



Mercantile Investments
and Finance PLC

Mercantile Investments and Finance PLC
Annual Report 2023/24



Dwell In Possibility

Dwell In Possibility

Despite facing numerous challenges in recent years, we at Mercantile Investments are on a steady upward trajectory on performance numbers, and our spirits soaring higher than ever before. The year pushed us to be better, and to be flexible in adapting to the changes and challenges that affected the industry as a whole. In the past 12 months, we have worked hard to create a more sustainable business that gives value to the trust placed by our stakeholders while also being a conscious corporate citizen who gives back to the environments in which we operate.

In the realm of finance, where the horizon is boundless and the opportunities endless, we find ourselves immersed in a world of infinite possibilities. At Mercantile Investments, we believe in the power of possibility-the ability to dream big, to envision a future brimming with success, and to pursue our goals with unwavering determination. Guided by this belief, we have charted a course that transcends boundaries, defies limitations, and unlocks new avenues of growth and innovation.

As we gaze upon the horizon, we see not only challenges but also opportunities to make a difference, to empower individuals and businesses, and to shape a brighter, more prosperous future for all. With every diversification, every investment, and every decision we make, we strive to harness the power of possibility to catalyse positive change and drive sustainable growth.

As we embark on this exciting journey towards our 60th year in successful business operations on 15th June 2024, we continue to make investments and plans that will reap rewards in the short term as well as in the long run; and our collective vision, our shared determination, and our unwavering belief in the limitless capacity of the future will help us dwell in possibility of the vast potential in our path.

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Envisioning our infinite potential



Bridging the varying customer and business partner needs



Navigating our next great step

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The electronic version of this year's Integrated Annual Report is available in the MI website, <http://www.mi.com.lk>. Mobile users can view the report electronically using the QR code.



Catalysing the gears of productivity



Journeying in strides towards excellence



Embracing strides made in technological revolution

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Integrated Annual Report – 2023/24

Overview		Value Creation
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Navigation Icons

Capitals

<p>Financial Wealth: Shareholders' equity, funding received from clients and borrowings obtained from banks and financial intermediaries that are used to support our business</p>	<p>Alliances: Our strong commercial relationships and the bonds with our stakeholders, including the community and the wider society</p>	<p>Human Strength: The experienced and skillful workforce that drives our organisation to deliver unique and competitive products and services, to our customer base</p>
<p>Intellect: Our intangible assets that include MI's brand value, reputation and business know-how</p>	<p>Infrastructure: Physical resources that support all our business operations</p>	<p>Nature: Natural resources that we utilise in our business and the impact we create on them in return</p>

Capital Management Report



Financial Wealth –
Pages 46-55



Alliances –
Pages 56-57



Human Strength –
Pages 58-59



Intellect –
Pages 60-61



Infrastructure –
Pages 62-63



Nature –
Pages 64-65

Committee Reports –
Pages 177 to 183

Other Information –
Pages 296 to 315

Stakeholders



Shareholders: Our equity providers



Clients: Our credit customers and depositors



Staff: Our permanent and probationary employees



Business Partners: Our suppliers, lending institutions such as banks and financial intermediaries and other business associates



Regulators: The Central Bank of Sri Lanka, the Colombo Stock Exchange, the Department of Inland Revenue and other similar regulatory bodies applicable to our industry



Society and Environment: The local community and wider society we interact with and the nature



**Envisioning our infinite
potential**



OUR JOURNEY

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OVERVIEW ABOUT THIS REPORT

In a year we embark on our 60 years of unwavering success, we take great pride in unveiling our eleventh integrated annual report, showcasing the strides made towards creating value to our stakeholders, whilst spotlighting the significant milestones achieved along our business journey. This report adheres to the guiding principles and content elements outlined by the integrated reporting framework of the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI) Standards, ensuring comprehensive disclosure of our financial and non-financial performance metrics. Throughout the reporting period, we have prioritized stakeholder engagement and maintained a robust stakeholder management approach to foster meaningful relationships and address their diverse interests. This report serves as a testament to our innovative approach to value creation, illustrating the dynamic nature of the operational landscape, our strategic vision, key performance highlights, and the continual evolution of our strategic business processes and operational priorities amidst another unprecedented year of challenges for corporates.

Reporting Parameters and Frameworks

◉ GRI 2-2, 2-3, 2-5, 2-25

Scope of the Report and Consolidation

◉ GRI 2-2

The integrated annual report provides a comprehensive overview of our organization's performance during the reporting period from 01st April 2023 to 31st March 2024. It encompasses the operations of our local entities, detailing our endeavors, achievements and challenges within the domestic landscape. As part of our commitment to transparency and accountability, we have included comparative figures to facilitate meaningful analysis and benchmarking against prior periods. Furthermore, this report extends beyond mere

financial metrics, offering insights into our non-financial performance, including environmental, social and governance (ESG) considerations. Through this holistic approach, we aim to provide stakeholders with a nuanced understanding of our contributions to sustainable value creation within our local context.

MI holds a 26.12% stake in Nuwara Eliya Hotels PLC as an associate company but has no subsidiary holding relationships locally and does not operate internationally. By providing a consolidated overview, we enhance transparency and facilitate informed decision making among our stakeholders, thereby reinforcing stakeholder trust and confidence in our organization. Furthermore, we have assured our non-financial sustainability disclosures are independently reviewed and audited by a reputed audit firm Messrs. Ernst & Young, Chartered Accountants.

Our Target Audience

◉ GRI 2-3

Our annual report serves as a comprehensive communication tool designed to cater to the informational needs of our diverse stakeholder base. Primarily, it is tailored to provide detailed insights to our existing and potential investors, including our shareholders and other providers of funding, offering in-depth analysis of our financial performance, strategic initiatives and future prospects. Beyond investors, this report is also intended to engage and inform all other key stakeholders, including customers, employees, business partners, regulators and the broader society. By addressing the interests and concerns of these varied stakeholders, we aim to foster transparency, trust and accountability in our operations. Through meaningful engagement with our stakeholders, we strive to uphold our commitment to responsible corporate citizenship and sustainable value creation, thereby contributing positively to the socioeconomic well-being of the communities we serve.

Materiality

◉ GRI 2-4, 3-2

Our commitment to transparency and accountability is underscored by our rigorous assessment of materiality, which forms the basis of our reporting practices. Throughout the assessment process, we precisely evaluated the economic, social and environmental impacts of our operations to identify and prioritize material matters. We ensure that all significant issues, whether financial or non-financial, are thoroughly addressed and we take the highest possible actions to mitigate risks and capitalize on opportunities. Importantly, our organizational size, structure and ownership remained unchanged, ensuring consistency and stability in our reporting framework. Furthermore, we maintained continuity in our scope, boundary and reporting structure from the preceding year, facilitating ease of comparability and analysis for stakeholders. With no restatements of information, stakeholders can rely on the accuracy and reliability of the data presented, further reinforcing trust and confidence in our reporting practices.

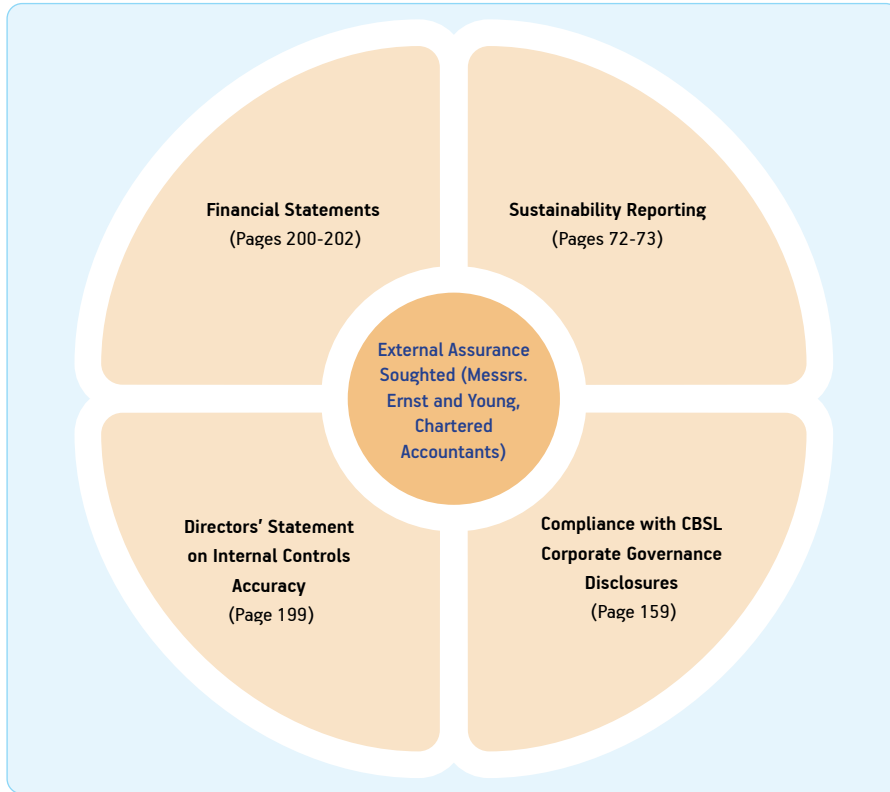
Extent of Reporting

◉ GRI 2-2

In this Annual Report we offer our stakeholders a comprehensive view of Mercantile Investments operations through a dual focus on financial and non-financial disclosures. Our financial reporting provides a detailed analysis of our performance, while non-financial disclosures drills down into aspects such as MI's strengths & weaknesses, whilst emphasizing on emerging opportunities and risks. Furthermore, we elucidate our risk management strategies, outlining our proactive measures to identify, assess and mitigate risks inherent in our operations. Additionally, our governance structure meticulously showcases the solid frameworks and mechanisms put forth by the Director Board to ensure effective oversight, integrity and ethical conduct across the organizational hierarchy. This includes a robust reporting framework, which aims to empower stakeholders with the information they need to make informed decisions, while upholding principles of transparency, accountability and sustainability.

External Assurance

GRI 2-5



Reliability and Completeness

GRI 2-3

The reliability and comprehensiveness of both our financial and non-financial data have been affirmed by sourcing and deriving information from diverse, trustworthy channels, coupled with internal audit scrutiny and independent external audit assurances.

Comparability and Consistency

We have furnished ample comparable data in the Integrated Annual Report, spanning one to four years, utilizing available resources. Additionally, we have upheld consistency across all sections of the report.

Conciseness

Each section of our Annual Report is pedantically crafted to encompass all pertinent information necessary for our stakeholders. We prioritize clarity and brevity, ensuring that every aspect of our operations, performance and governance is conveyed concisely yet comprehensively. Furthermore, for stakeholders seeking more detailed insights, our website serves as a repository of comprehensive explanations and supplementary materials. By maintaining a balance between conciseness in our report and depth of information on our website, we strive to meet the diverse informational needs of our stakeholders, fostering transparency, understanding and informed decision-making.

Strategic Focus and Future Orientation

At MI, our strategic focus remains steadfastly aimed at fostering sustainable growth and delivering enduring value to our stakeholders. We continued to align our strategies with our visionary aspirations, leveraging our strengths and capabilities to navigate dynamic market conditions and emerging trends. With a forward-looking approach, we have proactively pursued opportunities for innovation and differentiation, positioning ourselves to capitalize on evolving market dynamics and emerging opportunities. As we move forward, we remain dedicated to fostering a culture of innovation, agility and resilience, ensuring that we are well-positioned to adapt and thrive in an ever-changing business landscape. Through our strategic focus and future orientation, we are confident in our ability to sustainably create value for all our stakeholders in the years ahead.

Value Creation and Preservation

At the core of our business operations lies the art of value creation a strategic endeavor that transforms our resources into anticipated results and impacts, yielding tangible and intangible benefits for our stakeholders, whilst carefully navigating trade-offs. Our distinct value creation process and its essential elements are underscored in our bespoke business model, the framework of which is delineated in the pages 34 to 35 for your reference.

Precautionary Approach

GRI 2-25

Recognizing our role as a conscientious corporate stewards, we understand the profound impact our operations may exert on the economy, society and the environment. While actively contributing to economic prosperity, we maintained a steadfast dedication to minimizing adverse effects stemming from our endeavors. Embracing a strategic framework of corporate sustainability, we harmonized our lending, investment, operational and risk management strategies to foster sustainable value generation for our stakeholders. Concurrently, we diligently sought to mitigate or eradicate any detrimental impacts on society and the environment. Through this holistic approach, our objective is to attain enduring prosperity while nurturing a more inclusive, healthier and sustainable global landscape, thus establishing a heritage of responsible guardianship for future generations.

OVERVIEW ABOUT THIS REPORT

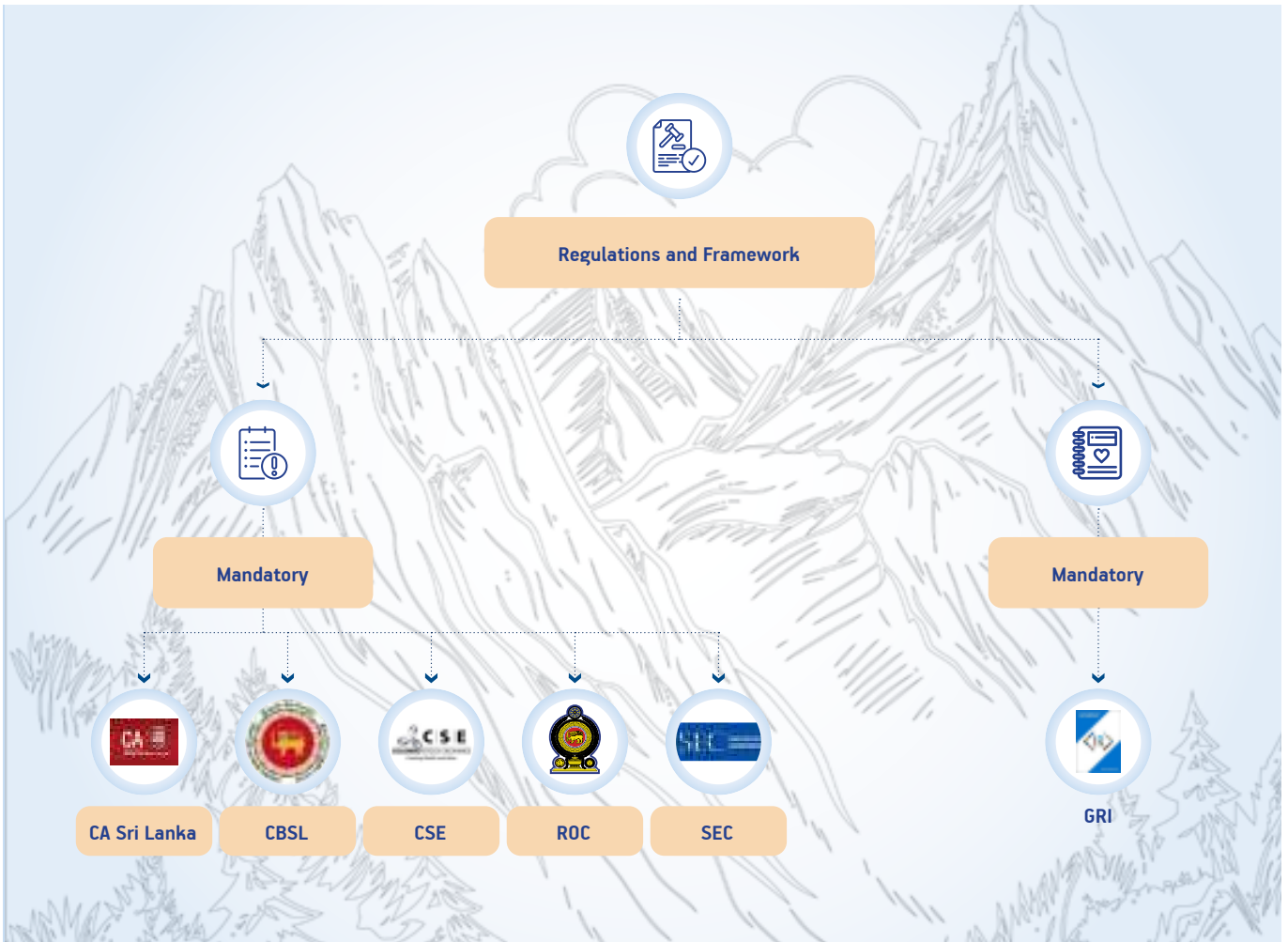
Forward Looking Statements







The contents of this Report include forward -looking statements regarding MI's financial position and operational performance. The actual outcomes could differ from our expectations since these statements depend on the occurrence or nonoccurrence of future events, including opportunities, risks and uncertainties. This is especially true given the highly volatile climate prevailing since the onset of the pandemic.

Reporting Regulations, Principles and Protocols

GRI 2-1

Regulations and Framework Adopted



Governing Body	Reporting Guidelines
Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) 	<ul style="list-style-type: none"> The Code of Best Practice on Corporate Governance 2023 Sri Lanka Accounting Standards (LKASs/SLFRSs)
Central Bank of Sri Lanka (CBSL) 	<ul style="list-style-type: none"> Corporate Governance Direction No 05 of 2021 Corporate Governance Direction No 03 of 2008 The Finance Business Act No 42 of 2011
Registrar of Companies (ROC) 	<ul style="list-style-type: none"> The Companies Act No 07 of 2007
Colombo Stock Exchange & Securities and Exchange Commission (CSE & SEC) 	<ul style="list-style-type: none"> Listing Rules
Global Reporting Initiatives (GRI) 	<ul style="list-style-type: none"> This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards - "In accordance"
International Integrated Reporting Council (IIRC) 	<ul style="list-style-type: none"> This report was also prepared in accordance with the International Integrated Reporting Framework of IIRC

Availability of the Annual Report

In accordance with the prescribed instructions on notice, under the Companies Act No. 07 of 2007, copies of the Annual Report have been circulated to all shareholders, prior to the Annual General Meeting. It has also been made available on MI's corporate website www.mi.com.lk and the CSE website www.cse.lk (the Report can be viewed under the MI Stock code 'MERC').

Concerns and Feedback

GRI 2-3

If you have any queries about the information in this Report, please feel free to contact us via preferred mode.

The Chief Financial Officer/Director (Non-Board),
 Mercantile Investments and Finance PLC,
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 Colombo 03
 E-mail: accounts@mi.com.lk
 Phone: 0112343720
 Fax: 0112434524

Statement of the Board of Directors on the Integrated Annual Report

The Board acknowledges its responsibility towards ensuring the integrity of this Integrated Report which, in the opinion of the Board, has considered the completeness of all material aspects addressed and the reliability of financial and non-financial information presented. Thus, the Board assures that the Integrated Report published for financial year 2023/24 provides a true and fair presentation of the Company's financial and operational performance for the financial year under review. This Report was approved by the Board of Directors of the Company on 29th of May 2024.

On behalf of the Board;



Deva Anthony
 Chief Financial Officer/
 Director (Non-Board)



Shermal Jayasuriya
 Finance Director

BUSINESS OVERVIEW AND OPERATING DYNAMICS

Our History

Founded in 1964 by the visionary Chairman, Mr. George Ondaatje, MI has traversed a distinguished trajectory in the financial landscape of Sri Lanka, as a trusted financial service provider marked by unwavering commitment to excellence. With an illustrious legacy spanning beyond half a century and reaching six decades in successful business, MI has flourished and evolved significantly as a premier finance company, revered for its steadfast dedication to delivering unparalleled financial solutions, to meet their evolving needs. Throughout the years, our focus on customer-centricity has propelled us to expand our branch network strategically, ensuring accessibility and convenience for our esteemed clientele.

As another milestone in MI's growth trajectory, the Company was listed in the Diri Savi Board of the Colombo Stock Exchange in 2011, underscoring our unwavering commitment to transparency, accountability and governance. Leveraging our robust asset size and capital strength, MI stands as a stimulus of financial stability and resilience in the market, earning the distinction of being a "A" graded well-capitalized licensed finance company. As we reflect on the financial year 2023/24, we take pride in our enduring legacy of excellence, poised to navigate the future with resilience, agility and a steadfast commitment to empowering our customers and stakeholders alike.

Our Business Style

At MI, our business ethos is methodically crafted to serve the myriad needs of all interested parties with unwavering dedication and precision. Rooted in a customer-oriented business structure, every facet of our operations is meticulously tailored to prioritize the satisfaction and success of our valued clientele. With a comprehensive suite of financial solutions and a relentless commitment to exceeding customer expectations, we continually strive to foster enduring relationships built on trust, reliability and mutual prosperity.

Central to our operational framework is the implementation of appropriate risk management strategies, underpinned by proactive risk mitigation measures, whilst safeguarding of our stakeholders' interests. Moreover, our corporate culture embodies a spirit of innovation and supportiveness, fostering a dynamic environment where creativity flourishes and employees are empowered to realize their fullest potential. With a steadfast commitment to cultivating a great working environment, characterized by inclusivity, collaboration and continuous learning, MI stands as a beacon of excellence and resilience in the financial sector, poised to chart new heights in 2024 and beyond.

Corporate Structure

MI's organizational structure is meticulously designed to optimize resource allocation, minimize complexities and maximize agility in decision-making processes. Anchored by a robust organizational hierarchy, every level of our structure is imbued with clarity of purpose and accountability, fostering a culture of alignment and synergy across departments and functions.

Furthermore, our shareholder base is characterized by a concentration of shares among a small number of large investors, reflecting their confidence in our vision, strategy and performance. MI continues to hold 26.12% stake in its associate, Nuwara Eliya Hotels Company PLC, which is also a public listed company. With a steadfast commitment to maximizing shareholder value and fostering long-term sustainable growth, MI remains resolute in its pursuit of excellence and resilience in the financial landscape.

Funding Structure

MI's funding structure epitomizes a harmonious blend of stability, diversity and prudence, meticulously curated to fortify our financial resilience and facilitate sustained growth. Our funding primarily comprises the capital contributions of our shareholders, fortified by the trust and confidence reposed in us by our valued customers through their deposits, alongside loans and advances extended to fuel our operations and strategic initiatives. Through a well-diversified approach, we mitigate inherent risks, ensuring a robust and sustainable foundation that withstands the volatility of the financial landscape. Capitalizing on this robust foundation, we prudently allocate resources to fuel the expansion of our business, leveraging opportunities while safeguarding against potential pitfalls.

Markets Served

GRI 2-6

We serve a diverse clientele, including businesses and individuals from various sectors and communities, offering financing and investment options to all segments of society. Our strategic expansion has enabled us to establish a formidable presence across every corner of the nation, exemplifying our unwavering commitment to accessibility and inclusivity, empowering individuals and businesses alike to achieve their financial aspirations. With a finger on the pulse of the local market dynamics, we remain agile and responsive, continuously innovating to tailor our offerings to the evolving needs and preferences of our valued clientele. As we navigate the intricate tapestry of the financial landscape, our dedication to serving the diverse markets we operate in remains unwavering, underpinning our commitment to fostering financial inclusion, empowerment and prosperity across Sri Lanka.

Primary Brands, Products and Services

GRI 2-6

MI's suite of premier products and services embodies a commitment to excellence, innovation and tailored solutions, catering to the diverse needs of our esteemed clientele. Anchored by our cornerstone offerings that include leasing solutions, microfinance facilities, gold loans and a comprehensive array of lending products and also investment opportunities offering fixed and savings deposits. We empower individuals and businesses alike to realize their financial aspirations with confidence and ease. Our leasing solutions provide flexible financing options for acquiring essential assets, fostering growth and expansion across various sectors of the economy. Complementing this, our deposit products offer a secure avenue for customers to grow their wealth while enjoying competitive returns and peace of mind. Furthermore, our microfinance initiatives aim to uplift underserved communities, providing access to capital and financial services that catalyze economic empowerment and social progress. In addition, our gold loan facilities offer swift and convenient access to liquidity, leveraging the intrinsic value of gold assets.

Rounding out our portfolio, our diverse range of loans is meticulously crafted to meet the evolving needs of individuals and businesses, enabling them to seize opportunities and navigate challenges with confidence. As we embark on a yet another challenging FY 2024/25, our commitment to delivering superior products and services remains unwavering, driving value creation and, fostering prosperity across communities in Sri Lanka.

PRODUCTS AND SERVICES OFFERED

GRI 2-6

Finance and Lending Products



Lease Financing

Lease facilities are granted mainly against vehicles and machines in accordance with the Finance Lease Act No. 56 of 2000. MI is proud of the trust and conviction that is placed upon us by loyal leasing customers



Hire Purchase Financing

In keeping with the Consumer Credit Act No. 29 of 1982, lending facilities are given mainly against vehicles and machines that have been registered



Vehicle Loans

Lending services are offered against registered or unregistered vehicles with the option of structuring the instalments based on a customer's repayment capacity



Term Loans

At MI, we provide a range of term-based funding which is customised to serve diverse needs. This includes personal loans, professional loans, auto drafts and other term-based loans and provides both revolving and fixed-term credit facilities



Property-Backed Lending

Lending services extended against property given as security under a mortgage bond.



Microfinance Lending

Microfinance services are offered to low-income earners, providing them the opportunity to become self-sufficient and self-employed, enabling individuals to improve their quality of life.



Gold Loan

Loans are provided against gold held as security, to serve the urgent financial needs of our customers.

Deposit Product Offerings



Fixed Deposits

Fixed deposits at Mercantile Investments and Finance PLC come with a heritage of trust, stability and the highest security, giving the public the best return for their investments.



Savings

At MI, our savings accounts cater to both minor holders and general savings account holders, advocating the habit of saving within the Sri Lankan economy

Key Investment Products

Regulatory Liquidity-Based Investments



Treasury Bills and Bonds

Fixed-return investment in short-, medium- and long-term securities issued by the Government of Sri Lanka.



Money market, Unit trust and other investments

Fixed-return yielding investments in short- and medium-term deposits in rated banks and financial institutions.

Equity/Debt Investments



Equity Investments

Primarily investments in ordinary shares of listed entities.



Corporate Debentures

Investment in debt securities of listed entities.

Insurance Referral Business



Motor Vehicle Insurance

Full and third party protection on motor vehicle insurance.



Loan Protection

Loan recovery protection against borrower's death



Title Insurance

Protection against loss of ownership of property



General Insurance

All other protection including fire, burglary, etc.

Workshop Services



Vehicle Servicing

Facilitates all-inclusive motor vehicle servicing.



Vehicle Repairing

Facilitates varying types of automobile repairs providing expert attention to every nook and corner of a vehicle.



Paint Jobs

Provides exclusive painting solutions.

PURPOSE, VISION, MISSION, PRINCIPLES AND VALUES

Vision

To be a top-of-mind financial services provider committed to excellence with a deep sense of corporate responsibility towards building a sustainable nation.

Mission

To deploy resources effectively towards innovative financial solutions that will enrich our business partners, whilst assuring profitable investor returns by staying ahead in our sphere of business and creating a sustainable future for our employees and society

Purpose

Creating meaningful value that exceeds people's expectations.

Principles

- ▶ Fulfill our customer needs beyond expectations.
- ▶ Create a lasting and positive impression in our people.
- ▶ Deliver world-class customer service at all levels.
- ▶ Ensure business practices complement our core values.

Values

- ▶ Empathetic: Proactively being sensitive to customer expectations.
- ▶ Respect: Recognizing and encouraging employee efforts through acknowledgement and reassurance.
- ▶ Collaborative: Collective and united team efforts in any aspect of work.
- ▶ Integrity: Uncompromisingly standing up for what is right.
- ▶ Prudence: Creating value for stakeholders in all aspects by being conscious of costs and revenues.
- ▶ Competitive: Being fair but aggressive in competition.
- ▶ Ethical: Being socially responsible and ensuring all actions are ethical.
- ▶ Friendly: The 'Friendly Specialist' in finance, bringing happiness through financial solutions and superior service.

DIRECTION AND VALUE SYSTEM

GRI 2-14, 2-22

MI is steadfast in its commitment to sustainability, recognizing the integral role it plays in fostering long-term prosperity for both present and future generations. Embracing a holistic approach, we have pedantically developed and reviewed our corporate goals, embedding economic, social and environmental considerations to align with the United Nations Sustainable Development Goals. This strategic framework serves as our compass, guiding our actions towards creating a positive impact across all facets of society. Central to our sustainability ethos are our robust corporate social initiatives, meticulously designed to support the social aspirations of communities we serve.

Moreover, we recognize that our sustainability pledge extends beyond philanthropy, encompassing the fulfillment of stakeholders' interests in a broad and inclusive manner. By engaging with stakeholders transparently and proactively, we foster trust, collaboration and mutual prosperity, laying the groundwork for a sustainable and resilient future. As we navigated through yet another challenging year, our sustainability pledge remains unwavering, underpinning our commitment to creating enduring value for society and the planet.

Our Sustainability Pledge

To fulfill corporate obligations towards our key stakeholders, focusing on economic social and environmental needs, which in turn, will support the process of building a sustainable nation.



MI Products and Services

Our unique products and services which caters innovative business solutions minimizing environmental hazards to customers and in turn resulted in mutual benefits to all interested parties.



MI Operations

Our continuous efforts to align our business processes and the community wellbeing, led us to serve society exceptionally.



MI corporate Social Initiatives

Recognizing the unmet needs of the community enabled us to develop inventive solutions in terms of products and services as well as corporate social initiatives, aimed at promoting the welfare of the community, society and the environment.



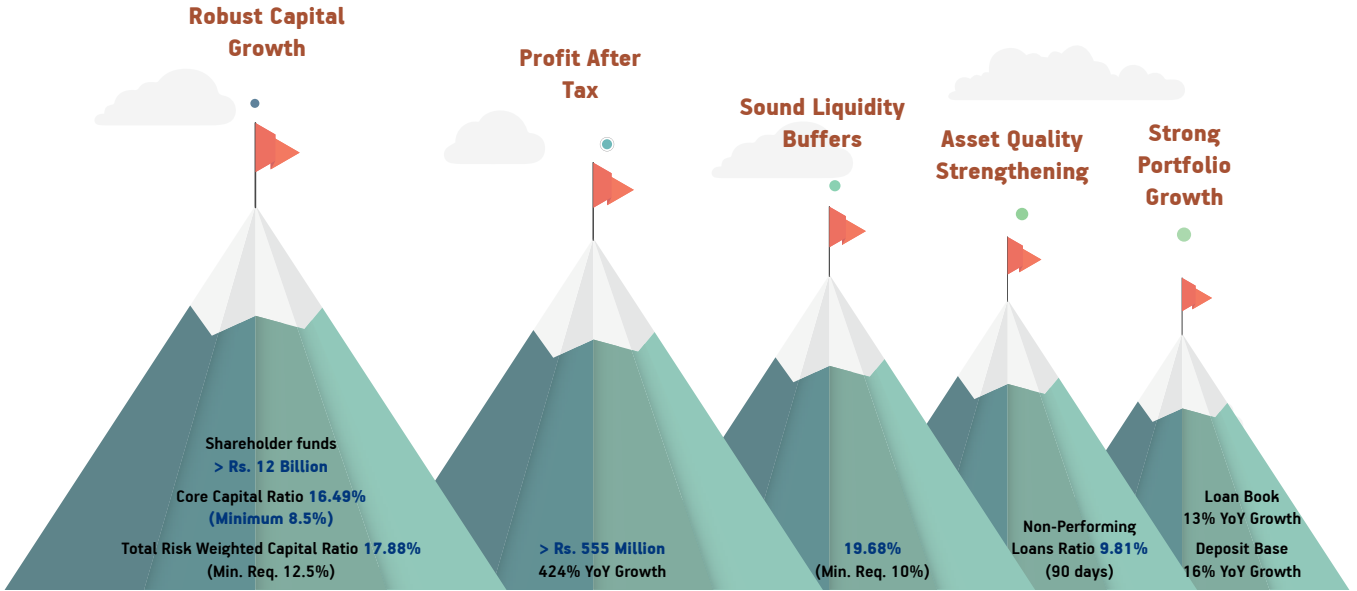
FINANCIAL HIGHLIGHTS

GRI 2-6

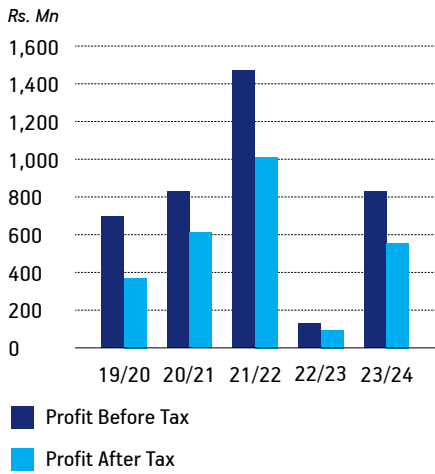
For the year ended 31 March	Actual 2024 Rs. '000	Actual 2023 Rs. '000	Change %	Actual 2022 Rs. '000
Results for the year				
Gross Income	10,948,958	9,035,723	21.17	7,127,706
Interest Income	10,628,251	8,749,868	21.47	6,759,925
Interest Expense	6,441,603	6,134,824	5.00	2,586,220
Profit Before Tax	819,780	132,820	517.21	1,468,920
Provision For Taxation	263,966	26,767	886.16	457,370
Profit After Tax	555,814	106,053	424.09	1,011,550
Financial Position at the year end				
Shareholders' Funds (Stated Capital and Reserves)	12,165,069	11,016,006	10.43	10,974,336
Deposit from Customers	36,104,935	31,223,715	15.63	26,349,272
Loans & Advances, Leases & Hire Purchases (Net)	36,995,701	32,746,812	12.97	34,702,467
Total Assets	53,230,713	47,623,304	11.77	46,999,575
Investors				
Gross Dividend	60,120	-	100.00	345,690
Earnings per Share (Rs.)	184.90	35.28	424.09	336.51
Dividends per Share (Rs.)	20.00	-	100.00	115.00
Net Assets per Share (Rs.)	4,047	3,665	10.43	3,651
Ratios				
Return on Shareholders' Funds (%)	4.80	0.96	3.84	9.51
Return on Average Assets (%)	1.10	0.22	0.88	2.28
Interest Cover (Times)	1.13	1.02	10.52	1.57
Equity: Assets (%)	22.85	23.13	(0.28)	23.35
Debt : Equity (Times)	3.19	3.16	1.10	3.08
Dividend Payout Ratio (%)	10.82	-	100.00	34.17
P/E Ratio (Times)	14.06	73.70	(80.92)	7.73
Non-Performing Loans Ratio (%)*	9.81	10.74	(0.93)	8.54
Total Assets Growth (%)	11.77	1.33	10.44	12.58
Advance Growth (Net) (%)	12.97	(5.64)	18.61	16.69
Deposit Growth (%)	15.63	18.50	(2.87)	14.26
Operating Profit Margin (%)	6.10	1.26	4.84	20.57
Value Added per Employee (Rs.'000)	9,266	8,255	12.25	5,893
Statutory Ratios				
Liquid Assets (%)	19.68	18.82	0.86	13.57
Core Capital Ratios (%) - Minimum required 8.5%	16.49	16.45	0.04	15.45
Total Risk Weighted Capital Ratio (%) - Minimum required 12.5%	17.88	18.02	(0.14)	16.84

* The basis of non-performing classification was changed from 120 day (past due) to 90 day (past due) basis to comply to regulatory requirement changes effective from 1st April 2023.

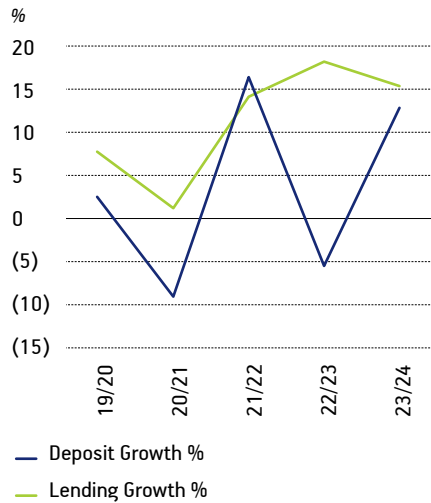
Upward Growth Trajectory Achieved – FY 2023/24



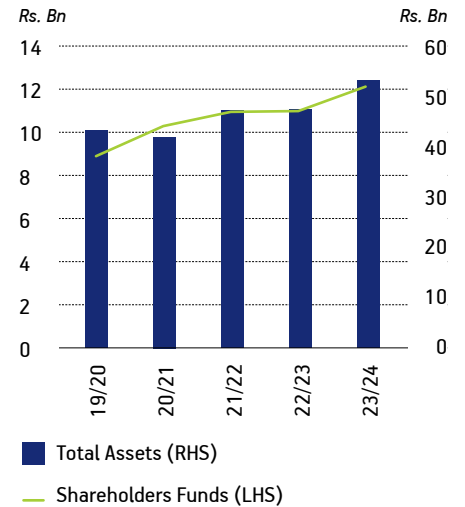
Earnings Performance



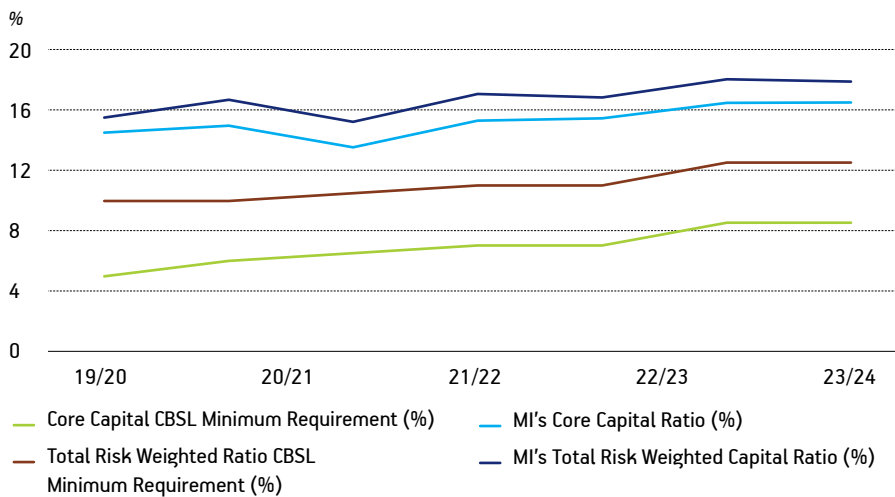
Deposit and Lending Growth



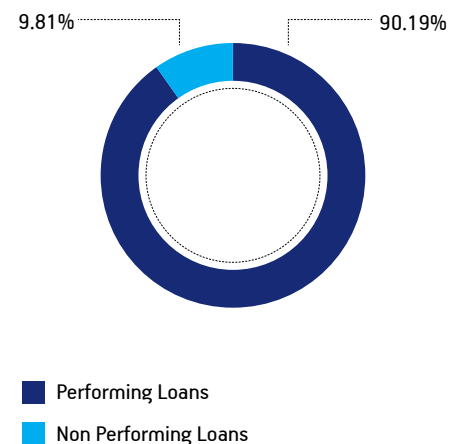
Total Assets Vs Shareholder Funds



Capital Adequacy



Asset Quality - FY 23/24

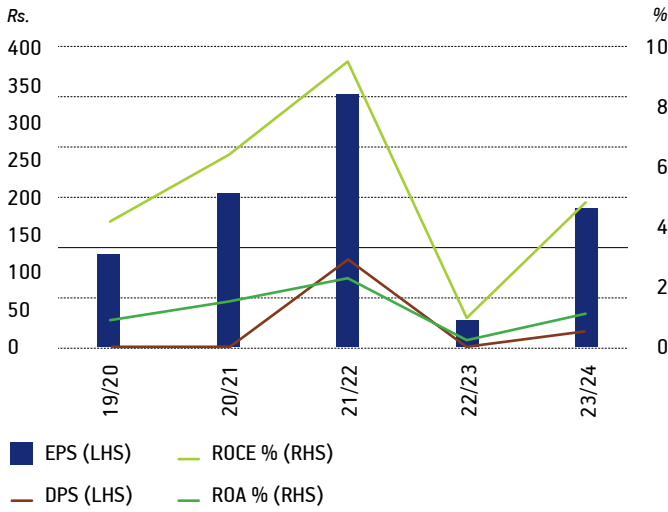


OPERATIONAL HIGHLIGHTS

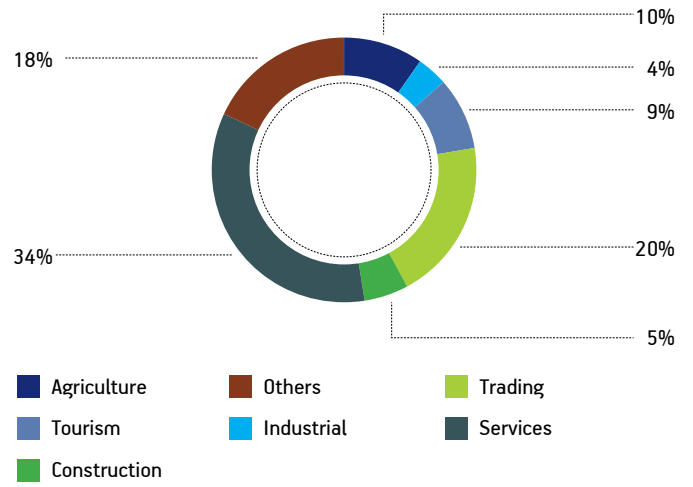
GRI Standard	For the year ended 31st March	2024	2023	Variance (%)	2022
Alliances					
413-1	Total clientele	> 225,000	> 200,000	14%	> 78,000
204-1	Percentage of purchases from suppliers: Head office, Colombo (%)	52	58	(6)	65
	Other locations of Sri Lanka (%)	48	42	6	35
2-27	Significant fines for product/service (Rs. '000)	-	-	-	-
413-1	Number of CSR Beneficiaries	321	215	49	768
205-2	Training on anti money laundering (Number)	51	156	(67)	469
2-27	Significant fines for violation of laws/regulations (Rs. Million)	-	-	-	-
201-1	Community investment cost (Rs. '000)	1,780	1,567	14	1,506
201-1	Staff volunteered time on CSR (Hours)	91	24	279	196
Human Strength					
2-7	Total workforce (Number)	1,198	1,097	9	1,210
2-7	Female Representation (%)	28	25	3	23
401-1	Recruitments for the year (Number)	426	170	151	321
202-2	Local hiring of senior managers (%)	68	86	(18)	20
401-1	Attrition rate (%)	27	25	2	19
401-3	Retention rate after parental leave (%)	78	44	34	100
403-2	Number of injuries	8	6	33	3
403-2	Number of lost days	328	439	(25)	39
404-1	Training hours per participant as an average (Hours)	11	9	22	13
404-3	Employee performance appraisal as a percentage of total workforce (%)	62	75	(13)	71
	Employee grievances reported and resolved (Number)	-	-	-	-
201-3	Employee benefit liability (Rs. '000)	396,405	337,518	17	272,003
406-1, 408-1, 409-1	Human rights violation	-	-	-	-
Intellect					
	Brand Expenditure (Rs. Million)	18	25	(28)	167
	Market Share (%)	3.0	3.0	-	3.0
Infrastructure					
201-1	Number of new business locations launched	8	1	700	3
	Investment on IT (Invested/ To be invested in Rs. Million)	> 130	> 123	6	> 40
	Investment in fixed assets (Rs. Million)	229	130	76	519
Nature					
302-1	Electricity consumption (kWh)	1,612,514	1,274,935	26	1,293,628
303-1	Water consumption (Units '000)	13,297	13,102	1	11,587
306-2	Paper recycling (Kg)	2,913	2,174	34	995
	Significant environmental fines (Rs. '000)	-	-	-	-
201-2	Environment protection expenditure (Rs. '000)	797	152	424	943

Stakeholder Value Created

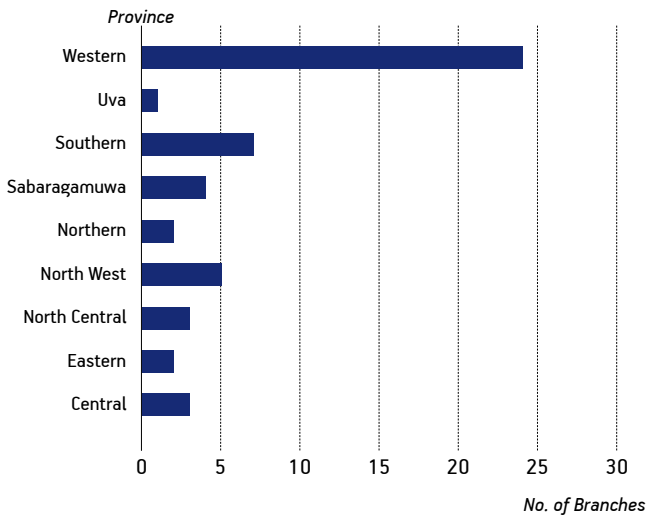
Enhanced Returns to Investors



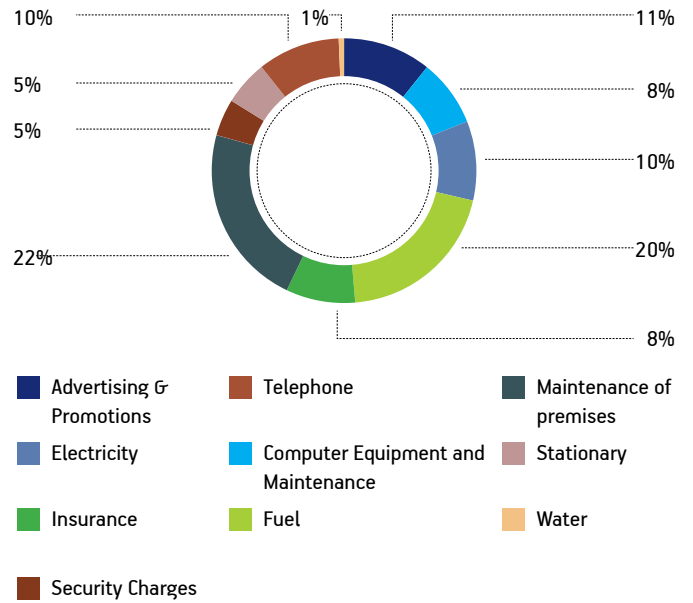
Greater Financial Empowerment to Borrowers Credit Disbursement Sector Wise



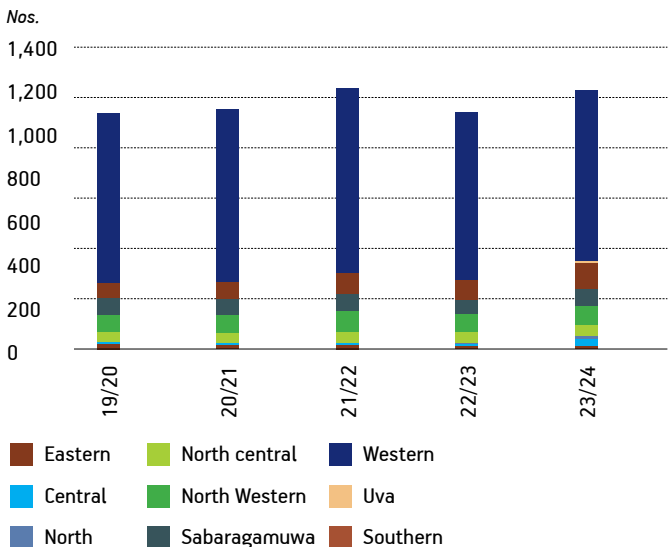
Wider Business Presence and Impact



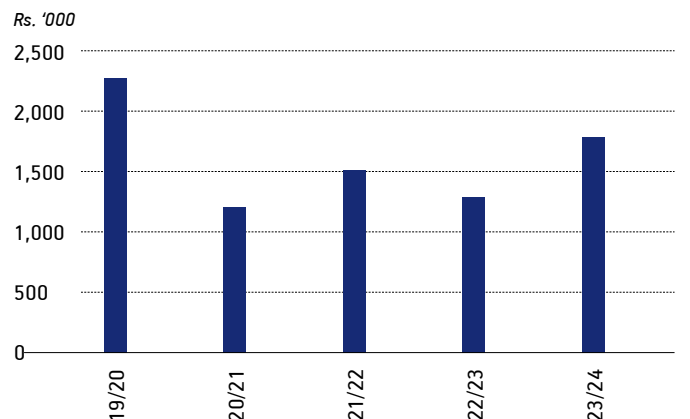
Enhanced Business Partnerships with Suppliers



Broadbasing Workforce Talent and Capabilities Staff Strength



Making Meaningful Community Impacts Community Investment



STRIDES OF ACHIEVEMENT/HIGHLIGHTS – FY 2023/24



Migration of Fixed and Savings deposit modules to the new "Scienter" e financials platform

October 2023



Winning the "runners up" position at both the mens & women softball cricket competition and also winning overall 3rd place at FHA Sport Day festival held @ Bloomfield Grounds on 25th November 2023

November 2023



COO (Mr. Laksanda Gunawardena) assumed duties and addressed senior officers gathering @ Mandarina hotel on 03rd December 2023

December 2023



Collaboration with the Finance House Association (FHA) for a Tree planting program to commemorate World Environmental Day on 05th June 2023

June 2023



Mercantile Investments surpasses Rs. 50 billion in total assets



Senior Management event to set forth the Corporate Plan roadmap under MD, COO, and CFO guidance on 06th January 2024 at Chamber of Commerce

January 2024



Bandarawela Branch Launch
Strengthening MI's branch footprint by opening a Branch first time in Uva Province



Managing Director and COO officially Opening the 50th MI branch in Jaffna town at the start of 2024

February 2024



March 2024

To Commemorate International Women's Day held an event for MI women, with Ms. Pushpa Ramyani de Zoysa and Mrs. Ondaatjie being invited as guests of honour to felicitate the event



Dividend Declaration

In keeping to the promise of enhanced investor returns, MI Board declared a Final Dividend - of Rs. 20 per share



MESSAGE FROM THE CHAIRMAN

GRI 2-22



Unwavering leadership to the top

“Their unwavering efforts coupled with resolute proactive leadership have been instrumental in navigating through an evolving and challenging landscape, fortifying the stability and resilience of our organization.”

