
<b>Total Other Operating Income</b>	<u>105,911,732</u>	<u>67,370,908</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

<b>7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
Charge/(write-back) to the statement of comprehensive income		
– Impairment on individually significant loans	1,568,253	(18,305,295)
– Impairment on collective loan portfolio	20,749,444	106,857,765
– Write-offs net of recoveries	48,665,419	(216,000)
<b>Total Impairment Charge</b>	<b>70,983,116</b>	<b>88,336,470</b>
	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>Lease Rentals Receivable and Stock out on Hire (Note 17.2.a)</b>		
Stage 1	(20,244,828)	24,236,878
Stage 2	5,722,590	17,631,143
Stage 3	20,852,917	12,506,829
	<b>6,330,679</b>	<b>54,374,850</b>
<b>Loans and Advances (Note 18.2.a)</b>		
Stage 1	(18,581,605)	16,691,200
Stage 2	1,983,542	5,147,957
Stage 3	20,612,805	10,099,872
	<b>4,014,741</b>	<b>31,939,029</b>
	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>8. PERSONNEL EXPENSES</b>		
Salaries	278,909,249	179,467,956
Employers' Contribution to Employee's Provident Fund	27,527,802	19,998,779
Employers' Contribution to Employee's Trust Fund	6,881,950	4,999,695
Gratuity Charge for the year	9,450,813	5,434,262
Other Staff Related Expenses	27,204,768	63,016,238
<b>Total Personnel expenses</b>	<b>349,974,582</b>	<b>272,916,930</b>
	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>9. OTHER OPERATING EXPENSES</b>		
Directors' Emoluments	5,600,000	6,100,000
Auditors' Remuneration	965,613	1,593,648
Professional and Legal Expenses	8,989,716	8,337,708
Office Administration and Establishment Expenses	126,056,473	52,818,638
Advertising and Promotional Expenses	35,933,596	66,287,857
License and Renewal Fees	4,051,298	2,364,774
Other Expenses	54,699,552	16,104,191
<b>Total Other Operating expenses</b>	<b>236,296,248</b>	<b>153,606,816</b>
	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>10. VALUE ADDED TAX ON FINANCIAL SERVICES AND SSCL</b>		
VAT on Financial Services	88,673,219	90,504,774
Social Security Contribution Levy (SSCL)	6,227,766	-
	<b>94,900,985</b>	<b>90,504,774</b>

**11. INCOME TAX EXPENSES****11.1 The major component of income tax for the period ended 31 March 2022 as follows;**

<b>Income Statement</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>Current Income Tax</b>		
Income Tax for the Period	71,056,252	121,130,279
Due to rate reduction	-	(20,626,459)
Tax Adjustment with Final Payment	(258,011)	
<b>Deferred Tax (Note 29)</b>		
Due to change in temporary differences	2,255,098	(30,187,092)
Due to rate change	(6,858,952)	750,388
<b>Income Tax Expenses reported in the Income Statement</b>	<u>66,194,388</u>	<u>71,067,116</u>
<b>Statement of Other Comprehensive Income</b>		
Deferred Tax related to items recognized in OCI during the year		
Net Gain/(Loss) on Actuarial Gains/Losses during the year	639,287	500,122
<b>Income Tax Expenses reported in the Other Comprehensive Income</b>	<u>639,287</u>	<u>500,122</u>
<b>Total Income Tax Expense for the year</b>	<u>66,833,675</u>	<u>71,567,237</u>
<b>Income Tax Rate Applicable</b>		
For the First Six Months	24%	24%
For the Balance Six Months	30%	24%

**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 2023 as follows.

Accounting Profit / (Loss) Before Income Taxation	153,092,202	310,288,911
Aggregate allowable expenditure	(169,784,887)	(174,768,110)
Tax loss utilised	-	-
Aggregate disallowable expenditure	279,979,545	369,188,695
	<u>263,286,860</u>	<u>504,709,497</u>
Tax at statutory rates	71,056,252	121,130,279
Less : Due to rate reduction	-	(20,626,459)
Less : Tax Adjustment with Final Payment	(258,011)	-
	<u>70,798,241</u>	<u>100,503,820</u>
Deferred taxation charged/(Reversal)	2,255,098	(30,187,092)
Less : Due to rate change	(6,858,952)	750,388
	<u>66,194,388</u>	<u>71,067,116</u>
Effective Tax Rate	43.24%	22.90%

**Amendments to the Income Tax Rate announced by the Government**

Income tax rate applicable on the Company's operations is 30% from 01 October 2022 and 24% up to 30 September 2022 (2021: 24%).

**12. BASIC AND DILUTED EARNING PER ORDINARY SHARES**

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

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

	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>Amount Used as Numerators</b>		
Profit attributable to Ordinary Share Holders	86,897,814	239,221,795
<b>Number of Ordinary shares used as Denominator</b>		
Weighted Average Number of Ordinary Shares	145,639,098	145,639,098
<b>Basic and Diluted Earning Per Ordinary Shares</b>	0.60	1.64

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

13. CASH AND BANK BALANCES	2023 LKR	2022 LKR				
Cash in Hand	127,864,098	43,786,257				
Bank Balances	37,719,598	91,861,801				
	<u>165,583,696</u>	<u>135,648,058</u>				
14. INVESTMENT IN GOVERNMENT SECURITIES	2023 LKR	2022 LKR				
Investment in Treasury Bills with original maturity less than 3 months	157,808,254	-				
Investment in Treasury Bills with original maturity more than 3 months	300,329,263	-				
Investment in Reverse Repurchase Agreements (less than 3 months)	-	248,709,944				
	<u>458,137,517</u>	<u>248,709,944</u>				
15. PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	2023 LKR	2022 LKR				
Fixed Deposits placed with banks	445,268,915	287,743,917				
	<u>445,268,915</u>	<u>287,743,917</u>				
16. GOLD ADVANCES	2023 LKR	2022 LKR				
Gold Advances	3,971,326,248	2,267,524,563				
Less : Allowance for Impairment Losses	(20,637,753)	(8,665,477)				
Net Gold Advances	<u>3,950,688,495</u>	<u>2,258,859,086</u>				
Collective Impairment	2023 LKR	2022 LKR				
As at 1 April	8,665,477	4,134,626				
Charges/(reversals) for the year	11,972,276	4,530,851				
As at 31 March	<u>20,637,753</u>	<u>8,665,477</u>				
17. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE	2023 LKR	2022 LKR				
Rental Receivable on Lease	3,224,676,754	5,015,220,313				
<b>Gross Rentals Receivables</b>	<u>3,224,676,754</u>	<u>5,015,220,313</u>				
Less: Unearned Income	(656,352,549)	(1,243,256,425)				
	2,568,324,205	3,771,963,888				
Less : Rentals Received in Advance	(14,828,488)	(34,747,857)				
<b>Net Rentals Receivables before charging Allowance for Impairment Losses</b>	<u>2,553,495,717</u>	<u>3,737,216,031</u>				
Less : Allowance for Impairment Losses (Note 17.2)	(179,470,334)	(173,139,655)				
<b>Total Net Rentals Receivable</b>	<u>2,374,025,383</u>	<u>3,564,076,376</u>				
17.1 Net Rentals Receivable on Lease and Stock Out on Hire 'LKR						
	As at 31st March 2023			As at 31st March 2022		
	Gross Rentals Receivables	Allowance for Impairment Losses	Net Rentals Receivables	Gross Rentals Receivables	Allowance for Impairment Losses	Net Rentals Receivables
Stage - 1	1,120,683,413	29,933,069	1,090,750,344	2,363,139,989	49,803,710	2,313,336,278
Stage - 2	833,587,566	43,176,219	790,411,347	841,524,574	37,453,629	804,070,945
Stage - 3	599,224,738	106,361,046	492,863,691	532,551,469	85,882,316	446,669,153
	<u>2,553,495,717</u>	<u>179,470,334</u>	<u>2,374,025,382</u>	<u>3,737,216,031</u>	<u>173,139,655</u>	<u>3,564,076,376</u>