Dear Stakeholders,

Amidst a year fraught with speculation and uncertainty, I am indeed very proud to announce Mercantile Investment’s demonstration of solid resilience and turnaround across all spheres, especially showcasing impressive growth in profitability, through a steady upward trajectory in the loan book which drove revenue growth coupled with the enjoying of improved core margins from the steeply declined funding costs. I am delighted also to place on record robust asset quality, liquidity, and capital adequacy levels throughout this volatile period, bolstering trust and confidence among our stakeholders. This achievement is a testament to the dedication, perseverance and unwavering commitment demonstrated by every member of our team than ever before. Their unwavering efforts coupled with resolute proactive leadership have been instrumental in navigating through an evolving and challenging landscape, fortifying the stability and resilience of our organization.

Economic Revival in Turbulent Conditions

Whilst the approval of the International Monetary Fund’s (IMF) Extended Fund Facility marked a positive stride towards enhancing economic resilience, the successful finalization of the Domestic Debt Optimization (DDO) and easing of domestic monetary policy since mid-2023, showcased a gradual uptick in economic performance, mitigating the risks emanating through domestic macro financial linkages. This progress was evidenced by Sri Lanka’s achievement of GDP growth rebounding in the third and fourth quarters of 2023, signifying a pivotal shift after enduring six consecutive quarters of negative growth, albeit still below the neutral threshold.

Moreover, the revival of the tourism sector and a surge in foreign remittances contributed towards the growth momentum whilst depicting promising trends in key economic indicators. These include a noteworthy 11% appreciation of the Sri Lankan rupee against the USD and a reduction in inflation to a single-digit figure, hitting a record low of 4% in December 2023, which have collectively injected a positive shift in the country’s economic outlook.

Industry Landscape

Despite the notable recovery momentum observed throughout the year, the Non-Banking Financial Institution (NBFI) sector continued to grapple with the spillover effects of the recent economic crisis. The appetite for credit remained subdued for much of the year, largely influenced by the tight monetary policy stance adopted until the second half of 2023, along with persistent inflationary pressures. The confluence of economic contraction, elevated inflation rates and tax adjustments exerted sustained pressure on the debt repayment capabilities of households and businesses alike resulting in a notable uptick in non-performing loans (NPL) and heightened default risks across the sector, during first two quarters of the financial year. Additionally, the LFC sector confronted a myriad of challenges, predominantly driven by somewhat contracted demand for traditional lease finance and term funding businesses with the continued import restrictions on motor vehicles, necessitating adaptive strategies to mitigate risks and sustain operations in a challenging environment.

Nonetheless, as policy rates continued to decrease, the credit cycle moved towards a path of recovery during the latter part of the financial year, evident in the steady uptick in demand for credit and the concurrent Net Interest Margin (NIM) improvement witnessed across the sector. Since the dawn of 2024, the industry has commenced to witness strong credit growth and uptick in investor confidence and improved borrower settlements as the economy progresses in its revival trajectory.

Navigating Our Strategic Drive

Our strategic vision remained steadfast, characterized by an unwavering commitment to expanding our market reach and diversify the product portfolio to meet evolving demands. Concurrently we sought to improve MI's competitive edge through unique cost optimization strategies which include embracing emerging technologies and cutting-edge IT solutions to drive operational excellence and efficiency. The branch network expansion was fast tracked in the 2nd half of the year, by embracing a leaner infrastructure and staffing concept to enjoy shorter breakeven levels. In this endeavor we celebrated a significant

milestone by marking the inauguration of our 50th branch at Jaffna at the start of 2024, broad-basing our physical reach and reinforcing our market positioning. In tandem, we embarked on a transformative journey by commencing migrating our core systems and sub-modules to the renowned Scierer technologie's e-Financials Integrated Software solution. As part of this initiative, we successfully migrated fixed deposits and savings modules by October 2023, which firmly enhanced seamless and personalized experiences to our customers across all interaction points.

Furthermore, our commitment to customer-centricity and innovation has empowered us to adeptly address evolving needs of our clients, resulting in heightened engagement, satisfaction and bonding. Additionally, our robust risk management strategies and streamlined operational processes have bolstered efficiency and effectiveness, leading to optimized performance and enhanced shareholder value.

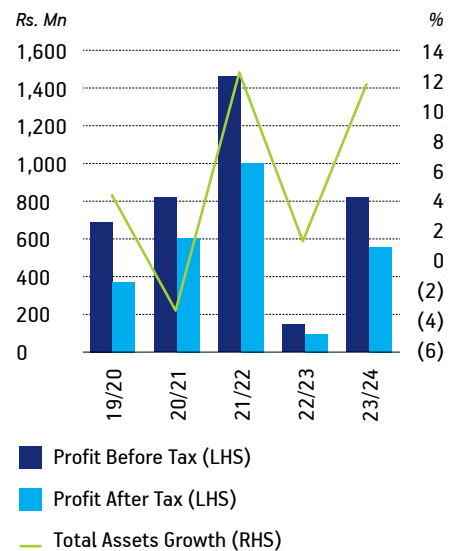
On behalf of Mercantile Investment (MI) and Board of Directors, I take this opportunity to extend a warm welcome to Laksanda Gunawardhana, who joined the company as Chief Operating Officer from December 2023. Mr. Gunawardhana brings with him a wealth of experience and expertise that will undoubtedly contribute significantly to our collective journey towards realizing MI's visionary aspirations. I also wish to take this opportunity to express our heartfelt gratitude to Mr. Dhanushka Fonseka for his dedicated service to the Company over the past 26 years, including holding the position of COO for four years to take the company towards its aspirations, despite the challenging business landscape.

As we embark on this new phase, with improving business conditions, we will continue to uphold the values of excellence, integrity, and innovation that define Mercantile Investment, especially upholding depositor interest in the forefront. Considering market dynamics and medium term expectations, we aligned our corporate plans towards an upward sustainable business growth trajectory, affirming solid returns to our investors.

Stellar Performance and Growth Trajectory

Our resilient performance stands as a testament to the commitment displayed by the MI Board and Management in driving solid results by posting a commendable Profit before Tax (PBT) of Rs. 819.8 million and a Profit after Tax (PAT) of Rs. 555.8 million for the concluded financial year 2023/24, marking remarkable YoY growth rates of 517% and 424% respectively. Amidst an impressive bottom line growth, our company achieved a significant milestone crossing the Rs. 50 billion mark in total assets, reflecting a notable 12% growth YoY. This surge in business was primarily propelled by a robust 13% increase in our lending portfolio coupled with a noteworthy 16% growth in MI's deposit base, driving core business forward.

Earnings Performance and Asset Growth



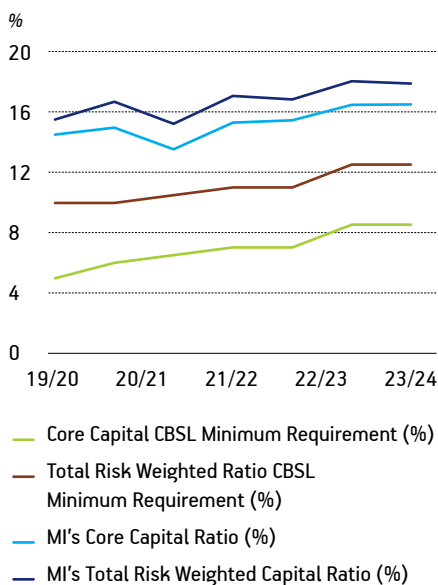
By surpassing Rs. 36 billion in the deposit base and recording an 18% growth in the number of depositors, we continued to uplift the trust and confidence reposed by our depositors. These robust growths underscore our commitment to strategic expansion and the effectiveness of our strategic initiatives towards market positioning and value creation for our stakeholders. These solid performance numbers underscore our ability to not only weather marked volatility but also thrive and excel in challenging business conditions.

MESSAGE FROM THE CHAIRMAN

Furthermore, despite the widespread uptick in non-performing advances across the industry, we successfully maintained loan book asset quality, keeping the 90-day Non-Performing Loan (NPL) ratio controlled at 9.81%. This achievement not only fortifies the strong balance sheet asset classes we possess but also highlights our proactive approach to risk management and asset recovery strategies when disposable incomes of individuals kept deteriorating due to inflationary effects and subdued income levels.

Another key highlight was the prudent management of the company's liquidity requirements, maintaining above 19% strong liquidity levels well above prudential regulatory requirement of 10%, providing the much-needed stability across our operations. Similarly, MI's capital strength remained solid with shareholder funds reaching Rs. 12 billion, whilst recording a strong tier 1 capital ratio, and a total capital ratio of 16.49% and 17.88% respectively, as of 31st March 2024, both above their respective statutory minimum ratios of 8.5% and 12.5% reaffirming our steadfast capital position to weather envisaged future headwinds.

Capital Adequacy



Showcased Commitment to Sustainable Development

Being a corporate entity, that upholds sustainable practices towards a sustainable nation, we continued to reorient our thinking process, captivating sustainability ideologies to our business model and 3 year corporate plan. As we reflect on our achievements, it becomes evident that our impact extends far beyond mere financial numbers; it encompasses the lives we touch and the communities we empower. Despite challenging economic conditions, we continued to extend MI's legendary service through greater financial inclusion and diversity, going beyond commercial boundaries. Whilst we placed greater focus on promoting sustainable financing avenues, our micro finance arm continued extending financial services to the lower income earners, who have little or no access to funding.

At MI, we recognize our responsibility towards society and the environment, and we have made significant strides towards creating a greener and a more sustainable future for communities we deal in. One of our key focus areas has been community empowerment programs, where we have made investments to uplift and empower communities. These programs not only provided tangible benefits to those in need but also fostered a sense of solidarity and shared prosperity. Within the company, we continued to create an employee-friendly work culture that prioritizes the well-being and growth of our workforce. By adopting a culture to promote talent and groom future leaders, we took steps to enrich our pool of talent, affording attractive monetary benefits coupled with career growth opportunities.

Strengthening Governance and Compliance Measures

At MI, we recognize the critical importance of embracing good governance principles to foster trust and confidence among our stakeholders. Hence, we ensured that MI's operations are underpinned by a solid governance framework at all times. Central to this commitment is the composition of our Board of Directors, which comprises a judicious blend of competent and skilled individuals, including both executive and non-executive Directors. This diverse composition ensures a vigorous governance structure that encompasses a wide range of perspectives and expertise.

Our board is unfaltering in implementing robust governance frameworks that are adaptable to industry changes and aligned with best practices. We continue to uphold transparency and accountability by facilitating an effective decision-making process and accountability system that prioritizes the long-term interests of our stakeholders. Furthermore, our Board is resolute in its commitment to directing the governance and prudent management of the company towards value creation, which entails rigorous oversight and strategic guidance to drive sustainable growth and maximize shareholder value.

I am pleased to place on record that, we proactively adopted most of the changes stemming from the newest Listing Rule No. 09 of the Colombo Stock Exchange (CSE). Same time we hope to complete the Board structure and internal management set up to align to the Corporate Governance Direction No. 05 of 2021 which is effective from 01st July 2024. These initiatives underscore our commitment towards adhering to regulatory requirements and enhancing transparency and disclosure practices.

Aspiring in New Horizons

It is expected that the existing macro-financial vulnerabilities would dissipate in the period ahead, as the nation embarks on a new financial year with renewed hope and optimism, with the envisaged improvements in the macroeconomic front, backed by the easing of the monetary policy and continued IMF support. As the economy gradually rebounds, spurred by declining interest rates, stabilized inflation and the Rupee strengthening, we can expect domestic demand and economic activity to accelerate, spurring almost all industries and cascading down to the finance sector. This, in turn, is anticipated to uplift income levels and alleviate the strain on the balance sheets of both households and businesses.

Though the current momentum of recovery is indeed promising, its sustenance heavily relies on consistent policies and unwavering political dedication. Once the anticipated elections conclude in the near future, the business community could expect greater momentum, marking the next chapter in post-covid times, setting the economy back on a clear path to full recovery.

Despite the positive outlook unfolding, MI will remain steadfast and resolute against any unprecedented challenges especially with elections to be held this year. Augmenting from our past track record to forge new paths for progress and growth, we are confident that MI will be able to unleash greater value to its stakeholders. Our journey forward will be fortified by our inherent strengths, including a resilient capital base, enduring relationships with stakeholders, and our adeptness at aligning and navigating strategic direction amidst demanding environments and an ever-evolving business landscape.

At the core of our vision for the future lies our comprehensive strategic roadmap spanning from this year until 2027. This ambitious blueprint sets the stage for Mercantile Investment (MI) to enter into a transformative phase of growth and prosperity, all while ensuring stakeholder value is safeguarded at all times. Grounded in a profound understanding of market dynamics and customer needs, our strategy encompasses a series of targeted initiatives aimed at bolstering our market presence, diversifying our product offerings, and fortifying our competitive edge. Our growth strategies will center on venturing into new dimensions and lucrative segments, delivering distinct products and services tailored to evolving customer demands. We will also maintain our unwavering dedication to cost optimization and productivity improvement across core business lines, whilst concentrating on the leaner branch concept successfully adopted.

As we navigate towards new frontiers, MI will stand committed in embracing technological progress as a cornerstone for future triumphs. We will continue to deploy resources to conclude the planned transition to the external IT core system being implemented, fortifying our technological infrastructure to drive operational efficiency, enhance productivity, and elevate customer experience. In all our endeavors, we will remain true to our core values and principles, advocating our commitment to transparency, accountability and ethical business practices. With a clear strategic vision, a culture of innovation, and a steadfast dedication to a responsible growth trajectory, we are confident in our capacity to deliver enduring value and strive into aspired future success.

Acknowledgments

As we approach the celebration of our 60th year in successful business on this remarkable journey, I am yet again grateful for the collective dedication and efforts of all those who have contributed to our success. First and foremost, I extend my heartfelt thanks to every individual who has lent their expertise, passion, and commitment in achieving our goals, regardless of the size of their contribution. Your dedication, hard work, and resolute commitment was instrumental in driving the company towards envisaged results.

I take this moment especially to express my sincere appreciation to our esteemed Board of Directors, whose invaluable knowledge and guidance have steered the company on the path to success. Their profound insights, and strategic guidance have been indispensable in navigating us through both challenges and opportunities with remarkable foresight.

I would like to take a moment to extend special recognition to our esteemed Managing Director Mr. Gerard Ondaatjie, whose exceptional leadership and visionary approach played a pivotal part in propelling MI as a strong force within the NBF sector, a catalyst in contributing to the economy and instilling prosperity to communities that we serve in.

Same moment I extend my heartfelt appreciation to our entire corporate team and all our valuable employees for their hard work, dedication, and unwavering commitment to excellence. Your tireless efforts and dedication remained the key driving force behind our success.

I would also like to express my gratitude to the Governor of the Central Bank of Sri Lanka and his dedicated team for their unwavering support and collaborative efforts throughout the year. Their steadfast regulation of the Non-Bank Financial Institutions (NBF) sector has been instrumental in fostering industry resilience.

Last but not least, I extend my sincere thanks to our investors, business partners, and stakeholders for their loyalty and belief in our company. Your partnership and trust have been invaluable assets in our journey towards success, and we are immensely grateful for your continued commitment.

As we forge ahead, I want to reaffirm to all stakeholders that the Board and I stayed staunchly committed in maintaining a steadfast forward looking outlook and an upward trajectory in all facets towards profitability and balance sheet growth. Our resolve remains firm as we navigate headwinds in our dynamic journey, to achieve greater success in the years to come.



Dinuka Perera
Chairman
29th May 2024

MANAGING DIRECTOR'S REVIEW



Making meaningful strides to the top

“Displaying strong resilience, the Company was able to rebound swiftly from previous year’s subdued performance, demonstrating MI’s enduring strength in all spheres.”

The year under review showcased the agility, corporate strength and capacity inherent to Mercantile Investments, characterized by a resolute drive towards steady growth after rebounding, despite witnessing yet another challenging period embroiled in volatile economic headwinds. Fueled by renewed optimism, we embraced the changing business climate with momentum, strategically expanding our reach while simultaneously enhancing vibrancy across our spectrum of operations and the product mix we offer to stay competitive.

Bolstered by a stable and secure financial acumen, we cemented our position in the market, yet again showcasing solid financial results during the year 2023/24, marked by notable improvements across all key metrics. These commendable results underscore our unwavering dedication and ability to swiftly adapt and recalibrate in response to prevailing macroeconomic challenges, as we navigate through a period of strategic transition, enter into our 60th anniversary in business in June of this year.

Economic Landscape Endured

Having weathered formidable obstacles amidst a tumultuous economic environment in the preceding year, Sri Lankans embarked onto 2023 with great sense of optimism towards envisaged economic revival and prosperity. However, the first half of the year proved challenging as the confluence of a global economic downturn and lingering repercussions from the 2022 crisis posed imminent threats to the domestic economy. Nonetheless, with the easing of the monetary policy stance and the financial support extended by the International Monetary Fund (IMF), the third and fourth quarters of the year witnessed signs of a resurgence with 1.6% and 4.5% YOY quarterly GDP growths respectively. This was backed up by the rapid decline seen in inflation and greater stability observed in the exchange rate, indicating a gradual but discernible path towards recovery.

Despite the encouraging signs of recovery throughout the year, the Non-Banking Financial Institution (NBFI) sector encountered persistent challenges stemming

from the aftermath of the post-covid led economic upheaval that unraveled in 2022. The subdued demand for credit continued to persist, primarily driven by the sustained pressure on the debt repayment capabilities of both households and businesses alike. Additionally, upward tax revisions since 2023, applied on income tax and Value Added Taxes starting 2024, compounded the financial strain further, pegging back disposable income and thus contracting demand for credit, amplifying pressures on sector profitability.

Nonetheless as the year moved forward, easing of the monetary policy reflected the steady decline in policy rates, helped the NBFi sector gradually to regain momentum, fueled by a surge in credit demand during the latter part of the year, with 5.1% YoY growth in total assets, though the lending portfolio reported a 3.2 % YoY contraction by December 2023. Furthermore, the persistent decrease in funding costs and increase in repricing gain contributed to a notable improvement in the Net Interest Margins of the sector, rising from 6.7% to 7.5% by the end of December 2023. This bolstered the sector's profitability by 11.3% year on year resulting in a steady increase in Return on Assets from 3.7% to 4.3%, though return on Equity marginally declined from 12.7% to 12.4% due to comparatively higher increase in equity capital at the end of the calendar year.

Maneuvering business on an upward Trajectory

From the get go this year we firmly focused on fortifying our team, pushing the boundaries of our capabilities to unlock fresh avenues for growth and innovation, giving equal attention towards operational excellence and productivity. Keeping solid investor returns as an objective in the forefront, we crafted a strategic blueprint that will see MI's revenues and profitability on a steady upward trajectory, capitalizing on opportunities emerging from the economic resurgence, whilst envisioning evolving customer needs and industry landscape. Our approach to growth has been comprehensive, embracing various facets such as innovative product development, entry into new markets, fortifying our resource strength and forging strategic partnerships to augment competitive advantage.

With the persistent import restrictions, we consciously sought to deepen our penetration into the Gold backed lending segment as part of our overall portfolio risk diversification strategy, placing emphasis on expanding the Gold operations across our branch network. We accelerated our branch expansion initiative, seamlessly integrating eight (08) new branches into our island-wide network, enriching our brand presence across the island reaching 50 locations by January 2024, all while staying committed towards a low costs lean branch concept to fast track envisaged branch profitability. This consolidation of branch presence across key strategic hubs enabled us to build a solid platform to drive future potential whilst sustaining MI's market share, amidst market competition.

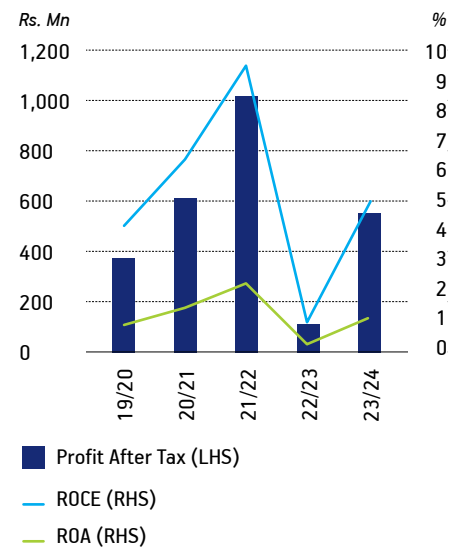
With customer centricity as the cornerstone of our operations, we remained steadfast in enhancing the customer value proposition we offer, proactively taking measures to enhance customer experience and surpass evolving expectations. Throughout the year, we persistently broadened our product mix, exploring innovative avenues to differentiate our services from those of our peers. In our relentless pursuit of excellence, we diligently benchmarked our productivity against industry standards and invested in technology enhancement whilst taking measures to boost talent and staff skills to excel in all facets.

As we take a moment to glance back at our journey at this pivotal juncture, I am truly confident in the revolutionary changes we have implemented in our strategic roadmap. Remaining steadfast to our competencies and set yearly targets, I am proud to conclude this year with solid financial results upholding Mercantile Investments core promise of enhancing investor returns.

Declaring Robust Financial Results

Displaying strong resilience, the Company was able to rebound swiftly from previous year's subdued performance, demonstrating MI's enduring strength in all spheres. The Company's profitability depicted a noteworthy upward momentum, propelled by core business revenue pick up, better core margins and by keeping asset quality intact to post a notable Profit Before Tax (PBT) of Rs. 819.8 million and a Profit After Tax (PAT) of Rs. 555.8 million, reflecting astounding year-on-year growth rates of 517% and 424% respectively.

Earnings and Investor Returns



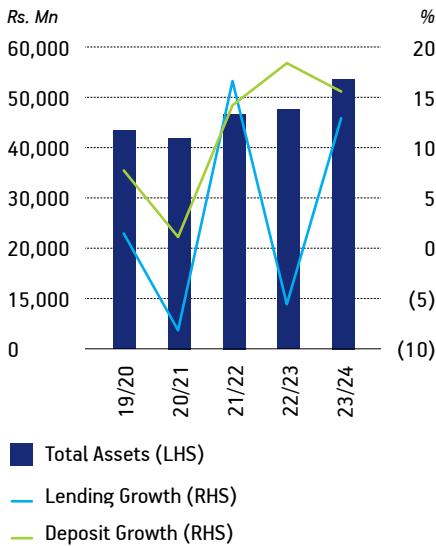
Despite the decline in lending rates to adjust to market downward revisions, gross revenue surged by 21%, primarily driven by a 13% impressive growth in the loan book. This helped boost core lending revenue handsomely by 26% to Rs. 9.5 billion, though income generated from investments dropped by 3.5% in the backdrop of steeply declining yields especially on government securities.

As policy rates continued to decline rapidly, we were able to lower our funding costs, by repricing MI's shorter tenor deposit base downward. By enjoying improving core margins and steady lending business uptick, net interest income surged up by 60%, increasing the Net Interest Margin to 9.8%, above the industry average of 7.5% recorded in December 2023.

Despite the continued import restrictions, loan book growth was propelled by the increase in traditional lease financing on registered motor vehicles up by 6.9% while non-traditional gold backed lending witnessed a 30.4% impressive growth. The latter half of the year, pick up in credit coupled with an appropriate pricing and expansion strategy aided the drive in loan book. Furthermore, I am pleased to report a commendable 15.6% increase in our deposit base, which paved the way to fund the expanding loan book. These collective efforts endowed us to record a noteworthy 11.8% growth in the company's total assets, well above the industry average growth levels of 5.1%, recorded for December 2023.

MANAGING DIRECTOR'S REVIEW

Lending and Deposit growth with Total Assets



Though the sector asset quality showed a notable deterioration triggered by heightened default risks, and further impacted by the stringent Non Performing Loans (NPL) classification effected since 1st April 2023, by proactively deploying recovery strategies to fast track collections coupled with effective risk management insights and strategy initiatives enabled us to control the 90-day NPL at 9.81%, as at the balance sheet date. These concerted efforts combined with the partial recovery of one significant long outstanding due, enabled us to keep impairment charges minimal at Rs. 7.91 million.

In line with our strategic pillars of 'Prudent Growth' and 'Operational Excellence,' this year too we placed equal emphasis on controlling operational expenses, focusing on cost optimisation avenues to drive down current cost to income levels that stood at 85%. The year on year overhead costs escalation though controlled was yet up at 19.8% fueled by the ongoing branch expansion activity, annual salary increments and the observed significant hikes in utility tariffs and energy costs.

Backed by the improved profitability levels and overall performance, a 10.8% dividend payout was declared comprising of Rs.20 per share amounting to Rs. 60.12 million for the year under review. The Board made this dividend declaration considering the medium term plans set forth and the available shareholder funds that remained up by 10.4% while the Return on Equity (ROE) stayed below anticipated levels at 4.8%.

Throughout the year, we upheld prudent capital buffers as a high priority, ensuring that our capital adequacy ratios consistently exceeded regulatory thresholds, by maintaining Tier 1 capital at 16.49 % and Tier 2 capital at 17.88% uplifting trust and confidence of all stakeholders. Simultaneously, we continued to maintain a solid liquidity position well above the regulatory norms throughout the year keeping above 18%, beyond the statutory requirement of 10%.

In the backdrop of these positive sentiments, I'm pleased to inform you that Fitch Rating Lanka re-affirmed MI's National Long-Term Rating of 'BBB-(lka)' whilst upgrading the rating outlook from the "Rating Watch Negative" to "Stable Outlook" in October 2023, further amplifying investor confidence.

Nurturing a Winning Team

Our people and culture have remained as the bedrock of our successful journey and will continue to be our topmost competitive advantage. I take this opportunity to warmly welcome Laksanda Gunawardane who joined MI as Chief Operating Officer in December 2023. With a career spanning over 29 years in the finance sector, he brings a wealth of experience in credit, marketing, and operations. His extensive background includes leading roles in the leasing industry and I am confident his leadership and guidance would definitely solidify MI's dominance in the industry in the years to come. I also want to extend my sincere appreciation to former COO Dhanushka Fonseka for his invaluable contributions over the past 26 years that helped shape the company to be a force in the industry.

Despite encountering staffing challenges in the backdrop of overseas skilled migration pick up across the sector, we remained steadfast in our commitment to retaining our top talent. Furthermore, recognizing the need to enhance productivity across all business facets, emphasis was placed in affording a proper learning and development environment coupled with opportunity for multitasking to counter business demands and staff attrition. As an outcome of re-strategizing, we placed a concerted emphasis on promoting the right skillset to enhance team capabilities and took steps to redeploy staff to active business lines and eliminate excess resources. By nurturing a culture of adaptability and versatility, we aimed to bolster our resilience in the face of evolving dynamics. Amidst these endeavours, we remained unwavering in our dedication to fortifying our core competencies and competitiveness in the market.

Solidifying Governance Forte

As an organisation built on strong fundamentals and a solid governance framework, further emphasis was placed in strengthening corporate procedures, to fully comply with Direction No 05 of 2021 on Corporate Governance under the Finance Business Act. To counter evolving industry risks, MI Board and its Sub Committees and Management embraced effective Risk Management practices, including taking proactive actions based on stress testing and scenario analysis. Based on the expected growth trajectory, a revised three (03) year strategic plan was approved by the Board in December 2023 which encompassed a clear roadmap of actions and milestones that include ongoing activities to enhance branch presence, technology enhancements coupled with product mix diversifications and numerous other strategic initiatives to boost revenue, keep costs controlled and maintain impeccable asset quality standards.

With the ongoing migration of the core IT system to a renowned Scitner e-Financials platform, measures are being executed to embrace all requirements pertaining to the Technology Risk Management and Resilience Direction No. 01 of 2022 issued by the regulator prior to given dates. Similarly steps are being taken to comply with the remaining requirements stemming from the Corporate Governance Direction which include Board composition aligning which is effective from 01st July 2024.

Way Forward

With the Sri Lankan economy converging on a path of recovery and growth, we remain optimistic of the progress achieved on macroeconomic stabilization and emerging opportunities for the business community. Sri Lankan economy is expected to bounce back to growth levels enjoyed during the pre – covid times and then beyond in the medium term. The gradual uptick in tourism coupled with stabilizing of the inflationary factors and exchange rate amidst easing monetary policy and improving foreign exchange reserves should lead the way, backed by an ongoing debt restructuring process supported by the IMF extended loan facility program. In the near term, upcoming elections coupled with the surge in global unrest and growing upward movement in oil prices and slowing of world demand amidst uptick in inflation among even advanced economies should cascade back to the Sri Lankan domestic market as temporary shocks. However in the medium term we can expect world economy to stabilize back to a post - covid era and prosper thereby boosting opportunities for the domestic market to a greater degree.

As we celebrate MI's 60th year in successful business on 14th June 2024 with renewed vigor, determination and shared resolve, we will remain committed in deploying a customized strategy towards sustainable growth, poised to etch new tales of triumph and prosperity into the annals of our legacy. We will remain agile, innovative and customer-centric in all our endeavors, embracing change, fostering collaboration and upholding our core values. Nonetheless, we are cognizant of persisting risks and challenges in the short-term, including the impact on borrower repayment capacities due to higher taxes and will therefore tread with caution prioritizing portfolio quality as we look forward to expanding the loan book in the coming year.

Having set sail on our digital voyage, we remain steadfast in our commitment to the planned migration to the Scienler platform to fortify our IT landscape, paving the way for enhanced technological capabilities that drive operational efficiency and productivity. Recognizing technology as a pivotal game-changer in the industry, we expect to persist in introducing transformative technologies to elevate customer

experience, delivering greater convenience and digitalization to fast track transacting. As we navigate the digital seas, we remain resolute in our pursuit of excellence and innovation, ensuring that we stay ahead of the curve in an ever-evolving landscape.

Furthermore, we will continue to focus on the cost optimization drive, deploying a greater scalable concept aimed at fostering a leaner and more agile operation to control cost escalations, improve productivity to lower cost to income positions at Branch level. To drive productively, we envisage greater investment in developing skills and talent retention of our workforce. We expect industry to further evolve towards sophisticated financial offerings tailored towards changing customer behavior. Through these concerted efforts, we are poised to navigate the evolving landscape with resilience and foresight, safeguarding the enduring success and stability of our initiatives. As a responsible corporate entity, we remain firmly committed in implementing the three (03) year strategic plan to achieve the financial targets set forth, that will help deliver sustainable value to all our stakeholders including customers, employees and our business partners.

Words of Appreciation

As Mercantile Investments enters a new chapter in its illustrious journey filled with renewed hope and optimism, in celebrating the company's 60th year of success, I want to express my profound appreciation for the unwavering commitment and noteworthy efforts of MI's Board together with the corporate management team, alongside every member of our staff. Their invaluable contributions have been instrumental during this challenging period, propelling us forward and reinforcing MI's dominance in the industry.

I wish to express my sincere gratitude to the Chairman and the esteemed members of the Board of Directors for their unwavering support and invaluable guidance throughout this tumultuous year. Their consistent commitment and insightful direction has been instrumental in navigating the challenges we faced, ensuring our resilience and continued progress amidst uncertainty. Their leadership has proven to be a beacon of strength, guiding us through uncharted waters with wisdom and foresight, and for that I am profoundly grateful to my colleagues, at the Board.

I would also like to extend my appreciation to the Governor, Deputy Governor, Director Non-Banking Supervision Department and all staff of the Central Bank of Sri Lanka for their continued guidance and cooperation extended. We deeply appreciate their commitment displayed to foster a conducive environment towards the growth and stability of the finance industry and we look forward to their continued guidance in the years ahead.

Let me take this opportunity to extend my heartfelt gratitude to our cherished customers, dedicated agents, and esteemed business partners for standing by us during these unprecedented challenges. Your unwavering loyalty and steadfast support have served as a pillar of strength and inspiration for our team as we pursued excellence amidst adversity and will remain deeply grateful and privileged to serve and collaborate with you.

Last but not least, I take this opportunity to extend my gratitude to all our investors for constantly placing their confidence with Mercantile Investments, especially during these unprecedented times. Looking ahead, I am confident that MI is well-gearred in all aspects to meet our ambitious targets set in keeping to our medium term corporate plan to drive the business into greater heights backed by a strengthened team of talented individuals.

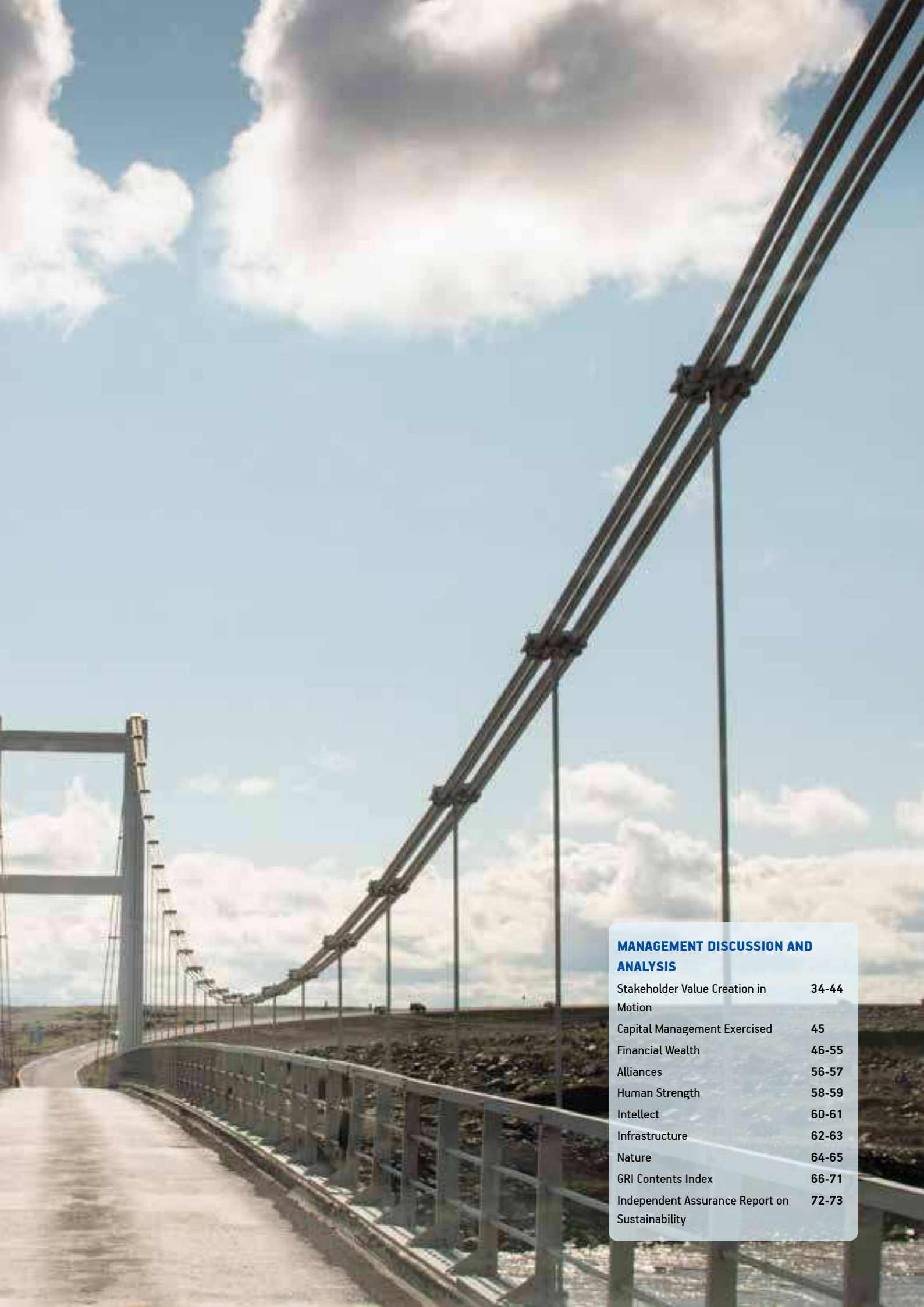
As the Managing Director, I raise a tribute to all our stakeholders to wish them every success in the year ahead and look forward to your continued support towards the company's future endeavours.



Gerard G. Ondaatje
Managing Director
29th May 2024



**Bridging the varying customer
and business partner needs**



MANAGEMENT DISCUSSION AND ANALYSIS

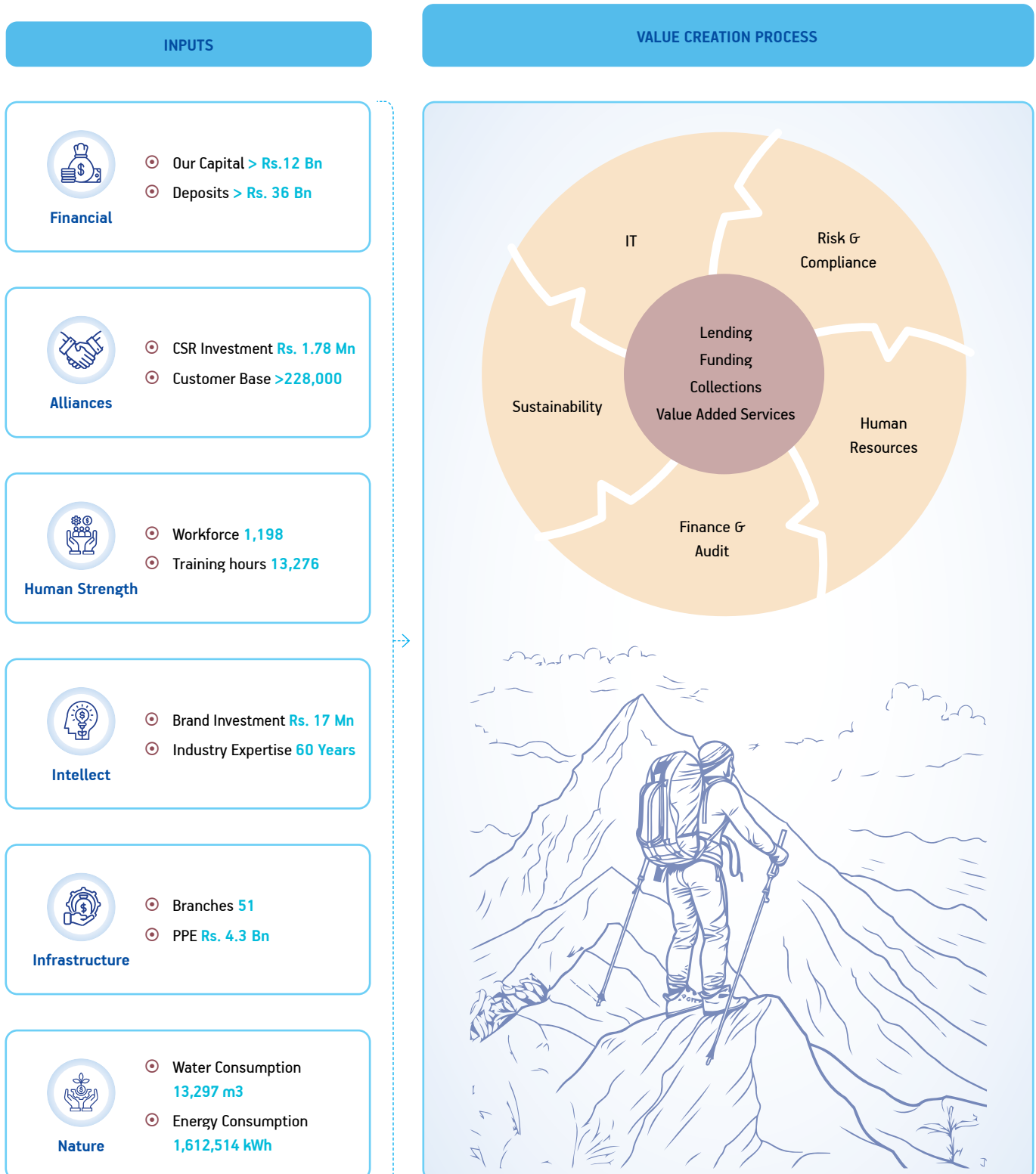
Stakeholder Value Creation in Motion	34-44
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STAKEHOLDER VALUE CREATION IN MOTION

GRI 2-6

MI's Business Model captivating the Value Creation Approach Adopted

At the heart of MI's operations lies a dynamic Business Model, seamlessly blending vision, mission and corporate strategy to realize our paramount goals and objectives. This agile framework stands as a beacon, adeptly navigating the shifting sands of stakeholder expectations, ensuring resilience and success even amidst the most trying of business landscapes. We endeavored to harmonize these foundational pillars not just to navigate our operations but to meet the multifaceted needs of our esteemed stakeholders. Acknowledging that sustainable value creation demands a holistic strategy, our decision-making process encompassed a thorough understanding of these guiding principles. Harnessing the power of an integrated reporting framework, we upheld transparency and clarity in illustrating the intricacies of our business model in this year's Integrated Annual Report, offering a vivid portrayal of our journey towards stakeholder value creation.



Our resilience stemmed from a balanced portfolio of financial and non-financial capitals encompassing financial solidity, human capital enrichment, intellectual prowess, infrastructural fortitude, strategic alliances, and environmental stewardship. Throughout the fiscal period, MI steadfastly upheld a robust foundation across these six pivotal capitals, each serving as a cornerstone in our value creation journey. This diversified capital framework not only bolstered our operational efficacy but also underscored our commitment to fostering sustainable growth and enduring stakeholder relationships. As we navigate the intricate landscape of contemporary business, our unwavering dedication to nurturing and optimizing these fundamental capitals remains steadfast, driving MI on an upward trajectory in business excellence, with a meaningful impact to the financial system and society.

Detailed disclosures about the stakeholder impact assessment is made available in the 'Impact Management Report' pages 4-7



STAKEHOLDER VALUE CREATION IN MOTION

Stakeholder Engagement

GRI 2-29

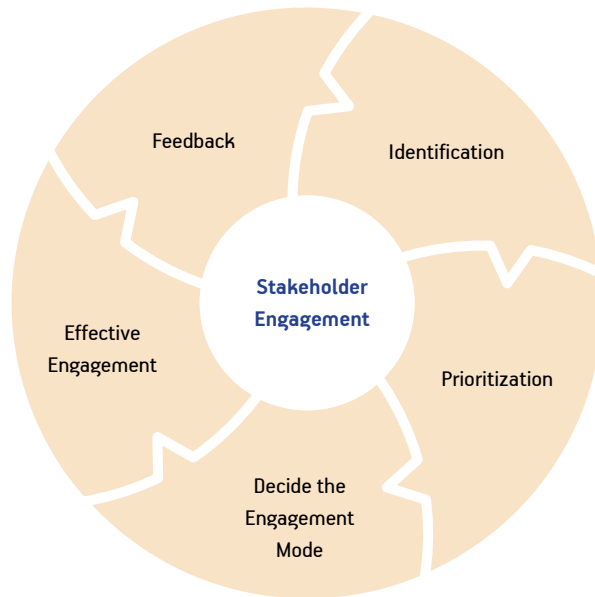
Embracing MI's staunch commitment towards exceeding stakeholder expectations, our approach to stakeholder engagement reflects our deep-rooted ideologies to nurturing synergistic relationships that thrive on mutual growth and shared successes. Our unwavering dedication echoes through every chord of engagement, weaving a tapestry of interconnectedness during this receptive phase. As a beacon in MI's success story, our stakeholders including shareholders, customers, employees, regulators, suppliers and society illuminate our path forward, each a vital note in our melody of purpose. We don't just engage; we harmonize, crafting a masterpiece of collaboration where every voice finds resonance and every partnership flourishes.

At the core of our ethos is the conviction that authentic engagement thrives on the active involvement and trust of every stakeholder, with transparency, integrity and respect as our guiding principles. Our pledge to remain attentive and consistent underscores that engagement is not just a one-time transaction but a continuous conversation that enriches our decision-making and shapes our strategic direction.

We initiated our stakeholder identification and engagement process by ascertaining interests of all stakeholders and mapping them into different segments based on the actual and potential impact which they could create on our business to determine prevention and mitigation responses to potential negative impacts and also customize strategies to address their concerns.

As stewards of stakeholder trust, MI recognizes the paramount importance of proactive engagement, often commencing dialogue with pertinent stakeholders well in advance of pivotal decisions. By prioritizing stakeholder engagement as an integral component of our corporate governance framework, MI endeavors to cultivate an ecosystem wherein stakeholders feel valued, heard, and empowered to actively contribute to our collective journey towards sustainable growth and societal impact.

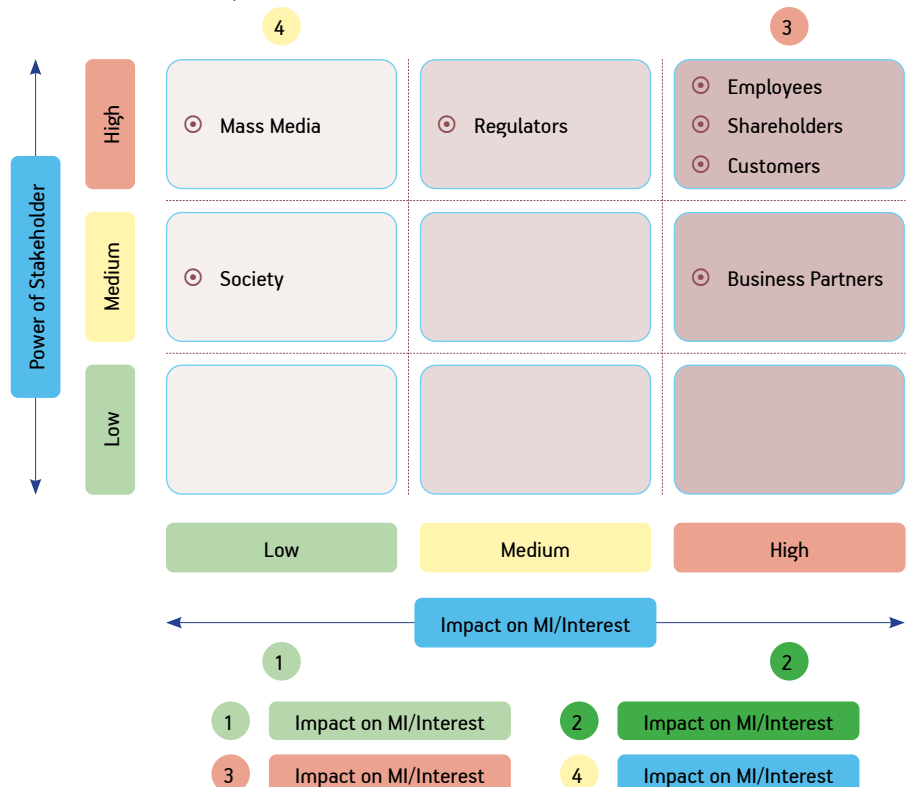
Process of Stakeholder Engagement



Stakeholder Management

Our approach to stakeholder management goes beyond mere compliance; it embodies a proactive effort to cultivate lasting relationships grounded in shared values and mutual understanding. Whilst gauging diverse and converging interests of stakeholders across multiple engagement platforms, we prioritize these concerns in our decision making process considering the magnitude of impact on our value creation process. Through the integration of stakeholder considerations, we aim to navigate a fine line between addressing immediate needs and fostering enduring relationships, ensuring a harmonious balance that supports both short-term goals and long-term sustainability. Through this multifaceted approach, MI seeks to fortify its position as a trusted partner, driving collective prosperity and realizing shared aspirations within the broader stakeholder ecosystem.

Stakeholder Mapping



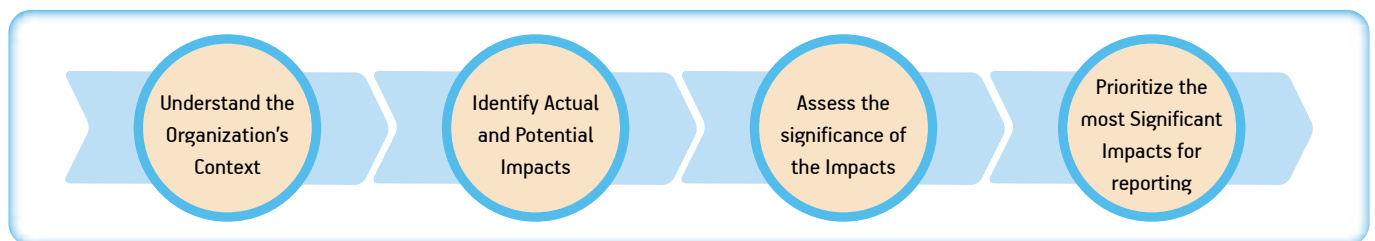
Materiality Assessment

GRI 3-1

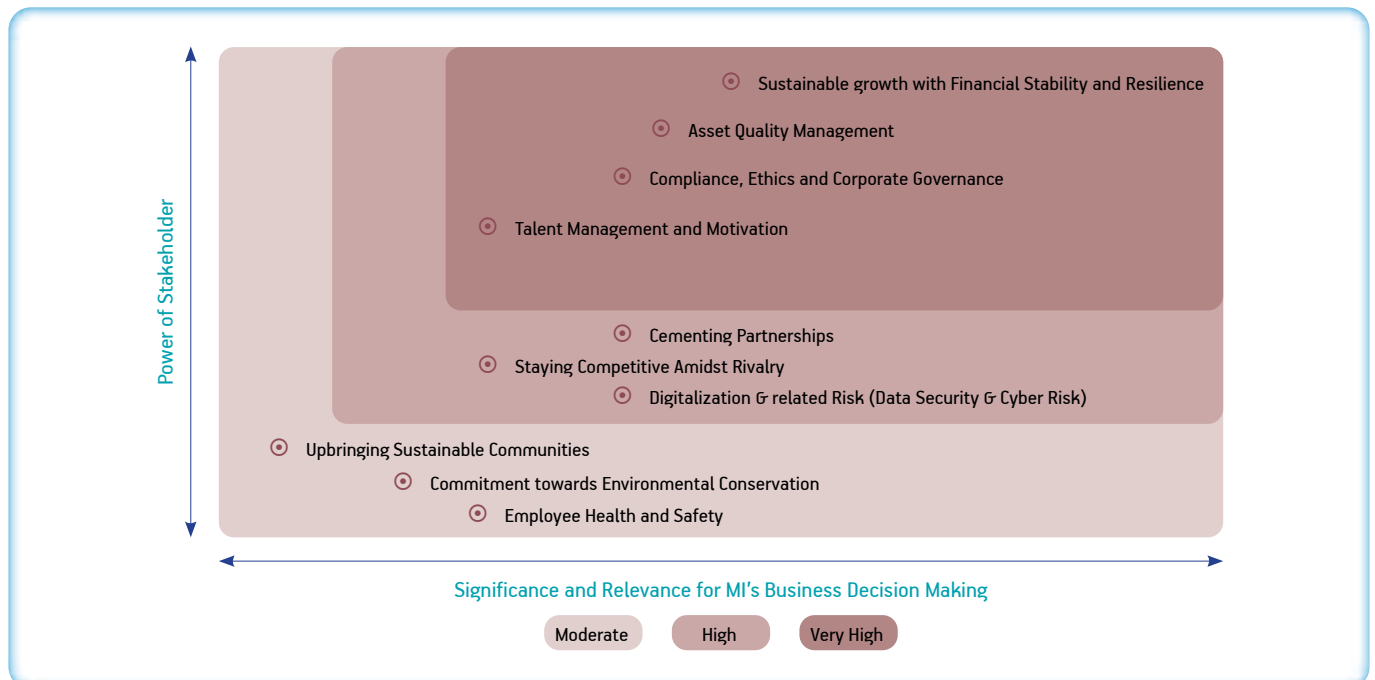
In our materiality assessment process at MI, we undertake a thorough and meticulous examination that delves deep into the intricate layers of our internal and external operational environments. Our approach involves considering both the explicit and implicit effects, ensuring a comprehensive evaluation that informs our strategic decisions and future planning. This inclusive approach ensured that the parameters used in determining the inclusion of topics in our reporting framework were aligned with the expectations of well-informed information users and subject matter experts, whilst maintaining a careful balance between relevance and reliability. By integrating the insights gleaned from stakeholders and experts alike, MI fortifies its commitment to transparency and accountability, establishing a solid foundation for sustainable value creation.

Our approach is further supported and aligned with internationally recognized frameworks such as the Global Reporting Initiative (GRI) indicators, Integrate Reporting Framework and the United Nations Sustainable Development Goals (UNSDGs). These frameworks provide valuable guidance to enhance our capacity in managing and disclosing issues that are of paramount importance to our stakeholders, thereby bolstering our credibility and fostering meaningful progress toward our sustainability aspirations.

Materiality Assessment Process



Materiality Gauge Matrix



Detailed disclosures about the List of Material topics is made available in the 'Sustainable Value Creation' web content pages 9-20

STAKEHOLDER VALUE CREATION IN MOTION

Review of Strategy Adopted

In the dynamic and evolving finance industry landscape, our strategic priorities were designed to seize emerging business opportunities and enhance our market positioning while remaining resilient in the face of multifaceted challenges. MI navigated through turmoil staying to basics and adopting a situation specific strategic approach that enabled us to build on our resilience, leveraging on our capital strength and robust liquidity position, whilst setting up a platform for envisaged future growth prospects.

Our corporate strategy formulation process is underpinned by the expectations of all our stakeholders and focuses on generating long term value by way of capitalizing on our existing strengths and same time harnessing opportunities from emerging external market developments and evolving customer demands.

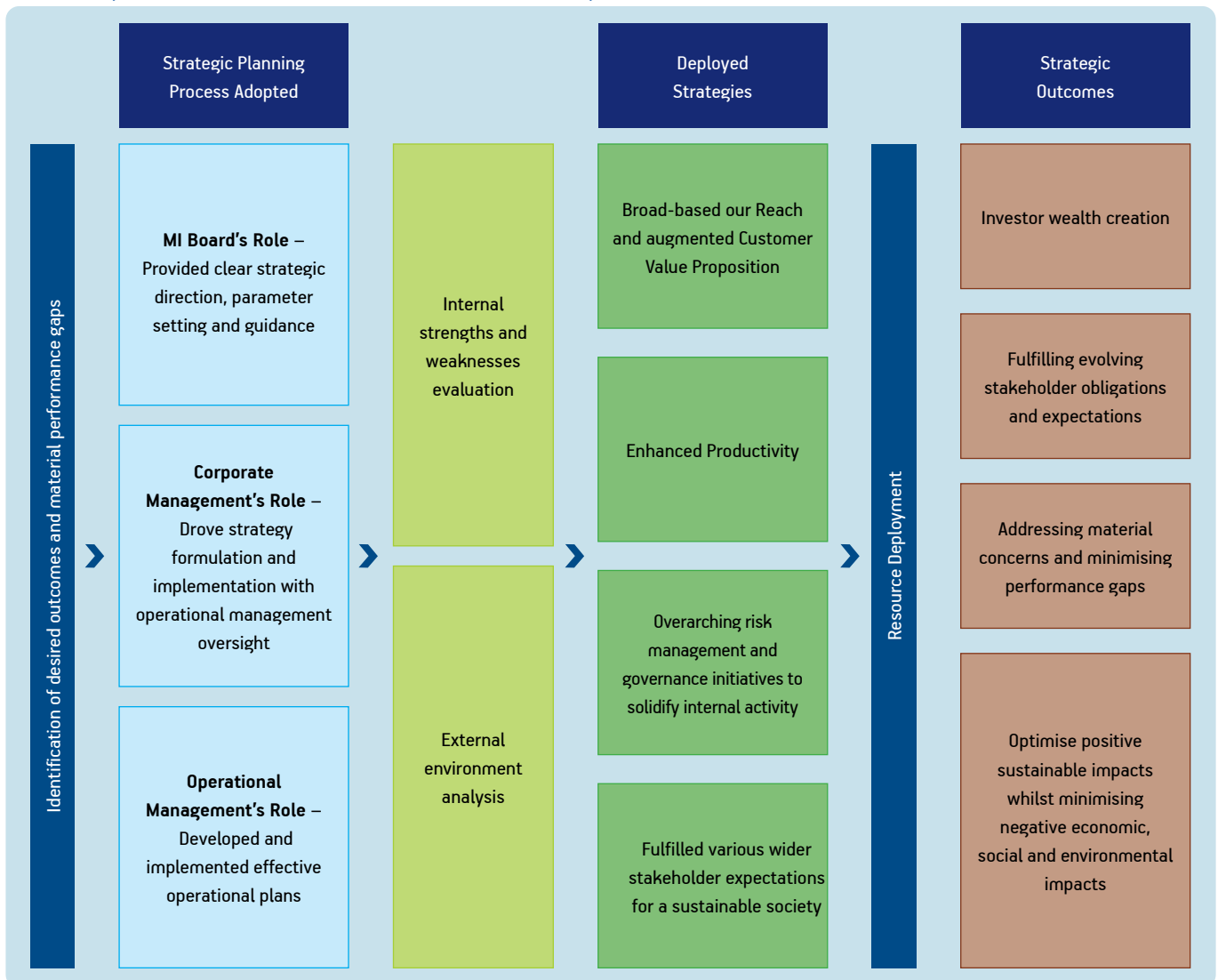
While assessing future investments required in upgrading our operating landscape, this year too we carefully reviewed our strategy and resource requirement to reinforce our strengths and minimize our weaknesses in achieving envisaged goals and objectives.

Though the NBFIs sector was experiencing significant pressure from the drastic increase in interest rates, coupled with a contraction in credit demand and inflationary effects during the first half of the financial year, we embarked on a strategic transition geared towards a steadily climbing growth trajectory, as the economy converged on the path of recovery and growth, pushing our boundaries further. With a steadfast focus on delivering solid investor returns, we crafted a strategic blueprint designed to ensure MI's revenues and profitability follow a upward trajectory that yields sound investor returns, capitalizing on opportunities arising

from the ongoing economic resurgence, anticipating evolving customer needs and industry trends. Our comprehensive growth approach covers multiple facets including, entry into new markets, augmenting customer value proposition through digital solutions, innovative product offerings and a personalized service delivery etched in service excellence.

Moreover, we paid greater attention on strengthening and maintaining our asset quality, while enhancing productivity and cost optimization towards improving our bottom-line. Thus, we prioritized critical business activities and ensured that our strategies are aligned to short, medium and long term goals. Furthermore, as an essential part of our strategy, we continued to embrace strategy that uphold wider sustainable impact on society in driving towards our visionary aspirations, as a responsible corporate citizen.

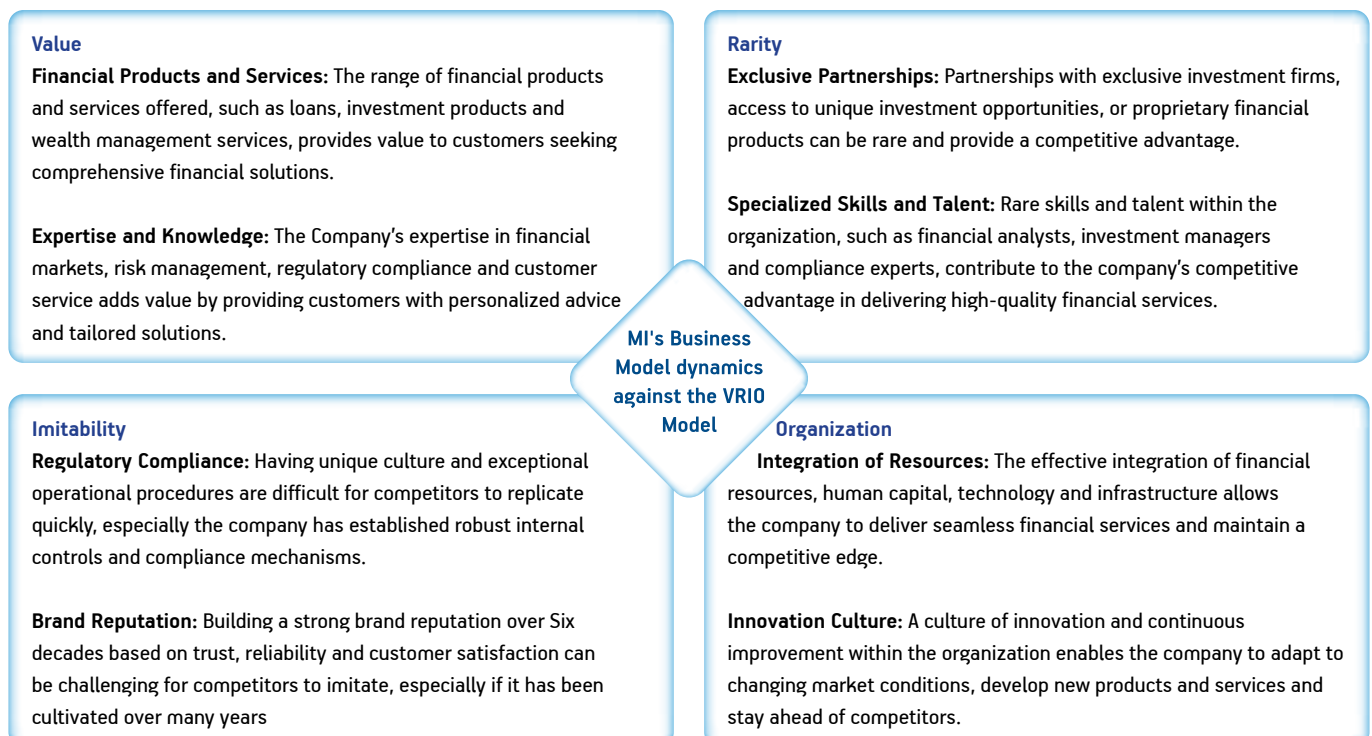
The Strategy Formulation Path Set in Motion towards Envisaged Results



Internal Environment Review Conducted

"S" Factors	Our Strength and Focus
Strategy	<ul style="list-style-type: none"> Capitalizing on sustained decline in interest rates and economic revival, we focused on a sustainable growth strategy expanding our branch network and product mix. Whilst focusing on a customer centric business approach as we diligently pursued cost optimization measures and embarked on a comprehensive digital transformation journey, both instrumental in fortifying our competitive positioning within the market.
Structure	<ul style="list-style-type: none"> We have structured specialized departments to support the core business activities by setting goals for each department aligned with overall strategic objectives. Implemented hierarchical structure with clear reporting lines to support and expedite decision making whilst assuring proper risk management controls are in place.
Systems	<ul style="list-style-type: none"> Embracing emerging technologies and cutting-edge IT solutions to drive operational excellence Embarked on a transformative journey by transitioning our core systems and sub-modules to the renowned Scierer e-financials. Robust IT infrastructure to broad-base MI payment platform such as online payment gateways, mobile applications. Robust Internal control systems to ensure accuracy, security and compliance with regulations.
Shared Values	<ul style="list-style-type: none"> Emphasis on integrity, trust, transparency and customer-centricity. Shared commitment to financial stability, regulatory compliance and ethical conduct. Culture of innovation, adaptability and continuous improvement.
Style	<ul style="list-style-type: none"> Leadership style that promotes a customer-centric approach, innovation and risk management. Emphasis on data-driven decision-making and collaboration among departments. Open communication channels between management and employees to foster transparency and alignment with company goals.
Staff	<ul style="list-style-type: none"> Recruitment of skilled professionals with expertise in finance, risk management, compliance and technology. Continuous training and development programs to enhance employees' skills and knowledge. Diversity and inclusion initiatives to create a dynamic and inclusive workforce.
Skills	<ul style="list-style-type: none"> Technical skills in areas such as financial analysis, risk assessment, regulatory compliance, and technology. Soft skills such as communication, problem-solving, teamwork and adaptability. Emphasis on continuous learning and upskilling to stay abreast of industry trends and regulatory changes.

We further assessed our strengths using an internationally proven model, which gave us competencies regarding our areas of excellence and areas needing improvement to enhance our service quality.



STAKEHOLDER VALUE CREATION IN MOTION

PESTEEL Analysis

Analytical Factor	Impact to Our LFC Sector	Our Approach
Political	<ul style="list-style-type: none"> While the government eased import restrictions on electric and public transport vehicles, the persistent constraints on other vehicle imports heightened industry pressure. The consequent, exaggeration in prices within the secondhand vehicle market raised concerns of a possible emergence of a bubble. Extensive tax reforms covering corporates and individuals resulted in further deterioration in peoples' purchasing power and general living standards of communities, curtailing the credit demand and repayment capacity. Though the current momentum of economic recovery created positive sentiments uplifting investor confidence, the looming anticipation of elections creates significant doubts on consistency and sustenance of the policies. 	<ul style="list-style-type: none"> While adhering to heightened fiscal policies, MI's proactive strategic approach enabled the Company to stay resilient, with receptive strategic changes and tactical plans. As we broad-based our product mix dynamics pursuing for alternative lending opportunities and expanding fairly new product lines that include Gold loan operations across the branch network, we were able to successfully navigate the challenges by recording healthy growth in the lending portfolio.
Economic	<ul style="list-style-type: none"> Though YoY GDP remained a negative 2.3% in 2023, Sri Lankan economy began displaying gradual recovery towards end of 2023 with 1.6% positive economic growth recorded in 3rd quarter of 2023 following six consecutive contractions, dissipating the macroeconomic vulnerabilities. Interest rates underwent downward adjustment in response to monetary policy easing since June 2023, spurring demand for credit facilities across all sectors. Fluctuation in foreign currency exchange rates exhibited greater stability as the year progressed. (LKR appreciated by 8.67% YoY by 31st March 2024). Inflation decreased to a single digit level by mid-2023. Headline inflation, as measured by Colombo Consumer Price Index (CCPI) was recorded at 5.9% in March 2024, curbing the pressure on overhead cost escalation and easing somewhat individual's disposable income levels. The surge in the tourism sector necessitates a heightened level of financial support to initiate and revitalize tourism-related business opportunities. Following the completion of the Domestic Debt Optimisation (DDO), credit rating agencies upgraded Sri Lanka's sovereign credit rating. 	<ul style="list-style-type: none"> Seizing emerging opportunities from the economic resurgence, we initiated a strategic shift towards breakout growth organically and in tandem optimizing on MI product mix and pricing strategy. As policy rates continued to decline, we proactively managed funding costs, focusing on short term deposits, keeping overall weighted average costs lower and to allow it to gradually come down, leveraging on steady margin improvements. These efforts combined with our cost optimization and stringent recovery controls enabled us to boost Profit after Tax (PAT) YoY growth by 424%.
Social	<ul style="list-style-type: none"> Despite the economy starting to recover towards the end of the year, the confluence of economic contraction, elevated inflation rates, tax adjustments and continued hikes in utility tariffs exerted pressure on household income, pegging back living standards. Tax reforms and varying political views continued to heighten social unrest fueling skilled migration creating a vacuum for the skilled in the job market. For convenience observed an increasing trend in customer awareness and demand for digital transactions. 	<ul style="list-style-type: none"> By integrating strategic corporate sustainability principles into our business model, we addressed key stakeholder concerns in our strategic planning process and extended shared growth opportunities for them, assisting to fulfil their prospects. We continued to uplift living standards of the community by investing on community development projects. By accelerating branch expansion plans, opened an array of new branches nationwide, which helped generate new employment opportunities across various regions.

Analytical Factor	Impact to Our LFC Sector	Our Approach
Technological	<ul style="list-style-type: none"> ⊙ Higher demand for contactless transactions shaped the business landscape of the NBF1 sector, creating seamless avenues for expanding business solutions. ⊙ An evolution was seen in deployment of AI technologies such as CHAT GPT, Copilot and other Robotic Process Automations (RPA) and other online platforms for improved decision making and productivity. ⊙ Increased cyber threats amidst greater digitalization vulnerability in the business called for higher investments in protection of systems. ⊙ Extended online/remote working facilities continued to boost employee performance, efficiency and satisfaction with higher return on assets. 	<ul style="list-style-type: none"> ⊙ Whilst broad-basing our online platforms, we embarked on a transformative journey by transitioning our core systems and sub-modules to a renowned external core IT system. As part of this initiatives, we successfully migrated 3 modules and balance to be concluded this year, aiming to deliver seamless and personalized experiences. ⊙ We have commenced implementing the use of AI backed user support in our routine operations to ensure efficiency and accuracy. ⊙ Upgraded IT security systems reduced the risk of cyber security threats.
Ethical	<ul style="list-style-type: none"> ⊙ Increased corporates' attention on fostering culture of ethics, right corporate values and good governance practices across the industry. ⊙ Voluntary adherence to the non-mandatory business practices to enhance integrity and transparency. 	<ul style="list-style-type: none"> ⊙ MI's deep rooted corporate values and ethical business practices guided the company to persist in transparency in all stakeholder engagements.
Environmental	<ul style="list-style-type: none"> ⊙ Evolving demand for sustainable financing and green lending such as solar power, electric and hybrid vehicle financing. ⊙ Surging need for environment conservation business practices due to climate emergency. ⊙ Enhanced corporate focus on building customer bonding and loyalty through greener environment practices. ⊙ Evolving reporting requirements on environmental footprint. 	<ul style="list-style-type: none"> ⊙ Formed a Sustainability Finance Committee aiming to enact and commence working on the essential prerequisites for promoting sustainable financing products. ⊙ We remained committed in business process automation and reduction in paper-based waste to mitigate environmental hazards. ⊙ Continued to invest in environment conservation projects, whilst preserving biodiversity in expanding our branch footprint.
Legal	<ul style="list-style-type: none"> ⊙ Stringent classification of stage 3 loans from 120 days to 90 days past due basis which was effective from 1st April 2023 exerted pressure on NBF1 sector, further deteriorating sector asset quality. ⊙ The issuance of the new Code of Best Practice on Corporate Governance 2023 by CA Sri Lanka, along with the implementation of the revised Central Bank Direction No. 05 of 2021 on Corporate Governance practices, is shaping the industry to embrace greater governance protocols and transparency in its business operations. ⊙ Infusion of stream of regulatory and tax changes that will have varying impacts to the business community. 	<ul style="list-style-type: none"> ⊙ Despite the widespread uptick in non-performing advances across the industry, our proactive risk management and asset recovery strategies enabled us to maintain asset quality, keeping the 90-day Non-Performing Loan (NPL) ratio controlled at 9.81%. ⊙ Ensured MI's compliance to various regulatory requirements and made plans for adopting applicable sections in the future through close monitoring and feedback to Board by compliance unit. ⊙ Implemented new policies and procedures and conducted training to adhere to evolving regulatory requirements and industry best practices.



STAKEHOLDER VALUE CREATION IN MOTION

Strategy Deployed

Strategy Execution

Overall Objectives -

	Short Term Target		Medium Term Objective		Long Term Goals		
	Net Interest Margin (NIM)	Cost to Income Ratio	Asset Quality (NPL)	Net Profit After Tax	Growth in Customer Base	Market Share	Asset Base
	> 8%	< 80%	< 10%	> 500 Million	> 15%	> 3%	> 10%
FY 23/24	9.8%	85%	9.8%	Rs. 556 Mn	14%	3%	12%
Past 3 Year Average	8.5%	83%	11%	Rs. 577 Mn	59%	3%	3.5%

Core Strategy 01- Augmenting and Enhancing Customer Value Proposition

As a friendly financial specialist, we stayed committed in enhancing the customer value proposition we deploy, relentlessly focusing our efforts on satisfying evolving customer expectations and needs. During the year, we continued to broad base our product mix by expanding Gold Loan operations across our branch network, while exploring new ways of differentiating our service among peers. As we geared towards our growth trajectory, we accelerated the branch expansion drive, integrating 8 new branches into our island-wide network, enriching MI's brand presence across the island. By committing, to invest handsomely in technology solutions, MI's market strategy and competitiveness continued to be enriched especially to enhance seamless customer experience and convenience for business growth and loyalty.

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
Portfolio Growth			
- Lending	13%	> 15%	-6%
- Deposits	16%	> 15%	18%
Growth in Total Customer Base	>228,000	> 220,000	>200,000
New Branches opened/ Expansions	08	>5	1

Core Strategy 02- Driving Productivity and Cost Optimization Prerogatives

Aligned with our strategic pillars of 'Prudent Growth' and 'Operational Excellence,' we prioritized enhancing productivity and explored scalable cost optimization avenues which took center stage, for future efficiency. We continued to cultivate a leaner and more agile operation to manage cost escalations, whilst leveraging technological solutions to enhance productivity. To enhance staff productivity, we prioritized greater investment in workforce's skills development and talent retention, while promoting multitasking capabilities as a strategy to mitigate evolving risks associated with staff attrition.

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
Return on Assets	1.10%	> 1%	0.22%
Cost to Income Ratio	85%	< 80%	106%
Training Hours Per Employee	11 hours	> 10 hours	9 hours

Core Strategy 03- Robust risk management and governance

Amidst a most dynamic and challenging operating environment, we encapsulate effective risk management and governance as an essential component in ensuring company stays resilient, stable and futuristic. Hence we adopted effective risk management practices and proven techniques to act proactively in facing emerging risks by analyzing, monitoring and recommending strategies more receptively. While performing regular risk assessments in different perspectives, we prioritized evolving interest rate risk and credit risk avenues considering the magnitude of the varying impact to the bottom-line of the company. We updated our risk matrix and risk register to bring more stringent controls to our business model with the intention of safeguarding loan book quality and ensured no undue erosions impact to the net interest margins we enjoy. These risk approaches assisted us to arrest increasing credit risk and to maintain our non performing advances controlled at 9.81% while enabling us to improve our net interest margins to stay resilient amidst the prevailing macro-economic challenges.

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
New initiatives on risk management	8	9	5
One year maturity mismatch	Rs. 4.9 Billion	Rs. < 5 Billion	Rs. 2 Billion
NPL ratio	9.81%	< 10%	10.74%

Core strategy 04- Upholding the aspired sustainability pledge for Societal Well-being

Our commitment towards sustainability, remained unwavering as we continued to adopt sustainable business practices to be agile to cater to the evolving economic hardships and challenges surrounding communities, and other ESG related perspectives. As a long standing finance company, we gained trust and confidence of our stakeholders through the promotion of sustainable business practices while promoting our unique corporate culture through voluntary execution of sustainable initiatives especially, through the promotion of financial inclusion among the lesser privileged society to better their lives and livelihoods.

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
Social investment	Rs. 1.78 Million	Rs. > 1.5 Million	Rs. 1.5 Million
No of Beneficiaries	>300	> 200	>200
Green Lending	Rs. 3.5 Billion	Rs. > 3 Billion	Rs. 1.7 Billion



STAKEHOLDER VALUE CREATION IN MOTION

Resource Allocation at MI

MI's strategic resource allocation remains a cornerstone of our operational success, reflecting our commitment to prudent management and a sustainable growth trajectory. Throughout the fiscal year, we have diligently allocated resources to key areas that align with our overarching objectives. During the year we allocated more resources in expanding the branch network activities including its IT infrastructure to drive our future potential and competitive edge in the market whilst bolstering operational efficiency and scalability. Additionally, substantial investments in employee development initiatives have fortified our workforce, ensuring they possess the requisite skills and expertise to navigate evolving industry landscapes. As stewards of shareholder value, we have maintained a disciplined approach to resource allocation, balancing short-term objectives with long-term sustainability to deliver optimal returns for our investors.

Business Lines	Lending	●	●	●	●	●	●	●
	Investments	●	●	●	●	●	●	●
	Deposits	●	●	●	●	●	●	●
	Mobilisation	●	●	●	●	●	●	●
	Other Ancillary Business	●	●	●	●	●	●	●
Business Activities Affected		▲	▲	▲	▲	▲	▲	▲
		Funding	Customer Intelligence, Product Design and Innovations	Evaluation and Execution	Collections	After Sales Support	Customer Relationship Management	Support Services
Key Resources Mobilised	Financial Wealth	●	●	●	●	●	●	●
	Human Strength	●	●	●	●	●	●	●
	Alliances	●	●	●	●	●	●	●
	Infrastructure	●	●	●	●	●	●	●
	Intellect	●	●	●	●	●	●	●
	Nature	●	●	●	●	●	●	●

● Critical ● Moderate ● Not Significant

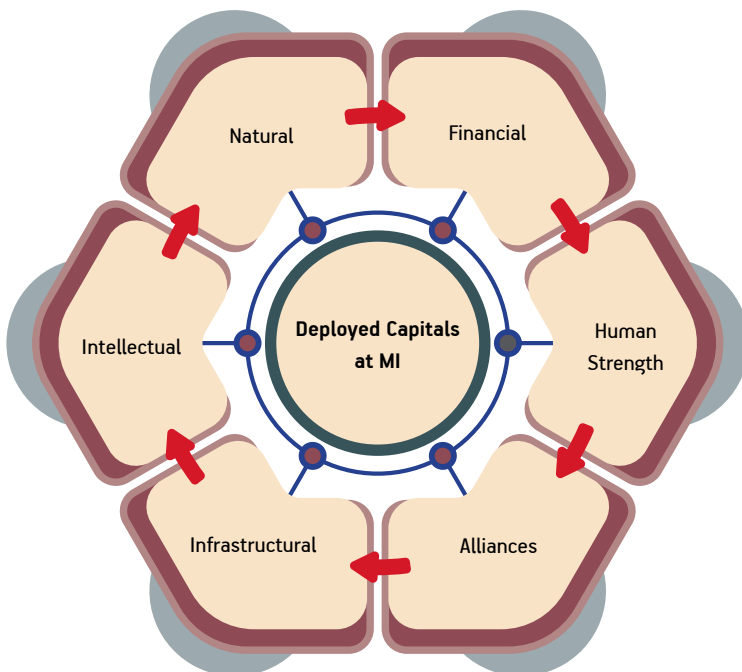
CAPITAL MANAGEMENT EXERCISED

Value Creation Through Efficient Capital Management

Through this integrated annual report, we highlight our dynamic capital management approach, a cornerstone in our value creation strategy and successful journey. At the center of our methodology lies the astute utilization of various tangible and intangible resources, collectively referred to as Capitals. Throughout the year, we leveraged Alliances, Intellect, Infrastructure, and Human Strength, Natural, and Financial capitals to drive our sustainable growth trajectory to surpass stakeholder expectations. In driving our value creation journey, these capitals deployed in business may be increased, decreased, or transformed through capital management activities while balancing negative impacts and capital trade-offs with prudence and foresight. This integrated annual report serves as a testament to our conscious and effective utilization of capitals in achieving aspired goals.

Embedded within the framework of strategic corporate sustainability, the company is committed in adopting an integrated approach, guided by comprehensive integrated thinking. This methodology empowers the MI Board and Management to optimize the utilization of capitals within the value creation process, yielding robust and enduring returns across short, medium, and long-term horizons. In doing so, MI proudly upholds its corporate identity as a socially and environmentally responsible entity, committed to fostering sustainable development.

Amidst an industry landscape marked by persistent uncertainties, we were able to demonstrate our resilience leveraging these diverse capitals towards achieving our strategic goals and objectives, whilst creating positive impact to the economy, society, and environment. Despite the myriad of challenges encountered, corporate management together with MI Board's strong direction, adeptly managed capitals to drive value creation. We commendably instilled robust liquidity, and pleasingly drove upward financial performance for the year which helped grow the capital position further, reinforcing our sustainable business commitment to our investors, business partners, employees and society.



Capital Management Approach

We've implemented a methodical strategy to optimize the utilization of each resource available to us in our value creation process. Through careful allocation and management of these resources, we aim to maximize returns for all stakeholders whilst ensuring the preservation of these valuable resources to future generations. This approach not only supports our future growth ambitions but also enables us to have a positive impact on society more sustainably.

Capital Sourcing
<ul style="list-style-type: none"> Major Stakeholder Resource Management Credit Rating Brand Management
▼
Capital Development and Trade-Offs
<ul style="list-style-type: none"> Cost Benefit Assessment Resource Distribution System Developments Innovative Solutions Operational Excellence
▼
Capital Preservation
<ul style="list-style-type: none"> Governance, Ethics & Culture Risk Management Statutory Audits Stakeholder Mapping

Financial Wealth



Detailed disclosures about our Financial Wealth is made available in our web site.



Our robust financial wealth reflected through a strong capital base of over Rs. 12 billion backed by sound asset quality, liquidity and regulatory capital position amplifies the strength of our business model towards our value creation visionary aspirations. Despite facing multifaceted challenges, we successfully navigated the year, with a remarkable upward trajectory in all facets of our performance. While manifesting steadfast profitability growth and capital accumulation, we reaffirmed our commitment towards sustainable business, showcasing commendable growth in our asset base, lending book and deposit base. Our efficient and effective financial planning, treasury management and cost optimisation initiatives supported the Company's core business strategies in delivering these impressive results, steering through these challenging times. As a company embraced with transparent, prudent risk management and governance practices, we remained resilient and focused on sustaining a sound financial position within the Industry, whilst unleashing our growth potential to drive our strategic goals.

Performance Highlights



Sustainable Growth Trajectory

- Over Rs. 500 Mn commendable PAT recoding 424% YOY growth
- 13% growth in Lending Portfolio
- 16% growth in Deposit Base
- 12% growth in Total Assets
- 10% growth in Shareholder funds



Strong Liquidity and Capital Adequacy

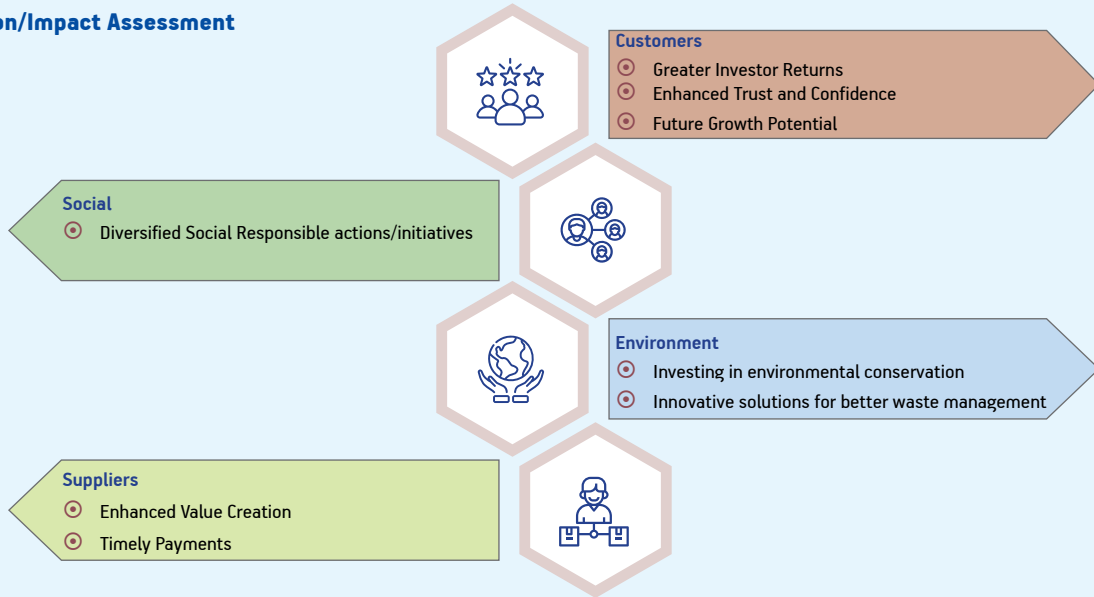
- Capital Adequacy Ratio - Tier 1- 16.49% (Min. 8.5%)
- Tier 2- 17.88% (Min. 12.5%)
- Reduced NPL to Single digit level 9.81%
- Liquidity Ratio 19.68%



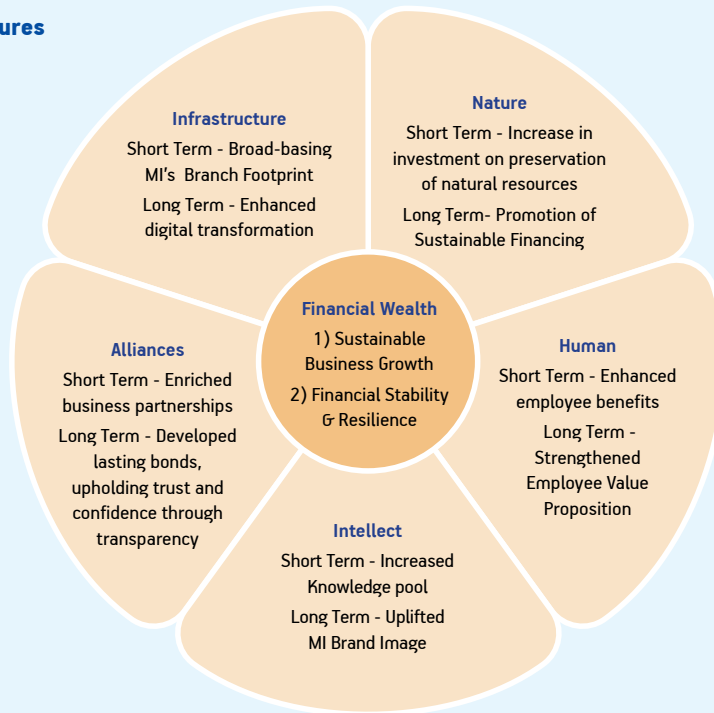
Robust Investor Returns

- Dividends declared Rs. 60.12 Mn
- Net Assets per Share Rs. 4,047
- EPS increased to Rs. 184.90
- ROCE 4.8%

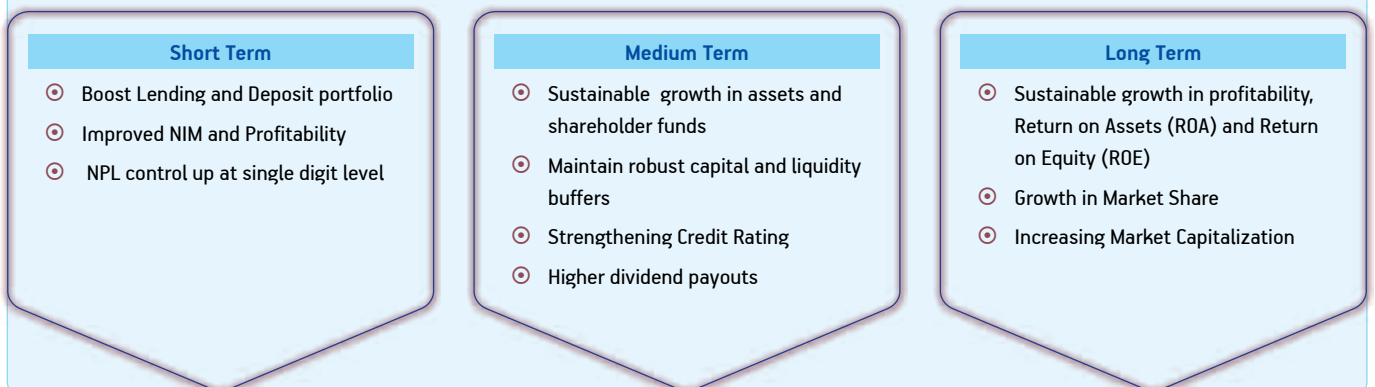
Expectation/Impact Assessment



Interrelated Capital Structures



Future Aspirations



FINANCIAL WEALTH

Financial Management Drivers

In a period marked by lingering effects of the challenges from previous year, we aligned our core business strategies towards sustainable growth, whilst driving our financial management endeavors on the following facets.

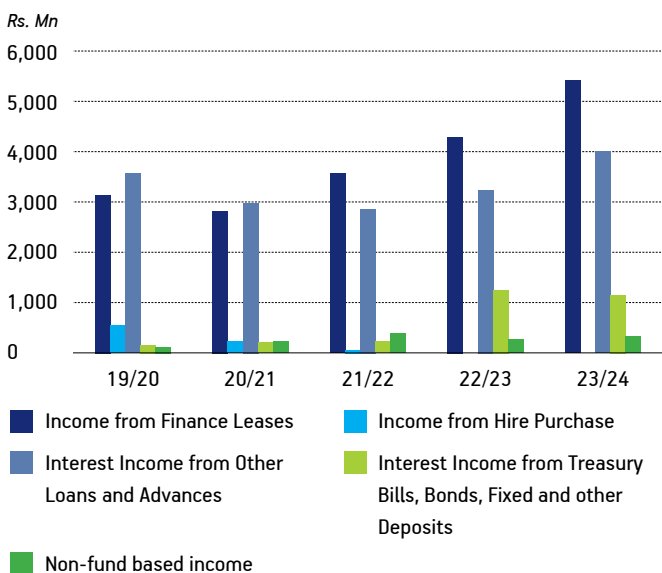
- ⊙ Sustainable Revenue Growth
- ⊙ Efficient Treasury Operation
- ⊙ Cost Optimisation

Sustainable Revenue Growth

Core revenue generation remained pivotal during this challenging period, and hence the central focus revolved around boosting revenue, deploying strategies to lift volumes and simultaneously broad based core margins. Though credit demand remained subdued during first two quarters with the extension of import restrictions and heightened interest costs, we continued to diversify our traditional product mix and expand our Gold loan operations across our branch network especially accelerating service points in the latter half of the year. As the economy embarked on a path of recovery and growth, we strategically expanded our branch network by 19%, particularly in key hubs to grow the loan book. Given the continued decline in policy rates, we carefully managed our pricing strategy in parallel to boost lending volumes whilst focusing on high-yield and long-term products to target repricing gains and sustain envisaged revenue targets.