**17. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE (Contd...)****17.2 Allowance for Impairment Losses 'LKR.****(a) Allowance for Impairment with stage wise**

	Stage -1	Collective Stage -2	Stage -3	Individual Stage -3	Total
Balance as at 01 April 2022	50,177,896	37,453,629	74,982,956	10,525,173	173,139,654
Charges/(Reversals) for the year	(20,244,828)	5,722,590	26,330,044	(5,477,127)	6,330,679
Amount written off	-	-	-	-	-
Balance as at 31 March 2023	<u>29,933,069</u>	<u>43,176,219</u>	<u>101,312,999</u>	<u>5,048,046</u>	<u>179,470,334</u>

**(b) Movement in allowance for impairment**

	2023 LKR	2022 LKR
As at 01 April	173,139,654	118,214,132
Charges/(reversals) for the year	6,330,679	54,925,522
Amounts written off	-	-
As at 31 March	<u>179,470,334</u>	<u>173,139,654</u>
Individual impairment	5,048,046	10,525,173
Collective impairment	174,422,287	162,614,481
<b>Total</b>	<u>179,470,334</u>	<u>173,139,654</u>

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

	2023 LKR	2022 LKR
<b>Individual Impairment</b>		
As at 1 April	10,525,173	28,022,433
Charges/(reversals) for the year	(5,477,127)	(17,497,260)
Amounts written off	-	-
As at 31 March	<u>5,048,046</u>	<u>10,525,173</u>
<b>Collective Impairment</b>		
As at 1 April	162,614,481	90,191,698
Charges/(reversals) for the year	11,807,806	72,422,783
Amounts written off	-	-
As at 31 March	<u>174,422,287</u>	<u>162,614,481</u>
<b>Total</b>	<u>179,470,333</u>	<u>173,139,654</u>

**17.3 Credit Exposure and ECL Stage wise movement**

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

**Gross exposure reconciliation****As at 31st March 2023**

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

## As at 31st March 2022

Particulars	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount balance as at 1 April 2021</b>	1,595,877,180	542,967,305	419,792,301	2,558,636,786
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	127,640,413	(103,172,596)	(24,467,818)	-
- Transfers to Stage 2	(306,230,491)	336,140,579	(29,910,088)	(0)
- Transfers to Stage 3	(145,091,497)	(123,621,602)	268,713,099	-
- Loans that have been derecognized during the period	(417,373,745)	(194,804,663)	(174,103,767)	(786,282,176)
New loans originated during the year	1,771,072,134	479,838,302	136,039,913	2,386,950,349
Write-offs	-	-	-	-
Remeasurement of net exposure	(262,754,006)	(95,822,751)	(63,512,171)	(422,088,928)
<b>Gross carrying amount balance as at 31 March 2022</b>	<b>2,363,139,989</b>	<b>841,524,574</b>	<b>532,551,469</b>	<b>3,737,216,031</b>

## Reconciliation of ECL balance

## As at 31st March 2023

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

## As at 31st March 2022

Particulars	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance balance as at 1 April 2021</b>	25,904,581	19,784,191	72,525,360	118,214,132
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	7,986,496	(3,759,317)	(4,227,179)	-
- Transfers to Stage 2	(4,970,791)	10,138,204	(5,167,412)	-
- Transfers to Stage 3	(2,355,153)	(4,504,421)	6,859,574	-
- Loans that have been derecognized during the period	(6,774,890)	(7,098,130)	(30,079,014)	(43,952,034)
New loans originated during the year	37,606,288	21,356,103	21,938,580	80,900,971
Write-offs	-	-	-	-
Net remeasurement of loss allowance	(7,592,821)	1,537,000	24,032,408	17,976,586
<b>ECL allowance balance as at 31 March 2022</b>	<b>49,803,710</b>	<b>37,453,629</b>	<b>85,882,316</b>	<b>173,139,655</b>

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

Changed Criteria	Changed Factor	2023	2022
		Sensitivity effect on Impairment Allowance Increase	Sensitivity effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	9,352,206	9,512,162
Probability of Default (PD)	Increase by 1%	4,278,683	6,326,897
Economic Factor Adjustment (EFA)	Increase by 5%	2,209,628	3,086,601

Mahindra Ideal Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**17. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE (Contd...)**

17.4 Rental Receivable on Lease	Within One			Total LKR
	Year LKR	1 to 5 Years LKR	Over 5 Years LKR	
Gross Rentals Receivables	1,434,672,788	1,789,967,016	36,949	3,224,676,753
Less: Unearned Income	341,353,166	314,998,836	547	656,352,549
	1,093,319,622	1,474,968,180	36,402	2,568,324,205
Less : Rentals Received in Advance				(14,828,488)
<b>Net Rentals Receivable before charging Allowance for Impairment Losses</b>				<b>2,553,495,717</b>

**18. LOANS AND ADVANCES**

	2023 LKR	2022 LKR
Loan Receivable	1,019,283,159	1,779,855,414
Less : Unearned Interest Income	(127,899,429)	(279,892,183)
<b>Net Receivable</b>	<b>891,383,730</b>	<b>1,499,963,231</b>
Less : Loan Received In Advance	(21,141,887)	(25,926,181)
<b>Net Loan Receivables before charging Allowance for Impairment Losses</b>	<b>870,241,843</b>	<b>1,474,037,050</b>
Less : Allowance for Impairment Losses (Note 18.2)	(71,428,991)	(67,414,250)
<b>Total Net Loan Receivable</b>	<b>798,812,852</b>	<b>1,406,622,800</b>

**18.1 Net Receivable on Loans**

	As at 31st March 2023			As at 31st March 2022		
	Gross Loan Receivables	Allowance for Impairment Losses	Net Loan Receivables	Gross Loan Receivables	Allowance for Impairment Losses	Net Loan Receivables
Stage - 1	364,983,716	7,654,812	357,328,904	1,058,746,170	26,610,604	1,032,135,566
Stage - 2	202,548,041	10,006,164	192,541,877	210,345,614	8,022,622	202,322,991
Stage - 3	302,710,086	53,768,015	248,942,071	204,945,266	32,781,024	172,164,242
	870,241,843	71,428,991	798,812,852	1,474,037,050	67,414,250	1,406,622,800