Core Lending Revenue Performance

Composition of Gross Income



Efficient Treasury Operation

With the easing of monetary policy measures and the persistent decline in policy rates, we remained steadfast in prioritizing efficient fund management, focusing on minimizing our funding costs whilst retaining an impeccable liquidity position and sufficient contingency funding options. As policy rates continued to decline, we proactively managed funding costs, focusing on short term deposit mobilization, keeping funding cost lower in the medium and long term. Simultaneously, excess funds after deployment for core lending business was optimally invested in government securities yielding above average returns, enjoying the high rates offered especially during 2023 calendar year.

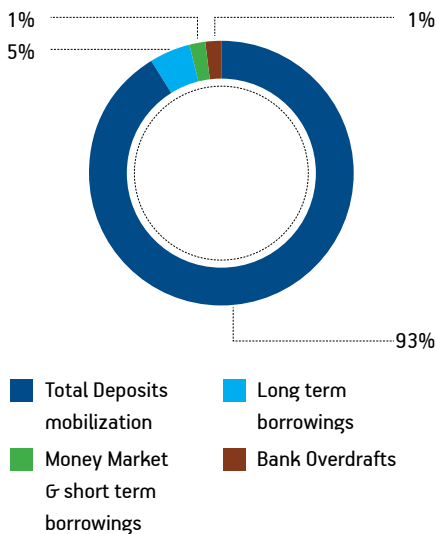
Nonetheless, in the backdrop of persistent decline in policy rates, maturity mismatches of Assets and Liabilities of less than one year widened by March 2024 across the industry. Though our less than one year maturity mismatch widened on account of shorter horizon mind set of depositors and expanding longer tenor lending portfolio, by mobilising longer term borrowing totalling to Rs. 1.7 billion and possessing Rs. 3.3 billions of unutilized funding lines, we were able to sustain a sound liquidity position and safety net throughout the financial year, balancing the short-term and long-term funding needs of the Company optimally.

Treasury Management Priorities	Target	Actual	Status
Generate sound investment yields and optimise on cost of funding to maintain acceptable NIMs.	> 8%	>9.5%	Achieved
Maintain optimum liquidity levels whilst bridging maturity mismatches.	Strong liquidity level > Staying above minimum requirement of 10%. 1 year assets and liabilities mismatch < Staying below threshold level of Rs. 6 Bn across the year.	19.68% Rs. 4.9 Bn.	Achieved Partially Achieved
Maintain a minimum contingency fund of Rs. 2 Bn.		Rs. 3.3 Bn.	Achieved

Funding Mix Management

We maintained an optimal funding mix between deposits and borrowings to minimize funding costs while effectively managing maturity gaps between assets and liabilities. The deposits business remained the primary contributor to the funding mix, accounting for 93% which reflected a 15.6% increase compared to the previous year, driven by the heightened mobilization of fixed deposits facilitated across our expanded branch network. With bank borrowings costs remaining relatively on the high side, we opted for deposit funding, which saw total borrowings component drop year on year accordingly.

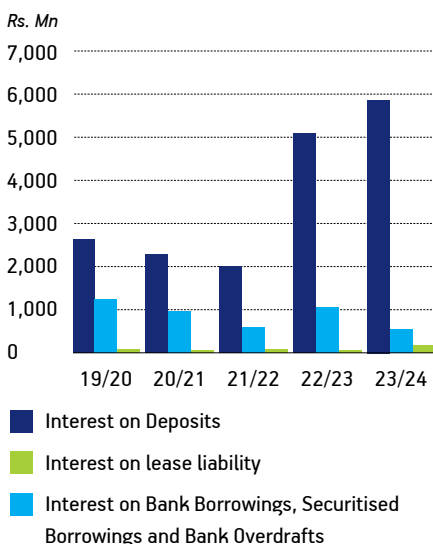
Funding Mix



Funding Cost

Despite the year concluding with a notable 14% drop in interest rates compared to the previous year, interest expenses stood marginally up by 5%, predominantly fuelled by a 15.6% growth in the deposit base. Despite the repricing of our short-term fixed deposits at lower costs following the gradual decline in policy rates, the average cost of funds experienced a marginal 0.5% decrease for the year, a gradual deceleration as the deposit base composition consisted of higher rate mobilising in last 24 months. Interest expense on bank borrowings showed a significant drop of 54%, reflecting our conscious effort to reduce bank borrowing exposure in response to such funds comparatively being of higher cost.

Interest Expenses



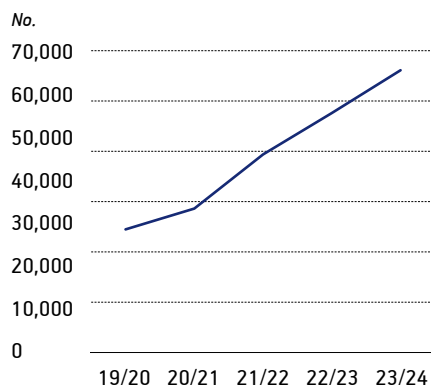
Deposit Funding

Though Deposit mobilization was somewhat challenging amidst persistent decline in policy rates and the availability of other attracting investment options, with the expansion of our branch network and the efficacious deposit marketing drive helped in expanding the deposit base to Rs. 36 billion, a noteworthy 15.6% growth YoY, staying above the average industry growth of 8% recorded by December 2023.

Fixed Deposits

Our unwavering commitment towards the mobilisation of Fixed Deposits being our primary deposit product, contributed 99% to the total base. Despite the continued downward revision of market rates, a commendable 15.7% growth was recorded on Fixed Deposits which advanced to Rs. 35.9 billion. Whilst broad-basing our reach through our expanded branch network, we continued to broaden our depositor base, affording attractive returns to our customers and improving service standards across our branch network, especially in terms of the speed of delivery and customer convenience. On-going decentralisation efforts coupled with transformation of IT facilities to an advanced IT platform offered greater convenience, driving branch mobilisation commendably up by 40% reflecting a healthy 38% contribution, while Head Office mobilization being in the Western Province remained the primary captive region.

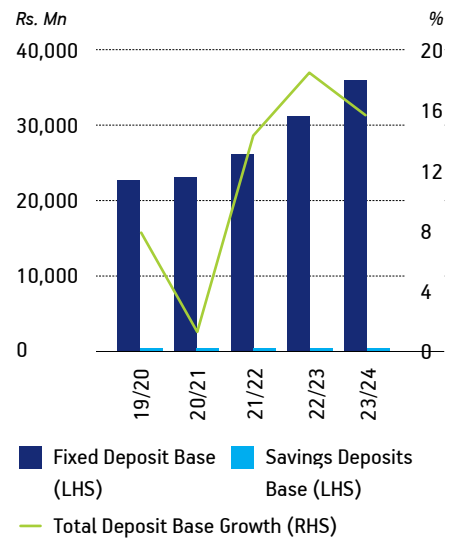
Number of Depositors



Savings Deposits

With our continued efforts to encourage savings deposits through the introduction of ATM services and convenient access, MI managed to increase its savings base from Rs. 193 Mn to Rs. 218 Mn by 31st March 2024. As we are steering towards rapid branch expansion planned across the island, we aim to further strengthen our savings base through greater branch mobilisation, backed by the plans to embrace greater technology solutions, to bolster e based transacting including CEFT, e-wallet facility, internet based transactions and standing order option etc. to be facilitated within the new financial year.

Deposit Mix and Growth

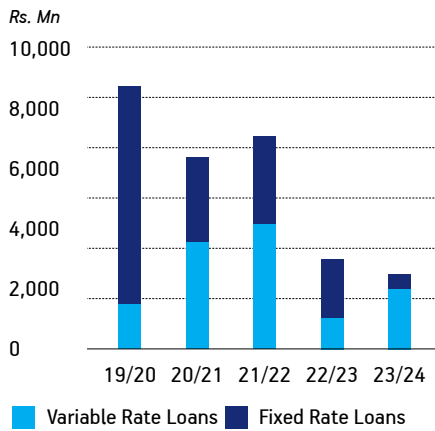


Borrowings and Debt Funding

As bank borrowing was of relatively higher costs, we kept bank and other institutional borrowings controlled, which saw corporate borrowings reduce from Rs. 3,580 Mn to Rs. 2,758 Mn by the balance sheet date, dropping by 23% YoY. However, we continued to strengthen our partnerships with longstanding banking partners to manage immediate and future funding requirements to optimise on overall funding costs.

FINANCIAL WEALTH

Total Borrowings Analysis



Cost Optimisation

We continued to make inroads in productivity and efficiency improvements including the introduction of various digital channels, which enabled us to sustain the cost savings drive we undertook since the pandemic. Despite the branch expansions, our sustained efforts to effectively bring down the costs to income ratio levels enabled us to control the overhead cost escalation somewhat to 25%. Our targeted efforts to reduce operational expenses through process automation, efficiency gains and optimisation of human capital and organization-wide initiatives to eliminate waste and build a leaner operating model enabled us to curtail the cost increase against inflationary pressure including rising fuel and energy costs during the year.

Financial Results

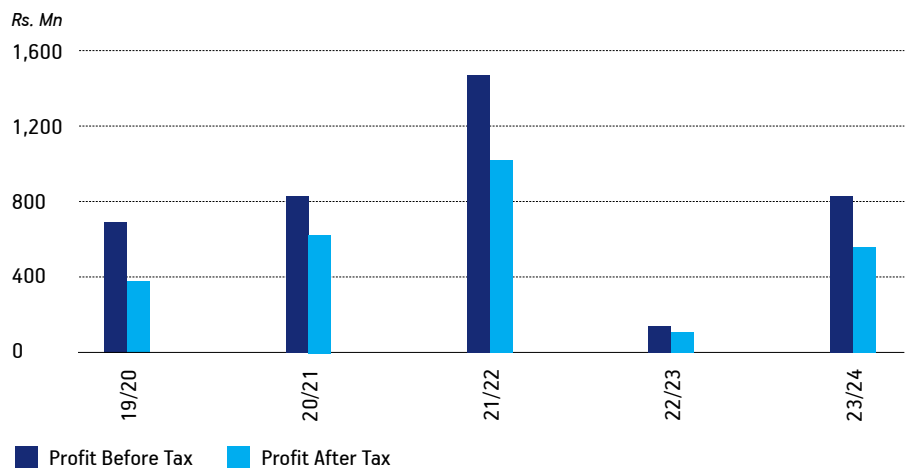
The year under review marked a pivotal milestone in our journey, defined by a steadfast commitment in establishing a clear growth trajectory amidst market turnaround post covid era. As planned we enjoyed resilient performance across all key metrics. Whilst the NBF1 sector remained resilient against the prevailing macroeconomic challenges, we were able to stay ahead of competition, displaying robust financial results, posting upward profitability, lending, deposit and asset quality, epitomizing on our unwavering commitment to delivering attractive returns for our investors even in trying conditions. These impressive results not only bolstered stakeholder trust and confidence but also helped to maintain MI's supremacy in the sector as a premier finance company.

Profitability

Leveraging on MI's core competencies and appropriately backed by right strategy and staunch commitment to success, the company was able to record robust pre- and post-tax profits amounting to Rs. 820 million and Rs. 556 million, reflecting an outstanding 517% and 424% Year-on-Year growth. Despite experiencing subdued loan book growth during first two quarters of the financial year, with the persistent decline in policy rates and uptick in credit demand, we recorded, impressive 13% YoY growth in the total loan portfolio, whilst keeping funding costs relatively lower backed by repricing gains especially during the latter half of the year. Accordingly we recorded a 60% remarkable growth in net interest income boosted primarily by a YoY growth in lending volumes of 79% and improved core margins that moved up by 3.3% YoY to 9.79%.

Same time, in spite of the prevailing macroeconomic conditions and extended tax reforms adversely affecting borrower repayment capacity, targeted recovery strategies deployed to tackle on-going arrears clients coupled with stringent credit risk management controls enabled us to keep credit quality intact, with the 90-day Non Performing Loan Ratio (NPLs) controlled at 9.81%.

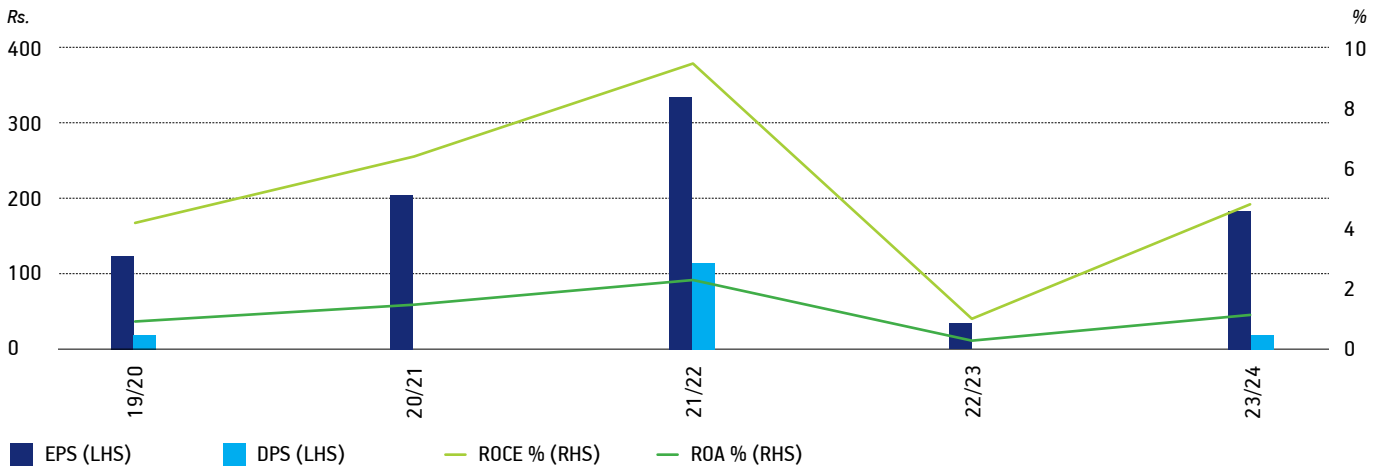
Earnings Performance



Investor Returns

Bolstered by a higher post-tax profit, the Return on Average Capital Employed (ROCE) and Return on Average Assets (ROA) both moved up solidly from 0.96% to 4.80% and 0.22% to 1.10% respectively for the year under review, upholding investors' trust and confidence. This robust growth in profitability propelled the Earnings per Share by 424%, climbing from Rs. 35.28 to Rs. 184.90, reaffirming our resilience and earning potential even amidst unprecedented challenges. In light of this resilient performance, the Board declared a dividend of Rs. 20 per share amounting to Rs. 60.12 million for the year, reinforcing our commitment to shared growth principles and paving the way for future shareholder wealth accretion by retaining majority of profits towards future business growth. Accordingly, our shareholder funds rose to Rs. 12.2 billion by 31st March 2024 up by 10.4% YoY (Refer 'Investor Relations' section on pages 296 to 299, on sound investor returns and capital accumulation trajectory).

Investor Returns



Tax Impact on Profitability

With the growth in operating profits, total tax expense increased significantly by 131% to Rs. 830 million during the year, while the effective income tax rate reduced from 81.4% to 40% on account of a deferred tax reversal of Rs. 128 million recorded for the year. Though the tax rates remained as same as last year, as the full effect of the increase in tax rates in 2022 came upon the current financial year, income tax charge increased from Rs. 26.7 Mn to Rs. 264 Mn, with the profitability growth. Moreover, VAT on Financial Services comprised 59% of the total tax expense, reflected an increase of 59% to Rs. 492 million, whilst the Crop Insurance Levy stood at Rs. 6.7 million for the year. (Refer Financial Statements Note 15).

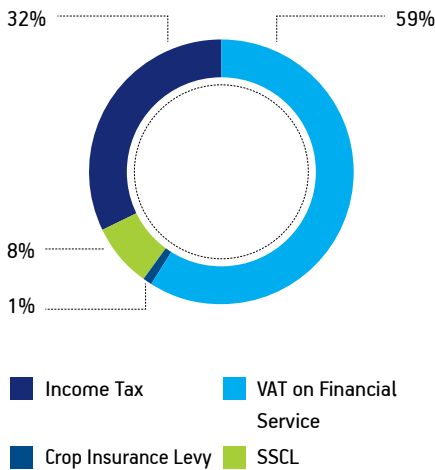
Gross Revenue

With the uptick in lending volumes and enjoying of relatively higher yields coupled with the expanded branch presence, the Company's gross revenue increased soundly by 21.2% to Rs. 10,949 million for the financial year 2023/24, as compared to 26.8% growth recorded for the previous year.

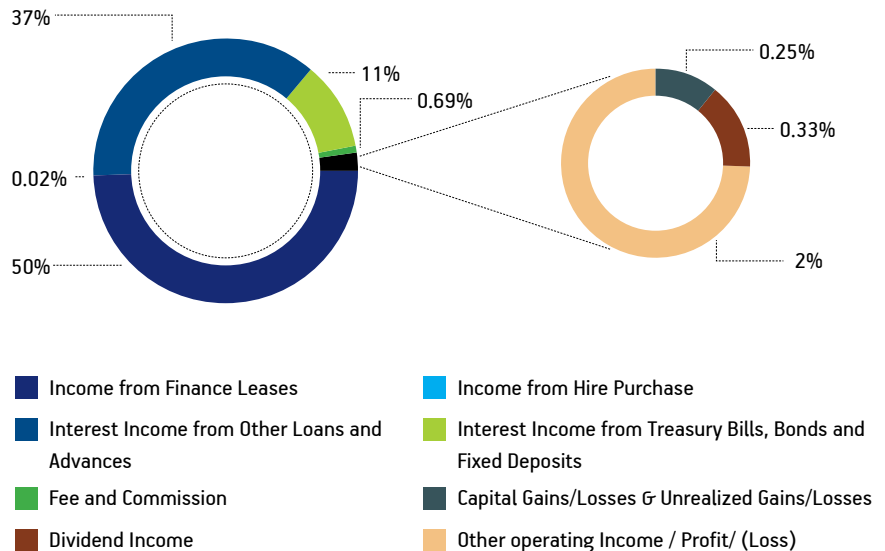
Similarly, core lending revenue grew significantly by 26% to Rs. 9,468 million, stemming from the 13% steady growth recorded in the loan book for the financial year 2023/24, compared with 15% revenue growth recorded for the previous year. Non-Fund Based Income too showed an upward 12% movement, mainly with the fair value gains recorded on government securities of Rs. 27.5 million while dividend income stood at Rs. 35.7 million, down 13% YoY.

In terms of gross revenue, 86% of the contribution was generated from our core lending business, whilst the contributions derived from investment income from Treasury activities dropped to 11% from 14%, as we consciously reduced surplus funds invested in Treasury bills and Money Market with persistent decline in yields. Non-fund based income derived from insurance referral business, workshop service and repair income and other fee-based revenue made up the balance 3%.

Tax Payments



Composition of Gross Revenue



FINANCIAL WEALTH

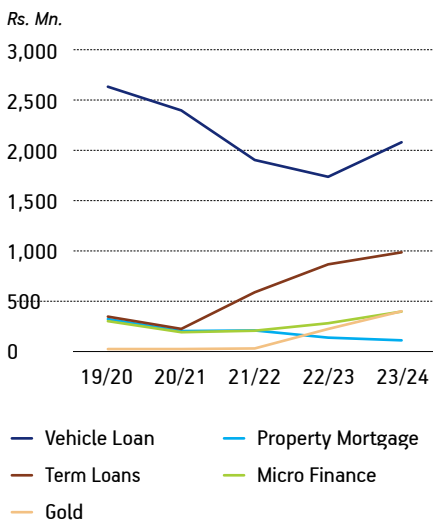
Lease Financing vs. Hire Purchase Revenue

Leases, being MI's traditional and most popular product contributed 57% to the core lending revenue, with a 27% YoY growth. Hire Purchase revenue contribution continued to decline to 0.03% of the lending income, reflecting a YoY 83% dip, due to lower demand consequent to past years tax changes.

Term-Based Lending Revenue

Term-based lending, which mainly revolved around vehicle loans, property mortgage loans, term loans, pledged loans, microfinance loans and gold loans categorised under the loans and advances portfolio, contributed 43% to the core lending revenue, with a 24% YoY growth, as the other main key revenue sources of MI's expanding product mix.

Loans and Advances Revenue

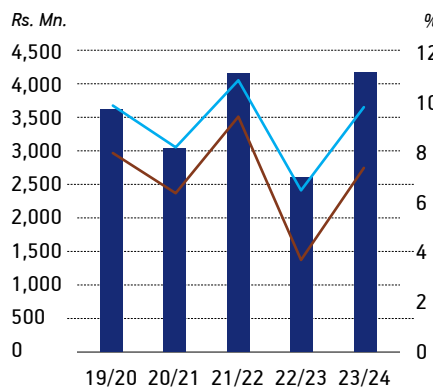


Net Interest Income (NII), Net Interest Margin (NIM) and Core Spread

Whilst significant amount of our lending portfolio was repriced at market rates, yielding 21% growth in interest income, funding costs was kept optimal, banking on the repricing of majority deposit book shorter tenor components, enabling us to record a notable 60% growth in Net Interest Income (NII). Apart from improved lending volumes, this commendable growth in NII was bolstered by enjoying an improved Net Interest Margin (NIM) from 6.46% to 9.79% and an Interest Spread of 7.36% by March 2024, reaffirming the strength of our business model and the strategies we embraced, setting the tone for a resilient growth trajectory.

We stayed committed in improving core margins with varying product mix strategies, focusing on blending traditional modest yield product lines with high yield lending products, while taking strategic actions to lower cost of funding in the medium term, that paved the way to reap healthy spreads and also to face any unforeseen price volatility.

NII NIM Spread



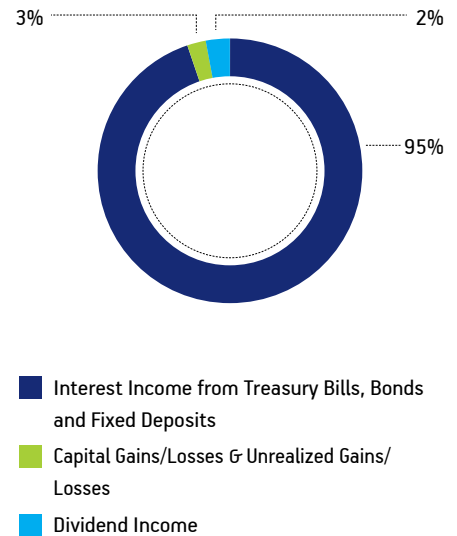
Investment Income

Investment income that primarily comprised of returns generated from government securities, placements with banks, unit trusts, and dividend income remained a significant contributor to MI's gross revenue, constituting a commendable 11%, though dipped by 3% to Rs. 1,224 million due to the gradual decline in yields enjoyed and investment portfolio.

As we reaped the benefits from the surge in government security rates during early 2023 and later on observing the persistent decline in yields, we commenced strategically divesting part of our excess fund invested in government securities and other investments, redeploying back to core business to support the uptick in loan book growth. Based on the fair value appreciation of government securities, we booked Rs. 25.9 million as fair value through profit or loss and Rs. 25.6 million as fair value through other comprehensive income this year.

As the economy converged towards the path of revival and growth, stock market prices reflected positive sentiments enabling us to record unrealized fair value gains amounting to Rs. 459 million, transforming the negative OCI reserve of Rs. 372 million at start of year to a positive OCI gain of Rs. 81 million as at the balance sheet date.

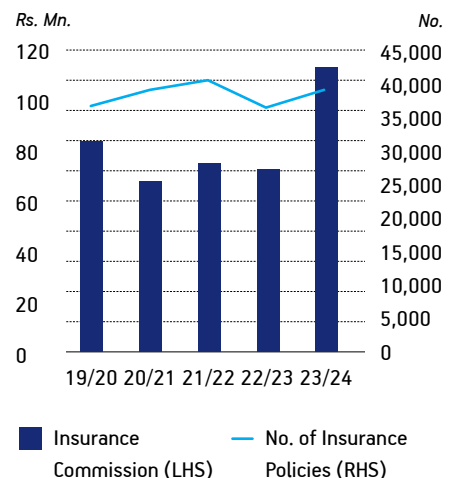
Investment Income



Insurance Services

Insurance referral business income continued to contribute Rs. 75.7 million to gross revenue compared with Rs. 75.5 million recorded for the previous year. Moreover, through a satisfactory track record of recovering insurance claims, which stood at Rs. 112 Mn. (Rs. 71 million for 2022/23), we sustained sound customer retention levels, whilst attracting new clientele to take up effective insurance covers through the brokering company housed in the MI head office premises.

Insurance Commission Vs No. of Policies

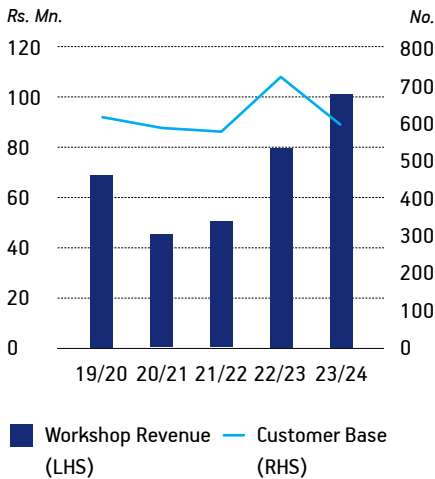


Workshop Services

Amidst prevailing macroeconomic challenges, a total revenue contribution of Rs. 101 million was generated through our special workshop servicing

and repair unit located in Kohuwala, recording a 27% increase against the previous year.

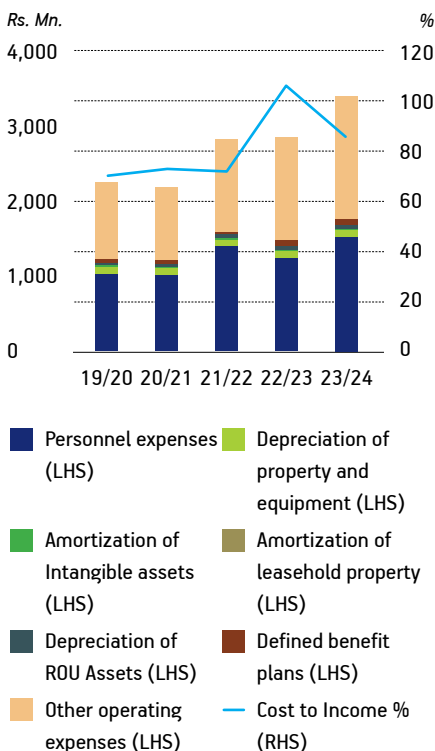
Workshop Revenue and Customer Base



**Expenditure Management
Overhead Cost Escalation**

By maintaining a steadfast focus on cost optimization and productivity enhancement, we kept overhead costs controlled wherever possible, but due to branch expansion activities and inflationary factors including significant hike in utility tariffs, we witnessed a 25% cost escalation YoY.

Composition of Operating Expenses Vs Cost Income Ratio



Capital Expenditure

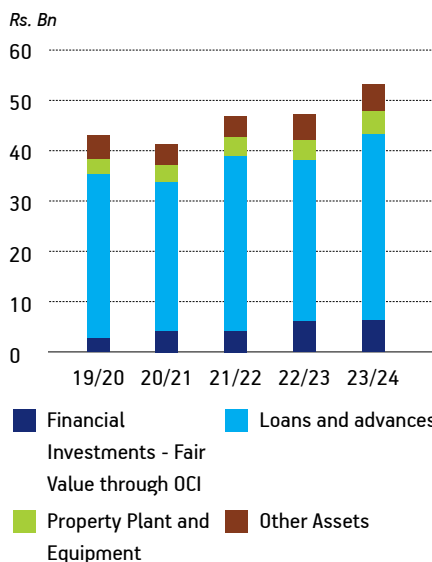
Capital investments in this period was mainly directed towards core business strategy deployment, especially to enhance our physical outreach and to support the upgrading of MI's IT infrastructure and evolving technology capabilities, ahead of planned growth trajectory. Whilst expanding Gold loan operations across our branch network, we expedited our branch expansion plan in steering towards corporate plan targets with steady upward momentum, investing Rs. 229 million in Property, Plant and Equipment. As we made strides in enhancing productivity and shortening breakeven periods of newly setup branches, we forged ahead with our low costs developments under a 'scalable concept' in branch expansions, to minimize initial investment cost. As we embarked on transforming our core systems to an advanced IT platform, we spent Rs. 33 million in IT related investments to expand operational capabilities across the branch network and will continue to invest in technology to ensure full migration is concluded in FY 2024/25.

Financial Position, Strength, Blend and Efficiency

Total Assets Position

Whilst demonstrating commendable loan book growth and expansion in business activities, we were able to record a healthy increase in Company's total asset base which depicted a 12.2% YOY growth, reaching Rs. 53,231 million, surpassing the industry average growth of 5.1% recorded by December 2023, amid the prevailing macroeconomic challenges.

Total Asset Composition



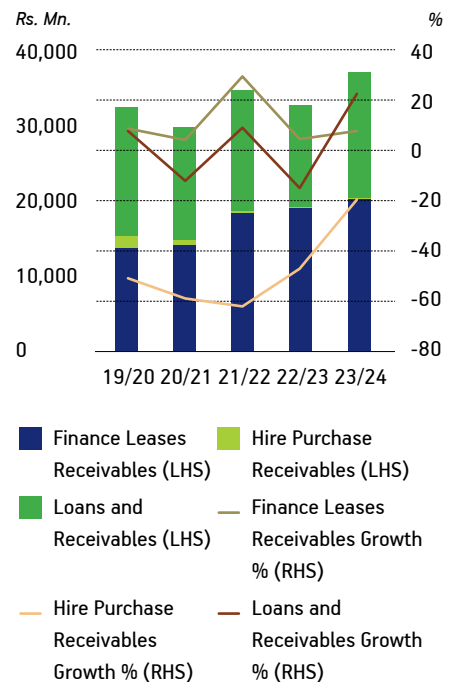
Loans and Advances

Loans and Advances which represent 70% of our total assets remained as the largest and most significant asset component. Though the credit demand was pegged back during first half of the financial year, as the market interest rates continued to fall resulting from the easing out of monetary policy measures combined with our customer-centric core business strategies enabled us to record commendable 13% growth in the loan book which stood at Rs. 37 billion as at 31st March 2024, as against a 6% contraction recorded for the previous year.

During the year we continued to expand our branch footprint whilst broad basing our product mix with specific attention in expanding Gold loan operations and other high yield products, driving credit growth whilst reinforcing our market positioning.

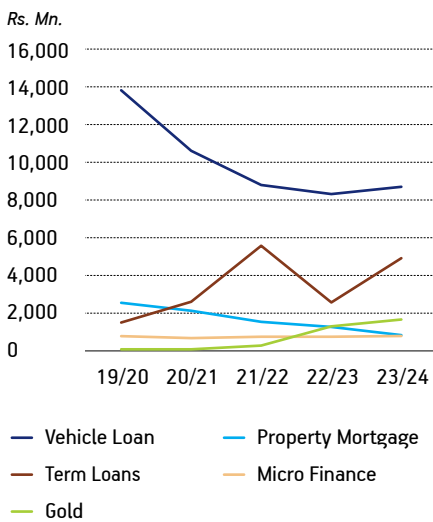
Lending business was driven by MI's primary product, lease financing, which grew by 7%, whilst Term-based product categories recorded a growth of 22%, which includes a noteworthy 30% growth in the Gold Loans portfolio.

Lending Portfolio vs Lending Growth



FINANCIAL WEALTH

Loans and Advances - Portfolio



Asset Quality Management

Despite the sector NPL showcasing a notable uptick triggered by heightened default risks and stringent NPL classification effected from 1st April 2023, our staunch recovery efforts coupled with proactive risk management initiatives enabled us to control the 90-day NPL at 9.81%, as at the balance sheet date, in contrast to the high industry average of 17.8% reported for December 2023.

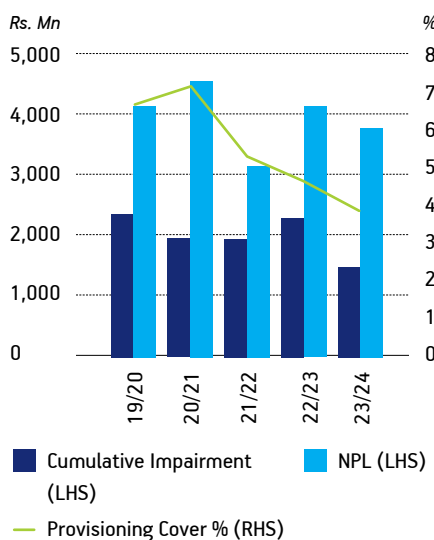
Throughout the year, we placed strong emphasis on updating recovery targets regularly setting ambitious yet achievable goals to optimize our collection efforts and minimize potential losses. Whilst our fully fledged call center team played a pivotal role in following up on immediate arrears in contracts and on clients falling into longer arrears, recovery teams were focused on initiating customized recovery drives especially targeting perceived high-risk clients and sectors, that eventually helped bring down NPL stock to impactful levels.

Legal Department worked closely with the Recovery division to fast-track long standing bad debt accounts recovery with particular attention to initiate out-of-court settlements. Our Special Recoveries Force (SRF) additionally provided a 24/7 recovery effort to manage arrears clients. Furthermore, priority was given to put in motion an effective asset disposal process at the Maharagama Yard which will see the introduction of a transparent online tender based system to minimize losses on seized vehicles.

Impairment Charges

Through the deployment of an efficient recovery process with prompt actions, we controlled arrears clients and escalation of NPL stock, thereby facilitating to keep impairment charge minimal at Rs. 7.9 million for the year, despite the loan book growth. Notably, our concerted efforts in managing partial recovery of dues from one large outstanding bad debt also contributed to this lower impairment. (Refer Financial Statements Note on Impairment from pages 235 to 241).

Cumulative Impairment, NPL and Provision cover

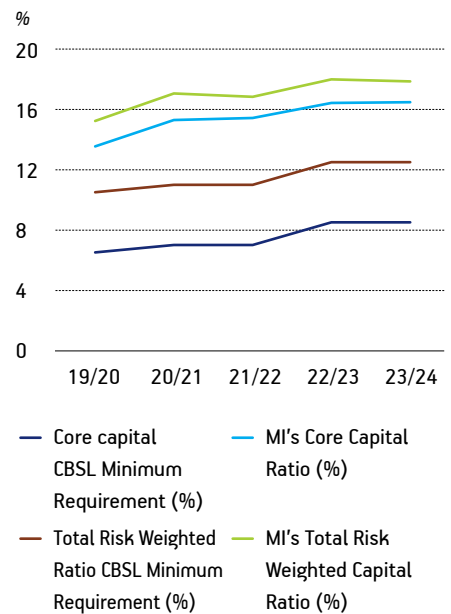


Capital Strength Regulatory Capital

Despite the multifaceted challenges we faced, our core capital and total capital ratios continued to remain well above the regulatory requirements enabling MI to be placed again in the regulators "Well Capitalised Company" status, even with the enhanced Basel II capital adequacy requirements, reflecting the company's financial strength and the cushion available to withstand unforeseen external shocks.

MI's prudential capital adequacy ratios of tier 1 and total risk-weighted assets ratio stood at 16.49% and 17.88% respectively, remaining higher than the minimum regulatory limits of 8.5% and 12.5%. This reaffirms MI's widening balance sheet strength and ability to withstand possible future headwinds envisaged in the coming year for the sector.

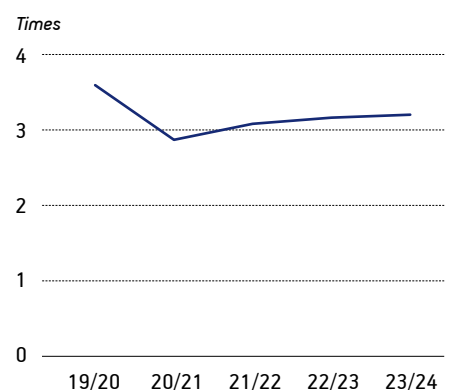
Capital Adequacy Position



Debt to Equity

MI's Debt to Equity ratio showed only a marginal annual increase of 0.03 to 3.19 by March 2024 despite the assets base expanding at 11.8%, which was partly financed from borrowings with no capital inflows like in the past. Given the inherent nature of the industry, which involves relatively lower cost deposits predominantly to fund core business activities, we ensured that our debt levels remained within acceptable industry norms and safety standards.

Debt to Equity Ratio



Liquidity

Short- and Medium-Term Liquidity

Despite the prevailing macroeconomic challenges, the company solidly maintained adequate liquidity buffers throughout the year, providing the much-needed stability and flexibility to MI's overall operations, whilst managing the trade-off between liquidity and profitability levels. MI's strong liquidity position as at the balance sheet date stood at 19.68% (18.82% in 2023), surpassing the regulatory limit of 10%. (Refer pages 284 to 286 of the Notes to the Financial Statements for a detailed ratio breakdown).

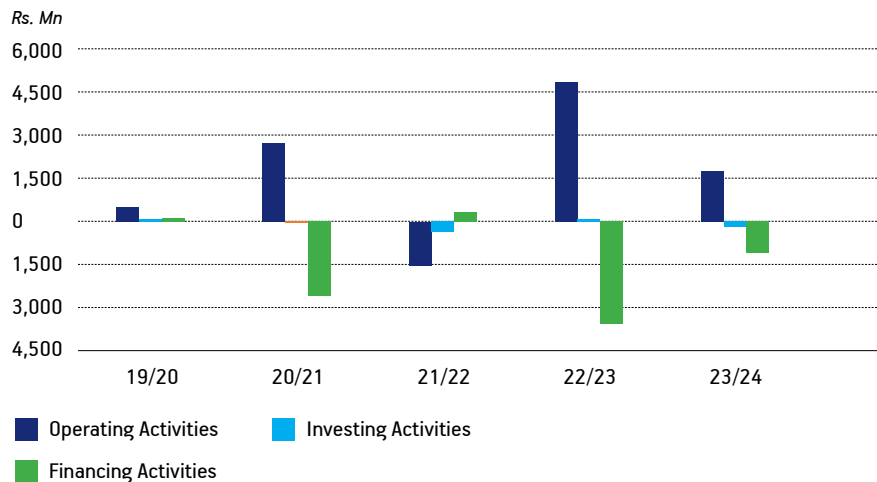
Long-Term Liquidity

In the backdrop of persistent decline in policy rates, Maturity mismatches of Assets and Liabilities of less than one year widened by March 2024, as we strategically leveraged our repricing gains by managing the loan book product mix with deposit base tenor. Though the emphasis was to mobilize shorter tenor deposits towards repricing gains, while lending during this period was more of a longer horizon, through effective product mix management and treasury strategies, we ensured in parallel that MI's one-year mismatches remained below Rs. 5 billion for most of the year. By securing long-term funding from banking partners and mobilising long term deposits, the mismatch was kept under acceptable risk tolerance limits. (Refer pages 284 to 286 of the Notes to the Financial Statements).

Cash Flow Position

Through close review of funding position, the treasury division managed cash flows effectively, maintaining sound liquidity levels throughout the financial year, balancing the short-term and long-term funding needs of the Company optimally. Total cash and cash equivalents (including the placements with banks not under lien) as at the reporting date stood at Rs. 2,175 million, compared to Rs.1,698 million recorded for the previous year, apart from the contingency funding lines kept amounting to Rs. 3.3 billion by 31st March 2024.

Cash flow Analysis



Cash Flow from Operating Activities

Despite 13% growth in MI's lending book, MI's operating cash flows reflected an inflow of Rs. 1,754 million for the current year from mainly Deposit Mobilization, though dipping from Rs. 4,847 million recorded for the previous year, in the backdrop of a contracted loan book in last year.

Cash Flow from Investing Activities

MI's cash flow from investing activities reflected an outflow of Rs. 188.2 million for the period under review with increased investments made on account of branch expansions and IT infrastructure, compared to Rs. 100 million cash inflows recorded last year, with the proceeds gained from the sale of properties and investment income.

Cash Flow from Financing Activities

Cash flow from financing activities showed a net cash outflow, totalling to Rs. 1,089 million as at 31st March 2024, compared to the cash outflow of Rs. 3,535 million recorded during the previous period, mainly due to the repayment of bank borrowings.

Alliances



Detailed disclosures about our Alliances is made available in our web site.



In the contemporary and competitive business landscape, we firmly believe that a company's long-term viability hinges on the cultivated social license and the strength of the relationships forged with stakeholders. As a leading financial institution having a legacy of almost six decades, we take pride in the enduring bonds and extensive partnerships we maintain with our stakeholders, which we fondly term as "alliances". These cohesive alliances have played a pivotal role in establishing MI's prominent brand recall and facilitating the seamless delivery of an unparalleled and personalized service we deliver to the market. Furthermore, these enduring connections have empowered us to grasp evolving needs, adapt proactively to challenges, and exhibit resilience in the face of multi-faceted adversities. As a socially responsible corporate entity, MI consistently strives to forge a more inclusive future for all we partner. This commitment is realized through a collaborative growth approach, ensuring mutually beneficial solutions that meet diverse stakeholder expectations and provide opportunities for prosperity. Our two-pronged strategy of cultivating corporate relationships has afforded us the needed competitive advantage in the industry, propelling both commercial and social alliances to new heights, as we reach our 60th year in business operations this calendar year.

Performance Highlights



Customer Bonding

- ⦿ No of new customers – > 25,000
- ⦿ Deposit base Growth – 16%
- ⦿ Growth in Lending Portfolio – 13%
- ⦿ Deposit Retention – 85.56%
- ⦿ Expanded Branch Network – 51



Strategic Partnerships

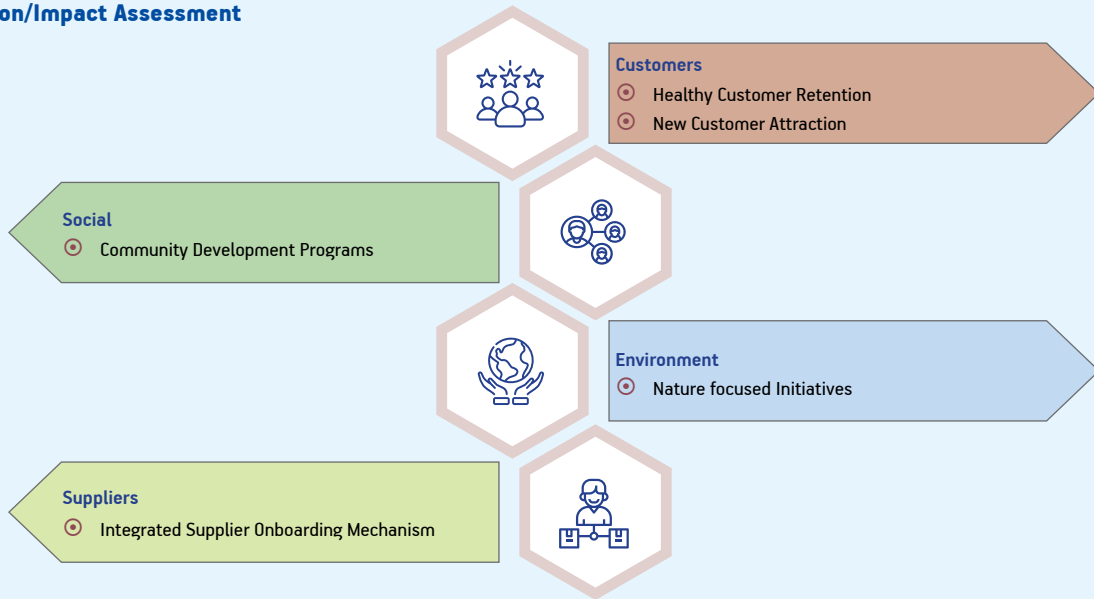
- ⦿ New Suppliers Welcome – 06
- ⦿ Total Supplier Payments – > Rs. 900 Mn
- ⦿ No of Agents - 16,448
- ⦿ Total Suppliers - 163



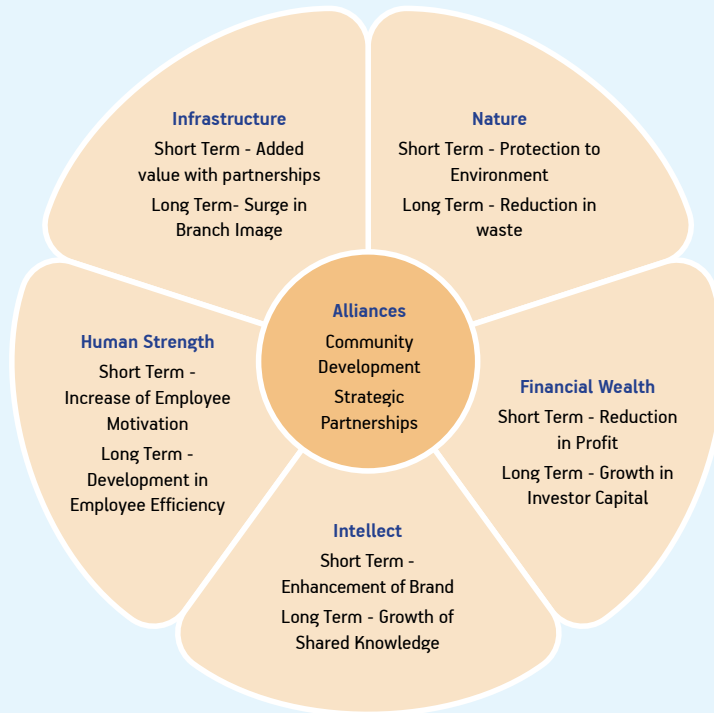
Community Wellbeing

- ⦿ Community Investment from Earnings – Rs. 1.78 Mn
- ⦿ Community Projects – 12
- ⦿ Green Lending – Rs. 3.5 Bn

Expectation/Impact Assessment



Interrelated Capital Structures



Future Aspirations



Human Strength



Detailed disclosures about our Human Strength is made available in our web site.



Our Human Strength, comprises of a diverse and specialized talent pool, representing a formidable force that propels our organization's sustained growth and resilience in the face of unprecedented challenges. Their skills, collective expertise, adaptability and unwavering dedication has served MI as the bedrock for elevating MI's brand image over the span of its sixty year success journey. Hence, we persist in harnessing and optimizing human strength as the cornerstone of our strategic vision and operational excellence. As we present this Integrated annual report, we emphasize the pivotal role played by our skilled workforce in driving MI's success. Our commitment to nurturing a culture of high performance, alongside strategic talent acquisition and ongoing professional development programs, underscores our steadfast dedication to creating an environment where creativity, expertise and collaboration harmonize seamlessly, enhancing employee value proposition.

Our distinct corporate culture and HR approaches have proven effective in attracting and retaining top-tier talent, offering them a unique employee experience, whilst directing them towards our broader visionary goals, positioning MI at the forefront of the market competition.

Performance Highlights



Employee Development

- Employee Performance Appraisals - 742
- Total Training Hours - 13,276
- Employee Engagement Programs - 05



Employee Productivity

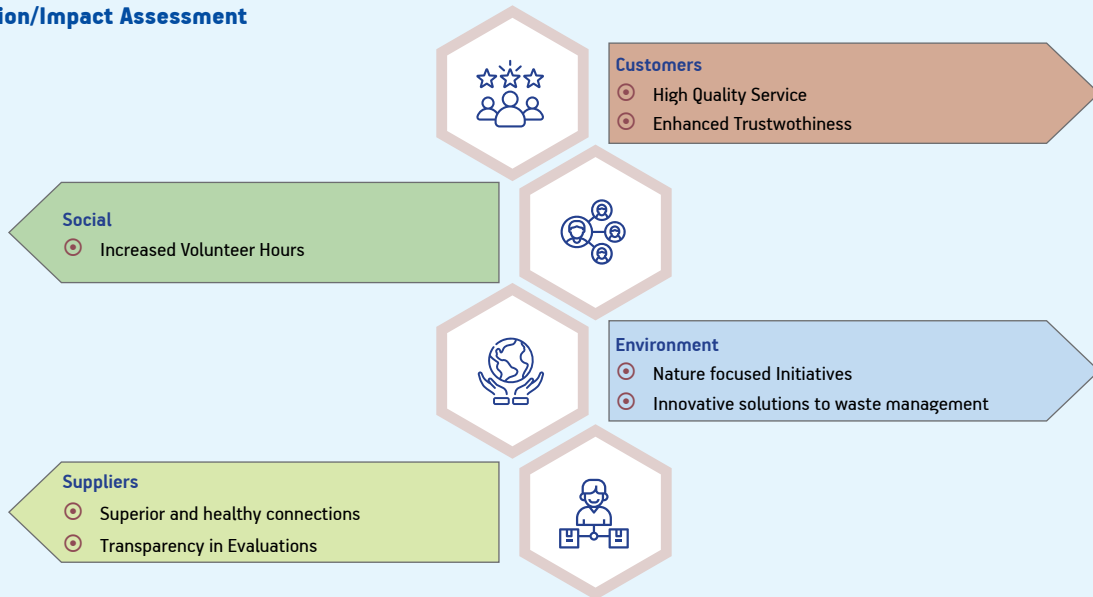
- Revenue per Employee - Rs. 9.14 Mn
- Profit per Employee - Rs. 0.46 Mn
- Total Assets per Employee - Rs. 44.43 Mn



Workforce

- Total Employees - 1,198
- New Recruitments - 426
- Attrition Rate - 27%

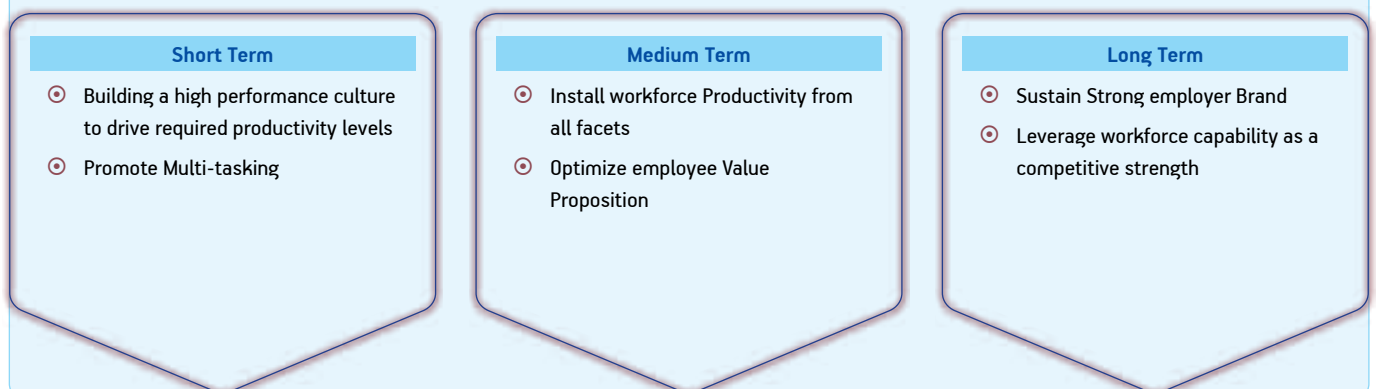
Expectation/Impact Assessment



Interrelated Capital Structures



Future Aspirations



Intellect



Detailed disclosures about our Intellect is made available in our web site.



As a premier finance company with a storied six-decade legacy, our unparalleled success is rooted in our wealth of intellectual capital. Our expert knowledge coupled with steadfast commitment to unparalleled customer service, unwavering trust and a brand image that resides at the forefront of our customers' minds have cultivated an indelible bond with our clientele over the years. With a team comprising most veteran and proficient experts in the field, we boast a collective wealth of knowledge and experience that sets us apart. Our commitment to excellence is evidenced by the caliber of our staff, each member equipped with a wealth of industry-specific expertise acquired over years of hands-on experience and continuous professional development.

As pioneers in the industry, we take pride in being recognized as a reputable financial specialist and a reliable partner, shaping the identity of the MI brand and consistently meeting the expectations of our stakeholders throughout our remarkable journey, with our unwavering commitment to evolution and adaptation. In the face of an ever-changing landscapes and market dynamics, we have proactively embraced new technologies and methodologies, integrating cutting-edge systems to fortify our operations and streamline processes. Through strategic investments in automation, we have not only enhanced efficiency, but also elevated the quality and consistency of our deliverables. Our unwavering dedication to innovation is driven by a singular goal: to exceed customer expectations and ensure unparalleled satisfaction in every interaction.

Performance Highlights



Employee Development

- Training Programs – 47
- Soft skills training - 2,841 hours
- Investment on Training - Rs. 3.89 Mn



Brand Development

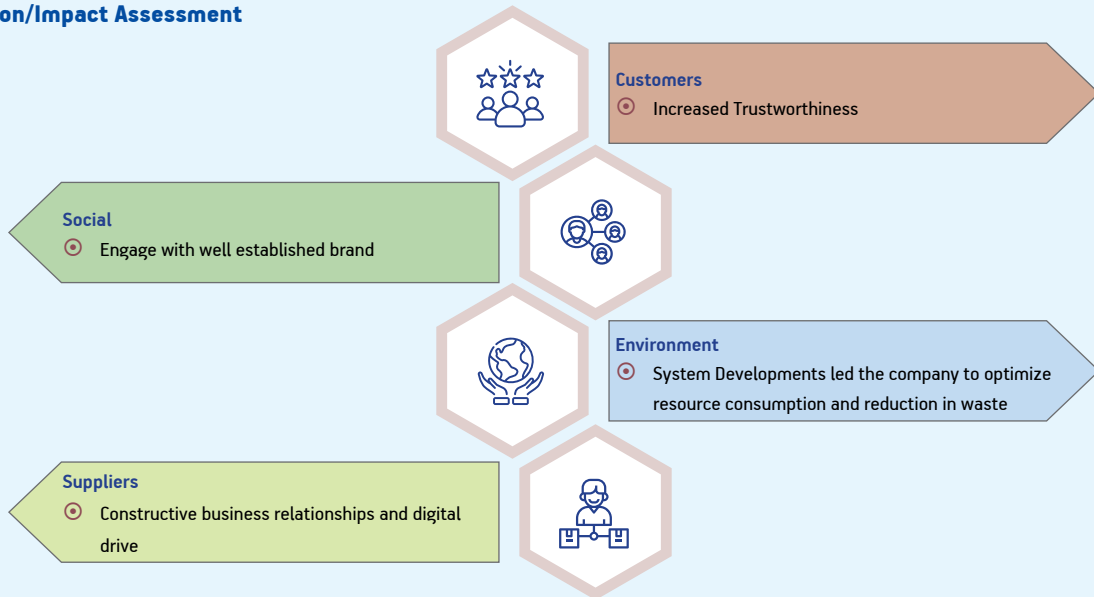
- No. of New Customers – > 25,000
- No. of Total Customers – > 225,000
- Brand Development Activities – 47
- Expanded Branch footprint – 51



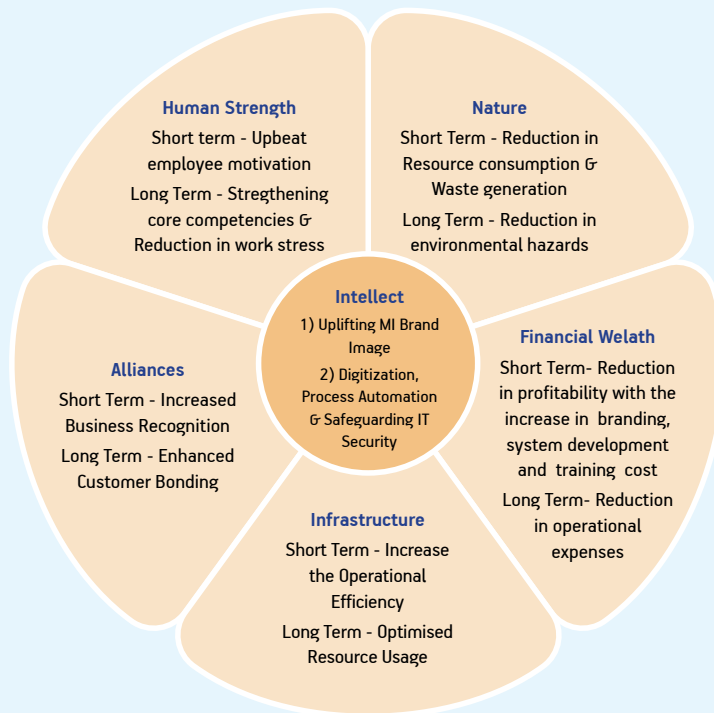
Business Digitalization

- Cyber security awareness programs – 24
- Broad based payment platforms
- Expanded digital platforms

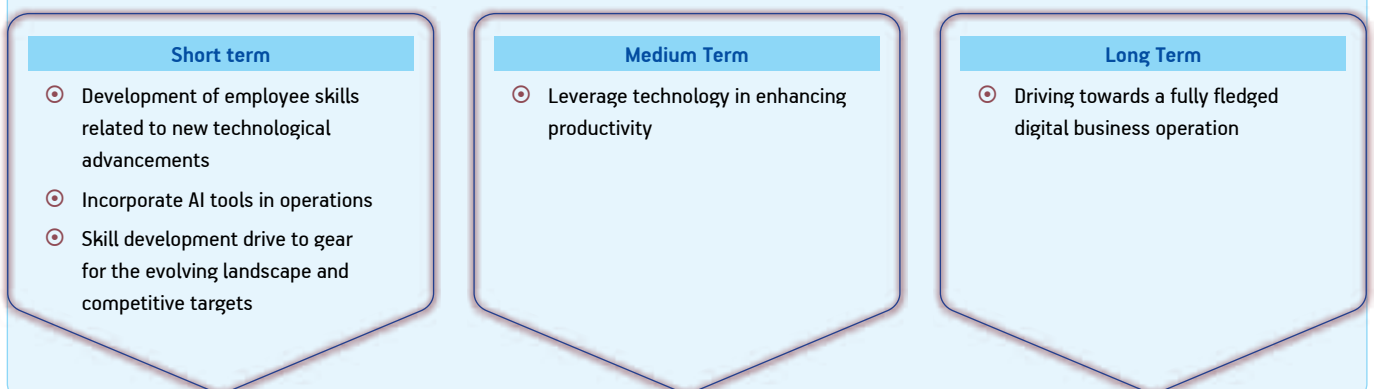
Expectation/Impact Assessment



Interrelated Capital Structures



Future Aspirations



Infrastructure



Detailed disclosures about our Infrastructure is made available in our web site.



As we navigate the complexities of an increasingly interconnected global economy, our Infrastructure Capital endeavors stand as pillars of stability and catalysts for progress. Bolstered by a steadfast commitment to excellence and innovation, we have cultivated a portfolio characterized by resilience, efficiency and adaptability. Our strategic vision extends beyond mere infrastructure provision; we endeavor to foster sustainable development, enhance community connectivity and drive economic prosperity for generations to come. Our Infrastructure Capital portfolio continued to exemplify our steadfast commitment to strategic investments that underpin sustainable economic growth. In keeping to our medium term corporate plan which encompasses business growth coupled with these wider aspirations, we commenced a heightened branch expansion plan across the island, accelerating in tandem our digital transformation drive to broad base our reach, accessibility and customer experience.

Leveraging a disciplined approach to asset evaluation and deployment, we have fostered resilience and longevity within our infrastructure ecosystem, positioning ourselves to navigate the evolving landscape of global infrastructure investment with confidence and agility. Armed with a visionary outlook and an unyielding allegiance to our principles, we are primed to persist in bestowing value and catalyzing beneficial transformation through our Infrastructure Capital ventures in the forthcoming years.

Performance Highlights



Customer Reach

- ⦿ Number of Branches 51
- ⦿ Gold Loan Expansions 14
- ⦿ New Branch Openings 08
- ⦿ Dedicated Call Centre Operations



Infrastructure Development

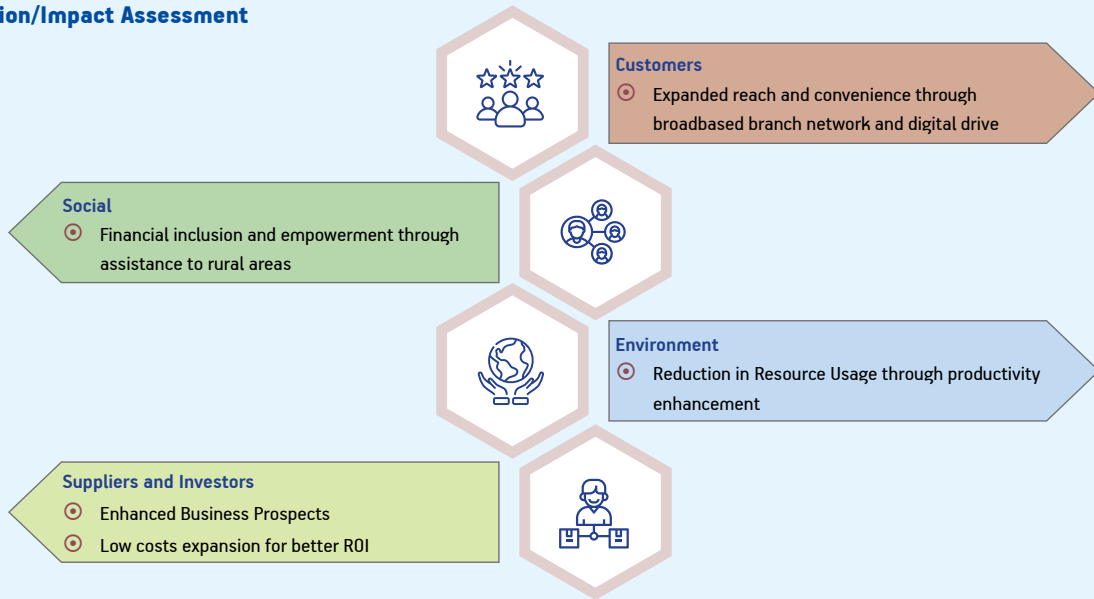
- ⦿ PPE Investments - Rs. 229 Mn
- ⦿ Computer Equipment Maintenance – Rs. 74 Mn
- ⦿ Office Equipment Maintenance - Rs. 18 Mn
- ⦿ Office Maintenance - Rs. 60 Mn



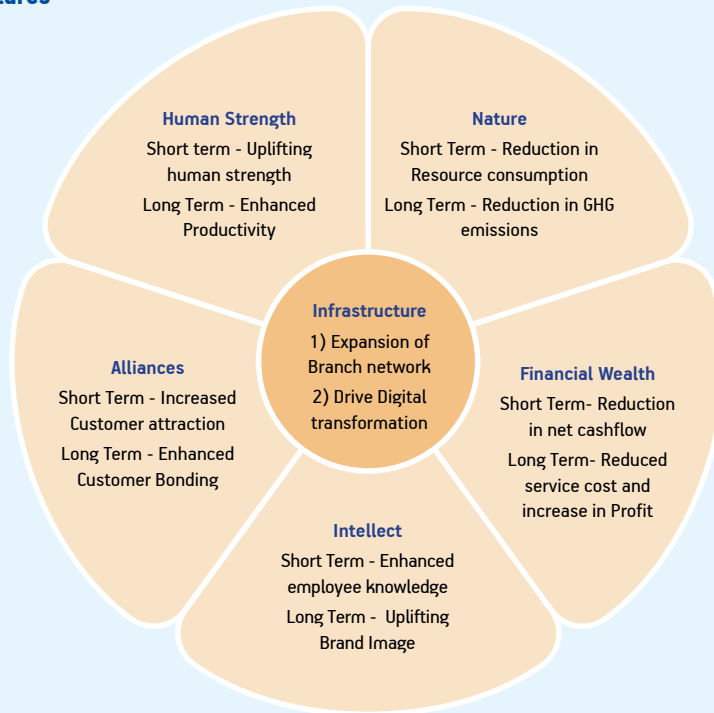
Operational Efficiency

- ⦿ Automated Processes
- ⦿ System Enhancements
- ⦿ Adoption of Latest Technology
- ⦿ Branch Cost Set Up Reduction

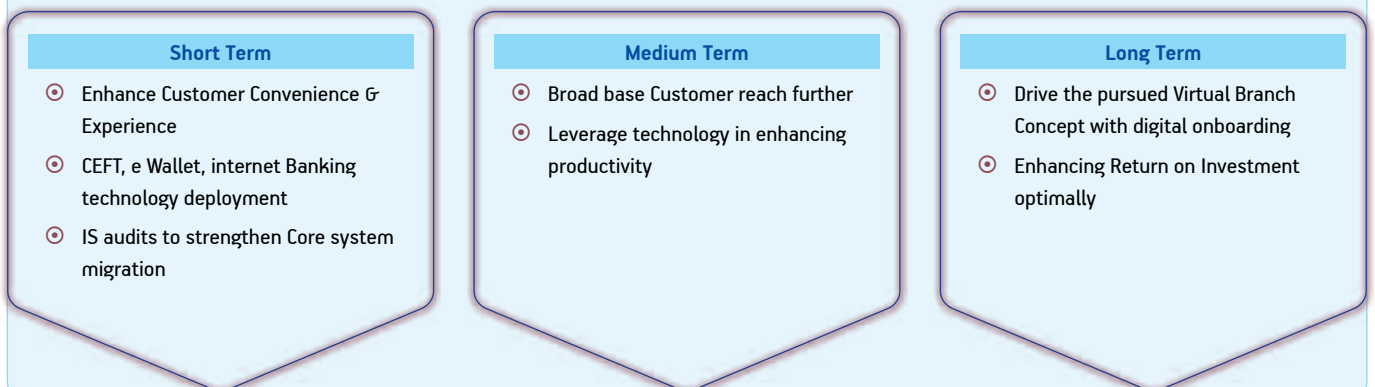
Expectation/Impact Assessment



Interrelated Capital Structures



Future Aspirations



Nature



Detailed disclosures about our Nature is made available in our web site.



In our journey towards becoming a truly sustainable financial institution, MI embodies business principles that prioritize a profound commitment to environmental preservation and sustainability. In our pursuit of integrating environmental sustainability into our core operations, we adhere to stringent environmental regulations and draw inspiration from global best practices to preserve the environment for the benefit of society and our stakeholders. Complementing our sustainable financing solutions, we have ensured that our business model actively contributes to the conservation of natural resources while mitigating any adverse effects on the environment. Embracing verdant corporate ethos, we have embraced green policies and procedures, infusing them into our daily operations. While MI's activities as a financial services provider does not exert a significant direct influence on the environment, we consistently make a deliberate effort to manage our ecological impact. Over recent decades, we've also taken substantial strides to enhance our societal ecological contribution, guided by the invaluable insights and commitment of our Sustainability Governance Committee. Additionally, we advocate for the efficient use of renewable resources, and we have redesigned our business processes to optimize resource usage and reduce our ecological footprint.

Performance Highlights



Eco Friendly Operations

- Recycle of Papers 2,913 Kg
- Promote Sustainability Financing
- Digitalization
- Process Reengineering



Employee Engagement

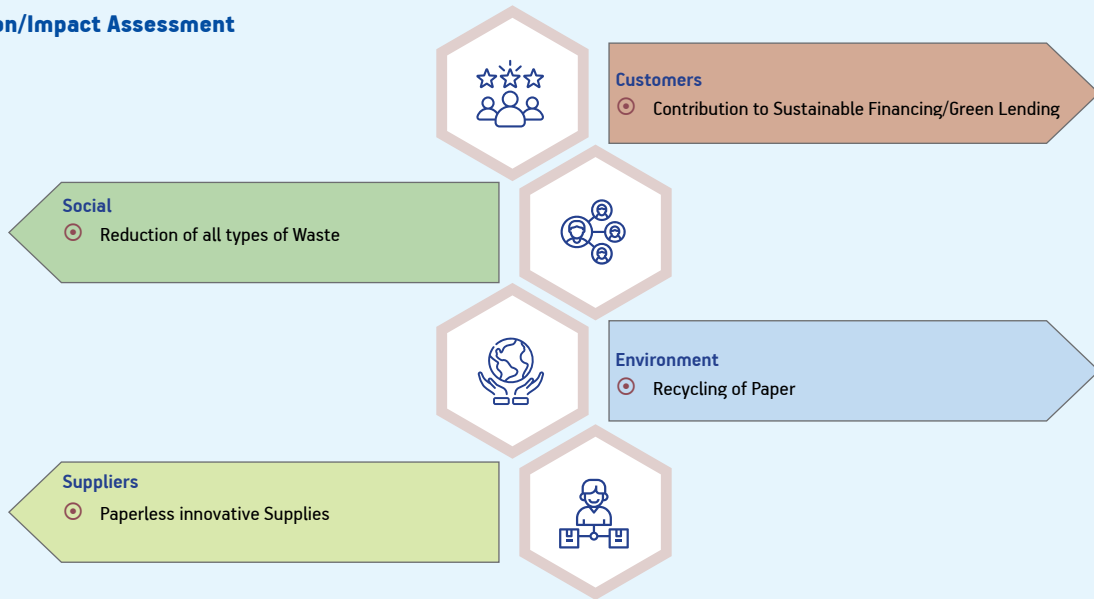
- Increase Voluntary Contribution
- Continuous Awareness Programmes



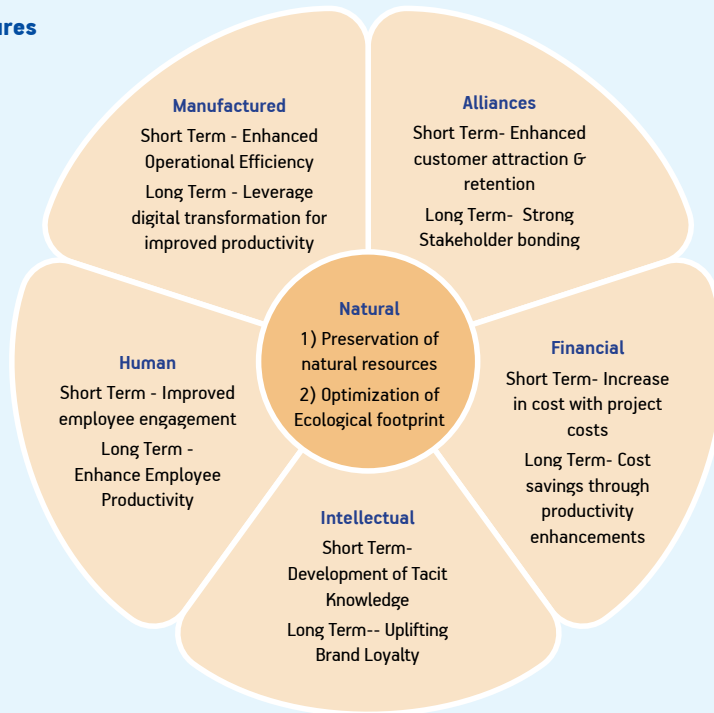
Environment Investment

- Number of Activities - 4
- Number of Beneficiaries - > 300
- Total Cost Incurred – Rs. 0.80 Mn

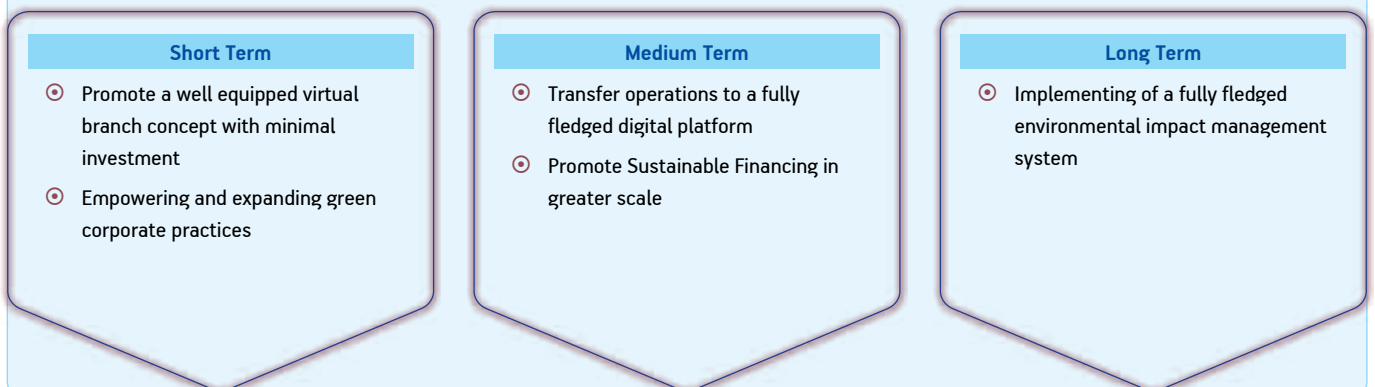
Expectation/Impact Assessment



Interrelated Capital Structures



Future Aspirations



GRI CONTENTS INDEX

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Omission		
				Book Page	Web Page	Requirements omitted	Reason	Explanation
GRI 2: General Disclosure								
Organizational details	2-1	Organisational details	Corporate Information	10,306-310				Grey cell areas indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available
			Infrastructure		7-8			
	2-2	Entities included in the organisation's sustainability reporting	Overview about this Report	8				
	2-3	Reporting period, frequency and contact point	Overview about this Report	8,9,11				
	2-4	Restatements of information	Overview about this Report	8				
	2-5	External Assurance	External Assurance	9				
	2-6	Activities, value chain and other business relationships	About our Business and Operating Dynamics, Products and Services Offered, Financial Highlights, Operational Highlights Sustainable Value Creation Process	13-15, 18-19, 34-44				
			Our value creation model		1-3			
			Alliances		10			
	2-7	Employees	Human strength		3-10			
	2-8	Workers who are not employees	Human strength		4-5			
	2-9	Governance structure and composition	Our governance framework	89				
	2-10	Nomination and selection of the highest governance body	Board nomination committee report	180				
	2-11	Chair of the highest governance body	Board of Directors	76-81				
	2-12	Role of the highest governance body in overseeing the management of impacts	MI compliance stauts with finance business act No 5 of 2021	122				
2-13	Delegation of responsibility for managing impacts	Chairman's statement on corporate governance	87					
2-14	Role of the highest governance body in sustainability reporting	Direction and value system	17					
		The corporate management committee's role in governance	99					
2-15	Conflicts of interest	Corporate Governance Report	118, 130, 141					

Category	Disclosure Number	Disclosures	Section in AR	Page Reference			Omission	
				Book Page	Web Page	Requirements omitted	Reason	Explanation
	2-16	Communication of critical concerns	Our governance structure	90				
	2-17	Collective knowledge of the highest governance body	Board committee overview	96				
	2-18	Evaluation of the performance of the highest governance body	Board nomination committee report	180				
	2-19	Remuneration policies	Board remuneration committee report	179-180				
	2-20	Process to determine remuneration	Board remuneration committee report	179-180				
	2-21	Annual total compensation ratio					Confidentiality constraints	
	2-22	Statement on sustainable development strategy	Direction and value System Message from the Chairman	17 24-27				
	2-23	Policy commitments	Human Strength		33			
	2-24	Embedding policy commitments	Alliances Human Strength		17-18 33			
	2-25	Processes to remediate negative impact	Overview about this Report Human Strength Alliances	9		33 7-8		
	2-26	Mechanisms for seeking advice and raising concerns	Human Strength Alliances		33 7-8			
	2-27	Compliance with laws and regulation	Compliance	101				
	2-28	Membership associations	Memberships in Associations and Councils	92				
	2-29	Approach to stakeholder engagement	Stakeholder Engagement Our value creation model	36		4-6		
	2-30	Collective bargaining agreements	Human Strength		33			
GRI 3 :Disclosures on Material Topics								
	3-1	Process to determine material topics	Materiality Assessment Our value creation model	37		7-8		Grey cell areas indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available
	3-2	List of material topics	Our value creation model			9-24		
	3-3	Management of material topics	Our value creation model			9-24		

GRI CONTENTS INDEX

Category	Disclosure Number	Disclosures	Section in AR	Page Reference			Omission	
				Book Page	Web Page	Requirements omitted	Reason	Explanation
GRI 200: Economic Performance								
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Impact Management		9			
	201-2	Financial implications and other risks and opportunities due to climate change	Nature		13			
	201-3	Defined benefit plan obligations and other retirement plans	Notes to the Financial Statements	260				
	201-4	Financial assistance received from government	Impact Management		9			
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Human Strength		28			
	202-2	Proportion of senior management hired from the local community	Human Strength		14-15			
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	Infrastructure		9			
			Impact Management		19			
	203-2	Significant indirect economic impacts	Impact Management		17-18			
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	Alliances		13			
GRI 205: Anti-corruption	205-1	Operations assessed for risks related corruption	Alliances		18-19			
			Alliances		18-19			
			Human Strength		19-23			
205-3	Confirmed incidents of corruption and actions taken	Alliances		18-19				
GRI 207: Tax 2019	207-1	Approach to tax	Notes to the Financial Statements	224-225				
	207-2	Tax governance, control, and risk management	Notes to the Financial Statements	224-225				
	207-3	Stakeholder engagement and management of concerns related to tax	Notes to the Financial Statements	224-225				
	207-4	Country-by-country reporting	Notes to the Financial Statements	224-225				

Category	Disclosure Number	Disclosures	Section in AR	Page Reference			Omission	
				Book Page	Web Page	Requirements omitted	Reason	Explanation
GRI 300: Environmental Topics								
GRI 301: Material 2016	301-1	Materials used by weight or volume	Impact Management		23-24			
	301-2	Recycled input materials used	Impact Management		24			
			Nature		11			
301-3	Reclaimed products and their packaging materials					Not applicable	MI did not use Products and packaging materials reclaimed within the reporting period	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Nature		3-6			
			Impact Management		25-26			
	302-3	Energy intensity	Impact Management		25-26			
	302-4	Reduction of energy consumption	Impact Management		25-26			
Nature				3				
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Impact Management		26			
			Nature		6			
	303-2	Management of water discharge-related impacts	Impact Management		26			
			Nature		6			
	303-3	Water Withdrawal	Nature		6			
	303-4	Water discharge	Impact Management		26			
303-5	Water consumption	Impact Management		26				
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Nature		11-13			
	304-2	Significant impacts of activities, products and services on biodiversity	Nature		11-13			
	304-3	Habitats protected or restored	Nature		11-13			
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Nature		11-13				

GRI CONTENTS INDEX

Category	Disclosure Number	Disclosures	Section in AR	Page Reference			Omission	
				Book Page	Web Page	Requirements omitted	Reason	Explanation
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Impact Management		27			
	306-2	Management of significant waste-related impacts	Impact Management		27			
			Nature		9			
	306-3	Waste generated	Impact Management		27			
	306-4	Waste diverted from disposal	Impact Management		27			
			Nature		9, 11			
306-5	Waste directed to disposal	Impact Management		27				
			Nature		9			
GRI 400: Social Topics								
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Human Strength		12-13,32			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Strength		28-30			
	401-3	Parental leave	Human Strength		31			
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Human Strength		34			
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Human Strength		30-31			
	403-2	Hazard identification, risk assessment, and incident investigation	Human Strength		30-31			
	403-3	Occupational health services	Human Strength		30-31			
	403-4	Worker participation, consultation and communication on occupational health and safety	Human Strength		30-31			
	403-5	Worker training on occupational health and safety	Human Strength		30-31			
	403-6	Promotion of worker health	Human Strength		30-31			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Strength		30			
	403-9	Work-related injuries	Human Strength		31			

Category	Disclosure Number	Disclosures	Section in AR	Page Reference			Omission	
				Book Page	Web Page	Requirements omitted	Reason	Explanation
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Human Strength		17-18			
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Strength		24-26			
	404-3	Percentage of employees receiving regular performance and career development reviews	Human Strength		27			
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Human Strength		3-10			
	405-2	Ratio of basic salary and remuneration of women to men	Human Strength		10			
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Human Strength		11			
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Human Strength		34			
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments and development programs	Alliances		13-15			
			Impact Management		20-21			
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Alliances		6-7			
	417-2	Incidents of non-compliance concerning product and service information and labeling	Alliances		6-7			
	417-3	Incidents of non-compliance concerning marketing communications	Alliances		6-7			
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Alliances		8			



Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- ⦿ Validated the information presented and checked the calculations performed by the organization through recalculation.
- ⦿ Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- ⦿ Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- ⦿ Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- ⦿ Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of Mercantile Investments and Finance PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.

29 May 2024
Colombo



**Navigating our next
great step**






STEWARDSHIP

Board of Directors	76
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Risk Management Report	160
Board Integrated Risk Management Committee Report	177
Board Remuneration Committee Report	179
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Board Audit Committee Report	181
Board Related Party Transactions Review Committee Report	183




BOARD OF DIRECTORS

GRI 2-11

Name of the Director	Date of Appointment to the Board	Date of Last Re-Election as Director	Service Period as a Director	Membership in Board Sub-Committees
 <p>Pandithasundara Dinuka Dilhan Perera <i>Chairman (Independent Non-Executive)</i></p>	21st February 2020	30th June 2022	4 years	<ul style="list-style-type: none"> ⊙ Audit Committee ⊙ Nomination Committee ⊙ Remuneration Committee ⊙ Related Party Transaction Review Committee
 <p>Gerard George Ondaatje <i>Managing Director (Executive)</i></p>	2nd December 1993		30 years	<ul style="list-style-type: none"> ⊙ Integrated Risk Management Committee ⊙ Nomination Committee
 <p>Shermal Hemaka Jayasuriya <i>Finance Director (Executive)</i></p>	05th January 2001	31st July 2023	23 years	<ul style="list-style-type: none"> ⊙ Integrated Risk Management Committee ⊙ Related Party Transaction Review Committee



Competencies					
Expertise	Sector	Qualities	Qualifications/ Experiences	Present Directorship/Position held with Other Companies	Number of Shares held in MI as at 31st March 2024
<ul style="list-style-type: none"> ⊙ Strategic Management ⊙ Financial Management ⊙ Governance ⊙ Treasury ⊙ Auditing 	<ul style="list-style-type: none"> ⊙ Information Technology ⊙ Construction ⊙ Financial services ⊙ Trading 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Visionary ⊙ Analytical ⊙ Idea Generator ⊙ Able to deal with ambiguity ⊙ Networking 	FCA, FCMA (SL), ACMA (UK), CGMA, MBA (PIM, Sri J'pura)	<ul style="list-style-type: none"> ⊙ Chief Financial Officer/ Senior Vice President – Finance and Supply chain of Millennium IT ESP (Pvt) Ltd ⊙ Non-Executive Director of Infoseek (Pvt) Ltd 	Nil
<ul style="list-style-type: none"> ⊙ Strategic Management ⊙ Human Resource Management ⊙ Financial Management ⊙ Public Relation ⊙ Governance ⊙ Risk Management 	<ul style="list-style-type: none"> ⊙ Tourism and Hotels ⊙ Automobile ⊙ Financial Services ⊙ Trading Sector 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Visionary ⊙ Analytical ⊙ Idea Generator ⊙ Able to deal with ambiguity ⊙ Networking 	B.Sc. (Accountancy) (Arizona State University – USA)	<ul style="list-style-type: none"> ⊙ Chairman of Mercantile Fortunes (pvt) Limited, Security Ceylon (Pvt) Limited, Mercantile Orient (Pvt) Limited, Fair View Hotel (Pvt) Limited, Global Films Limited, International Fortunes (Pvt) Limited & Mercantile Fortunes Insurance Brokers (Pvt) Ltd ⊙ Deputy Chairman of The Nuwara Eliya Hotels Co. PLC ⊙ Director of Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Tangerine Tours (Pvt) Limited, Tangerine Vacations (Pvt) Ltd, Nilaveli Beach Hotels (Pvt) Ltd & Nilaveli Hotels (Pvt) Ltd 	484,615
<ul style="list-style-type: none"> ⊙ Strategic Management ⊙ Recoveries ⊙ Human Resource Management ⊙ Financial Management ⊙ Fundraising ⊙ Public Relation ⊙ Governance ⊙ Risk Management 	<ul style="list-style-type: none"> ⊙ Financial Services ⊙ Insurance ⊙ Manufacturing ⊙ Small Businesses ⊙ Trading ⊙ Automobile 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Visionary ⊙ Analytical ⊙ Idea Generator ⊙ Able to deal with ambiguity ⊙ Networking 	FCA, FCMA (UK), CGMA, FCMA (SL), MBA (Sri.J.)	<ul style="list-style-type: none"> ⊙ Director of Mercantile Fortunes (Pvt) Limited, Security Ceylon (Pvt) Limited, Mercantile Fortunes Insurance Brokers (Pvt) Ltd 	Nil

BOARD OF DIRECTORS

Name of the Director	Date of Appointment to the Board	Date of Last Re-Election as Director	Service Period as a Director	Membership in Board Sub-Committees
 <p>Angeline Myrese Ondaatjie <i>Director (Executive)</i></p>	20th January 1992	30th June 2022	32 years	
 <p>Travice John Ondaatjie <i>Director (Executive)</i></p>	13th July 1995	31st July 2023	28 Years	
 <p>Anil Lasantha Naomal Dias <i>Director (Independent Non-Executive)</i></p>	26th March 2021	28th July 2021	3 years	<ul style="list-style-type: none"> ⊙ Audit Committee ⊙ Integrated Risk Management Committee ⊙ Nominations Committee ⊙ Remuneration Committee ⊙ Related Party Transaction Review Committee

Competencies					
Expertise	Sector	Qualities	Qualifications/ Experiences	Present Directorship/Position held with Other Companies	Number of Shares held in MI as at 31st March 2024
<ul style="list-style-type: none"> ⊙ Strategic Management ⊙ Human Resource Management ⊙ Financial Management ⊙ Public Relation 	<ul style="list-style-type: none"> ⊙ Tourism and Hotels ⊙ Financial Services ⊙ Manufacturing 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Visionary ⊙ Analytical ⊙ Idea Generator ⊙ Able to deal with ambiguity ⊙ Networking 	<p>MBA (University of Texas in Austin) USA, BSc (Massachusetts Institute of Technology USA)</p>	<ul style="list-style-type: none"> ⊙ Chairperson of Tangerine Tours (Pvt) Limited, Tangerine Beach Hotels PLC , Royal Palms Beach Hotels PLC & Tangerine Vacations (Pvt) Ltd ⊙ Director of The Nuwara Eliya Hotels Co. PLC, Mercantile Fortunes (Pvt) Limited, Security Ceylon (Pvt) Limited, Nilaveli Beach Hotels (Pvt) Limited, Global Films Limited, International Fortunes (Pvt) Limited, Mercantile Orient (Pvt) Limited, Fair View Hotel (Pvt) Limited, Nilaveli Hotels (Pvt) Limited, Mercantile Fortunes Insurance Brokers (Pvt) Limited, The Light House Hotel PLC, Phoenix Industries Limited, Brushco (Pvt) Ltd ⊙ Vice President of Tourist Hotels Association ⊙ Former Director of Sri Lanka Tourism Promotion Bureau, Safety Advisor Prinston in Asia ⊙ Serves on the Education Council of MIT 	484,615
<ul style="list-style-type: none"> ⊙ Strategic Management ⊙ Human Resource Management ⊙ Financial ⊙ Public Relation ⊙ Risk Management 	<ul style="list-style-type: none"> ⊙ Tourism and Hotels ⊙ Automobile ⊙ Financial Services 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Visionary ⊙ Analytical ⊙ Idea Generator ⊙ Networking 	<p>BSc. (Arizona State University – USA)</p>	<ul style="list-style-type: none"> ⊙ Chairman of Nilaveli Beach Hotels (Pvt) Limited & Nilaveli Hotels (Pvt) Limited ⊙ Director of Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, The Nuwara Eliya Hotels Co. PLC, Mercantile Fortunes (Pvt) Limited, Security Ceylon (Pvt) Limited, Fair View Hotel (Pvt) Limited, Tangerine Tours (Pvt) Limited, Global Films Limited, International Fortunes (Pvt) Limited, Mercantile Orient (Pvt) Limited, Mercantile Fortunes Insurance Brokers (Pvt) Limited, Tangerine Vacations (Pvt) Ltd 	484,614
<ul style="list-style-type: none"> ⊙ Strategic Management ⊙ Financial Management ⊙ Auditing ⊙ Risk Management 	<ul style="list-style-type: none"> ⊙ Manufacturing ⊙ Trading 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Idea Generator ⊙ Able to deal with ambiguity ⊙ Analytical ⊙ Visionary ⊙ Consensus Builder 	<p>FCMA (UK), MBA (USJP)</p>	<ul style="list-style-type: none"> ⊙ Director of Ygro (Pvt) Ltd 	Nil

BOARD OF DIRECTORS

Name of the Director	Date of Appointment to the Board	Date of Last Re-Election as Director	Service Period as a Director	Membership in Board Sub-Committees
 <p>Eranjalee Deepthie Wickramasuriya <i>Director (Independent Non-Executive)</i></p>	26th March 2021	28th July 2021	3 years	<ul style="list-style-type: none"> ⊙ Audit Committee ⊙ Nominations Committee ⊙ Related Party Transaction Review Committee
 <p>Malwattage Kanchana Sujeewa Pieris <i>Director (Independent Non-Executive)</i></p>	05th April 2021	28th July 2021	3 years	<ul style="list-style-type: none"> ⊙ Remuneration Committee

Competencies					
Expertise	Sector	Qualities	Qualifications/ Experiences	Present Directorship/Position held with Other Companies	Number of Shares held in MI as at 31st March 2024
<ul style="list-style-type: none"> ⊙ Business process management ⊙ Auditing ⊙ Risk management ⊙ Financial Management ⊙ Strategic Management ⊙ Treasury ⊙ Business counselling 	<ul style="list-style-type: none"> ⊙ Financial services ⊙ Trading ⊙ Manufacturing ⊙ Energy ⊙ Plantation 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Idea Generator ⊙ Analytical ⊙ Visionary ⊙ Listener 	FCMA (UK), MBA (USJP)	<ul style="list-style-type: none"> ⊙ Director of Vidullanka PLC, Vidul Plantation (Pvt) Ltd, Amana Takaful PLC and Chitrasena Vajira Dance Foundation 	Nil
<ul style="list-style-type: none"> ⊙ Company Law ⊙ Strategic Management ⊙ Public Relation ⊙ Intellectual Property 	<ul style="list-style-type: none"> ⊙ Legal ⊙ Banking and Financial services 	<ul style="list-style-type: none"> ⊙ Strategic Thinker ⊙ Idea Generator ⊙ Visionary ⊙ Analytical 	Attorney-at-Law		Nil

CORPORATE MANAGEMENT TEAM

**Laksanda Gunawardena**

Chief Operating Officer

CPM (Asia), CMA- Australia, MBA (Wales) –UK, MBA- American City University, MSc. Strategic Marketing – Malaysia, Dip. in Credit Management- SLICM

Areas of expertise and contribution:

30 years experience in the Financial Service sector

Directorships and memberships:

Member of Integrated Risk Management Committee
Member of Credit Committee

**Deva Anthony**

Chief Financial Officer / Director (Non-Board)

FCA, FCMA (UK), CGMA, FCMA (SL), ACIM

Areas of expertise and contribution:

22 years experience in the Financial Service sector

6 years experience in audit and accounting

Directorships and memberships:

Director of Mercantile Fortunes Insurance Brokers (Pvt) Ltd
Council Member of the Finance Houses Association of Sri Lanka (FHA)
Chairman of the IT Steering Committee
Member of Integrated Risk Management Committee

**Sonali Pethiyagoda**

Company Secretary

ACIS (UK), ACCS

Areas of expertise and contribution:

33 years experience in the Financial Service and tourism sector

**Ravi Ekanayake**

General Manager – Motor Division

Dipl. Engineering (UK)

Areas of expertise and contribution:

42 years experience in the automobile industry (in UK and Sri Lanka)

Directorships and memberships:

Director of Mercantile Fortunes (Pvt) Ltd

**Dharshana Senarath**

General Manager – Credit & Marketing

Areas of expertise and contribution:

26 years experience in the Financial Service sector

**Priyantha Athukorala**

General Manager - HR

MBA (Wales) –UK

MLRHRM –University of Colombo

ICF Certified Transformative Coach, NLP Business Practitioner

Areas of expertise and contribution:

28 years experience in the Banking and Financial Service sector



Lahiru Dayananda

General Manager – Sales & Marketing
MBA – Anglia Ruskin University (UK)

Areas of expertise and contribution:
24 years experience in the Financial Service sector



Jayanka Kahawevithana

General Manager - Legal
*LLM (KDU), MLRHRM (Colombo), LLB (Hons.),
Attorney-at-law, Notary Public, Commissioner
for Oaths*

Areas of expertise and contribution:
14 years experience in the Financial Service sector



Prasad Indika

General Manager - IT
FBCS, Dip. (NIBM)

Areas of expertise and contribution:
21 years experience in the Financial Service sector



Roshini Induruwage

General Manager – Deposits Marketing,
Sustainability and Service Quality
MBA – Edith Cowan University (Australia)

Areas of expertise and contribution:
26 years experience in the Banking and Financial Service sector



Tharanga Deepal Peiris

General Manager – Gold Loans and Micro Finance
Dipl. Micro Finance (IBSL)

Areas of expertise and contribution:
23 years experience in the Financial Service sector

CORPORATE MANAGEMENT TEAM



Hirantha Bandara Tennakoon

Assistant General Manager - Recoveries
MBA (UK)

Areas of expertise and contribution:

24 years experience in the Banking and Financial Service Sector
3 years experience in the Pharmaceutical Industry



Chandana Nanayakkara

Assistant General Manager - Finance
ACA, ACMA (SL), CTA, MBus (Finance), MFE

Areas of expertise and contribution:

18 years experience in the Financial Service sector
6 years experience in audit and assurance sector



Dinesh Prabhath

Assistant General Manager - Internal Audit
FCA, ACMA (UK), CGMA, B.Sc.(Acc.Sp) Sri Jayawardenepura

Areas of expertise and contribution:

12 years experience in the Financial Service sector
3 years experience in audit and assurance sector



Ramidu Costa

Assistant General Manager - Compliance & Risk Management
*FCCA (UK), MCISI (UK), MBA (Cardiff Metropolitan University - UK) Distinction (Gold Medalist)
BBA (Acc.Sp) Colombo, Certified Lean Cadet*

Areas of expertise and contribution:

5 years experience in the Accounting/ Insurance/ Financial Analysis Shared Services
12 years experience in the Accounting and Financial Services Sector

Directorships and memberships:

Member of Integrated Risk Management Committee



Wasantha Petikiri

Chief Manager – Legal
LLB (Hons.), Attorney-at-Law, Notary Public and Commissioner for Oaths

Areas of expertise and contribution:

20 years experience in the Financial Services Sector



Manel Bandara

Chief Manager - Regions
Fellow member of SLICM, PGD. in Business Management – University of Colombo, BA – University of Colombo

Areas of expertise and contribution:

26 years experience in the Financial Service sector



Anjula Ganegoda

Chief Manager - Recoveries

CMA Passed Finalist

Areas of expertise and contribution:

22 years experience in Financial Services Sector



Eranda Withana

Chief Manager – Legal & Recoveries

Areas of expertise and contribution:

20 years experience in Financial Services Sector



Sumudu Jayathunga

Chief Manager - Regions

Nat. Dip (Sales Management) Sri Lanka Institute of Marketing, Associate Member of SLIM (AMSILM)

Areas of expertise and contribution:

29 years experience in Banking and Financial Services Sector



David Ranjan Asirvatham

Chief Manager – Gold Loans

AIB (Sri Lanka)

Areas of expertise and contribution:

45 years experience in Financial Services Sector including Banking Sector.