**18.2 Allowance for Impairment Losses 'LKR.**

**(a) Allowance for Impairment with stage wise**

	Stage -1	Collective Stage -2	Stage -3	Individual Stage -3	Total
Balance as at 01 April 2022	26,236,418	8,022,622	31,179,117	1,976,093	67,414,250
Charges/(Reversals) for the year	(18,581,605)	1,983,542	13,567,425	7,045,380	4,014,742
Amount written off	-	-	-	-	-
Balance as at 31 March 2023	7,654,812	10,006,164	44,746,543	9,021,472	71,428,991

**(b) Movement in allowance for impairment**

	2023 LKR	2022 LKR
As at 01 April	67,414,250	33,787,303
Charges/(reversals) for the year	4,014,742	33,626,947
Amounts written off	-	-
As at 31 March	71,428,991	67,414,250
Individual impairment	9,021,472	1,976,093
Collective impairment	62,407,519	65,438,157
<b>Total</b>	<b>71,428,991</b>	<b>67,414,250</b>

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

**18. LOANS AND ADVANCES (Contd...)**

**18.2 Allowance for Impairment Losses (Contd...)**

	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>Individual Impairment</b>		
As at 1 April	1,976,093	2,784,127
Charges/(reversals) for the year	7,045,380	(808,034)
Amounts written off	-	-
As at 31 March	<u>9,021,473</u>	<u>1,976,093</u>
<b>Collective Impairment</b>		
As at 1 April	65,438,157	31,003,176
Charges/(reversals) for the year	(3,030,638)	34,434,982
Amounts written off	-	-
As at 31 March	<u>62,407,519</u>	<u>65,438,157</u>
Total	<u>71,428,992</u>	<u>67,414,250</u>

**18.3 Credit Exposure and ECL Stage wise movement**

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

**Gross exposure reconciliation**

**As at 31st March 2023**

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

**As at 31st March 2022**

Particulars	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount balance as at 1 April 2021</b>	677,092,059	90,966,944	134,812,997	902,872,000
Changes due to loans recognized in the opening balance that have:				
- Transfers to Stage 1	33,034,591	(25,198,501)	(7,836,090)	-
- Transfers to Stage 2	(100,661,057)	108,575,821	(7,914,763)	(0)
- Transfers to Stage 3	(91,052,572)	(12,024,436)	103,077,009	-
- Loans that have been derecognized during the period	(244,417,692)	(40,444,057)	(59,279,287)	(344,141,036)
New loans originated during the year	924,787,075	146,885,359	82,951,605	1,154,624,039
Write-offs	-	-	-	-
Remeasurement of net exposure	(140,036,232)	(58,415,516)	(40,866,205)	(239,317,953)
<b>Gross carrying amount balance as at 31 March 2022</b>	<u>1,058,746,171</u>	<u>210,345,614</u>	<u>204,945,266</u>	<u>1,474,037,051</u>

**Reconciliation of ECL balance**

**As at 31st March 2023**

Particulars	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance balance as at 1 April 2022</b>	26,610,604	8,022,622	32,781,024	67,414,250
Changes due to loans recognized in the opening balance that have:				
- Transfers to Stage 1	5,879,806	(1,618,340)	(4,261,466)	-
- Transfers to Stage 2	(3,729,225)	7,580,105	(3,850,879)	-
- Transfers to Stage 3	(5,579,920)	(1,953,349)	7,533,269	-
- Loans that have been derecognized during the period	(8,418,161)	(2,558,463)	(15,030,047)	(26,006,670)
New loans originated during the year	851,985	2,135,848	1,686,940	4,674,772
Write-offs	-	-	2,923,171	2,923,171
Net remeasurement of loss allowance	(7,960,276)	(1,602,259)	31,986,004	22,423,469
<b>ECL allowance balance as at 31 March 2023</b>	<u>7,654,812</u>	<u>10,006,164</u>	<u>53,768,015</u>	<u>71,428,991</u>



**As at 31st March 2022**

Particulars	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance balance as at 1 April 2021</b>	9,398,230	2,851,289	21,537,784	33,787,303
Changes due to loans recognized in the opening balance that have:				
- Transfers to Stage 1	2,041,725	(789,828)	(1,251,897)	-
- Transfers to Stage 2	(1,415,116)	2,679,582	(1,264,466)	-
- Transfers to Stage 3	(1,280,037)	(376,897)	1,656,934	-
- Loans that have been derecognized during the period	(3,315,597)	(1,267,688)	(9,470,485)	(14,053,770)
New loans originated during the year	22,887,554	5,602,236	13,268,121	41,757,910
Write-offs	-	-	-	-
Net remeasurement of loss allowance	(1,706,155)	(676,072)	8,305,033	5,922,807
<b>ECL allowance balance as at 31 March 2022</b>	<b>26,610,603.75</b>	<b>8,022,622.19</b>	<b>32,781,023.75</b>	<b>67,414,250</b>

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

Changed Criteria	Changed Factor	2023	2022
		Sensitivity effect on Impairment Allowance Increase	Sensitivity effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	2,642,881	3,566,501
Probability of Default (PD)	Increase by 1%	843,450	2,355,847
Economic Factor Adjustment (EFA)	Increase by 5%	532,662	1,126,246

**18.5 Receivable on Loan Stock**

	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Receivables	755,524,603	262,350,927	1,407,628	1,019,283,159
Less: Unearned Income	80,421,803	47,364,235	113,391	127,899,429
	675,102,801	214,986,693	1,294,237	1,147,182,588
Less : Rentals Received in Advance				(21,141,887)
<b>Net Receivable before charging Allowance for Impairment Losses</b>				<b>1,126,040,701</b>

**19. OTHER FINANCIAL ASSETS**

	2023 LKR	2022 LKR
Refundable Deposit	15,181,797	12,782,277
Sundry Debtors	7,120,075	2,109,837
Other Receivable	2,039,019	1,481,319
	<b>24,340,891</b>	<b>16,373,433</b>

**20. OTHER NON FINANCIAL ASSETS**

	2023 LKR	2022 LKR
Advances and Prepayment	58,781,143	177,169,452
	<b>58,781,143</b>	<b>177,169,452</b>

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

	2023 LKR	No. of Shares	2022 LKR	No. of Shares
<b>Equities-Unquoted</b>				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	<b>457,700</b>	<b>100</b>	<b>457,700</b>	<b>100</b>

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

**22. PROPERTY, PLANT & EQUIPMENT**

<b>22.1 Gross Carrying Amounts</b>	<b>Balance As at 31.03.2022 LKR</b>	<b>Additions LKR</b>	<b>Disposals LKR</b>	<b>Balance As at 31.03.2023 LKR</b>
<b>At Cost</b>				
<b>Freehold Assets</b>				
Furniture & Fittings	128,658,786	76,683,023	-	205,341,810
Office Equipment	72,738,813	46,580,196	-	119,319,009
Computer Equipment	30,708,776	11,808,192	-	42,516,968
Motor Vehicles	43,157,000	6,232,445	-	49,389,445
	<u>275,263,376</u>	<u>141,303,856</u>	<u>-</u>	<u>416,567,232</u>
<b>Assets on Leases</b>				
Right of Use Assets	282,911,211	114,775,283	(38,248,546)	359,437,947
<b>Total Value of Depreciable Assets</b>	<u>558,174,587</u>	<u>256,079,139</u>	<u>(38,248,546)</u>	<u>776,005,179</u>
<b>22.2 Depreciation</b>	<b>Balance As at 31.03.2022 LKR</b>	<b>Charge for the year LKR</b>	<b>Disposals LKR</b>	<b>Balance As at 31.03.2023 LKR</b>
<b>At Cost</b>				
<b>Freehold Assets</b>				
Furniture & Fittings	61,101,420	27,355,752	-	88,457,171
Office Equipment	35,136,175	15,904,378	-	51,040,552
Computer Equipment	18,157,921	4,945,454	-	23,103,375
Motor Vehicles	16,216,294	1,647,170	-	17,863,464
	<u>130,611,810</u>	<u>49,852,754</u>	<u>-</u>	<u>180,464,564</u>
<b>Assets On Leases</b>				
Motor Vehicles	-	-	-	-
Right of Use Assets	81,063,287	44,119,869	-	125,183,156
<b>Total Depreciation</b>	<u>211,675,097</u>	<u>93,972,623</u>	<u>-</u>	<u>305,647,720</u>
<b>22.3 Net Book Values</b>			<b>2023 LKR</b>	<b>2022 LKR</b>
<b>At Cost</b>				
Furniture & Fittings			116,884,638	67,557,366
Office Equipment			68,278,456	37,602,638
Computer Equipment			19,413,594	12,550,855
Motor Vehicles			31,525,981	26,940,706
			<u>236,102,668</u>	<u>144,651,565</u>
<b>Assets on Leases</b>				
Motor Vehicles			-	-
Right of Use Assets			234,254,791	201,847,924
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>			<u>470,357,459</u>	<u>346,499,489</u>

**22. PROPERTY, PLANT & EQUIPMENT (Contd...)****22.4 Fully Depreciated Property, Plant and Equipment**

The initial cost of fully-depreciated property, plant and equipment as at 31 March 2023, which are still in use as at the reporting date is as follows;

	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
Furniture & Fittings	35,607,005	10,864,526
Office Equipment	19,829,301	10,203,353
Computer Equipment	12,885,109	9,782,645
Motor Vehicles	3,257,000	3,257,000
Computer Equipment	39,350,000	
	<u>110,928,414</u>	<u>34,107,524</u>
<b>23. INTANGIBLE ASSETS</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>Computer System Software</b>		
<b>Cost:</b>		
Opening Balance	66,490,036	53,959,768
Addition	2,184,070	12,530,268
Disposal	-	-
Closing Balance	<u>68,674,106</u>	<u>66,490,036</u>
<b>Less: Amortization</b>		
Opening Balance	47,293,330	41,001,227
Amortization Charge for the Period	3,333,640	6,292,103
Closing Balance	<u>50,626,970</u>	<u>47,293,330</u>
<b>Net Book Value as at 31 March</b>	<u>18,047,136</u>	<u>19,196,706</u>
<b>24. INTEREST BEARING BORROWINGS</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
Bank Over Draft	71,476,867	318,622,301
Bank Borrowings	1,437,647,334	1,639,108,936
Securitization Borrowings	480,833,580	914,654,787
	<u>1,989,957,781</u>	<u>2,872,386,024</u>

**24. INTEREST BEARING BORROWINGS (Contd...)**

	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>24.1 Bank Borrowings</b>		
Gross liability	1,423,450,494	1,759,134,644
Less: Finance Charge Allocated to Future Period	(164,303,160)	(120,025,708)
<b>Net Liability</b>	<u>1,259,147,334</u>	<u>1,639,108,936</u>
<b>Repayable Within one year</b>		
Gross Liability	1,187,267,248	1,322,408,092
Less: Finance Charge Allocated to Future Period	(124,937,579)	(76,259,161)
<b>Net Liability</b>	<u>1,062,329,669</u>	<u>1,246,148,931</u>
<b>Repayable After one year (1 to 5 Year)</b>		
Gross Liability	236,183,245	436,726,552
Less: Finance Charge Allocated to Future Period	(39,365,580)	(43,766,547)
<b>Net Liability</b>	<u>196,817,665</u>	<u>392,960,005</u>
<b>Total Net Liability</b>	<u>1,259,147,334</u>	<u>1,639,108,936</u>

**24.2 Securitization Borrowings**

	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
Gross liability	778,883,800	1,048,984,158
Less: Finance Charge Allocated to Future Period	(119,550,220)	(134,329,371)
<b>Net Liability</b>	<u>659,333,580</u>	<u>914,654,787</u>
<b>Repayable Within one year</b>		
Gross Liability	649,640,587	560,764,932
Less: Finance Charge Allocated to Future Period	(90,307,007)	(60,061,697)
<b>Net Liability</b>	<u>559,333,580</u>	<u>500,703,235</u>
<b>Repayable After one year (1 to 5 Year)</b>		
Gross Liability	129,243,213	488,219,225
Less: Finance Charge Allocated to Future Period	(29,243,213)	(74,267,673)
<b>Net Liability</b>	<u>100,000,000</u>	<u>413,951,552</u>
<b>Total Net Liability</b>	<u>659,333,580</u>	<u>914,654,787</u>

**24.2.1 Institution Wise Loan Facilities**

	<b>As at 31.03.2023</b>	<b>As at 31.03.2022</b>	<b>Security</b>
	<b>LKR.</b>	<b>LKR.</b>	
<b>Short Term</b>			
HSBC	762,945,205	-	Mortgage over Lease and Loan Receivables
Hatton National Bank PLC	75,423,781	454,478,596	Mortgage over Gold Loan Receivables
Seylan Bank PLC	-	200,405,479	Mortgage over Lease Receivables
Commercial Bank of Ceylon PLC	-	200,356,164	Lien over Corporate Fixed Deposits
	<u>838,368,986</u>	<u>855,240,239</u>	
<b>Long Term</b>			
Bank of Ceylon	260,204,847	538,725,463	Mortgage over Lease Receivables
Hatton National Bank PLC	160,573,500	244,110,073	Mortgage over Loan Receivables
Seylan Bank PLC	-	1,033,162	Mortgage over Lease Receivables
M Power Capital Limited	198,205,286	238,381,587	Mortgage over Gold Loan receivables
National Development Bank PLC	89,430,409	163,408,323	Mortgage over Lease Receivables
Agora Securities (Private) Limited	371,697,886	512,864,876	Mortgage over Lease Receivables
	<u>1,080,111,928</u>	<u>1,698,523,484</u>	
	<u>1,918,480,914</u>	<u>2,553,763,723</u>	