Specialized in Pawning and Gold Loans for last 22years.



Tanuj Senadheera

Chief Manager – Product Head Leasing

MBA (Ind), MABE (UK)

Areas of expertise and contribution:

22 years of experience in the Financial Service Sector

CORPORATE MANAGEMENT TEAM



Avindra Wijesundara

Chief Manager – Credit Operations
MBA- Asia e University (Malaysia)

Areas of expertise and contribution:

25 years experience in the Financial Services sector



Chaturani Jayanetti

Chief Manager – Financial Accounting and Reporting

FCA, MBA (PIM - University of Sri Jayewardenepura), B.Sc. Accountancy (Sp.) - First Class (University of Sri Jayewardenepura)

Areas of expertise and contribution:

9 years experience in the Financial Services Sector

9 years experience in Retail and Services Sector

4 years experience in Audit & Assurance Sector



Jeewantha Fernando

Chief Manager – Business Strategy

FCA, MBA – PIM, Bsc Accountancy Sp. UJ, MCIM (UK)

Areas of expertise and contribution:

15 years experience in the Banking and Financial Service sector



Manoj Siriwardena

Chief Manager – Sustainable Finance and Yard Sales Management

CIM (UK), CMI (UK) Ex, MSC in Marketing

Areas of expertise and contribution:

26 years in finance sector involving in sales and marketing and operations

CORPORATE GOVERNANCE REPORT

GRI 2-13

Chairman's Message

The financial sector, amidst heightened competition, technological advancements, demographic shifts, and regulatory requirements, is confronted with unprecedented challenges in scaling up operations. As demands from regulators, investors, and the wider community continue to rise, we are resolute in upholding the highest standards of corporate integrity and responsible governance.

As the Chairman of the Company, I emphasize the paramount importance of upholding strong corporate governance practices across all functions of our operations. This commitment is an integral part in safeguarding the interests of our stakeholders amid the complexities of the current business landscape. Furthermore, I believe that transparency, accountability, and good governance are no longer mere compliance requirements, but essential pillars of our Company's success and sustainability.

How Good Governance is further solidified

During the year under review, the Board played a leading role in adopting the best practices contained in the Finance Business Act Direction No. 5 of 2021 on Corporate Governance initiated by Central Bank of Sri Lanka. It came into effect from 1st July 2022 and included several transitional provisions with implementation deadlines allowing time duration till 1st July 2024 for full compliance. However, we implemented majority of the said transitional requirements even before the deadlines and is on track to embrace balance requirements by the given timeline. Additionally, the company is in compliance with the majority of the requirements of the recently revised Section 9

of the Listing Rules on Corporate Governance issued by the CSE, with efforts underway to fulfill the remaining requirements within the specified timelines. Furthermore, the Company has largely complied with the requirements set out in the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, with measures underway to adopt proposed remaining requirements as best practices.

As part of our ongoing effort to promote good governance at all levels of the organization, we conducted a detailed review of our key internal policies and committee terms of reference (TORs) were enhanced to inculcate best practices on ensure prudent management and safety. Additionally, Anti-money laundering, human resources and information security-related policies and practices were reviewed. The latest revisions were uploaded to the recently launched intranet accessible to staff at all levels.

The Board of Directors enhanced its focus on optimizing existing processes aligning with the latest regulatory requirements, which ultimately assisted to promote good governance. The company bolstered its capabilities in areas such as cyber security and technology by actively engaging with and adopting the latest technologies and seeking expert advice by aligning with the Finance Business Act Direction No. 01 of 2022 on Technology Risk Management and Resilience. This proactive approach ensured a high level of assurance regarding data security, confidentiality, integrity, and the availability of computing resources. In terms of transparency, we provided accurate and timely information, financial and non-financial, to our stakeholders. Assurance certificates were obtained for annual statutory financial publications, internal

controls, sustainability and GRI indicators. The publication of this Integrated Annual Report, which includes extensive voluntary disclosures that go beyond compliance requirements, is a demonstration of our transparency and accountability to our stakeholders.

Our Future Governance Focus

We are committed to upholding our corporate culture's high standards while actively pursuing our immediate strategic goals in a rapidly changing industry and evolving economic and political landscape. We prioritize the development of our staff, empowering them to navigate complexities, manage risks, and grab opportunities with resilience. Concurrently, we remain dedicated to promptly implementing new regulatory requirements, especially those related to good governance, demonstrating our proactive and adaptive approach to compliance and excellence in all aspects of our operations.

Declaration

I declare that the Board of Directors and Management are geared and equipped to contribute towards achieving our corporate objectives while complying with regulatory and statutory requirements alongside establish policies, procedures and standards covered by MI's Internal Code of Conduct.



P.D.D. Perera
Chairman
29th May 2024

CORPORATE GOVERNANCE REPORT

Our Journey in Corporate Governance

Governance Actions during the FY 2023/24

- The company's governance framework was reviewed and updated in response to the governance changes in the operating landscape
- Devising and implementing a medium term corporate plan that include risk management over new strategies deployed as well
- A policy on Sustainable Finance Activities was deployed after Board sanction
- Adoption of Section 9 of CSE Listing Rules on Corporate Governance and CA Sri Lanka Code of Best practice 2023
- A Committee on Customer Complaint Handling and Redressing was established
- Based on the annual Compliance risk assessment, company's risk based compliance plan was designed and deployed on key compliance risk areas
- All due corporate depositor liabilities and statutory payments were paid on or before due dates
- Certain business segments migrated and embraced the new external core IT system, ensuring strong data security and regulatory compliance



Governance Goals beyond the year 2024

- Timely adoption of the transitional provision requirements of the Corporate Governance Direction No. 05 of 2021 issued by Central Bank and the new Section 9 of Corporate Governance Rules set out in CSE Listing Rules
- Progressing towards the complete migration of our existing IT system to a full-fledged 360 degree IT system for enhanced digitalization, operational efficiency and decentralization.
- Widen scope of the internal audit and compliance team to cope with business dynamics.
- Segregate of risk unit and compliance unit on par with the new governance directive of the regulator's by 1st July 2024.
- Improve quality, relevance and timeliness of corporate information provided to the Board through better MIS dashboards and informative statistics and concise information.
- Full-fledged periodic appraisal and reward system to drive individual targets with greater flows and alignment.
- Planned branch rationalization/ concept broadening with minimal cost.



Governance Objectives

- To carry out business operations based on the governing philosophy of prudence and in keeping with best practices in order to safeguard the company's assets, the investments of depositors and interests of stakeholders.
- To observe ethical and compliant corporate behavior to minimize reputational risk and safeguard the company's brand image.

Corporate Governance Highlights in the Past Decade

Setting up Six Board Subcommittees



Embracing the CA Sri Lanka and CSE Governance Codes



Setting up the Compliance Unit



Adoption of the CA Sri Lanka Code of Governance (2017)



Retirement of Chairman & Appointment of New Chairman (2021)



Adoption of New Corporate Governance Direction issued by Central Bank (2022)



Adoption of revised Corporate Governance listing rules of Colombo Stock Exchange (2023)



Adoption of the CA Sri Lanka Code of Governance (2023)

MI's Governance Framework in Motion

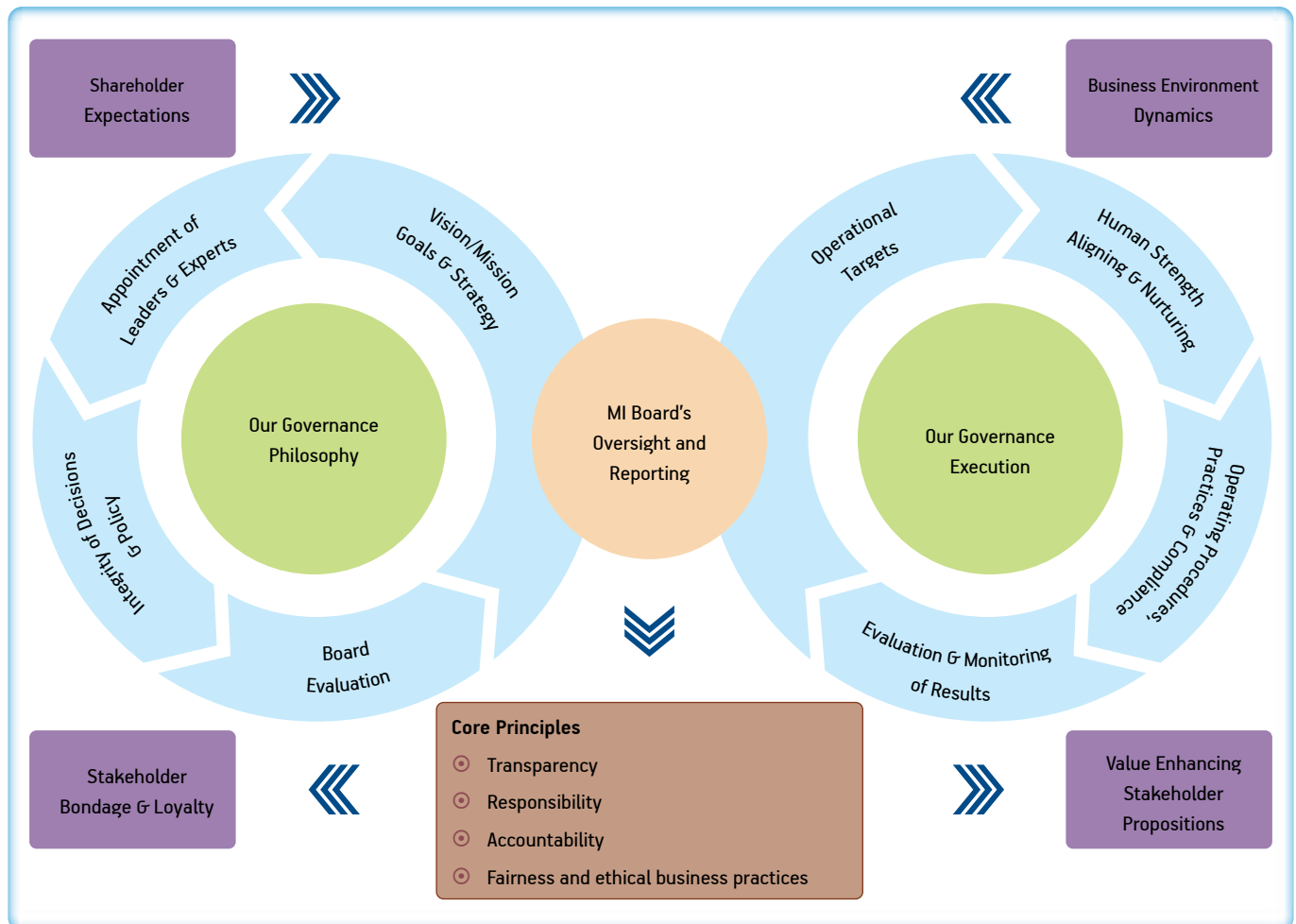
GRI 2-9

In response to the escalating regulatory demands and challenging business conditions, the company actively embraced a robust unique compliance philosophy. As part of this process, the 'Governance Framework' was reviewed and made necessary changes to fulfill the requirements of the new Corporate Governance Direction issued by the Central Bank and the best practices recommended for corporates by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SECSL). Moreover, placing a strong emphasis on enforcing compliance throughout the organization, MI aligned its policies and procedures with the regulatory requirements.

MI's governance framework includes its unique corporate values and culture. It encompasses effective corporate policies and control procedures to direct company affairs prudently and in keeping with regulatory requirements. At the forefront of this commitment is the top leadership, setting the tone for compliance across the entire Company. As a result the Board and the management team remained committed to improving this unique framework to reflect global best practices and periodic reviews were carried out.

Developments in the economic, regulatory and technology sectors were also embraced to enhance the framework's effectiveness and, in turn, to generate high quality service standards for our stakeholders. The framework is assessed periodically to see that it captures evolving dynamics.

How Our Governance Framework Operates



- ⦿ Vision, Mission, Goals and Strategy
The Board formulates and fine-tunes strategies and future objectives across short-, medium-, and long-term horizons (Pages 16 and 17)
- ⦿ Appointment of Leaders and Experts
Assessing the skills needed to attain the company's goals, the Nominations Committee, following a thorough evaluation, puts forth recommendations to appoint Board Members (Page 180). The Board then appoints subcommittees through which the Board exercises its oversight over the company's affairs. (Pages 96 to 97)

CORPORATE GOVERNANCE REPORT

- Integrity of Decisions and Policy
The Board and subcommittees schedule regular meetings to allow for transparent information flows. After review and input from experts and amendments to practices, a number of policies and procedures were adjusted, with new ones also developed during the year (Page 100). These policies and procedures laid the foundation for clear, consistent guidance to staff and internal controls while aligning with the company's strategic objectives.
- Board Evaluation
The adequacy and effectiveness of the Board's decision and policymaking in achieving strategic objectives is periodically evaluated by the Remuneration Committee. (Page 179)
- MI Board's Oversight and Reporting
The corporate management team headed by the Managing Director/CEO sets the link between governance philosophy and governance execution. The Board exercises oversight over governance execution and is kept informed of the conduct of company operations. (Page 91)
- Operational Targets
Vision/mission, strategic goals and objectives are executed through effective strategy, supported by drilled down and

operational targets, cascaded through all levels of the hierarchy to the strategic business units and to support departments for execution. (Pages 42 to 43)

- Human Strength Alignment and Nurture
The ideal corporate culture is created by providing the staff with up to date pertinent training and development skills in order to align human resources with culture and, ultimately, to achieve targets. (Pages 58 to 59).
- Operating Procedures, Practices and Compliance
Operations are governed by the implementation of clear Board-approved operating procedures covering all functions of business, guiding staff to adhere to internal controls, rules and external regulations. (Pages 89 to 91)
- Evaluation and Monitoring of Results
Regular assessments of company operations are conducted, providing continuous feedback to the Board and its subcommittees. These insights and communications serve as input for making future amendments to policies and updating the overall strategy of the company. (Pages 37 to 38)
- Core Principles
The company believes that the corporate governance we practice is guided by transparency, responsibility, accountability

and fairness as well as ethical business practices which build trust, integrity and acceptance.

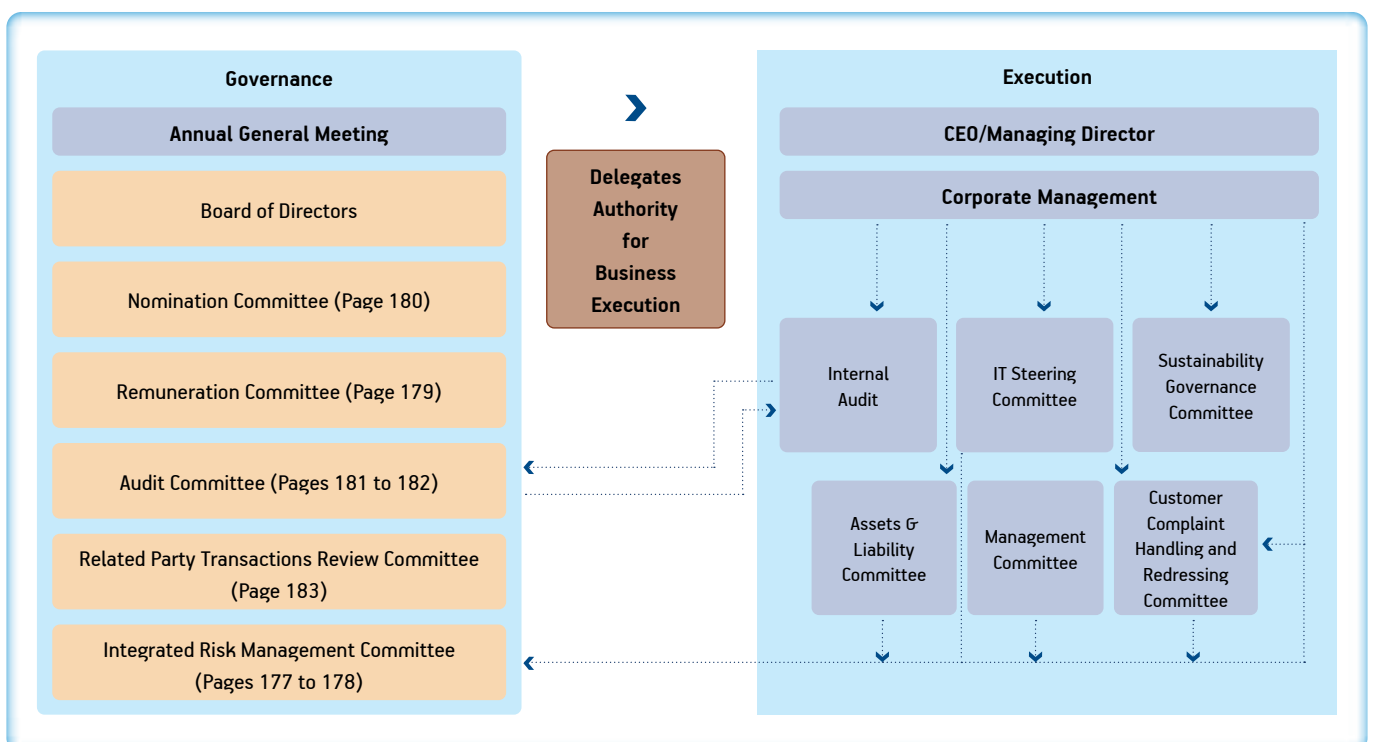
Our Governance Structure

GRI 2-16

The company's governance structure clearly outlines the extent of authority and the levels of responsibility among the Board, its subcommittees, managers, shareholders, and other stakeholders, emphasizing relationships between them.

At the apex of corporate authority, the Board of Directors wields the highest power. It delegates powers to execute tasks to the corporate management team while maintaining vigilant oversight through a robust monitoring mechanism. The Board and its subcommittees prioritize the establishment and ensure ethical conduct, transparency, and exemplary behavior to foster and uphold a robust governance framework.

The management team is required to report periodically to the Board through the BIRMC and Audit Committee of the company's progress and key concerns. Information routinely flows without inhibition from the Management team to the Board of Directors on critical matters. MI's governance structure upholds transparent information exchange, clear authority and reporting.



Our Robust Oversight Mechanism

- Internal Audit Function**
MI's Internal Audit Division conducts regular audits to ensure compliance with the company's internal policies, procedures, and regulatory obligations. Led by a certified chartered accountant with a deep understanding of the business, the division ensures the integrity of audits. Findings from these audits, based on their significance, are reported to the Board via the Audit Committee, along with necessary adjustments, suggestions, and recommendations.

The severely challenging operating context and periodic directives introduced by the regulator resulted in the need to broaden the internal audit scope. During the year under consideration, wider review requirements, including system and branch audits and functional changes to the division, were implemented to streamline the internal audit function to suit the evolving business landscape and risk.

- Risk Management Function**
MI's Risk Management Unit operates directly under the oversight of the Integrated Risk Management Committee (IRMC). It provides recommendations to address risks and enhance contingency planning, thereby bolstering corporate preparedness against unforeseen business disruptions. (Refer Risk Management Report from pages 160 to 176 for a comprehensive overview of MI's risk management process.)
- Compliance Function**
Under the Head of Compliance and Risk Management, the company's divisions and other business units comply with the regulations imposed by the regulatory authorities. Heads of divisions and branches are informed of any changes, developments, or enhancements to existing regulatory requirements through training and other formal communication channels.

It is Compliance Unit's responsibility to provide periodic feedback to the Board through the IRMC on the company's levels of compliance with key regulations. During the year under review, gap analyses on the compliance status of key directives were conducted and circulated to the Board.

Our Board's Role in Governance

- One of the MI Board's core functions is to give direction to business growth by approving and overseeing implementation of the company's overall business strategy against measurable goals for the next three years. The plan is reviewed annually. The medium term strategic plan spanning from FY 2023/24 – 2026/27 was approved in December 2023 with environmental and social requisites being incorporated to put into practice sustainability aspirations and provide wider societal support.
- The Board helps draw up succession plans for the entire organisation, especially key management personnel (KMPs). The performance of KMPs is reviewed bi-annually to ensure the best combination of expertise is retained to propel MI to reach its strategic priorities.
- The Board sets policy on risk management, ensuring it is robust across every business segment. The Board assesses the process and the risk appetite statement (RAS) through the IRMC. Apart from the quarterly updates, important concerns are flagged to the Board whenever necessary.
- Sound corporate culture and values are engraved within MI, encapsulated by the promotion of ethical, prudent and professional behavior. Through the establishment of an effective code of conduct and diligent managing conflict of interest, the Board establishes the required corporate values. Towards this end, the Board has endorsed a communication policy that fosters the development of a robust corporate culture through both formal and informal dialogues among stakeholders. The Board encourages sustainable financing by embracing environmental, social and governance (ESG) aspects in the company's business strategies.

- The Board self-evaluates by completing a checklist for each Director, annually. This process considers whether economic, social and environmental requisites have been incorporated to the decision-making process.
- The Board acts with due care, prudence and integrity. It is aware of potential civil and criminal liabilities that may arise from its failure to discharge all duties diligently. Consequently, the company is committed not to act in a manner detrimental to the interests of, and its obligations towards depositors, shareholders and other stakeholders.

The Board's Role in Managing Environmental and Social Impacts

In the face of multiple economic challenges within the country, the Board diligently worked to maintain sustainable business practices by making strategic decisions regarding internal operations, resource management, and the formulation of policies and procedures. During the financial year under review, MI consistently extended its support services, especially through the call center, keeping open digital payment options including the payment gateway and broadened geographical presence.

MI's Board also focused on sustainable business and encouraged both the corporate management team and the Sustainability Governance Committee to create value in the economy, society and environment. The Board held responsibility for the reporting of sustainability goals and actions and for sanctioning of the Sustainability Report for this financial year.

Chairman's Role

MI's chairman led the Board in line with the company's strategic objectives which were designed to create and achieve value to all MI stakeholders. He is an Independent Non-Executive Director and a qualified finance professional who continues to independently direct the affairs of the Board. (Refer the Chairman's role, duties and responsibilities stated in pages 106 to 107 in this Annual Report).

CORPORATE GOVERNANCE REPORT

Our Board Dynamics

Diversity, Skills and Composition

Our Board comprises eight Directors who have the right blend of skills and experience with representation from either gender. They are individuals who hold vast knowledge in the spheres of banking and finance, leisure and accounting.



Memberships in Associations & Councils

GRI 2-28

- ⊙ Member of the Finance Houses Association of Sri Lanka (FHA)
- ⊙ Member of the Leasing Association of Sri Lanka
- ⊙ Member of the Ceylon Chamber of Commerce
- ⊙ Member of International Chamber of Commerce Sri Lanka

Board Meetings

Board meetings adhere to a predefined calendar and fixed schedule, addressing critical issues that necessitate the Board's attention and approval. They were held every month in order to diligently evaluate the results of the Company's business operations.

Scheduling

- Twelve (12) monthly Board meetings were held to allow monitoring of performance, regulatory compliance and other key matters in a timely manner.



Agenda

- The Company Secretary prepared the agenda for Board meetings with the guidance and supervision of the Acting Chairman.



Papers Compiled and Distributed

- Board Members were given the agenda and other relevant documents at least seven days in advance, allowing sufficient time for preparation.
- The agenda, relevant circulars and information packs, including monthly management accounts, key statistics and trends of the company's performance with recommendations for improvement, were distributed among Board Members.
- Directors were allowed to include significant matters in the agenda and were granted the services of external consultants for expert advice and support on any matter deemed vital to decision-making.



Before the Meeting

- Regular management meetings were held ahead of all Board meetings to ensure matters being presented were thoroughly discussed before being escalated.
- Board subcommittee meetings were held prior to Board meetings, with the Chairman of each committee then reporting key matters discussed to the Board.



Board Meeting

- The Managing Director/CEO and Finance Director apprise Board Directors of the company's operational, financial and non-financial performance, updates relevant to the LFC sector, external environment developments and matters pertaining to the company's sustainability agenda.
- Updates on the risk dashboard and changes in the risk profile were presented to the Board.
- Board papers submitted by the divisional heads were discussed and approved by the Board.
- The precise combination of skills enabled the Board to contribute towards a meaningful discussion and adopt appropriate resolutions.

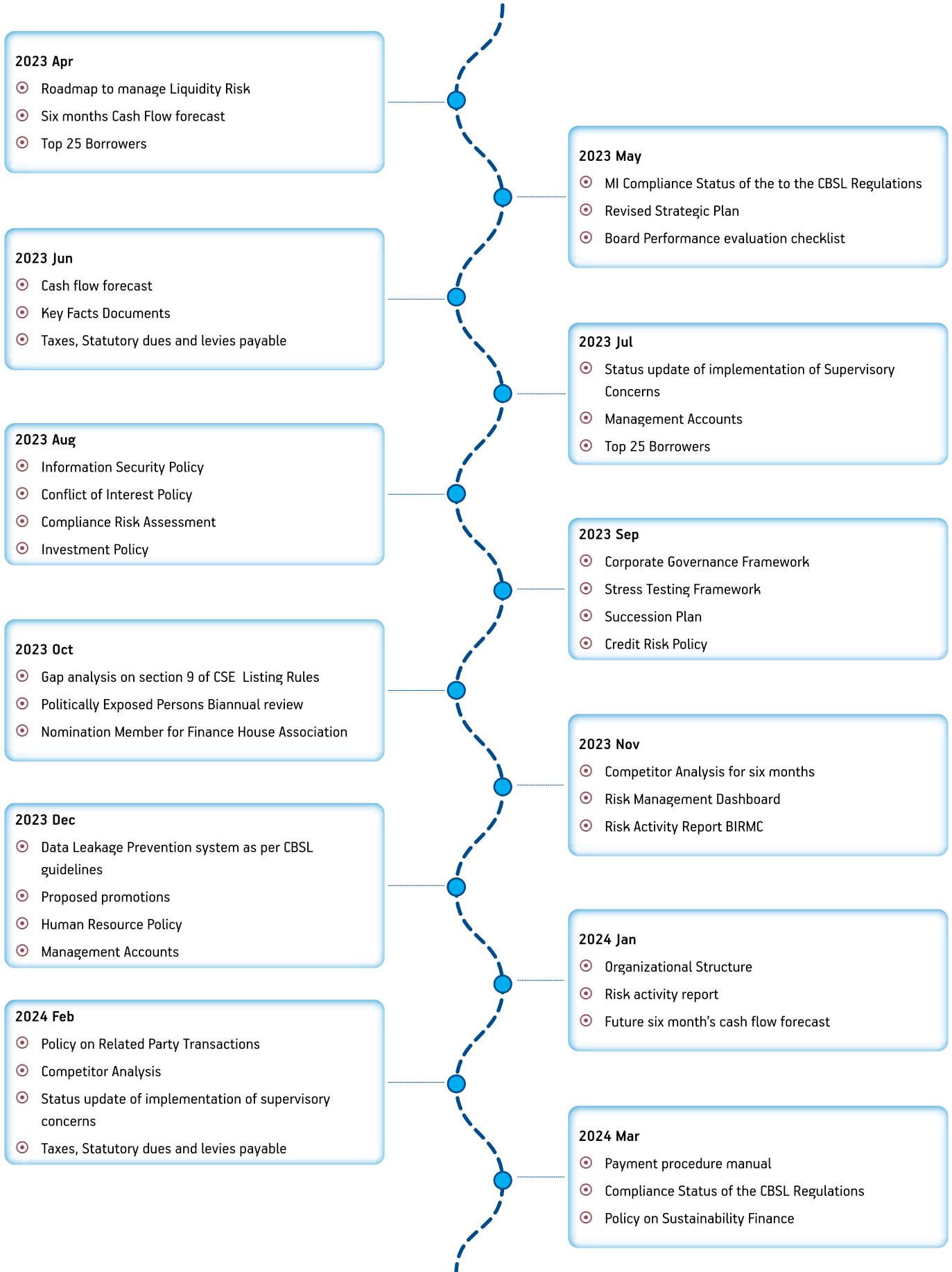


After the Meeting

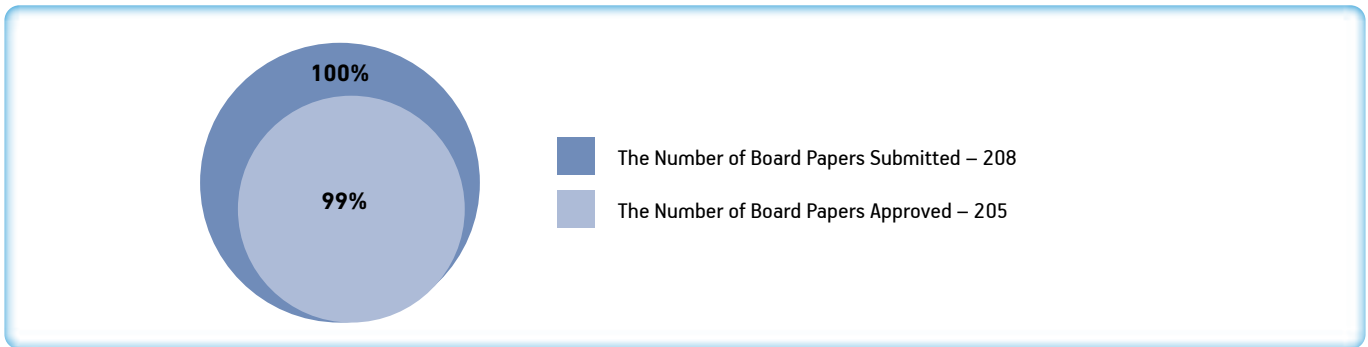
- Minutes and matters arising from the meeting were circulated to the Directors for review.

CORPORATE GOVERNANCE REPORT

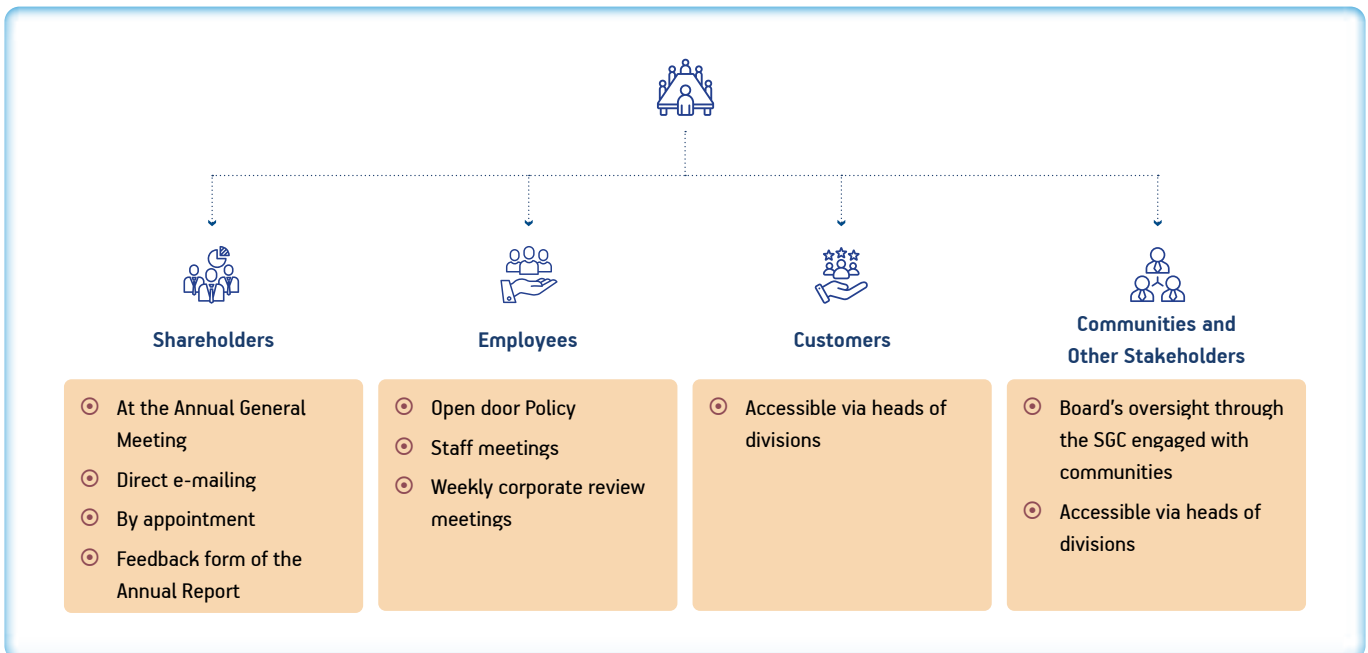
Highlights of the Board's Special Reports taken up by the Annual Work Cycle FY 2023/24



Total Number of Papers Approved in FY 2023/24



Board's Interaction with Stakeholders



Independent Selection of Board Members

The Board's skills, capabilities, and experience were assessed to gauge its readiness to navigate challenging market conditions. Decades of evidence demonstrate that a well-balanced team of skilled individuals has effectively governed the company, leveraging their diverse backgrounds, expertise, and experience to enhance its performance.

The Nominations Committee recommends new Members to the Board based on a thorough evaluation of their profile, professional qualifications and expertise. (Information pertaining to the Nominations Committee is given on page 180).

Responsibilities of the Board Subcommittees

The Board delegates its powers to its subcommittees in order to strengthen oversight over the core business functions. Key areas of the Board-appointed subcommittees' structure are:

- Committee responsibilities, interaction between the committee, the broader executive team and the Board of Directors.
- The scope and composition of the committee and attendance records of members.
- Report of the respective committee to the Board
- Methods of escalating and reporting significant matters of Management/Board to the committee.
- Maintain records of the number of papers tabled and approved.

CORPORATE GOVERNANCE REPORT

Board Committee Overview

GRI 2-17

Board Audit
CommitteeBoard Remuneration
CommitteeBoard Integrated Risk
Management CommitteeBoard Nomination
CommitteeBoard Related Party
Transaction Review
Committee

Members and FY 2023/24 Meeting Attendances

P. D. D. Perera 10/10	A.L.N. Dias 1/1	A.L.N. Dias 4/4	E.D. Wickramasuriya 4/4	P. D.D. Perera 5/5
A.L.N. Dias 10/10	P. D. D. Perera 1/1	G.G. Ondaatjie 4/4	P. D. D. Perera 4/4	E.D. Wickramasuriya 5/5
E.D. Wickramasuriya 10/10	M. K. S. Pieris 1/1	S.H. Jayasuriya 4/4	A.L.N. Dias 4/4	A.L.N. Dias 5/5
		L. Gunawardena (w.e.f November 23, 2023) 1/4	G.G. Ondaatjie 4/4	S.H. Jayasuriya 4/5
		D. Fonseka (Until COO transition) 2/4		
		D. Anthony 4/4		
		T. I. Jayawardana (Resigned w.e.f January 26, 2024) 2/4		
S. Pethiyagoda	S. Pethiyagoda	M. R. S. K. Costa	S. Pethiyagoda	S. Pethiyagoda

● Independent Directors ● Executive Directors ● Secretary ● Corporate Management

Key roles and responsibilities

- Make recommendations on matters in connection with the appointment of the external auditors and service period, audit fee, resignation or dismissal of the auditor.
- The implementation of Central Bank guidelines issued to auditor from time to time and application of relevant accounting standards.
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process
- Review the key financial information of the Company in order to monitor the integrity of the annual and interim financial statements and disclosures focusing on major judgemental areas, any changes in accounting policies, significant adjustments arising from audits, the going concerns assumptions and the compliance with relevant accounting standards and other legal requirements
- Reviewing the scope of work and engaging with External Auditors and Corporate Management to identify and resolve concerns.
- Deciding the remuneration levels of the Executive Directors and Non-Executive Directors
- Formulation and timely update of the remuneration strategy and policies.
- Engage with stakeholders to obtain input on remuneration-related matters where necessary.
- Monitoring the implementation and effectiveness of such policies.
- Oversee the Company's risk management function, identify risk and recommend risk mitigation strategies
- Report key risk concerns to the Board
- Determine the appropriate risk appetite limits in addition to limits imposed by regulations
- Approve major decisions affecting MI's risk profile or risk exposure and ensure the risks are addressed with mitigation strategies within the framework of the authority and scope assigned to the Committee
- Review MI's approach for risk management periodically and introduce changes to bridge any gaps.
- Nominate member to MI's Board with right mix of knowledge, skills and expertise.
- Prepare evaluation forms for members of the Board at least annually
- Recommend ways in which the Board could improve its performance
- Identify suitable individuals for future succession
- Evaluation of significant acquisitions, disposals, investments, credit arrangements and related party transactions
- Assist the Board in reviewing material related party transactions and to provide feedback
- Adopting Related Party Transaction policies to uphold good governance for the best interest of the company and its stakeholders
- Updating the Board of Directors on the related party transactions of the Company on a quarterly basis.



Board Audit Committee



Board Remuneration Committee



Board Integrated Risk Management Committee



Board Nomination Committee



Board Related Party Transaction Review Committee

Key actions performed during the FY 2023/24

- The BAC monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the Central Bank of Sri Lanka (CBSL) through regular follow-up reports tabled during the year under review.

○ The Committee ensured that the company complies with all regulatory and legal requirements and closely scrutinised compliance with mandatory non-banking and other statutory requirements and the systems and procedures that are in place.

○ Followed up with the matters highlighted by the Internal Auditors. Also, Internal Auditors presented their observations and recommendations on remedial actions to be taken by the Corporate Management.

○ The Committee regularly monitored all exceptional items charged to the Income Statement, long outstanding items in the company's chart of accounts, credit quality, risk management procedures and adherence to classification of non-performing loans and provisioning requirements specified by the CBSL.
- Performance Evaluation of Directors and recommendation of Executive Director's Increments for the Year

○ The Committee reviewed and obtained Board approval for the Amended Board Remuneration Policy

○ The Committee determined the bonus payable and the annual increments to the staff
- The committee recommended to incorporate new stress testing framework by considering prevailed challenging operating environment

○ Amended Governance Framework and Risk Appetite Statement were deployed during the period based on the guidance of new Corporate Governance Direction issued by Central Bank

○ With the guidance of BIRMC, a summarized version of Risk Dashboard was presented to the monthly Board Meetings

○ A snapshot of identified risks, assessments, and strategies employed to minimize risks and monitoring mechanisms were reviewed and monitored at each quarterly BIRMC meetings

○ Performance of each senior management level committees were evaluated
- The Committee recommended the re-election of Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities

○ The Committee obtained declarations from all Directors through a prescribed format confirming their status of independence
- The Related Party Transaction Policy was reviewed and updated by incorporating prior reviewing mechanism of related party transactions

○ Revised and approved the policy on conflict of interest

CORPORATE GOVERNANCE REPORT

Management Committee Overview

					
Executive Committee	Assets & Liability Committee (ALCO)	Sustainability Governance Committee	IT Steering Committee	Head Office Credit Committee	Customer Complaints Handling Committee
Key Responsibilities					
<ul style="list-style-type: none"> ○ Renew operational concerns to eliminate or manage risk. ○ Review management information on performance. ○ Identify early warning signals. ○ Asses gaps and variance reports between targets and actual performances 	<ul style="list-style-type: none"> ○ Review and manage changes to the MI's balance sheet assets and liabilities, including structural changes and achievement of strategic objectives in relation to growth or shrinkage. ○ Conducting stress tests on liquidity risk by taking market specific scenarios ○ Identify and assess the adequacy of financial resources (source of funds) for contingent needs. ○ Monitor, the use of interest rate sensitive products used in the management of interest rate sensitive risk including any periodic restructuring to the interest rate product portfolio 	<ul style="list-style-type: none"> ○ Promoting sustainable business practices among our clients and business partners ○ Incorporating Economic, Social and Governance criteria into lending, investment, and financing decisions ○ Developing and prioritizing sustainable finance products and services ○ Supporting priority sectors for sustainable finance activities defined by Sri Lanka's Green Finance Taxonomy ○ Aligning with the Sri Lanka Sustainability Finance Roadmap and contribute to the country's sustainable development goals 	<ul style="list-style-type: none"> ○ Ensure information security and safety from cyber threats. ○ Review the performance of IT systems and identify the gaps to develop/update the systems. ○ Review the effectiveness of existing IT controls and recommend on new controls to improve system security. 	<ul style="list-style-type: none"> ○ Determine the credit risk appetite of the Company. ○ Develop a positive credit culture at MI. ○ Identify lapses in credit evaluation with a view to overcome. ○ Proactively involve in recovery process to improve asset quality. 	<ul style="list-style-type: none"> ○ Ensuring the company's policy on customer complaints handling and redressing is reviewed timely and updated ○ Conducting root cause analysis on complaint data and use such analysis to improve the company's financial products and services ○ Establishing effective mechanism for receiving complaints through multiple channels ○ Deciding timeframe for Resolving Financial Consumer Complaints
Actions during FY 2023/24					
<ul style="list-style-type: none"> ○ Strategic and operational decisions were taken based on Company performance and evolving industry and process changes. ○ Monthly performance reviews were done in the presence of Executive Directors and GM's and other Head of Divisions of strategic business units and support divisions. ○ Respective cluster AGMs, regional managers and other key officers were invited as appropriate to take up ongoing key operational functional issues. 	<ul style="list-style-type: none"> ○ With the volatilities prevailed in policy rates, ALCO monitored interest rate trends and advised the Treasury division on reprising risk. ○ Provided information to the Board on material risks related to liquidity levels and liquidity planning based on forecast and best practices. ○ Reviewed liquidity risk and interest rate sensitivity of the Company and made recommendations on maintaining liquidity levels within risk appetite limits. 	<ul style="list-style-type: none"> ○ Reviewed and made recommendations on the sustainability product development proposals especially relating to Solar related lending ○ Focused and initiated discussions on green funding sources ○ Amidst the challenging environment, few CSR projects were carried out targeting social wellbeing and environmental protection. 	<ul style="list-style-type: none"> ○ Reviewed and rectified the concerns raised on on-going system implementation of Scierter project. ○ Prompt actions were made to bridge the gap relating to Technology risk direction issued by CBSL ○ The committee regularly reviewed the IT systems and controls and ensured there were no material adverse impacts on business operations or customers caused by failure of systems. ○ Continuously focused on Cyber security related matters. 	<ul style="list-style-type: none"> ○ Streamlined the internal processes to improve a process-driven system in Credit Department. ○ Improved post disbursement follow up mechanism of the Company especially with the call center operation and Quality Assurance Team (QAT) ○ Identified skill gaps in terms of technical skills in credit analysis and initiated trainings. 	<ul style="list-style-type: none"> ○ Reviewed and made measures to bridge the gaps identified with relevant to the recently introduced government gazette on Financial Consumer Protection regulations ○ Made recommendations to improve the existing mechanism on analyzing customer complaints ○ Reviewed the customer accessibility policy

Governance Beyond 2024

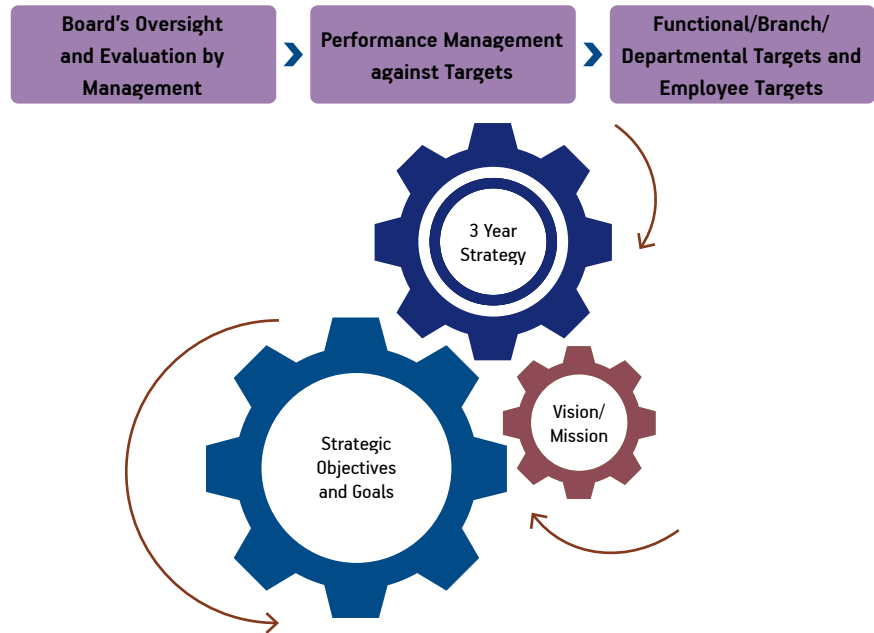
Our successful journey as a recognized financial establishment is a testament to the proven effectiveness of our governance foundations. This underscores the significance of sound governance in the corporate culture, which is a hallmark of well-established companies. We have significantly transformed our business in the process of sustainable value creation while reaching our business goals especially on the last decade.