<b>25. DUE TO CUSTOMERS</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
Fixed Deposits accepted from public	3,487,076,917	2,195,018,842
	<u>3,487,076,917</u>	<u>2,195,018,842</u>
<b>26. OTHER FINANCIAL LIABILITIES</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
Trade Payable	2,924,680	189,659,666
Accrued Expense	45,622,351	54,488,607
Obligation to Make the Lease Payment (Note 26.1)	251,265,783	205,263,559
Sundry Creditors	79,467,937	100,895,441
	<u>379,280,751</u>	<u>550,307,273</u>
<b>26.1 Obligation to Make the Lease Payment</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
As at 1 April	205,263,558	84,559,422
Additions and improvements during the year	109,009,988	150,227,218
Disposals during the year	(36,795,307)	(1,191,771)
Accretion of interest during the year	33,835,137	18,518,570
Payments to lease creditors	(60,047,593)	(46,849,881)
As at 31 March	<u>251,265,783</u>	<u>205,263,558</u>
<b>27. OTHER NON FINANCIAL LIABILITIES</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
WHT Payable	3,140,234	-
Stamp Duty Payable	561,350	9,559,575
VAT Payable	276,844	-
Dividend Payable	961,829	961,829
Other Liabilities	32,453,647	34,445,533
	<u>37,393,904</u>	<u>44,966,937</u>
<b>28. RETIREMENT BENEFIT LIABILITY</b>	<b>2023</b>	<b>2022</b>
	<b>LKR</b>	<b>LKR</b>
<b>28.1 Defined Benefit Liability</b>		
Defined Benefit Liability	30,896,045	26,338,562
	<u>30,896,045</u>	<u>26,338,562</u>
<b>28.2 Changes in the Defined benefit obligation are as follows</b>		
Opening Liability	26,338,562	23,049,390
Net Benefit expense	7,319,858	3,350,422
Benefit paid	(2,762,375)	(61,250)
Closing Liability	<u>30,896,045</u>	<u>26,338,562</u>
<b>28.3 Net Benefit expense</b>		
Interest Cost	3,979,756	1,659,556
Current Service Cost	5,471,057	5,191,889
Gain on Plan Amendment	-	(1,417,183)
Actuarial Gain on obligations	(2,130,956)	(2,083,840)
	<u>7,319,857</u>	<u>3,350,422</u>

**28. RETIREMENT BENEFIT LIABILITY (Contd...)****28.4 The principal financial assumptions used are as follows**

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

	2023	2022
Discount Rate*	19.60%	15.11%
Future Salary Increment Rate	15.00%	12.00%
Retirement age	60 Years	60 Years
The weighted average duration of the defined benefit obligation	6 Years	7 Years
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.

\*Discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the increase in market interest rates.

The Company generally uses the 10-year treasury bond rate as discount rate. The treasury bond rates increased significantly during the year and was around 30% during the later part of 2022. The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued guidance (via FAQs on use of discount rate under uncertain economic conditions) to consider an adjusted treasury bond rate as the discount rate for the purpose of actuarial valuations, on the basis that the current treasury bond rates do not reflect only the time value of money. Accordingly, an adjusted discount rate was derived by removing a credit spread from the current treasury bond rate, as per the guidance issued by CA Sri Lanka.

**28.5 Sensitivity Analysis**

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

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

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

**Sensitivity Analysis**

^+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31 March 2022.

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

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

29. DEFERRED TAX (ASSET)/ LIABILITY

	Accelerated Depreciation for Tax Purposes				Impairment of Loans and Receivables	Defined Benefit Plan Obligation	Others	Total
	Property, Plant and Equipment	Intangible Assets	Right of Use Assets	Lease Rentals				
<b>Balance as at 1st April 2022</b>	11,183,186	1,791,923	(12,217,434)	5,015,292	(23,885,966)	(6,321,255)	750,388	(23,683,867)
<b>Profit or loss (Note no. 11.1)</b>								
Due to rate change	2,795,796	447,981	(3,054,359)	1,253,823	(5,971,491)	(1,580,314)	(750,388)	(6,858,952)
Due to change in temporary differences	4,096,261	(422,727)	10,168,495	(6,015,453)	(3,564,947)	(2,006,531)	-	2,255,098
<b>Other comprehensive income</b>								
Due to rate change	-	-	-	-	-	(8,780)	-	(8,779)
Due to change in temporary differences	-	-	-	-	-	648,066	-	648,066
<b>Balance as at 31st March 2023</b>	18,075,244	1,817,178	(5,103,297)	253,661	(33,422,405)	(9,268,814)	-	(27,648,433)

30. STATED CAPITAL

Issued and Fully Paid-Ordinary Shares

	No. of Shares	Rs.
<b>Balance as of 1 April 2021</b>	145,639,098	1,908,247,125
Issued during the Period	-	-
<b>Balance as of 31 March 2022</b>	<u>145,639,098</u>	<u>1,908,247,125</u>
<b>Balance as of 1 April 2022</b>	145,639,098	1,908,247,125
Issued during the Period	-	-
<b>Balance as of 31 March 2023</b>	<u>145,639,098</u>	<u>1,908,247,125</u>

31. RESERVES

	2023 LKR	2022 LKR
<b>Statutory Reserve Fund</b>		
Opening Balance as at 1 April	43,758,990	31,718,715
Addition during the year	4,419,474	12,040,276
Closing Balance as at 31 March	<u>48,178,464</u>	<u>43,758,990</u>

The company's reserve fund is maintained in accordance with Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

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

Components of cash and cash Equivalents	2023 LKR	2022 LKR
<b>Favorable Cash &amp; Cash Equivalents Balance</b>		
Cash and Bank Balance (Note 13)	165,583,696	135,648,058
Investment in Government Securities (Note 14)	157,808,254	248,709,944
	<u>323,391,950</u>	<u>384,358,002</u>
<b>Un-Favorable Cash &amp; Cash Equivalents Balance</b>		
Bank Over Draft (Note 24)	71,476,867	318,622,301
	<u>71,476,867</u>	<u>318,622,301</u>
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<u>251,915,083</u>	<u>65,735,701</u>

**33. ANALYSIS OF FINANCIAL ASSETS & LIABILITIES BY MEASUREMENT BASIS****As at 31 March 2023**

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

**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 Amortized Cost LKR	Total LKR
<b>Financial Assets</b>				
Cash & Bank Balances	-	-	135,648,058	135,648,058
Investment in government Securities	-	-	248,709,944	248,709,944
Placements with Other Banks & Financial Institutions	-	-	287,743,917	287,743,917
Lease Rentals Receivable and Stock out on Hire	-	-	3,564,076,376	3,564,076,376
Loans and Advances	-	-	1,406,622,800	1,406,622,800
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	-	-	16,373,433	16,373,433
<b>Total Financial Assets</b>	<u>-</u>	<u>457,700</u>	<u>7,918,033,615</u>	<u>7,918,491,315</u>
<b>Financial Liabilities</b>				
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
<b>Total Financial Liabilities</b>	<u>-</u>	<u>-</u>	<u>5,617,712,139</u>	<u>5,617,712,139</u>



**34. FAIR VALUE OF FINANCIAL INSTRUMENTS**

**34.1 Determination of Fair Value and Fair Value Hierarchy**

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

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

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

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

**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.

**34.2 Fair Value of the Financial Instrument Carried at Amortized Cost**

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial Statements. This table does not include the fair values of non financial assets and liabilities.

As at 31 March 2023	Level	Carrying Amount LKR	Fair Value LKR
<b>Financial Assets</b>			
Lease Rentals Receivable and Stock out on Hire	Level 02	2,374,025,383	2,095,629,218
Loans and Advances	Level 02	798,812,852	763,441,751
<b>Financial Liabilities</b>			
Interest Bearing Borrowings	Level 02	1,918,480,914	1,959,936,050

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34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

34.2 Fair Value of the Financial Instrument Carried at Amortized Cost

As at 31 March 2022	Level	Carrying Amount LKR	Fair Value LKR
<b>Financial Assets</b>			
Lease Rentals Receivable and Stock out on Hire	Level 02	3,564,076,376	3,673,798,526
Loans and Advances	Level 02	1,406,622,800	1,458,244,117
<b>Financial Liabilities</b>			
Interest Bearing Borrowings	Level 02	2,553,763,722	2,364,364,916

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

35. CURRENT AND NON CURRENT ANALYSIS OF ASSETS & LIABILITIES

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

As at 31 March 2023	Within 12-Months LKR	After 12-Months LKR	Total LKR
<b>ASSETS</b>			
Cash and Bank Balances	165,583,696	-	165,583,696
Investment in Government Securities	458,137,517	-	458,137,517
Placements with Banks and Other Financial Institutions	445,268,915	-	445,268,915
Gold Advances	3,950,688,495	-	3,950,688,495
Lease Rentals Receivable and Stock out on Hire Purchase and Loans and Advances	1,481,552,723	1,691,285,512	3,172,838,234
Other Financial Assets	15,612,072	8,728,819	24,340,892
Other Non Financial Assets	44,748,960	14,032,183	58,781,143
Financial Investments-Measured at Fair Value through OCI	-	457,700	457,700
Property, Plant and Equipment	-	470,357,459	470,357,459
Intangible Assets	-	18,047,136	18,047,136
Deferred Tax Assets	-	27,648,433	27,648,433
<b>Total Assets</b>	<b>6,561,592,378</b>	<b>2,230,557,243</b>	<b>8,792,149,620</b>

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

	Within 12-Months LKR	After 12-Months LKR	Total LKR
<b>LIABILITIES</b>			
Interest Bearing Borrowings	1,693,140,116	296,817,665	1,989,957,781
Due to the Customers	3,257,263,796	229,813,120	3,487,076,917
Other Financial Liabilities	147,745,201	231,535,550	379,280,751
Other Non Financial Liabilities	37,393,905		37,393,905
Current Tax Liabilities	32,921,837		32,921,837
Retirement Benefit Liability	-	30,896,045	30,896,045
<b>Total Liabilities</b>	<b>5,168,464,855</b>	<b>789,062,380</b>	<b>5,957,527,235</b>
<b>Net Assets</b>	<b>1,393,127,522</b>	<b>1,441,494,863</b>	<b>2,834,622,385</b>

As at 31 March 2022

	Within 12-Months LKR	After 12-Months LKR	Total LKR
<b>ASSETS</b>			
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	1,835,899,362	3,134,799,815	4,970,699,177
Other Financial Assets	7,600,516	8,772,917	16,373,434
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
<b>Total Assets</b>	<b>4,875,586,555</b>	<b>3,609,782,329</b>	<b>8,485,368,884</b>
<b>LIABILITIES</b>			
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
<b>Total Liabilities</b>	<b>1,879,692,898</b>	<b>1,134,708,327</b>	<b>3,014,401,224</b>
<b>Net Assets</b>	<b>2,995,893,658</b>	<b>2,475,074,002</b>	<b>5,470,967,659</b>

**36. COMMITMENT AND CONTINGENCIES**

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

**36.1 Litigation Against Company**

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

**36.2 Assets Pledged**

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2023 LKR.	2022 LKR.	
Lease Rentals Receivable and Stock out on Hire *	Bank Loans and Overdrafts	2,289,046,071	2,344,953,053	Lease Rentals Receivable
Loan Receivable*	Bank Loans and Overdrafts	423,411,966	413,898,346	Loan Receivable
Gold Advances*	Bank Loans and Overdrafts	2,462,704,804	-	Loan Receivable
		<u>5,175,162,841</u>	<u>2,758,851,399</u>	

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

**37. EVENT OCCURRING AFTER THE REPORTING DATE**

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

**38. RELATED PARTY TRANSACTIONS**

The company carries out transactions in the ordinary course of business with the parties who are defined as "Related Parties" in LKAS-24-Related Party Disclosures.

**Terms and Conditions**

All such transactions entered into with the related parties are on an arms' length basis and are comparable with what is applied to the transactions with unrelated customers with similar credit standing.

Details of related party transactions which the company had during the year are as follows:

**38.1 Transactions with Key Managerial Personnel (KMPs)**

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

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.

**38.1.1 Compensation to KMP**

	2023 LKR	2022 LKR
Short Term Employment Benefits	36,992,968	31,325,000
Post Employment Benefits	-	-
	<u>36,992,968</u>	<u>31,325,000</u>

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

**38.1.2 Transaction with KMP and their Close Family Members**

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

	2023 LKR	2022 LKR
Fixed Deposits accepted during the year	-	-
Fixed Deposits held at the end of the year	-	-
Interest paid during the year	-	-

**38. RELATED PARTY TRANSACTIONS (Contd...)****38.2 Transaction, arrangements and agreements involving with Entities which are controlled, and/or jointly controlled by the KMP's and their CFMs or shareholders**

	Nature of Relationship	Amount of the Transactions had During the year	Outstanding Receivable/ (Payable) Balance as at 3/31/2023	Outstanding Receivable/ (Payable) Balance as at 3/31/2022
		LKR	LKR	LKR
<b>Ideal Motors (Pvt) Ltd.</b>	Affiliate Company			
Finance Lease Equipment Purchase		3,695,000	-	(14,766,500)
Other Purchases & Services		27,999,086	-	-
Vehicle Repair Services		261,461	-	-
<b>Ideal Automobile (Pvt) Ltd</b>	Affiliate Company			
Finance Lease Equipment Purchase		-	-	-
Fixed Deposits		(75,038,657)	(186,263,657)	(111,225,000)
Interest Expenses - Fixed Deposits		41,818,954	(1,617,603)	(337,736)
Other Purchases & Services		450,974	-	-
<b>Ideal First Choice (Pvt) Ltd</b>	Affiliate Company			
Vehicle Repair Services		448,184	-	-
<b>Prompt Express Private Limited</b>	Affiliate Company			
Gross Advances		32,772,150	54,423,171	20,687,955
Courier Service Charges		2,530,715	(632,268)	-
<b>Ideal Drive Private Limited</b>	Affiliate Company			
Vehicle Hire Expense		5,366,188	-	(427,081)
<b>Arcasia Investment and Trading Pvt Ltd</b>	Affiliate Company			
Interest Expenses - Fixed Deposits		3,176,381	-	-
<b>E M G Logistics Pvt Ltd</b>	Parent Company			
Fixed Deposits		(48,567,399)	(48,567,399)	-
Interest Expenses - Fixed Deposits		2,802,866	493,685	-
<b>Ideal Premier (Pvt) Ltd</b>	Affiliate Company			
Vehicle Repair Services		4,102,390	-	-
<b>Mahindra &amp; Mahindra</b>				
Trade Mark Fee	Ultimate Parent Compa	55,201	-	-