The requirement to establish new policies, procedure and amend the existing policies and procedures under the new Corporate Governance Direction No. 05 of 2021 was duly identified as a priority and the necessary changes will be in place during the transitional period in compliance.

In addition, the revised Corporate Governance requirements set out in the rule 9 of the Colombo Stock Exchange (CSE) have been acknowledged and given consideration in complying with, subject to the provided time period.

The next chapter of our strategy is included in the Board approved medium term 'Strategic Plan FY 2023/24 – 2026/27' set forth which describes our future responses to changing customer expectations, the advancing technology landscape, competitive environment, cybersecurity threats and widening regulations. The plan includes precautionary action for extreme economic and social conditions and master plans for operational changes required by inconsistent market conditions.

Our Strategic Planning Process



Managing Director's Role

The Managing Director is the company CEO. He possesses the authority to oversee detailed planning and development of the corporate plan. He bears responsibility to steer the company's overall endeavours in accordance with external regulations and internal policies, while also ensuring that the workforce and all operational aspects are aligned with the established long- and medium-term strategic priorities.

The Corporate Management Committee's Role in Governance

GRI 2-14

- Apart from Board subcommittees, there are committees to manage risks arising from day-to-day operations, namely the Head Office Credit Committee, IT Steering Committee, Asset and Liability Committee, the Sustainability Governance Committee and Customer complaints handling and redressing committee. They are guided by the Managing Director/Senior Management members.
- It is the Management Committee's responsibility to enhance value creation to shareholders, whilst adopting sustainable business approaches. Towards this end, the Corporate Management Committee works closely with the Sustainability Governance Committee (SGC) to fulfil wider stakeholder obligations.
- As a financial service provider, we consider people to be the main resource in dealing with our many stakeholders who have distinct needs. Our over 1200 workforce is duly managed by the Corporate Management Committee with authority delegated to the respective Directors, GMs, AGMs and Managers. The Senior Management conducts regular performance appraisals of their staff against key operational targets set out at the start of a financial year.

CORPORATE GOVERNANCE REPORT

Corporate Management Meeting Focus



Employee Training on Regulations and Enriching Institutional Knowledge

New employees to MI's team were educated on various dimensions of Company's business aspects at the induction programme, covering corporate history, regulations, etiquette and expectations. Following this, they underwent thorough training tailored to their specific job roles and responsibilities. Additionally, periodic training sessions were held to keep MI's talent pool abreast of evolving industrial practices and reforms.

During the year under review, all branch heads were educated on the company's overall business objectives mentioned in the medium term Strategic Plan and what is expected from them in driving growth. In addition, separate branch level training session was conducted by the finance and compliance unit to educate about new regulatory guidelines, branch key performance indicators and anti-money laundering.

Performance Evaluation, Rewards and Recognition

The Remuneration Committee annually evaluated the performance of the Managing Director and other Board Members with due consideration to their roles and responsibilities.

- ⦿ The Remuneration Committee decides a competitive remuneration package for each Executive Director as reward for their expertise and based on the extent of their personal contribution.
- ⦿ Performance targets were set in keeping with the company's objectives and the strategic plan. Staff performance was appraised against these predetermined targets and rewarded, accordingly.

Compliance

GRI 2-27

Being a trustworthy financial services provider, MI stands committed and strived to comply with its regulatory requirements whilst achieving its objectives and stakeholder goals. The Company made all statutory payments to the government, regulatory institutions and employees in a timely manner during the financial year.

The Board of Directors executed a strong, sound governance framework at all levels of the organisation, ensuring conformity with external rules and regulations and internal policies and procedures. No material breaches were identified during the FY 2023/24 requiring separate disclosure.

Key Internal Policies and Controls

Policy Reviewed/ Newly Issued During FY 2023/24

Information Security Policy	√
Dividend Policy	√
Conflict of Interest Policy	√
Investment Policy	√
Liquidity Risk Management Policy	√
Succession Plan	√
Policy on sustainable finance activities	√
Corporate Governance Framework	√
Compliance Policy	√
Stress Testing Framework	√
Credit Risk Policy	√
Finance Procedure Manual	√
Remuneration Policy	√
Payment procedure manual	√
Human Resource Policy	√
Risk Appetite Statement	√
Procedure to handle dormant accounts	√
Policy on Related Party Transactions	√

GRI 2-27

Key External Regulations	Compliance Status
Finance Business Act No. 42 of 2011	√
Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021	√
Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)	√
Finance Companies (Corporate Governance) Direction issued by CBSL	√
Listing Rules of the Colombo Stock Exchange(CSE)	√
Companies Act No. 07 of 2007	√
Sri Lanka Deposit Insurance Scheme Regulations and Circulars	√
Financial Transaction Reporting Act No. 06 of 2006 (FIU)	√
Know Your Customer (KYC) and Customer Due Diligence (CDD) Rules	√
GRI Guidelines on Sustainability	√

Compliance with Best Practices/Regulations on Corporate Governance

In order to reflect the extent of MI's compliance with regulations and best practices on corporate governance, three separate disclosures in the form of statements have been provided.

Part one provides disclosures on the Company's level of conformity with the recommended Code of Best Practice on Corporate Governance, issued to public companies by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 2023.

Part two provides disclosures on the Company's level of compliance with the Directions issued on Corporate Governance to Finance Companies by the Central Bank of Sri Lanka, under Direction No. 05 of 2021.

Part three provides disclosures on the Company's level of compliance with section 7.6 & 9 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance.

CORPORATE GOVERNANCE REPORT

Mi's Compliance with the Code of Best Practice on Corporate Governance 2023, Issued by CA Sri Lanka

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	Mi's Extent of Adoption																		
Section 1 The Company: A. Directors A.1. The Board	Principle – A.1	Adopted	<p>The Company is governed by the Board of Directors comprising of skilled, qualified and experienced individuals with diverse backgrounds and expertise.</p> <p>The Board takes charge of steering the company towards its ambitious goals by establishing the roadmap for the organization's future, maintaining a strong business model that incorporates efficient strategic planning and oversight, and ensuring that the company operates under sound governance practices. The profiles of the Board members with their qualifications, competencies, and experience are provided on pages 76 to 81.</p> <p>Mi's Board comprises an Independent Non-Executive Chairman who heads the Board and is well supported by an Executive Managing Director and Directors of both Executive and Non-Executive capacity maintaining a sound balance of independence. During the year under review, neither appointments nor resignations were reported to the Board at MI.</p>																		
Board meetings	Code – A. 1.1	Adopted	<p>The MI Board met 12 times during the financial year 2023/24, at monthly intervals, to review performance and take decisions for the prudent management of Company affairs. The Company Secretary provided a formal notice of meeting with agenda at least seven days prior to meetings, to all Directors.</p> <div style="border: 1px solid #c00000; padding: 5px; margin: 10px 0;"> <p style="text-align: center; color: #c00000; font-weight: bold;">Attendance at Board Meetings</p> <table border="1" style="margin-top: 10px;"> <caption>Attendance at Board Meetings</caption> <thead> <tr> <th>Director</th> <th>Attendance (No.)</th> </tr> </thead> <tbody> <tr> <td>MR. P.D.D. Perera</td> <td>12</td> </tr> <tr> <td>Mr. G.G. Ondaatjie</td> <td>12</td> </tr> <tr> <td>Mr. S.H. Jayasuriya</td> <td>12</td> </tr> <tr> <td>Ms. A.M. Ondaatjie</td> <td>12</td> </tr> <tr> <td>Mr. T.J. Ondaatjie</td> <td>12</td> </tr> <tr> <td>Mr. A. L. N. Dias</td> <td>12</td> </tr> <tr> <td>Mrs. E. D. Wickramasuriya</td> <td>12</td> </tr> <tr> <td>Mr. M. K. S. Pieris</td> <td>11</td> </tr> </tbody> </table> </div>	Director	Attendance (No.)	MR. P.D.D. Perera	12	Mr. G.G. Ondaatjie	12	Mr. S.H. Jayasuriya	12	Ms. A.M. Ondaatjie	12	Mr. T.J. Ondaatjie	12	Mr. A. L. N. Dias	12	Mrs. E. D. Wickramasuriya	12	Mr. M. K. S. Pieris	11
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Mr. A. L. N. Dias	12																				
Mrs. E. D. Wickramasuriya	12																				
Mr. M. K. S. Pieris	11																				
Board responsibilities	Code – A. 1.2	Adopted	<p>Ensuring the Company resources are efficiently applied in achieving corporate objectives, the Board of Directors discharged its responsibilities by setting overall strategy and level of risk appetite in governing affairs of the Company and approves capital and operating plans presented by Management for the achievement of the strategic objectives it has set forth. (Refer Board approved strategies on pages 42 to 43). By duly holding regular meetings which review of financial performance, non-financial performance, critical business issues, risks and the annual strategy review process, the Board discharges its responsibilities for the year under review.</p>																		
<p>⊙ Formulation and implementation of a sound business strategy</p>			<p>The guiding document in governing business activities during the financial period remained the revised medium-term (FY 2023/24 to 2026/27) Strategic Plan approved by the Board in December 2023.</p> <p>In keeping with MI's top-down hierarchical approach, the Board ensured that the corporate objectives and goals, corporate values and strategies were communicated to the Corporate Management and all key officers for implementation of planned strategies. The Board reviewed the progress of the business strategy implementation and the compliance status against annual targets at regular intervals. MI's actual financial performance highlights against annual key performance targets set for financial year 2023/24 is disclosed in the Financial Highlights section on page 18 to 19.</p>																		

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
<ul style="list-style-type: none"> Appointing the Chair and the Senior Independent Director if relevant 			N/A
<ul style="list-style-type: none"> The CEO and Management team possess the skills, experience, and knowledge to implement strategy 			<p>Mr. Gerard Ondaatjie, the Managing Director (MD) of the Company, acted in the capacity of the Chief Executive, handling day-to-day functions, working closely with the Corporate Management team. He and the Corporate Management team are equipped with the required skills, experience and knowledge to implement the business strategy of the Company and achieve organisational objectives.</p> <p>Brief profiles of each members experience, qualification and position held of the Corporate Management team are provided on pages 82 to 86.</p>
<ul style="list-style-type: none"> Adoption of an effective CEO and Senior Management succession plan 			<p>A comprehensive succession plan for the MD/CEO, executive directors and key management personnel has been Board-approved in September 2023, for a seamless operation. At MI, succession to Key Managerial Positions (KMP) primarily focuses on developing and grooming people internally so as to have adequate options within the Company for replacement of KMP's in future.</p>
<ul style="list-style-type: none"> Approving budgets and major capital expenditure 			<p>The Board is responsible for carefully considering and making important financial decisions regarding funding, pricing, liquidity, and capital expenditures, as well as reviewing annual budgets. By approving medium-term Strategic Plan, the budget, including capital expenditure, was established by the Board for the concluded FY 2023/24.</p>
<ul style="list-style-type: none"> Determining the matters expressly reserved to the Board and those delegated to the Management including limits of authority and financial delegation 			<p>The role of the Board and matters expressly reserved for the Board are clearly laid out in the 'Board Responsibility Document' and the Executive Directors' detailed role within the organisation is specified in their Job Description.</p> <p>The Board has delegated its authority to the Corporate Management for each specific function, headed by the Executive Directors or Senior Head of Division. (Refer list of company policy documents issued on page 100). The powers vested are governed by the corporate policy, procedures, and other instructions issued by the Board from time to time.</p>
<ul style="list-style-type: none"> Effective systems to secure integrity of information, internal controls, cyber security, business continuity and risk management 			<p>MI Board is responsible for managing risks of the Company's finance business, and thus the Board Integrated Risk Management Committee and an Audit Committee was established in order to have close oversight over key risks faced by the Company and to obtain feedback on the effectiveness of risk management practices and internal control mechanisms regularly.</p> <p>The company bolstered its capabilities in areas such as cyber security and technology by actively engaging with and adopting the latest technologies and seeking expert advice by aligning with the Finance Business Act Direction No. 01 of 2022 on Technology Risk Management and Resilience.</p> <p>A comprehensive set of Board-approved internal control policies have been adopted by MI to instil a prudent management environment and to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework, and compliance with related laws and regulations.</p> <p>This internal control framework ultimately aims to safeguard stakeholder interest and most importantly involves safeguarding shareholders' investment and the Company's assets and to ensure the reliability and integrity of the information handled and its privacy. The following reports provide a comprehensive overview in this regard:</p> <ul style="list-style-type: none"> Risk Management Report on pages 160 to 177 Board IRMC Report on pages 177 to 178 Board Audit Committee Report on pages 181 to 182 Directors' Statement on Internal Control on pages 197 to 198 Auditor's Assurance Report on adequacy of internal control on financial reporting on page 199 Integrity of management information and its privacy on page 123

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
<p>⊙ Availability of information communication technology (ICT) roadmap in line with business strategy of the company and monitor the progress of implementation through the ICT dashboard</p>			<p>The company's Board approved medium term overall strategic plan contains the ICT roadmap for the company. The progress of implementation is periodically reviewed by the company's IT steering committee through different progress reports and dashboards.</p>
<p>⊙ Compliance with laws, regulations, and ethical standards</p>			<p>The Board has established a sound compliance system within the Company through a competent Compliance Officer. The compliance status of the company is presented to the Board by the Head of Risk Management and Compliance, on a monthly basis, by highlighting important facts which requires attention of the Board.</p> <p>At the same time, the Board has hand-picked knowledgeable officers to head core divisions; individuals who are experienced and conversant with applicable regulations. These individuals independently report to the BIRMC on a quarterly basis on divergent risk factors effecting MI's business with due recommendations and also reports on MI's compliance status to the regulatory environment.</p>
<p>⊙ All stakeholder interests are considered in corporate decisions</p>			<p>Through the Board-approved 'Communication Policy' of MI, the Board ensures that the Corporate responsibilities to shareholders and other stakeholders are discharged in a timely and appropriate manner. The two-way Communication Policy is an effective mechanism applied by the Company in order to gain a clear understanding of the latest developments in stakeholder interests.</p> <p>Refer Stakeholder Engagement and Impact (pages 36 to 37) and Alliances (pages 56 to 57).</p>
<p>⊙ Sustainable business development in corporate strategy, decisions, and activities and adopting 'Integrated Reporting'</p>			<p>In keeping with MI's fundamentals and business model, the business strategy followed is directed at creating long-term sustainable growth and enhancing stakeholder value as a constant exercise.</p> <p>MI has developed a policy on Sustainable Finance Activities (Approved by the Board in March 2024) aligning with the Sri Lanka Sustainability Finance Roadmap. The policy is aimed to incorporate ESG criteria into internal decisions related to lending, investment and financing, and promote sustainable activities among clients and business partners. MI's integrated business model articulated on page 34 highlight the sustainable value generated through the Company's business process.</p>
<p>⊙ Ensuring the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</p>			<p>The Board and Board Audit Committee reviewed MI's accounting policies on an annual basis, to ensure that the latest regulatory requirement, international and local accounting standards and industry best practices are addressed. MI's accounting policies are reviewed annually by the Board and Audit Committee to ensure inclusion of the changing business requirements, developing international and local accounting standards and industry best practices. MI placed significant emphasis on compliance with the Finance Business Act, Anti-Money Laundering regulations, Listing Rules, and all other relevant regulations applicable to the LFC sector.</p> <p>Refer 'Independent Auditors' Report on pages 200 to 202, which provides an affirmation on the Company's financial statements that it is in line with applicable reporting standards and regulations and Directors' Statement on Internal Control over Financial Reporting on page 199.</p>

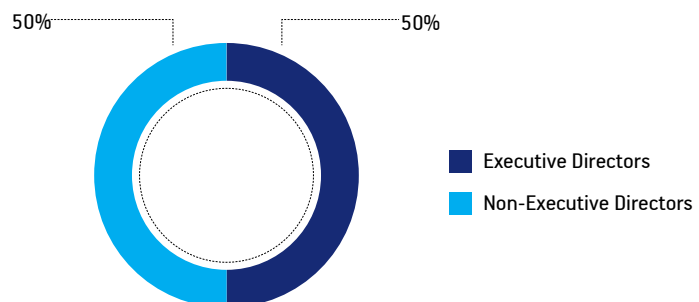
Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
<p>⊙ Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans, and related risks</p>			<p>Regular reviews were carried out by the Managing Director, Executive Directors and the Corporate Management Team to monitor the progress towards the set forth Corporate objectives. The effects resulting from the post Covid depleting economic conditions and the risks involved were addressed and reflected in strategic budgets, plans and related risks.</p> <p>Accordingly, the Corporate Management and other departmental heads reviewed their departmental plans and budgets aligning with the strategic targets and plans and changes in risk profiles to ensure up to date evaluation of progress while establishing clear communication lines among employees (Refer Financial Wealth pages 46 to 55).</p>
<p>⊙ Process of corporate reporting on annual and quarterly basis or more regularly</p>			<p>Meeting regulatory deadlines, the Company published interim financial accounts on a quarterly basis in three languages, complying with State Language Policy. Moreover, the annual reports are published for investors and other stakeholders who are interested in the Company financial standing and progress and communication from time to time and also updated Financial Statements on CSE website, complying regulatory requirements.</p> <p>More importantly, the Company prepares monthly financial reports and circulated among the Board to facilitate effective decision making.</p>
<p>⊙ Fulfilling other Board functions are vital given the scale, nature, and complexity of the organisation</p>			<p>The Board committed throughout the year in fulfilling its stewardship obligations towards all stakeholders by accomplishing their role in line with laws and regulations and good governance practices implemented and directing the Company towards desired performance levels.</p> <p>Key Policy Document Updated (Refer page 100).</p>
<p>Compliance with laws and access to independent professional advice</p>	Code – A. 1.3	Adopted	<p>The Board collectively affirms and also the Directors individually affirm their duty to abide by the laws of this land for the running of the Company. An affirmation on compliance to applicable laws and regulations is given on page 192 by the Directors.</p> <p>The Board of Directors have full access to all relevant information and can obtain independent professional advice, if necessary, at the Company's expense. The quality and independency in decisions made by the Directors were high as expert opinions and advices are incorporated.</p>
<p>Company Secretary</p>	Code – A. 1.4	Adopted	<p>All Directors have access to the Board Secretary, Mrs. Pethiyagoda, who is a qualified Chartered Secretary with over 27 years of experience in a related field. Her services are available to all Directors, particularly the Non-Executive Directors, who needed additional support to ensure they received timely and accurate information. The Company Secretary is mainly responsible for advising the Board on corporate governance issues, Board procedures, and compliance with applicable laws and regulations. Currently, the role prescribed under schedule A of the code for Company Secretaries is undertaken by Mrs. Pethiyagoda in executing her routine functions.</p>
<p>Independent judgement</p>	Code – A. 1.5	Adopted	<p>All Directors including Non-executive Directors, in discharging their responsibilities and duties, bring to bear independent judgment and scrutiny on decisions taken by the Board on matters relating to strategy, performance, resources, risk management, internal controls and standards of business conduct.</p> <p>The Directors have ample time to review Board papers and other circulated information prior to a meeting.</p> <p>The majority of Executive and Non-Executive Directors hold memberships in Board sub-committees, hence involved in strategy formulation, financial compliance, and governance matters on a periodic basis.</p> <p>Directors are required to disclose all transactions with the Company, including those of their close family members as required by the relevant Sri Lanka Accounting Standards and the Companies Act.</p>

CORPORATE GOVERNANCE REPORT

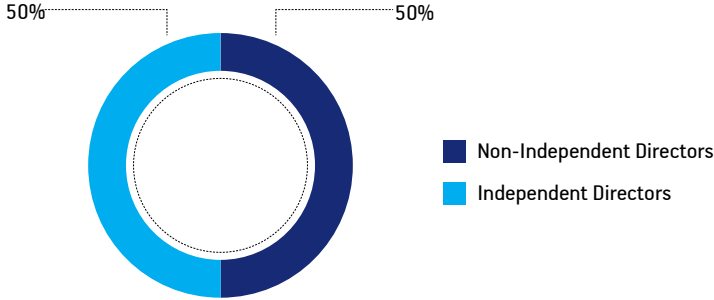
Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption										
Dedication of adequate time and effort by the Board	Code – A. 1.6	Adopted	<p>All Directors have been allocated sufficient time enabling them to discharge their responsibilities effectively for Board and Board sub-committee meetings, to fulfil their duties and obligations owed to the Company. Accordingly, the Directors have attended the majority of the meetings and have devoted their time adequately.</p> <p>Information pertaining to Directors' participation levels at Board sub-committee meetings and Board meetings are given on pages 96 and 102.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;">Board Meeting Discussion Composition</p> <table border="1"> <caption>Board Meeting Discussion Composition</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Performance</td> <td>19%</td> </tr> <tr> <td>Risk Management & Compliance</td> <td>46%</td> </tr> <tr> <td>Strategic Planning</td> <td>30%</td> </tr> <tr> <td>Other</td> <td>5%</td> </tr> </tbody> </table> </div>	Category	Percentage	Performance	19%	Risk Management & Compliance	46%	Strategic Planning	30%	Other	5%
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One-third of Directors can call for resolution to be presented to the Board	Code – A. 1.7	Adopted	No such resolution was presented to the Board during the financial year 2023/24.										
Training needs of Directors	Code – A. 1.8	Adopted	<p>During the financial year under review, the Directors frequently kept themselves informed about the latest developments and changes in the operations and regulations of the Non-Banking Finance Sector.</p> <p>The Non-Executive Directors, who serves key committees, receive regular updates from the Corporate Management regarding matters that are specifically relevant to their respective committees. These updates likely aim to keep the Non-Executive Directors informed and help them make informed decisions and recommendations within their committees. A personalised approach to training and development of Directors was applied throughout this period.</p>										
A.2 Chairman and Chief Executive Officer	Principle – A.2	Adopted	The roles of the Chairman and MD/ CEO are separated in line with best practices to ensure that no individual is vested with unfettered powers of decision making. There is a clear division of responsibilities at the helm of the hierarchy, between the running of the Board and the executive responsibility of running MI's business. The Chairman is an Independent Non-Executive Director. Managing Director is conferred with executive authority to manage the business.										
Division of responsibility between the Chairperson and MD/CEO	Code – A. 2.1	Adopted	<p>The Chairman leads and guides the Board to effectively discharge Board's responsibilities and the Managing Director (MD) Mr. Gerard Ondaatjie who is the Chief Executive Officer leads the Company's business operation effectively with the assistance of the Board and the Management Team.</p> <p>As part of his role, he apprises the Board of the status of Company performance, proposes strategies, and advises Board on operational aspects on an on-going basis and tables proposal recommendations, information necessary for the Board's direction and approval.</p>										
A.3 Chairman's Role	Principle – A.3	Adopted	The Chairman of the Board, Mr. Dinuka Perera, is a Non-Executive Independent Director who continued to demonstrate leadership to the Board by discharging Board functions effectively in a methodical manner in keeping to his duties as a Chairman.										

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Chairperson's role in conducting Board proceedings	Code – A. 3.1	Adopted	<p>Having financial experience, Mr. Dinuka Perera, the Chairman, was able to properly maintain a high level of independence and impartiality in Board matters. He obtained advice from across the Board, given the well-blended knowledge and collective experience of MI Directors.</p> <p>Mr. Perera was responsible for:</p> <ul style="list-style-type: none"> ⦿ Developing the agenda for Board meetings in consultation with the CEO, directors and the company secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance ⦿ Providing the agenda with sufficient detail and timely manner ⦿ Making aware of duties and responsibilities of all Directors and the board and committee structures through which it will operate in discharging its responsibilities ⦿ Encouraging all Directors to make effective contributions, within their respective capabilities, for the benefit of the company ⦿ Encouraging all Directors to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda ⦿ Maintaining Balance of power between executive and non-executive Directors ⦿ Ascertaining the views of Directors on issues under consideration and a record of such deliberations reflected in the minutes ⦿ Ensuring the board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders
A.4 Financial Acumen Availability of sufficient financial acumen and knowledge within the Board	Principle –A.4	Adopted	<p>The Board is equipped with qualified Directors in the field of finance and accountancy and possesses the necessary financial wisdom. The Finance Director Mr. S.H. Jayasuriya is a financial professional who advises the Board on matters of finance, since 2001. Each Director at MI brings a particular range of diversified skills and expertise to the boardroom table, which range from accounting and auditing, financial services and insurance, business administration, engineering, recoveries, legal and human resources. Refer Directors' profiles on pages 76 to 81.</p>
A.5 Board Balance	Principle – A.5	Adopted	<p>As per Finance Companies Corporate Governance Direction No. 05 of 2021 and the respective transitional provisions issued by the Central Bank of Sri Lanka, the MI Board maintains the respective requirement, keeping proper checks and balance between Executive and Non-Executive Directors as at the reporting date, so that no individual or small group of individuals can dominate the Board's decision-making.</p>
Presence of Non-Executive Directors	Code – A. 5.1	Adopted	<p>Four out of eight Directors on the MI Board are Non-Executive Directors including the Board Chairman. This ensures the importance and materiality of the Non-Executive Directors' opinion in the decision-making process of the Board.</p>

Executive Vs. Non-Executive Directors



CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Independent Directors	Code – A. 5.2	Adopted	All the Non-Executive Directors at MI's Board are independent as at 31st March 2024.
Independent Vs. Non- Independent Directors			
 <p>The chart is a donut chart divided into two equal halves (50% each). The light blue section represents Independent Directors, and the dark blue section represents Non-Independent Directors. A legend on the right side of the chart identifies the colors: a dark blue square for 'Non-Independent Directors' and a light blue square for 'Independent Directors'.</p>			
Criteria for evaluating the independence of Non-Executive Directors	Code – A. 5.3	Adopted	All four Independent Non-Executive Directors maintain a separation from Management and free from any other business relationships that could impair independence in decision-making. The Independent Non-Executive Directors complied with independence criteria stipulated by the CBSL, SEC, CSE, and ICASL guidelines during the financial year 2023/24.
Signed Independence Declaration by the Non-Executive Directors	Code – A. 5.4	Adopted	During the FY 2023/24, each Non-Executive Director of the Company has made written submissions as to their independence as per CSE listing rules.
Determination of independence of Non-Executive Directors	Code – A. 5.5	Adopted	Based on the written submissions made by the following Non-Executive Directors and taking into account the criteria specified in Section 3.7 of the Corporate Governance Direction issued by CBSL, the Board deems the following all 4 Non-Executive Directors 'Independent' as at 31st March 2024. <ul style="list-style-type: none"> 1. Mr. P.D.D. Perera 2. Mr. A.L.N. Dias 3. Mrs. E.D. Wickramasuriya 4. Mr. M.K.S. Pieris
Appointment of an Alternate Director by a Non-Executive Director	Code – A. 5.6	Not Applicable	Not applicable as no Alternate Director was appointed during FY 2023/24.
Senior Independent Director (SID)	Code – A. 5.7	Not Applicable	Chairman's and Managing Director's roles remained separated throughout the financial year under review and therefore there was no requirement to appoint a Senior Independent Director.
Confidential discussion with SID	Code – A. 5.8	Not Applicable	Refer Code – A. 5.7 above.
Meeting of Non- Executive Directors	Code – A. 5.9	Adopted	The Chairman held meetings with Non-Executive Directors without the presence of the Executive Directors two (2) times during FY 2023/24.
Recording of concerns in Board minutes	Code – A. 5.10	Adopted	Board concerns raised during Board meetings were discussed and recorded by the Company Secretary in the Board Minutes. There were no issues or concerns raised that could not be unanimously resolved, requiring same to be recorded.
A.6. Supply of information	Principle – A.6	Adopted	The Board is provided appropriate and timely information in a form and of a quality appropriate to enable them to discharge their duties effectively. Financial and non-financial information are analysed and presented to the Board for accurate and effective decision making.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Information to the Board by Management	Code – A. 6.1	Adopted	<p>The Management provides timely and appropriate information to the Board by way of Board Papers, reports and Proposals in relation to business lines, geographical areas, overall plans and performance. The Directors are free to raise queries for additional information as and when necessary.</p> <p>Regular reports also provide the Board and Board sub-committees information on risk appetite profile, emerging risks and analytics, credit exposures, asset and liability management including liquidity, compliance, and other vital matters. The Board Directors were given sufficient time to examine circumstances and potential risks, allowing them to prepare for discussions and request further details from the Management, if required.</p>
Adequate time for effective Board meetings	Code – A. 6.2	Adopted	<p>The Company Secretary ensured that the required Notice of Meeting, agenda and information documents including Board papers were circulated to all Directors at least seven days prior to holding of Board meetings. This ensured that the Board members had enough time to review and examine the relevant documents and adequately prepare for the Board meetings.</p>
A.7. Appointments to the Board	Principle – A.7	Adopted	<p>MI has established a Nomination Committee since year 2013 to streamline new Director appointments and re-election process of Directors. The Chairperson of the said Committee is Ms. E.D. Wickramasuriya who is an Independent Non-Executive Director.</p>
Nomination Committee	Code – A. 7.1	Adopted	<p>The Nomination Committee conducts a thorough assessment and thorough screening to identify suitable candidates who meet the eligibility criteria for new appointments to the Board, and subsequently put forward their recommendations. Based on such recommendations final decisions on appointment/re-election are made by the Board in an objective and transparent manner.</p> <p>Refer Board Committee table on pages 96 to 97 which provides the Nomination Committee's composition, attendance at Committee meetings and the formal process that the Committee will adopt for future appointments. The Nomination Committee Report for the financial period 2023/24 is given on page 180.</p>
Assessment of Board Composition by the Nomination Committee	Code – A. 7.2	Adopted	<p>The committee carries out continuous reviews of the structure, size, composition, skills and knowledge of the Board, to ascertain whether the combined knowledge and experience of the Board meets the strategic demands and key risks faced by the Company. The findings of these assessments are taken into consideration in the appointment of future Directors. Also a process has been established to determine that the proposed Board appointees are fit and proper for the appointments.</p> <p>The complexities associated with the LFC sector in terms of business dynamics, regulatory changes, and other relevant factors that took place during the financial period were also reviewed by the Committee.</p>
Succession plan for the chief executive officer and for all key management personnel	Code – A.7.3	Adopted	<p>Refer Board responsibilities section (A. 1.2) of this code</p>
Disclosure of new Director appointments to shareholders	Code – A.7.4	Adopted	<p>When a new appointments is made to the Director Board, it is announced to the shareholders with a brief resume of each such Director including their expertise in relevant functional areas and names of companies in which the Director holds directorships, through Colombo Stock Exchange (CSE).</p>
Annual report disclosure regarding the work of the Nominations Committee	Code – A.7.5	Adopted	<p>Refer Nominations Committee report on page 180.</p>
Terms of reference for nomination committees	Code – A.7.6	Adopted	<p>Terms of reference for nomination committee has been reviewed and approved by the Board in February 2024.</p>

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
A.8 Re-election	Principle – A.8 A.8.1 A.8.2	Adopted	<p>The Nomination Committee provides recommendations on Directors who are retiring by rotation for shareholder approval at the AGM.</p> <p>All Directors are required to submit themselves for re-election at least once in every three years by the shareholders for the time being at every Annual General Meeting. The Managing Director shall not while holding that office be subject to retirement by rotation.</p> <p>The following Directors retire by rotation in the financial year 2023/24 and are eligible for reappointment:</p> <ol style="list-style-type: none"> 1. Mr. A.L.N. Dias 2. Mrs. E.D. Wickramasuriya
Resignation of Directors	Code – A. 8.3	Adopted	No Board member resigned during FY 2023/24.
A.9 Appraisal of Board Performance	Principle – A.9	Adopted	<p>The Board appraised its own performance periodically to ensure that its responsibilities are satisfactorily discharged. The Board has periodically reviewed its performance against the pre-set criteria ensuring adherence to the code.</p> <p>The established self-assessment procedure motivates all Directors to actively participate and contribute in significant business areas, including meeting shareholders' expectations, strategic focus, financial performance, regulations, corporate governance issues, and other crucial matters within the reviewed financial period.</p>
Appraisal of Board performance	Code A. 9.1	Adopted	The Board carried out a comprehensive self-assessment of its performance and its committees for the FY 2023/24. The assessment mainly focused on the Board's contribution towards developing and monitoring strategy; the mix of knowledge and skills on the Board and in committees; the Board's commitment towards enhancing economic, social, and environmental value; ensuring robust and effective risk management; quality of the relationships with the Management, employees and shareholders; and ensuring proper functioning of Board sub-committees. The outcome of such assessments was discussed at both Board and Committee level and actions taken as appropriate.
Annual self-assessment of the Board and its committees	Code – A. 9.2	Adopted	The Board annually appraises its own performance to ensure that it is discharging its responsibilities satisfactorily. This process requires each Director to fill Board Performance Evaluation Forms in line with this Section of the Code.
Process to review the participation, contribution, and engagement of individual Directors at time of re-election	Code – A. 9.3	Adopted	The Nomination Committee has a robust process to review the participation, contribution, and engagement of each Director at the time of re-election.
Disclosure of the method of appraisal of Board and Board sub-committee performance	Code – A. 9.4	Adopted	<p>The Chairman and the Company Secretary gave their fullest cooperation and led the process of MI's Board self-assessment. Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a comprehensive evaluation form. The results of the Board evaluations were then tabulated by the Company Secretary and the findings were presented to the Board.</p> <p>Based on the report, the Nomination Committee is expected to consider future needs to strengthen Board resources and make recommendations promptly.</p>
A.10 Disclosure of information on Directors	Principle – A. 10	Adopted	The disclosure of information pertaining to all Directors of the Company is made available to the shareholders through the Annual Report.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption																
Director information	Code – A. 10.1	Adopted	<p>The following information pertaining to Directors is provided in the Annual Report:</p> <table border="1"> <thead> <tr> <th>Information</th> <th>Pages</th> </tr> </thead> <tbody> <tr> <td>Brief Profile with Qualification, Experience, and Expertise</td> <td>76 to 81</td> </tr> <tr> <td>Composition of the Board Sub-Committees</td> <td>96 to 97</td> </tr> <tr> <td>Directors' Interest in Transactions</td> <td>193 to 194</td> </tr> <tr> <td>Directors' Shareholdings</td> <td>298</td> </tr> <tr> <td>Directors' Remuneration</td> <td>221</td> </tr> <tr> <td>Directors' Attendance at Board Meetings</td> <td>102</td> </tr> <tr> <td>Directors' Attendance at Sub-Committee Meetings</td> <td>96 to 97</td> </tr> </tbody> </table>	Information	Pages	Brief Profile with Qualification, Experience, and Expertise	76 to 81	Composition of the Board Sub-Committees	96 to 97	Directors' Interest in Transactions	193 to 194	Directors' Shareholdings	298	Directors' Remuneration	221	Directors' Attendance at Board Meetings	102	Directors' Attendance at Sub-Committee Meetings	96 to 97
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A. 11 Appraisal of the Chief Executive Officer	Principle – A. 11	Adopted	<p>The performance of the Managing Director was reviewed by the Board Chairman through a formal appraisal process. Also his remuneration package was decided by the Remuneration Committee through a formal evaluation process.</p>																
Targets for the Managing Director	Code – A. 11.1	Adopted	<p>In consultation with the Managing Director, strategic goals including reasonable financial and non-financial targets towards the Company objectives are set by the Board for Managing Director.</p> <p>The Managing Director being the apex Chief Executive of the Company is entrusted by the Board to conduct day-to-day operations effectively to attain the set targets after giving necessary consideration to market reality and changes in relevant variables. Performance of the Managing Director is reviewed on an on-going basis by the Board, evaluating the extent to which organisational objectives have been achieved from an overall perspective.</p>																
Evaluation of MD's Performance	Code – A. 11.2	Adopted	<p>The performance of MD is evaluated by the Board Chairman and the remuneration committee at the end of each financial year by taking into consideration the performance results of the Company, evaluating the actual against the financial and non-financial targets set at the beginning of the financial year.</p>																
B. Directors' Remuneration	Principle – B.1	Adopted	<p>The MI Board recognises that the existence of a formal and transparent remuneration procedure aligned effectively with Directors' interests and those of shareholders. Having a clear process and guidelines ensured no Director was involved in deciding his or her own remuneration package.</p> <p>In keeping to specific terms of reference, the Board has established a Remuneration Committee authorised to evaluate, assess, decide and recommend, to the Board, the Executive Directors' remuneration.</p> <p>Refer the Remuneration Committee Report on page 179.</p>																
B.2 The level and makeup of remuneration structure	Principle – B.2	Adopted	<p>The remuneration levels of MI for both Executive and Non-executive Directors are sufficient to attract and retain the Directors needed to manage the Company successfully. A proportion of the Executive Directors remuneration is structured in a way that the rewards are linked to individual performances.</p> <p>The Company remuneration policy has been devised in a way that considers retention requirements. Individual's performance based on respective officers' targets and goals was appraised annually. Bonuses, increments, and career advancement opportunities were linked to appraisals.</p>																
Remuneration committee to make recommendations to the board on the company's framework of remunerating	Code – B.2.1	Adopted	<p>In keeping to specific terms of reference, the Board has established a Remuneration Committee, which determines the compensation and benefits of the executive Directors and the Corporate management while ensuring no Director is involved in setting his/her remuneration.</p> <p>The Non-Executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable</p>																
Composition of the Remuneration committee	Code – B.2.2	Adopted	<p>Refer page 179 for the composition of the Remuneration Committee</p>																

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Remuneration Committee's access to Managing Director and professional advice	Code – B.2.3	Adopted	Based on the Remuneration Committee's composition, the advice of the Chairman of the Company is available since he represents the Committee. Managing Directors' advice is also obtained when deciding the remunerations of other Executive Directors. The Remuneration Committee was not required to seek external professional advice to expedite its duties for the FY 2023/24.
Managing Director's remuneration	Code – B.2.4	Adopted	The Remuneration Committee ensured that the remuneration packages offered to Executive Directors including the Managing Director reflect the market expectation and adequate to entice and retain high-calibre Directors who are necessary to accomplish the Company's goals. The Remuneration Committee ensured the alignment of Executive Director remunerations with MI's business strategy.
Executive Directors' remuneration should be designed to promote short medium and long-term success of the Company	Code – B.2.5	Adopted	Please see B.2.4 above.
Comparison of remuneration with other Institutions	Code – B.2.6	Adopted	The Remuneration Committee in deciding the remuneration of the Directors takes into consideration the level of remuneration paid by other comparable companies in order to attract, motivate, and retain individuals and is also mindful of the performance and risk factors entailed. Upholding the competitiveness in the remuneration packages, the remuneration structure of the Company is reviewed periodically. This mechanism ensures that the remuneration packages of the Executive Directors are on par with the industry/market while ensuring alignment of rewards with strategic and short-term objectives of the Company.
Remuneration comparison with other group companies	Code – B.2.7	Adopted	MI does not have subsidiary companies or a parent company under its structure to which it could draw reference. However, pay levels of peer Directors within the Company are considered when deciding on Executive Director remunerations.
Executive Directors' performance related payments	Code – B.2.8	Adopted	Please refer Principle B.2 and Code – B. 2.4 above.
Executive share options	Code – B. 2.9	Adopted	There was no executive share option schemes offered to any Director during the financial year 2023/24.
Deciding Executive Director remuneration	Code – B. 2.10	Adopted	In deciding remuneration of Executive Directors, the Remuneration Committee referred to provisions set out in Schedule G of the Code. (See comments given in Principle B.2 for details on Executive Director remuneration). There were no long-term incentive schemes or share option schemes proposed for Executive Directors during this period.
Early terminations clauses in service contract of Directors	Code – B. 2.11	Adopted	Executive Directors' early termination compensation commitment clauses are in accordance with their service contracts.
Early terminations of Directors	Code – B. 2.12	Adopted	There were no early terminations carried out during FY 2023/24.
Level of remuneration of Non-Executive Directors	Code – B. 2.13	Adopted	The Non-Executive Directors are paid a fee for attending main Board meetings and Board sub-committee meetings, taking into consideration the time commitments and responsibilities of their roles.
Share option schemes for Non-Executive Directors	Code – B. 2.14	Adopted	No share option schemes were afforded to Non-Executive Directors during FY 2023/24.
Listing chairman and members of the remuneration Committee in the annual report	Code – B. 2.15	Adopted	Refer Remuneration Committee report on page 179.
Terms of reference for remuneration committee	Code – B. 2.15	Adopted	Refer Remuneration Committee report on page 179.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
B.3 Disclosure of Remuneration	Principle – B.3	Adopted	<p>The MI Remuneration Policy is fair, competitive, and reflects the performance of the business.</p> <p>A statement on MI's Remuneration Policy is provided on page 179 and the details related to the basis on which Executive and Non-Executive Directors' remuneration is decided has been given in the same statement. Details of remuneration of the Board as a whole are mentioned in Code B.3.1 below.</p>
Names of members in the Remuneration Committee and remuneration paid to Directors	Code – B. 3.1	Adopted	<p>Details of the Remuneration Committee composition with meetings held and participation status of members is provided on pages 96 to 97.</p> <p>Details relating to remuneration paid to Executive and Non-Executive Directors in aggregate is disclosed, in Financial Statement notes under 'Related Party Disclosure' on page 221.</p>
Aggregate remuneration of the senior management personnel	Code – B. 3.2	Adopted	<p>Details relating to aggregate of remuneration paid to Key Management Personnel is disclosed on page 146.</p>
C. Relations with shareholders C.1 Constructive use of AGM	Principle – C.1	Adopted	<p>The Board considers it is important to have a positive and productive connection with the shareholders as they are the foremost stakeholder of the Company. MI's policy encourages shareholders to participate at Annual General Meetings where the shareholders are free to share their views and recommendations. In order to achieve this purpose, the notices of meetings are dispatched to the shareholders within the prescribed time periods. (Refer page 312 for further information in this regard).</p>
Notice of the AGM and related papers	C.1.1	Adopted	<p>Improving stewardship and transparency of MI's activities and performance, and complying with the Companies Act No. 07 of 2007 the annual report including Financial Statements and notice of meeting are sent to shareholders at least 15 working days prior to the date of the AGM by the Company Secretary. The Annual Report for FY 2022/23 was duly submitted to the CSE and was released to all shareholders on the same day providing opportunity for shareholders to review progress early and present views and seek clarifications at the AGM.</p>
Separate resolutions for each separate issue	Code – C. 1.2	Adopted	<p>The Company proposes separate resolutions for all substantially separate matters to provide shareholders an opportunity to deal with each material issue separately with the option of voting either for or against the resolution or withholding their vote. A separate resolution is passed for the adoption of the Report of the Directors and Statement of Accounts and the Report of the Auditors contained in the Annual Report. Forms of Proxy allow shareholders the option to direct their proxy holder to vote for or against each resolution or to withhold their vote on any matter. Clear Proxy Instructions are attached to the Annual Report covering this section.</p>
Level of proxies at AGMs	Code – C. 1.3	Partially Adopted	<p>Proxy forms are made available in the Annual Report released with adequate prior notice to all shareholders in accordance with the Companies Act. The Company has in place an effective mechanism through the Company Secretarial Division to record all proxy votes logged for each resolution and the number of votes for or against or withheld for each resolution.</p>
Availability of all Board sub-committee Chairmen at the AGM	Code – C. 1.4	Adopted	<p>At the AGM held for the previous financial year 2022/23, the Chairpersons of all the Board sub-committees were presented to answer any questions raised by the shareholders.</p>
Voting procedures at General Meetings	Code – C. 1.5	Adopted	<p>The Notice of Meeting for the AGM for FY 2023/24 which contained the procedures governing voting will be sent to the shareholders 15 working days prior to the date of the AGM.</p>

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
C.2 Communication with shareholders	Principle – C.2	Adopted	<p>The Board recognizes that engaging with all stakeholders in a meaningful way is of utmost importance, and therefore, it maintains an effective and continuous communication with all key parties through direct interaction or various corporate communication channels as given on page 36. Therefore, building and maintaining good stakeholder relationships helps the Company manage and respond to expectations, minimise reputational risk, and help build strong partnerships, all of which support the commercial sustainability of the organisation.</p> <p>Page 144 provides additional disclosure on the shareholder communication process with the Company.</p>
Channel to reach all shareholders of the Company	Code – C. 2.1	Adopted	<p>There is concise dialogue with shareholders on matters relating to their shareholdings and on business matters, which are dealt with promptly. It is considered that the Annual Report and AGM are the primary modes of communication. As per the revised Communication Policy, financial information such as Annual Reports and interim reports are made available to shareholders via the CSE website or sent by mail. All shareholders are encouraged to attend the Annual General Meeting and extraordinary meeting of shareholders.</p>
Policy and methodology for communication with shareholders	Code – C. 2.2 & C. 2.3	Adopted	<p>The Board-approved 'Communication Policy' outlines the methods and channels for communication which specifies an interactive method for MI shareholders. The Communication Policy document was made available for divisional heads, who in turn adopt policies through their subordinates.</p>
Disclosure of contact person for shareholders	Code – C. 2.4	Adopted	<p>The Communication policy clearly specified the authorized individuals who are responsible for communicating with different stakeholders.</p> <p>The Company Secretary acts as the intermediary between the shareholders and the Board and she is the main point of contact for the shareholders for their concerns and clarifications.</p>
Process to raise awareness of major issues and concerns of shareholders	Code – C. 2.5	Adopted	<p>According to the Communication Policy documents, the shareholders were made aware of any key major issues and concerns which impact them.</p> <p>All shareholders are encouraged to attend the Annual General Meeting and other meetings of shareholders to discuss MI's progress and concerns. Shareholders may send enquiries to the Board in writing or by completing the attached shareholder feedback form given at the end of the Annual Report and sending it to the given contact point.</p>
Person to contact in relation to shareholder matters	Code – C. 2.6	Adopted	<p>The Company Secretary is the main point of contact for shareholders to raise matters. Shareholders are free to contact any Executive Director or Corporate Management Team member in obtaining information as per the Open Door Policy.</p>
The process in responding to shareholder matters	Code – C. 2.7	Adopted	<p>Refer comment on Principle C.2.5 above.</p>
C.3 Major and material transactions	Principle – C.3	Adopted	<p>The MI Board has established a process to capture and disclose any material transactions proposed that would alter or vary the net asset position of Company. This will be enforced when necessary either through the Audited Financial Statements or in an interim publication of the Company or by making an announcement to the Colombo Stock Exchange. MI's Board has established a Related Party Transaction Review Committee to further consolidate this critical area for transparency to capture and disclose vital market information through formal channels.</p>
Disclosure of material facts on major transactions	Code – C. 3.1 & C.3.2	Adopted	<p>There were no proposed Material Related Party Transactions or corporate transactions involving acquisitions, mergers, or disposal of greater than one-third of the value of the Company net assets. Any such significant transaction that would materially affect MI's net assets will be disclosed in Company's interim and Annual Reports, if it were to occur.</p>
Disclosure of requirements and shareholder approval by special resolution as required by SEC and CSE	Code – C. 3.3	Adopted	<p>As per the comment provided in above C.3, C.3.1 & C.3.2, MI did not engage in any Material Related Party Transaction and therefore there was no necessity for a special resolution or disclosure.</p>