**39. CAPITAL**

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

**39.1 Capital Management**

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

**Regulatory Capital**

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed finance companies. Accordingly, finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements. The company's Tier I and Tier II capital adequacy ratios as at the end of the financial year stood at 44.86% and 46.83% respectively.

**40. RISK MANAGEMENT**

**40.1 Introduction**

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

**RISK MANAGEMENT FRAMEWORK**

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

**RISK MANAGEMENT AND REPORTING**

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

**40.2 Credit Risk**

Credit risk is the risk arise due to the uncertainty in counterparty's ability to meet its obligations. The risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The company considers a financial instrument defaulted for impairment calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

**40. RISK MANAGEMENT (Contd...)****40.2.1 Credit Quality of Financial Assets :**

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

Particulars	31st March 2023	31st March 2022
<b>Gross carrying value of Lease Rentals Receivable and Stock out on Hire</b>		
Neither Past due nor impaired	665,189,258	1,604,788,522
<b>Past Due but not impaired</b>		
30 days past due	455,494,155	758,351,467
31-90 days past due	833,587,566	841,524,574
Impaired (more than 90 days)	599,224,738	532,551,469
<b>Total Gross carrying value as at reporting date</b>	<b>2,553,495,717</b>	<b>3,737,216,031</b>

Particulars	31st March 2023	31st March 2022
<b>Gross carrying value of Loans and Advances</b>		
Neither Past due nor impaired	251,983,980	776,688,746
<b>Past Due but not impaired</b>		
30 days past due	112,999,736	282,057,424
31-90 days past due	202,548,041	210,345,614
Impaired (more than 90 days)	302,710,086	204,945,266
<b>Total Gross carrying value as at reporting date</b>	<b>870,241,843</b>	<b>1,474,037,050</b>

**40.2.2 Analysis of Risk Concentration****40.2.2.1 Industry Analysis**

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

Sector wise Break Down as at 31 March 2023	Cash & Bank	Investment in Government Securities at	Placement with Bank & Other Financial Institutions	Lease Rental Receivable, Stock out on Hire purchase and Loans and Advances	Financial Investments- Measured at Fair Value through OCI	Gold Advances	Other Financial Assets	Total Financial Assets
	Balances	Amortized cost						
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Agriculture	-	-	-	233,519,242	-	-	-	233,519,242
Manufacturing	-	-	-	45,794,715	-	-	-	45,794,715
Construction	-	-	-	145,530,881	-	-	-	145,530,881
Financial Services	165,583,696	458,137,517	445,268,915	8,041,880	-	-	-	1,077,032,008
Trading	-	-	-	178,840,812	-	-	-	178,840,812
Hotels	-	-	-	15,596,463	-	-	-	15,596,463
Services	-	-	-	-	457,700	-	-	457,700
Transport	-	-	-	2,559,614,724	-	-	-	2,559,614,724
Consumer	-	-	-	236,798,844	-	3,971,326,248	24,340,891	4,232,465,983
<b>Total</b>	<b>165,583,696</b>	<b>458,137,517</b>	<b>445,268,915</b>	<b>3,423,737,560</b>	<b>457,700</b>	<b>3,971,326,248</b>	<b>24,340,891</b>	<b>8,488,852,527</b>

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

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



**40. RISK MANAGEMENT (Contd...)****40.2.1 Analysis of Risk Concentration (Contd...)****40.2.2.1 Industry Analysis (Contd...)**

Sector wise Break Down as at 31 March 2022	Cash & Bank	Investment in Government Securities at Amortized cost	Placement with Bank & Other Financial Institutions	Lease Rental Receivable, Stock out on Hire purchase and Loans and Advances	Financial Investments- Measured at Fair Value through OCI	Gold Advances	Other Financial Assets	Total Financial Assets
	Balances	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Agriculture	-	-	-	374,773,366	-	-	-	374,773,366
Manufacturing	-	-	-	83,366,341	-	-	-	83,366,341
Construction	-	-	-	239,845,781	-	-	-	239,845,781
Financial Services	135,648,058	248,709,944	287,743,917	13,504,482	-	-	-	685,606,401
Trading	-	-	-	281,244,993	-	-	-	281,244,993
Hotels	-	-	-	20,427,252	-	-	-	20,427,252
Services	-	-	-	-	457,700	-	-	457,700
Transport	-	-	-	3,825,533,006	-	-	-	3,825,533,006
Consumer	-	-	-	372,557,861	-	2,267,524,563	61,826,573	2,701,908,997
<b>Total</b>	<b>135,648,058</b>	<b>248,709,944</b>	<b>287,743,917</b>	<b>5,211,253,081</b>	<b>457,700</b>	<b>2,267,524,563</b>	<b>61,826,573</b>	<b>8,213,163,836</b>

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

Province	Lease Rental Receivable & Stock Out On Hire	Loans & Advances	Gold Advances
Central	142,023,383	68,402,719	88,215,503
North Central	260,581,169	251,303,105	124,727,871
North Western	657,409,056	164,778,271	113,549,533
Northern	313,434,426	63,238,463	694,922,920
Sabaragamuwa	413,334,476	28,165,384	109,100,507
Southern	429,204,324	178,923,123	208,994,501
Uva	732,720,804	46,067,156	592,641,790
Western	788,508,393	673,158,830	335,371,938
<b>Total</b>	<b>3,737,216,031</b>	<b>1,474,037,050</b>	<b>2,267,524,563</b>

**40. RISK MANAGEMENT (Contd...)****40.3 Liquidity Risk & Funding Management**

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

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

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

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

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

As at 31st March 2023	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
<b>Financial Assets</b>						
Cash and Bank Balances	165,583,696	-	-	-	-	165,583,696
Placements with Banks and Other Financial Institutions	-	24,620,114	468,991,912	-	-	493,612,026
Investment in Government Securities	-	165,000,000	328,000,034	-	-	493,000,034
Gold Advances	-	3,900,684,135	70,172,673	469,440	-	3,971,326,248
Lease Rentals Receivable and Stock out on Hire purchase	220,523,520	314,350,533	916,179,827	1,790,003,965	-	3,241,057,845
Loans and Advances	153,490,720	294,255,388	217,437,621	214,986,693	1,294,237	881,464,658
Financial Investments-Measured at Fair Value through OCI	-	-	-	-	457,700	457,700
Other Financial Assets	-	13,921,689	1,690,383	4,162,603	4,566,216	24,340,891
<b>Total Financial Assets</b>	<b>539,597,936</b>	<b>4,712,831,859</b>	<b>2,002,472,450</b>	<b>2,009,622,701</b>	<b>6,318,153</b>	<b>9,270,843,098</b>
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	1,294,497,129	536,038,778	365,426,459	-	2,195,962,366
Due to the Customers	-	1,786,360,256	1,783,245,376	340,034,622	-	3,909,640,254
Other Financial Liabilities	-	128,014,969	-	-	-	128,014,969
Obligation to Make the Lease Payment	-	14,040,411	39,410,018	195,662,605	173,790,305	422,903,339
<b>Total Financial Liabilities</b>	<b>-</b>	<b>3,222,912,765</b>	<b>2,358,694,172</b>	<b>901,123,685</b>	<b>173,790,305</b>	<b>6,656,520,928</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>539,597,936</b>	<b>1,489,919,094</b>	<b>(356,221,722)</b>	<b>1,108,499,016</b>	<b>(167,472,153)</b>	<b>2,614,322,170</b>

**40. RISK MANAGEMENT (Contd...)****40.3 Liquidity Risk & Funding Management (Contd...)****40.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities (Contd....)**

As at 31st March 2022

	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
<b>Financial Assets</b>						
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	-	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	-	7,151,157	449,360	5,516,684.14	3,256,233	16,373,434
<b>Total Financial Assets</b>	<b>405,927,098</b>	<b>3,227,353,077</b>	<b>2,135,286,696</b>	<b>3,924,472,249</b>	<b>22,246,341</b>	<b>9,715,285,462</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>-</b>	<b>1,645,708,781</b>	<b>2,700,903,430</b>	<b>1,258,242,519</b>	<b>126,684,092</b>	<b>5,731,538,822</b>
<b>Total Net Financial Assets/ (Liabilities)</b>	<b>405,927,098</b>	<b>1,627,097,435</b>	<b>(565,616,734)</b>	<b>2,666,229,730</b>	<b>(104,437,751)</b>	<b>4,029,199,778</b>

**40. RISK MANAGEMENT (Contd...)****40.4 Interest Rate Risk**

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

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

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

**Interest Rate Risk Exposure on Financial Assets & Liabilities**

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

As at 31st March 2023	Total As at 31-03-2023 LKR	Interest Bearing				Non Interest Bearing LKR
		Less Than 3 Months LKR	3 to 12 Month LKR	1 to 5 Years LKR	Over 5 Years LKR	
<b>Financial Assets</b>						
Cash and Bank Balances	165,583,696	-	-	-	-	165,583,696
Investment in Government Securities and Placements with Banks	903,406,432	160,572,123	742,834,309	-	-	-
Gold Advances	3,971,326,248	3,900,684,135	70,642,113	-	-	-
Lease Rentals Receivable and Stock out on Hire purchase	2,553,495,717	412,141,696	666,349,439	1,475,004,582	-	-
Loans and Advances	870,241,842	436,523,292	217,437,621	216,280,929	-	-
Financial Investments-Measured at Fair Value through OCI	457,700	-	-	-	-	457,700
Other Financial Assets	24,340,891	4,897,876	-	-	-	19,443,015
<b>Total Financial Assets</b>	<b>8,488,852,527</b>	<b>4,914,819,123</b>	<b>1,697,263,482</b>	<b>1,691,285,512</b>	<b>-</b>	<b>185,484,411</b>
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	1,989,958,106	1,264,844,608	428,295,833	296,817,665	-	-
Due to the Customers	3,487,076,918	1,746,722,802	1,510,540,995	229,813,120	-	-
Other Financial Liabilities	379,280,752	132,054,510	15,690,692	94,799,993	136,735,557	-
<b>Total Financial Liabilities</b>	<b>5,856,315,776</b>	<b>3,143,621,920</b>	<b>1,954,527,520</b>	<b>621,430,778</b>	<b>136,735,557</b>	<b>-</b>
<b>Interest Sensitivity Gap</b>	<b>2,632,536,751</b>	<b>1,771,197,202</b>	<b>(257,264,039)</b>	<b>1,069,854,733</b>	<b>(136,735,557)</b>	<b>185,484,411</b>

## 40. RISK MANAGEMENT (Contd...)

## 40.4 Interest Rate Risk (Contd...)

As at 31st March 2022

Financial Assets	Total As at 31-03-2022 LKR	Less Than 3 Months LKR	Interest Bearing			Non Interest Bearing LKR
			3 to 12 Month LKR	1 to 5 Years LKR	Over 5 Years LKR	
Cash and Bank Balances	135,648,058	-	-	-	-	135,648,058
Investment in Government Securities and Placements with Banks	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	16,373,434	122,316	-	-	-	16,251,118
<b>Total Financial Assets</b>	<b>8,117,945,239</b>	<b>3,221,430,449</b>	<b>1,609,358,101</b>	<b>3,117,790,046</b>	<b>17,009,769</b>	<b>152,356,876</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>5,617,712,140</b>	<b>1,559,428,366</b>	<b>2,542,122,135</b>	<b>1,068,007,203</b>	<b>103,110,723</b>	<b>345,043,714</b>
<b>Interest Sensitivity Gap</b>	<b>2,500,233,099</b>	<b>1,662,002,082</b>	<b>(932,764,034)</b>	<b>2,049,782,844</b>	<b>(86,100,954)</b>	<b>(192,686,839)</b>

41. OPERATING SEGMENTS

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

As at 31st March 2023	Finance Lease LKR	Gold Loan LKR	Loans and Advances LKR	Other LKR	Total LKR
Interest Income	641,168,494	807,982,594	239,486,405	116,662,455	1,805,299,948
Commission Income				13,067,675	13,067,675
Other Income				105,911,732	105,911,732
	<u>641,168,494</u>	<u>807,982,594</u>	<u>239,486,405</u>	<u>235,641,862</u>	<u>1,924,279,355</u>
As at 31st March 2022	Finance Lease LKR	Hire Purchase 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
	<u>644,897,703</u>	<u>344,470,014</u>	<u>220,135,915</u>	<u>112,033,180</u>	<u>1,321,536,812</u>

42. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standards LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31 March 2023 are disclosed below.

	Securitization Borrowing LKR	Bank Borrowing LKR
Balance as at 01 April 2022	914,654,787	1,639,108,936
Net cash flows from financing activities	(440,794,600)	(273,139,521)
<b>Non cash changes</b>		
Foreign exchange movements	-	-
Amortization of loan origination costs	(8,936,227)	-
Accrual for interest expense	15,909,621	71,677,918
Balance as at 31 March 2023	<u>480,833,580</u>	<u>1,437,647,334</u>