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
D. Accountability and Audit D.1 Financial Reporting and Annual Reporting	Principle – D.1	Adopted	MI has published a comprehensive Annual Report, including Audited financial statements along with a broad management commentary on the Company performance, ensuring balanced, complete and understandable assessment of MI's business performance, financial position, risk management mechanisms, and stewardship and prospects to its stakeholders.
Financial reporting according to relevant laws and regulations	Code – D. 1.1	Adopted	In presenting a true and fair set of Financial Statements that provide a sound overview of MI's financial performance and position for the financial year ended 31 March 2024, the Company complied with applicable Sri Lanka Accounting Standards (LKAS) and other regulations specified in the Finance Business Act No. 42 of 2011, Companies Act No. 07 of 2007, and Colombo Stock Exchange Listing Rules. During FY 2023/24, the interim accounts and Annual Financial Statements were published on a timely basis and regulatory reports were filed by the due dates. Information disclosed to the CSE was also submitted promptly during this period.
Balanced and understandable assessment of the Company	Code – D. 1.2	Adopted	Taking on the responsibility of presenting a balanced and understandable assessment of the Company, MI's Board disclosed unbiased assessment, which includes all the positive and negative impacts to the stakeholders, through an Annual Report for the year under review. (Refer pages 187 to 192). The Company's prevailing status is unbiased and accurately reflected in our interim financial reports and other public reports to regulators, as well as in the reports submitted to furnish statutory requirements.
CEO (Managing Director's) and Chief Financial Officer's declaration on Financial Statements	Code – D. 1.3	Adopted	Managing Director and Finance Director/CFO submitted a declaration statement, confirming that the Financial Statements give a true and fair view and have been prepared in accordance with appropriate accounting standards and also on the effectiveness of the risk management and internal control mechanism of the Company for the financial year under review. (Refer page 196)
Directors' Report	Code – D. 1.4	Adopted	The Annual Report of the Board of Directors (Directors' Report) provides an affirmation of the Company's compliance with laws and regulations and confirms the going concern assumption and the effectiveness of the internal control system that is in place. (Refer pages 187 to 192).
Directors' and Auditors' responsibility statement	Code – D. 1.5	Adopted	The Statement of Directors' Responsibilities is given on page 195, while Auditors' Responsibility is clearly specified in the Auditors' Report of the Financial Statements issued by Messrs Ernst & Young, Chartered Accountants, given on pages 200 to 202. The responsibility of Directors over internal controls is given in the Directors' Statement on Internal Control on pages 197 to 198. In keeping to this section, the statement on Internal Control issued by the Board complies with content of Annexure H of the Code.
Management Discussion and Analysis	Code – D. 1.6	Adopted	'Management Discussion and Analysis' given on pages 34 to 65 covers all the requirements of this section by providing a comprehensive commentary of the Company's performance according to the International Integrated Reporting Framework covering MI's business model involving strengths and weaknesses, industry risks and opportunities, country and industry analysis, and future predictions.
Calling of an EGM when net assets fall below 50% of shareholders' funds	Code – D. 1.7	Adopted	The net asset of the company totalled over Rs. 11 billion and was well above the mentioned requirement for the financial year 2023/24 and the likelihood of such an adverse situation is remote. However, if such a situation was to arise an EGM will be called and shareholders will be notified.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Adequacy and accuracy of related third-party transaction disclosures	Code – D. 1.8	Adopted	<p>MI has a Related Party Transaction (RPT) policy in place, whereby the categories of persons who shall be considered as 'related parties' have been identified. In accordance with the RPT Policy, self-declarations are obtained from each Director for the purpose of identifying related parties coming under the 'related party' definition. Steps have been taken by the Board to avoid any conflict of interest that may arise, in transacting with related parties. The Board ensured that the financial transactions between the Company and the related parties were dealt at arm's length in the ordinary course of business.</p> <p>To further strengthen the above process, a Board Related Party Transactions Review Committee was established in 2015 on a voluntary basis, complying with best practices recommended by the CA Sri Lanka 2023 Corporate Governance Code.</p> <p>(Refer Related Party Transaction Review Committee Report, given on page 183 for detailed committee information and the Financial Statements, given on pages 265 to 268 for details on related party transactions during FY 2023/24).</p>
D.2 Risk management and maintaining a sound system of internal controls	Principle – D.2	Adopted	<p>MI understands the importance of internal controls in determining the nature and extent of the key risks which are affecting the strategic objectives. This involves a process which identifies, evaluates and manages risks faced by the Company. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. These controls have been embedded as part of MI's compliance culture in order to safeguard shareholders' investments and the Company's assets. Employees, irrespective of hierarchy, are required to ensure strict compliance with set procedures of internal controls.</p>
Reviewing effectiveness of risk management and internal control system	Code – D. 2.1	Adopted	<p>There is a periodic review over the adequacy and effectiveness of internal controls of the Company carried out by MI's own Internal Audit team along with external auditors relating to Information Technology General Controls audits. Findings of audits are finally followed up by the higher-level Audit Committee. The Audit Committee comprises Non-Executive Directors who make an independent assessment on adequacy and application of internal controls and provides feedback to the Board on matters deemed material. Statement on Internal Controls provided on pages 197 to 198 complies with content of Schedule L of the Code. MI Board was able to make due assessment of the adequacy and effectiveness of the Company's internal control mechanism and obtain clarification of any significant matters from External Auditors as well.</p> <p>The BIRMC worked simultaneously, in line with its objectives, continued to oversee MI's risk management procedures and assess MI's readiness to handle potential risks, with the aim of reducing any potential losses. The Integrated Risk Management Committee Report on pages 177 to 178 provides further information in this regard.</p>
Robust assessment of the principal risks faced by the Company and the Risk Management Framework	Code – D. 2.1.1 & D. 2.1.2	Adopted	<p>A clear assessment of the Company's risks and the process of risk identification, measurement, and controls are given on pages 160 to 176 in the Risk Management Report.</p>
The board should establish a risk committee to oversee risk management.	Code – D. 2.1.3 & D. 2.1.4	Adopted	<p>The Board has established a separate risk Management committee. Refer Board Integrated Risk Management Committee report on pages 177 to 178.</p>
Composition of the risk committee	Code – D. 2.1.5	Partially Adopted	<p>Refer the composition of risk committee on pages 96 to 97.</p> <p>The composition of the IRMC will be further aligned to fully adopt Finance Business Act No.5 section 10.3 commencing into the effect from 1st July 2024.</p>
Risk committee should have a written term of reference	Code – D. 2.1.6	Adopted	<p>The risk committee at MI operates with written term of reference and it clearly elaborates its authority and duties. Refer the risk committee report on pages 177 to 178.</p>
The annual report should contain a report of the risk committee	Code – D. 2.1.7	Adopted	<p>Refer the risk committee report on pages 177 to 178.</p>

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Applicable laws and regulations in determining the composition, scope, roles and responsibilities of the risk committee.	Code – D. 2.1.8	Adopted	As per the Finance Business Act Direction No. 5 of 2021, transitional provisions remained applicable with relevant to the composition of the risk committee until 01st of July 2024.
Internal controls are designed, implemented and monitored, to provide reasonable assurance of the achievement of an entity's objectives	Code – D. 2.2	Adopted	<p>The company's senior management team is responsible on behalf of the Board to design, implement and monitor internal control systems to provide reasonable assurance of the achievement of the entity's objectives.</p> <p>Toward this purpose, as the second and third line of defence, continuous and on-going reviews are performed in order to assess the adequacy and integrity of available Internal Control Systems by Board Sub-committees especially the Board Integrated Risk Management Committee (BIRMC) and Board Audit Committee (BAC) and due recommendations are made to the Board where necessary.</p>
The Board's review of the effectiveness of the internal control systems	Code – D. 2.2.1	Adopted	Refer pages 197 to 198 for the Board's report on the internal control of the company
Internal Audit function	Code – D. 2.2.2	Adopted	<p>The Internal Audit function is carried out by the Internal Audit Department of the Company, which is headed by a Chartered Accountant. He with his Audit division staff ensured that the audits were conducted at both Head office and branches are independent and are focus on the operations and processes give consideration to those areas with high level of risks.</p> <p>MI's Internal Audit division which is centrally located provides independent and objective assurance in respect of the adequacy of the design and operating effectiveness of internal controls and governance process errors across the Company.</p>
Audit Committee to review process and effectiveness of risk management and internal controls and to report to the Board	Code – D. 2.2.3	Adopted	<p>MI's Internal Audit Division carried out regular reviews on the internal control system including internal control over financial reporting. The Audit Committee monitors and reviews Internal Control issues and risk management measures identified by the Internal Audit Division and evaluate the adequacy and effectiveness of the internal control system and level of risk management conducted by the Company.</p> <p>Systems and procedures are in place to identify, control, and report on the major risks facing MI, including credit risk, market risk, liquidity risk, and other risks such as reputational risk.</p> <p>The Audit Committee, with the support of the Integrated Risk Management Committee and the Head of Risk Management and Compliance, continuously reviewed the effectiveness of the risk management process and internal controls and ensured the soundness of the risk management process and internal controls and based on regular reviews, the Committee was able to report any deficiencies and matters to the Board with recommendations.</p>
Statement of Internal Control	Code – D. 2.2.4	Adopted	<p>The Board Statement on Internal Controls given on pages 197 to 198 complies with the contents in schedule L of the Code.</p> <p>Some of the salient aspects highlighted therein are:</p> <ul style="list-style-type: none"> ⦿ External Auditors' review of content of Board's internal control statements and affirmation that the process in place is actually in line with the statement given ⦿ Internal control linkage to financial reporting ⦿ Audit Committee's role in reviewing internal controls ⦿ Mechanism to identify, evaluate, and manage risk ⦿ Maintaining the accuracy of financial reporting

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
D.3 Audit Committee – A Committee to review financial reporting aspects, internal controls and maintaining relationships with Company Auditors	Principle – D.3	Adopted	The Audit Committee assisted the Board of Directors in its general oversight of financial reporting, internal controls, risk management, and functions relating to internal and external audits. MI's Board Audit Committee guided the Board to select and apply accounting policies for financial reporting, determine the structure and content of the corporate reporting, implementing internal control and risk management principles and maintaining an appropriate relationship with the Company's Auditor.
Audit Committee composition	Code – D. 3.1	Adopted	The Audit Committee comprise three Directors, all of whom are Independent and Non-Executive. The names of members forming the Audit Committee, their participation level, secretary, and invitees of the Committee are disclosed on pages 96 to 97.
Terms of reference of the Audit Committee	Code – D. 3.2	Adopted	The Board Audit Committee operates within clearly-defined Board-approved Terms of Reference. The Committee duties and responsibilities are set out in the said Terms of Reference and are in line with the Code and the directions issued by the Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka. Refer Audit Committee Report pages 181 to 182.
Disclosures of the Audit Committee	Code – D. 3.3	Adopted	To obtain information regarding the composition, objectives, and duties of the Audit Committee, refer Part 2 (Finance Companies corporate governance Direction No.5 of 2021) of this supplement on pages 122 to 147. The names of Directors forming the Audit Committee and their participation level at meetings are disclosed on page 96. Report of the Audit Committee is given on pages 181 to 182. In keeping with this section, the Report specifies the determination made by the Committee in relation to External Auditors' independence.
D.4 Risk Committee	Principle – D.4	Adopted	The Board has established a Risk management Committee to effectively manage the risks of the Company behalf of the Board.
Composition of the committee	Code – D. 4.1	Partially Adopted	Refer the composition of the risk committee on page 96. This will be fully adopted from 1st July 2024(Effective date of Finance Business Act No.5 of 2021)
Terms of reference of the committee	Code – D. 4.2	Adopted	The Board Risk Committee operates within clearly-defined Board-approved Terms of Reference Refer Risk Committee Report on pages 177 to 178.
Number of meetings per year and secretary to the committee	Code – D. 4.3	Adopted	During the financial year under review, the committee held four times and head of risk management bears the secretary position of the committee
Authority to seek external professional advice	Code – D. 4.4	Adopted	As per the terms of reference of the committee, the committee has authority to seek external professional advice if required in connection with the performance of its duties
Report of the risk committee	Code – D. 4.5	Adopted	Refer pages 177 to 178 for risk committee report
D.5 Related Party Transaction Committee	Principle – D.5	Adopted	MI established a Related Party Transaction Review Committee in 2015 which reviews all the Material Related Party Transactions of the Company on a periodic basis.
			GRI 2-15
Definitions of Related Party and Related Party Transaction	Code-D.5.1	Adopted	No favourable treatment has been extended to 'related parties' of the Company. The parties who come under this definition with their transaction details are disclosed as follows: <ul style="list-style-type: none"> ⊙ Related parties including KMPs, refer page 146 ⊙ Directors' Interest in Contract, refer pages 193 to 194 As per LKAS 24, Central Bank of Sri Lanka, and CSE regulations.
Composition of Related Party Transaction Review Committee	Code-D.5.2	Adopted	The composition, scope and tasks executed by the Related Party Transaction Review Committee for the financial year 2023/24 are set out in the Committee Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Terms of reference of Related Party Transaction Review Committee	D.5.3	Adopted	The Related Party Transaction Committee operated under clear terms of reference for the financial year 2023/24. The updated terms of reference and Related Party Transaction Review Policy approved by the Board govern all future activities of the Related Party Transaction Review Committee covering additional best practices recommended by the CA Sri Lanka Corporate Governance Code.
D.6 Code of Business Conduct and Ethics	Principle – D.6	Adopted	A thorough Human Resource Policy document has been created and approved by the Board. This document outlines the policies and procedures that all employees must follow. It promotes the best practices in managing human resources and expects employees to behave in an ethical and professional manner that upholds the reputation of the organization. The ethical approach prescribed in the document takes into account the impact that employee actions may have on a wide range of stakeholders and on the overall reputation of the organization.
Compliance with requirements on business conduct and ethics	Code – D. 6.1	Adopted	The Company's HR Policy on Business Conduct and Ethics, which is applicable to the Directors and the employees at MI, is included in the 'Human Resource Handbook'. The HR handbook is circulated to all the Directors and employees. The Board-approved Customer Protection Policy, specifies a Standard Operational Procedure (SOP) for customer handling by employees and a clear Code of Conduct to protect customer rights. The Board made a declaration in this year's Director's Report on page 192 stating, "All the members of Board of Directors and Key Management Personnel have complied with the Code of Business Conduct and Ethics introduced in the HR Handbook."
Process of reporting of material and price sensitive information to the regulators	Code – D. 6.2	Adopted	MI, as a listed entity of the CSE, adheres to the requirement of the regulator and detects and reports any price sensitive information promptly. Refer comments given on Code C.2.7, C.3, C.3.1 and C.3.2 on page 114.
Policy and process for monitoring and disclosure of Directors' and KMP's share purchases	Code – D. 6.3	Adopted	The Company Secretary is responsible for reporting the dealings of the KMPs to the CSE as per the CSE Listing Rules. She monitored the changes in the share register and reported to the CSE promptly on share transactions in keeping with this section.
Procedure to deal with complaints received from whistle-blowers in relation to non-compliance with company's code of business conduct and ethics	Code – D. 6.4	Adopted	MI's whistle-blowing procedures form part of the Human Resource Management Policy, approved by the Board. The policy lays down a formal mechanism for the Company's staff to report violations to laws, rules, regulations or unethical conduct routed through the whistle-blower channels, so that necessary actions can be taken by the Audit Committee.
Training on the code of business conduct and ethics	Code – D. 6.5	Adopted	MI conducts training on the code of business conduct and ethics as part of induction training of new employees
Companywide dissemination of the policy, training arrangements, and violations/non compliances (if any) with actions taken	Code – D. 6.6		Refer D.5.1 of this code
Affirmation by Chairman that no individual has violated business conduct and ethical requirements of the Company	Code – D. 6.7	Adopted	The Chairman's affirmation that the Code of Conduct and Ethics has been introduced Company-wide and that he is not aware of any violations of requirements of the Company on specified business conduct and ethics is given in the 'Chairman's Statement on Corporate Governance' on page 87.
D.7 Corporate Governance Disclosure	Principle – D.7	Adopted	The MI Board of Directors remains committed in enhancing their efficiency, adapting to changing circumstances in the business world, and implementing necessary changes and enhancements to raise the bar on governance practices.

CORPORATE GOVERNANCE REPORT

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Disclosure on Corporate Governance	Code – D. 7.1	Adopted	The Corporate Governance report from pages 87 to 159 sets out the manner in and the extent to which the Company has complied with the Code together with the extent of coverage of the code.
Section 2 – Shareholders:			
E. Institutional Investors			
E.1 Shareholder Voting	Principle – E.1	Adopted	MI's shareholder base comprises a small number of investors with institutional shareholding being the main component. The Company obtained listing status on the Colombo Stock Exchange Diri Savi Board in 2011. The Company encourages all shareholders to participate at the Annual General Meeting (AGM).
Constructive dialogue between shareholders and the Company	Code – E. 1.1	Adopted	MI has a history of active involvement of shareholders at General Meetings. Shareholders have the liberty to express their views at AGMs, and to convey any matters even outside such meetings. Under the supervision of the Chairman, the Company Secretary's division minutes discussions and views of all that is presented at AGMs. Shareholders' views and other matters are taken up with the Board and sub-committees depending on materiality and urgency of the matter at hand.
E.2 Evaluation of Governance Disclosure	Principle – E.2	Adopted	Corporate governance-related matters along with adequate disclosures are communicated to all shareholders via the Annual Report and the AGM as mentioned.
F. Other investors	Principle – F.1	Adopted	It is recommended that individual shareholders conduct their own research or consult with a professional before making any investment or selling decisions. MI's annual report provides enough information for potential investors to make assessment and perform their required analysis. Further, MI publishes quarterly accounts on the CSE website so that retail investors could make judgements of the performance of the Company on an on-going basis.
F.1 Individual shareholders			
F.2 Shareholder voting	Principle – F.2	Adopted	MI's shareholder base comprises a small base of investors comprising very few individual investors. All investors are encouraged to participate in General Meetings of the Company.
G. Internet of Things and cyber security			
G.1 Process of identifying cyber security risks within the organisational network and from outside	Principle – G.1	Adopted	The recent incidents of cyber-attacks on banks worldwide have highlighted the urgent need for financial institutions to strengthen their security measures and be flexible enough to adapt to changing cyber security risks. MI has identified the significance of cyber security as an emerging risk category and therefore has considered its requirements as a core component of overall operational risk profile. The IT department has dedicated resource and device strategies to cope with cyber security risks.
G.2 Appointment of a Chief Information Security Officer (CISO) and implementation of Cyber security Risk Management Policy and process	Principle – G.2	Adopted	The General Manager – IT is a highly-qualified fellow member of the British Computer Society with over 21 years' experience in a related field. An IT Security Policy is in place which covers cyber security aspects of the Company and contingency plans have been effectively communicated to all relevant officers in charge.
G.3 Allocation of adequate time on Board agenda on cyber security	Principle – G.3	Adopted	The IT Steering Committee established in 2016 met regularly to discuss IT-related potential and emerging risks at local and global level within the FY 2023/24. The IT Steering Committee reports to the Board on any cyber security-related threat or potential risk through BIRMC.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
G.4 Effectiveness of cyber security risk management process	Principle – G.4	Adopted	During the financial year under review, a Vulnerability Assessment and Penetration Testing (VAPT) was conducted through an independent service provider to ensure appropriate cyber security controls are available and also to ensure the company is in line with the required technology improvements and evolving risks. Further, the annual internal audit plans have given prominence to the importance of having an IT audit for the Company.
G.5 Annual Report disclosure on process of cyber security risk identification	Principle – G.5	Adopted	Refer risk management report on pages 162 and 172.
H. Sustainability: ESG Risks and Opportunities	Principle – H.1, H.2, H.3, H.4, H.5	Adopted	<p>The Board considered Sustainability/ESG-related risks and opportunities into the company's business model, medium-term strategic plan and to envision long-term strategy that could reasonably be expected to affect the company's prospects. The Board and the KMPs engage with and consider the views of its stakeholders to better understand and manage the company's Sustainability/ ESG-related risks and opportunities and have integrated sustainability/ESG related policies and practices into company's business model, strategy, governance and risk management.</p> <p>The Annual Report contains information which enables investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported as described under following sections.</p> <ul style="list-style-type: none"> ⊙ MI's vision, objectives, and principles practiced towards upholding sustainability on pages 16 to 17. ⊙ Stakeholder Engagement and Material Matters on pages 36 to 37. ⊙ Business model for sustainable value creation on page 34. ⊙ Management Discussion and Analysis on pages 34 to 65. ⊙ Governance and Risk Management on pages 87 to 176. <p>MI's annual performance and progress for FY 2023/24 has been presented yet again as an integrated Annual Report, covering all sustainability reporting parameters as required by the Global Reporting Initiative (GRI) guidelines which encompass wider economic impact, on pages 66 to 71, covering the requirements of this section.</p>
I. Establishment and Maintenance of Policies	Principle – I		
I.1 Establish and maintain policies relating to its governance and disclose them on company's website	Principle – I.1	Partially Adopted	Refer Section 9.2 on page 149. (Listing Rules 9 - Corporate Governance)
I.2 Formal policy governing matters relating to the Board of directors	Principle – I.2	Adopted	As at 31st March 2024, in keeping to the requirements of this principle, required policies and procedures namely have been established through the Schedule of Matters Specifically Reserved for Board Decisions, Board Charter, Governance Framework and the Articles of Association.

CORPORATE GOVERNANCE REPORT

MERCANTILE INVESTMENTS AND FINANCE PLC'S COMPLIANCE STATUS WITH FINANCE BUSINESS ACT DIRECTIONS No. 05 of 2021 (CORPORATE GOVERNANCE) - Transitional provisions remain applicable to sections 3.2, 3.5 (a), 3.7, 8.1 (b), 10 and 12.1 (a) till 01st July 2024.

Section Reference	Requirement of the Direction	Extent of Adoption
1	Board's overall responsibilities	
1.1	The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below;	
1.2	Business strategy and Governance Framework	
a)	Availability of Board approved Strategic Plan with overall business strategy and measurable goals. GRI 2-12	MI's Strategic Plan covering four-year period from FY 2023/24 to 2026/27 was reviewed and approved by the Board in December 2023.
b) & c)	Approving and implementing the company's Governance Framework and assessing the effectiveness of the same on periodical basis.	The Board at MI ensures that the effectiveness of its governance practices is periodically assessed. By duly considering the requirements of section 2.1 of this direction, the Board reviewed and approved the revised Governance Framework set forth in September 2023.
d)	Appointing the Chairperson and the Chief Executive Officer (CEO)	The roles of MI's Chairman and Chief Executive Officer (Managing Director) are separated and the Board has defined and approved the functions and responsibilities of both in line with section 6.4 and 6.5 of this direction.
1.3	Corporate Culture and Values	
a) & b)	Establishing the company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	MI has developed a policy on Code of Conduct and Ethics for all employees, in line with strategic objectives and corporate values of the company. The corporate values have been effectively communicated to all employees by sharing this code on MI intranet and through HR sessions and staff development programs, guiding staff on expected values. Conflict of interest is managed through a Board approved policy on conflict of interest.
c)	Promoting sustainable finance through appropriate environmental, social and governance (ESG) considerations	MI has developed a policy on Sustainable Finance Activities (Board approved in March 2024) aligning with the Sri Lanka Sustainability Finance Roadmap. The policy is aimed at incorporate ESG criteria into internal decisions related to lending, investment and financing, thereby helping to promote sustainable activities among MI clients and business partners. Further, proper allocations of resources have been made towards financial inclusive products for social empowerment, when developing the Company's medium term Strategic Plan. In this regard, the Board ensures that the Company's actions continue to contribute to sustainable growth and long-term value creation.
d)	Approving the policy of communication with all stakeholders	A Board-approved Communication Policy is in place and reviewed, every 3 years or earlier if deemed necessary. The communication policy was last reviewed and approved by the Board of Directors in 2021. The Annual General Meeting (AGM) is held with the participation of the Directors, Shareholders, and other interested parties, facilitating effective discussions among the shareholders and the Board on key matters which are relevant and of concern to the general membership.
1.4	Risk Appetites, Risk Management and Internal Controls	
a)	Establishing and reviewing the Risk Appetite Statement (RAS)	In line with MI's four year Strategic Plan and industry standards, Risk Appetite Limits for key risks that MI's operation continue to face were established and approved by the Board.

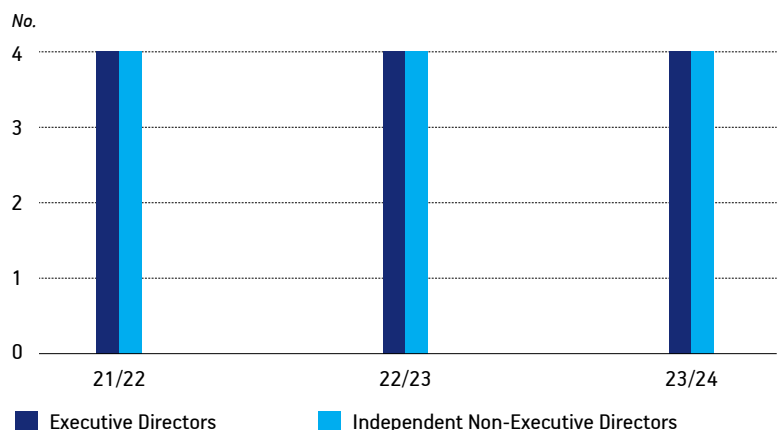
Section Reference	Requirement of the Direction	Extent of Adoption
b)	Prudent systems on managing risks	<p>Prudent policies and procedures with appropriate checks and balances have been established under each functional head under regular review of audits and compliance and legal unit guidance.</p> <p>Assets and Liabilities Management Committee (ALCO), Executive management Committee (EXCO) and the Board Integrated Risk Management Committee (IRMC) review risks and systems that have been developed to manage and mitigate risks. ALCO and EXCO reviewed core risk including market risk on a monthly basis and IRMC met every quarter or earlier if required. Minutes and reports of said committees are tabled at Board Meetings for Directors' review and further action.</p> <p>Board Integrated Risk Management Committee Report on pages 177 to 178 provide further insights in this regard.</p>
c)	Internal Control System and Management Information System	<p>Continuous and ongoing reviews are performed in order to assess the adequacy and integrity of available Internal Control and Management Information Systems by Board Sub-committees especially the Board Audit Committee (BAC) and due recommendations are made to the Board of Directors where necessary.</p> <p>The Audit Committee minutes were submitted to the Board and necessary Audit Committee reports are also submitted to the Board for further action. Periodic External expert reviews were also commissioned as and when necessary, on specific areas.</p>
d)	Business continuity and disaster recovery	<p>In light of severely challenging operating context, MI's Business Continuity Planning (BCP) mechanism aided to ensure the Company's ability to serve its stakeholders with minimum disruptions.</p>
1.5	Board Commitment and Competency	
a)	Devoting sufficient time on dealing with the matters relating to affairs of the company	<p>MI's Board of Directors devote sufficient time for the fulfillment of their duties and responsibilities as Directors of the Company. In addition to attending Board Meetings, they attended their respective Sub-committee Meetings they hold membership and contributed effectively to decision making process.</p> <p>Information pertaining to Directors' participation levels at Board sub-committee meetings and Board meetings are given on pages 96 and 102.</p> <p>Refer the Composition of MI's Board Meeting Discussion Areas available on page 106 (Code A 1.6- CA Sri Lanka Code of Best Practice on Corporate Governance)</p>
b)	Possessing necessary qualifications, adequate skills, knowledge, and experience by the Board	<p>Board members possess adequate experience, qualifications, skills and knowledge in the relevant fields.</p> <p>Pages 76 to 81 provide brief profiles of MI's Directors, outlining their qualifications, experience and the positions they hold in other institutions.</p>
c)	Regularly reviewing and agreeing the training and development needs of all members of the Board	<p>All Directors at MI have recognized the need for continuous training and stayed committed towards expansion of knowledge for professional development which assisted them in discharging their duties on an ongoing basis.</p> <p>During the year under review, all Directors regularly updated themselves on evolving Non-Banking Finance Sector operations and regulatory aspects.</p> <p>Moreover, Non-Executive Directors serving on key committees were updated continuously by the Corporate Management on matters particularly related to the respective committee's they reside as members.</p>
d)	Adopting a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees.	<p>Refer the commentary given on section A 9.2 on page 110 of CA Sri Lanka Code of Best Practice on Corporate Governance in this Annual Report.</p>

CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption
e)	Obtaining external independent professional advice to the Board of Directors	<p>The Directors are permitted to seek independent professional advice, in furtherance of their duties, at the Company's expense. A formal procedure is in place for this purpose and it is coordinated through the Company Secretary, as and when it is requested.</p> <p>The same procedure has been in place since year 2013 and was last reviewed and approved by the Board.</p>
1.6	Oversight of Senior Management	
a)	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management	<p>Identification and designation of Senior Management is in place in accordance with the requirement of this Direction.</p> <p>AGM- Risk & Compliance, AGM- Internal Audit, GM- Information Technology and Company Secretary have specifically been identified and designated as the Senior Management of the Company, who are in a position to significantly influence policies, direct activities, and exercise control over business activities and risk management of the Company.</p>
b)	Areas of authority and key responsibilities for the senior management	<p>Senior Management perform their duties and responsibilities according to the authority delegated to them by the Board and in accordance with their formal job descriptions tailored for their respective managerial roles. Additionally, they adhere to specific limits of authority set forth based on designation and level of experience for conducting business operations effectively.</p>
c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge	<p>Senior Management is recruited by Executive Directors as per the delegated Board authority under the supervision of the Managing Director, which involve a streamlined recruitment process.</p> <p>Additionally, each and every member of Senior Management which are appointed based on the approval given by the regulator on Fit and Proper criteria.</p> <p>Refer summary Senior Management related brief on pages 82 to 86, with their qualification and experience gained.</p>
d)	Ensuring an appropriate oversight of the affairs of the company by Senior Management.	<p>The Executive Directors regularly review the business performance and key areas at departmental and monthly management meetings. In addition, material concerns are tabled by various Board sub-committees appointed by the Board to provide oversight and monitoring over strategic issues and functional areas of the business.</p> <p>The Managing Director, empowered by the Board, implements Board decisions and oversees company affairs within delegated authority. The Managing Director delegates operational management responsibilities to senior heads, ensuring performance and operations align with approved authority limits.</p> <p>The Directors either directly or through the Board sub-committees initiate periodic meetings with the Senior Management. Department specific meetings were held on a periodic basis and included Credit, Deposit, and Recoveries meetings that enabled the Senior Management to stay focused during these challenging times to attain respective immediate goals and targets, while ensuring these goals and targets are consistent with its Strategic Objectives and corporate values of the Company.</p>
e)	Availability of an appropriate Succession Plan for senior management	<p>A Board-approved Succession Plan is in place (Last reviewed by the Board in September 2023) for all Senior Management positions and Career Development mechanisms are being continuously reviewed, formulated, and conducted to ensure that there is adequate succession capacity at all levels.</p>

Section Reference	Requirement of the Direction	Extent of Adoption
f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives	<p>Apart from the Board meetings, The Board of Directors communicates with fellow members on an ongoing basis on key strategic matters. Additionally, in order to assess and align the performance with the strategic objectives, the Executive Directors meet Line Managers and Corporate Managers frequently and make strategic and operational decisions.</p> <p>Furthermore, members of the corporate management make presentations to the Board and its sub-committees or to individual Directors on matters of interest to sought guidance and direction.</p>
1.7	Adherence to the Existing Legal Framework	
a)	Ensuring that the company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	<p>The Company was able to act responsibly giving due consideration to the interests of and obligations to, depositors, shareholders and other stakeholders during the year under review, especially by managing its solid capital and liquidity buffers keeping them well above the minimum regulatory requirements.</p> <p>Further, early adoptions of certain provisions of this directive and CSE issued Corporate Governance rules as the well as voluntary adoption of the CA Sri Lanka Code of Best Practice issued in 2023 and their respective disclosure requirements are a clear reflection of the prudent governance procedures adopted by MI towards accountability and transparency, thus ensuring best interest of its all stakeholders.</p> <p>Additionally, the Company is in the process of fully adopting the Gazette issued on Financial Consumer Protection Regulations by the Central Bank in 2023.</p>
b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards	The Compliance Officer and Company Secretary update the Board Members on changes to the regulatory environment. Regular discussions, training, and seminars are arranged for Directors and Senior management to facilitate understanding of the regulatory environment and key challenges.
c)	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	As commented in 1.7 a), MI Board prudently governed activities, protecting stakeholder interest.
2)	Governance Framework	
2.1)	Developing and implementing a governance framework in line with these directions	
a) to n)	Availability of Board approved Governance Framework	Refer commentary given in section 1.2 (b) & (c) on page 122 of this direction.
3	Composition of the Board	
3.1	Ensuring a balance of skills and experience of the Board members	Refer commentary given in section 1.5 (b) on page 123 of this direction.
3.2	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	The Board comprised of eight (8) Directors in keeping with the provisions of this section.

Composition of MI Board Last 3 Years



CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption															
3.3	The total period of service of a director other than a director who holds the position of CEO/Executive Director shall not exceed nine years	<p>Non-executive Directors serving on the Board have not served on the Board for more than nine years.</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Directorship Status</th> <th>Number of years in position as at 31st March 2024</th> </tr> </thead> <tbody> <tr> <td>Mr. P.D.D. Perera</td> <td>Independent Non-Executive Director</td> <td>4 Years and 1 month completed.</td> </tr> <tr> <td>Mr. A.L.N. Dias</td> <td>Independent Non-Executive Director</td> <td>3 Years completed.</td> </tr> <tr> <td>Ms. E.D. Wickramasuriya</td> <td>Independent Non-Executive Director</td> <td>3 Years completed.</td> </tr> <tr> <td>Mr. M. K.S. Pieris</td> <td>Independent Non-Executive Director</td> <td>2 Years and 11 months completed.</td> </tr> </tbody> </table>	Name of Director	Directorship Status	Number of years in position as at 31st March 2024	Mr. P.D.D. Perera	Independent Non-Executive Director	4 Years and 1 month completed.	Mr. A.L.N. Dias	Independent Non-Executive Director	3 Years completed.	Ms. E.D. Wickramasuriya	Independent Non-Executive Director	3 Years completed.	Mr. M. K.S. Pieris	Independent Non-Executive Director	2 Years and 11 months completed.
Name of Director	Directorship Status	Number of years in position as at 31st March 2024															
Mr. P.D.D. Perera	Independent Non-Executive Director	4 Years and 1 month completed.															
Mr. A.L.N. Dias	Independent Non-Executive Director	3 Years completed.															
Ms. E.D. Wickramasuriya	Independent Non-Executive Director	3 Years completed.															
Mr. M. K.S. Pieris	Independent Non-Executive Director	2 Years and 11 months completed.															
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights	As of the reporting date, neither direct nor indirect shareholdings are held by any of the for Non-executive Directors of MI.															
3.5	Executive Directors																
a)	Only an employee of the company shall be nominated, elected and appointed, as an executive director, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board	<p>During the year under review, four (4) Directors served as the Executive Directors of the company out of the total Board membership of eight (8) Directors.</p> <p>Required measures will be undertaken to comply with this requirement, which will be effective from 1st July 2024.</p>															
b)	Existing Executive Directors who holds more than 10% the voting rights of the company with a contract of employment and functional reporting line	Even though three (3) Executive Directors of the company hold more than 10% of the voting rights as at 31st March 2024, all of them are having clearly defined functional reporting lines in keeping to the Company's organizational structure and contracts of employment.															
c)	The company's CEO shall be one of the executive directors and may be designated as the Managing Director (MD).	Gerard Ondaatjie is an Executive Director since year 1993 serves as the MD/CEO of MI as at the reporting date.															
d)	All Executive Directors shall have a functional reporting lines	According to the latest Board approved Organizational Structure in January 2024, all Executive Directors of the Company have been assigned clearly defined functions reporting lines.															
e)	The Executive Directors are required to report to the Board through CEO/MD	MD/CEO reports direct to the Board. According to the Board approved Organizational Structure, reporting flows to the Board of remaining three Executive Directors route through the MD/CEO.															
f)	Executive Directors shall refrain from holding Executive Directorships or Senior Management positions in any other entity	As at 31st March 2024, none of the Executive Directors at MI held Executive Directorships or Senior Management positions in any other entity/s.															
3.6	Non-Executive Directors																
a)	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct	<p>All Non-Executive Directors at MI are selected objectively based on their qualification and experience in their respective fields.</p> <p>Pages 76 to 81 provide brief profiles of the Non-Executive Directors, outlining their qualifications and experience and the positions they hold in other institutions.</p> <p>Respective Directors also hold senior positions in various other organizations and attend MI Board meetings, sub-committee meetings and other special meetings as and when necessary.</p>															
b)	A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the company	Gerard Ondaatjie functions as the MD/CEO of the company and operates in the capacity of an Executive Director.															

Section Reference	Requirement of the Direction	Extent of Adoption
3.7	Independent Directors	
a)	The number of independent directors of the Board shall be at least three (03) or one-third (1/3) Of the total number of directors, whichever is higher	The Board consists of four (4) Independent Non-Executive Directors as against a total of eight (8) Directors and hence is within the requirement.
b)	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience	Pages 76 to 81 provide brief profiles of the Independent Non-Executive Directors, outlining their qualifications and experience and the positions they hold in other institutions.
c), d) & e)	Requirements to be satisfied for an Independent Non-Executive Director	Declarations were obtained from all Non-Executive Independent Directors confirming their suitability to be designated as 'independent' in terms of the criteria in this rule. The Board reviews the independence of Non-executive Directors on an annual basis and as and when circumstances change, based on the self-declaration and as a part of each Director's performance assessment.
3.8	Alternate Directors	
a), b), c), d) & e)	Procedure for an Alternate Director is appointed to represent an Independent Non-Executive Director	There were no such instances of appointing Alternate Directors for Independent Non-Executive Directors during the year under review.
3.9	Cooling off Periods	
a)	Directors or the CEO who have been appointed prior to the expiration of cooling off period of six months who was previously employed as a CEO or Director, of another Finance company	There were no Director appointments during the year under review.
b)	Non- Independent director appointed as an independent Director prior to expiration of the cooling off period of one year	There were no Director appointments during the year under review.
3.10	Common Directorships	
3.10	Director or a senior management at MI shall not be nominated, elected or appointed as a director of another finance company except where such company is a parent company, subsidiary company or an associate company or has a joint arrangement with MI subject to conditions stipulated in Direction 3.5(f)	As of the reporting date, none of the Directors or Senior Management at MI holds Directorships at any other finance company.
3.11	A Director of the company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the company	As given in the Board profiles on pages 76 to 81 detailing Directorships held by each Director on the Board of Mercantile Investments in other companies as at 31 March 2024, none of Directors holds office in over 20 companies contravening the provisions of this section.
4	Assessment Fitness Propriety Criteria	
4.1	No person shall be nominated, elected or appointed as a director of the company or continue as a director of such company unless that person is a fit and proper person to hold the office as a director of such company	All directors at MI were duly nominated and appointed as per the Finance Business Act Directions No.06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons).
4.2 & 4.3	A person over the age of 70 years shall not serve as a director of the company subject to the provisions of section 4.3	As at the reporting date, all members of the Board are below the Age of 70 years.

CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption
5	Appointment and resignation of directors and senior management	
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction	<p>All appointments to the Board need to be recommended by the Nominations Committee. Refer section A.7 on page 109 of the CA Sri Lanka Code for details on the Nominations Committee composition, duties, related matters of the Committee and appointments to the Board.</p> <p>In addition, there is a formal procedure in place at MI for orderly succession of appointments to the Board.</p> <p>Further, a Board approved succession plan is in place for the appointments of Senior Management.</p> <p>All Directors resignations/ removals are duly reported to the Department of Supervision of Non-Bank Financial Institutions and to the Colombo Stock Exchange (CSE) by the Company Secretary in compliance with this section and related provisions as per the CSE rules.</p>
6	Chairperson and the CEO	
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing	Refer commentary given in section 1.2 d) on page 122 of this direction.
6.2 & 6.3	The chairperson shall be an independent director, subject to section 6.3	<p>MI's Chairman is an Independent Non-Executive Director. No material relationship including financial, business or family exists between the Chairman Mr. P.D.D. Perera and the Managing Director/Chief Executive Officer Mr. Gerard Ondaatjie. A declaration has been obtained to this effect from the Chairman and Directors.</p> <p>However, Executive Directors Mr. Gerard Ondaatjie, Ms. Angeline Ondaatjie and Mr. Travice Ondaatjie are members of the same family.</p>
6.4	Responsibilities of the Chairperson	
a) to j)	Role of the Chairman	<p>MI's Chairman performs following roles and responsibilities on behalf of the Board;</p> <ol style="list-style-type: none"> Providing leadership to the Board Maintaining and ensuring a balance of power between executive and non- executive directors Securing effective participation of both executive and non-executive directors Ensuring the Board works effectively and discharges its responsibilities Ensuring all key issues are discussed by the Board in a timely manner Implementing decisions/directions of the regulator. Preparing the agenda for each Board Meeting and delegating the function of preparing the agenda and maintaining minutes in an orderly manner to the company secretary Not engaging in activities involving direct supervision of senior management or any other day to day operational activities. Ensuring appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board Making Annual assessment on the Performance and the contribution during the past 12 months of the Board and of the MD/CEO <p>Further detail on the role of the Independent Non-executive Chairman is given in discussion for CA Sri Lanka Code of best practice section A2 and A3 on pages 106 to 107.</p>

Section Reference	Requirement of the Direction	Extent of Adoption
6.5	Responsibilities of CEO	
a) to g)	The CEO/MD shall function as the apex executive-in-charge of the day-to-day- management of the company's operations and business	<p>Managing Director Mr. Gerard Ondaatjie functions as the apex executive in charge of managing routine operations of the Company (in place of a Chief Executive Officer). He works closely with fellow Executive Directors and Corporate Management to oversee daily operations of the Company. The CEO/MD's role and responsibilities are explicitly outlined and approved by the Board as follows;</p> <ul style="list-style-type: none"> a) Implementing business and risk strategies in order to achieve the company's strategic objectives b) Establishing a management structure that promotes accountability and transparency throughout the company's operations and preserves the effectiveness and independence of control functions c) Promoting, together with the Board, a sound corporate culture within the company, which reinforces ethical, prudent and professional behavior d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator e) Strengthening the regulatory and supervisory compliance framework f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner g) Devoting the whole of the professional time to the service of the company. He does not carry on any other business, except holding position in the capacity of a Non-Executive Director of other company's he has Directorships.
7	Meetings of the Board	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible	<p>Twelve (12) Board meetings were held for the financial period 2023/24.</p> <p>Refer section A.1.1 of the CA Sri Lanka code given on page 102 for detailed disclosure in this regard.</p> <p>During board meetings, various papers pertaining to different functional areas were presented for the approval of the board members after thorough discussion. Urgent matters requiring the review and approval of Directors between monthly board meetings were communicated and processed by way of circulation by the Company Secretary.</p>
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings	The agenda is prepared by the Company Secretary under the guidance of the Chairman and incorporated all proposals submitted by Directors. All Directors are provided an equal opportunity to submit proposals with regard to all key areas of the business.
7.3	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given	Generally, at least seven (7) days' notice is given to all Directors relating to scheduled Board meetings. The Company Secretary also ensures reasonable notice is given for any other meetings held by the Board other than regular Board meetings.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	As specified in section 7.3 of this direction, Directors are given adequate notice period for Board Meetings to study the relevant papers and proposals towards effective discussions. Further, Directors have access to Senior Management to clarify matters and to sought external specialists for independent advice, when required.

CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption																																							
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors	As per the attendance of the Board Meetings during the financial year 2023/24, the required quorum has been maintained at all Board Meetings.																																							
		<p>Monthly Quorum Status of the Board Meetings</p> <table border="1"> <caption>Monthly Quorum Status of the Board Meetings</caption> <thead> <tr> <th>Month</th> <th>Executive Directors</th> <th>Independent Non-Executive Directors</th> </tr> </thead> <tbody> <tr><td>Apr-23</td><td>2</td><td>2</td></tr> <tr><td>May-23</td><td>2</td><td>2</td></tr> <tr><td>Jun-23</td><td>2</td><td>2</td></tr> <tr><td>Jul-23</td><td>2</td><td>2</td></tr> <tr><td>Aug-23</td><td>2</td><td>2</td></tr> <tr><td>Sep-23</td><td>3</td><td>1</td></tr> <tr><td>Oct-23</td><td>2</td><td>2</td></tr> <tr><td>Nov-23</td><td>2</td><td>2</td></tr> <tr><td>Dec-23</td><td>2</td><td>2</td></tr> <tr><td>Jan-24</td><td>2</td><td>2</td></tr> <tr><td>Feb-24</td><td>2</td><td>2</td></tr> <tr><td>Mar-24</td><td>2</td><td>2</td></tr> </tbody> </table>	Month	Executive Directors	Independent Non-Executive Directors	Apr-23	2	2	May-23	2	2	Jun-23	2	2	Jul-23	2	2	Aug-23	2	2	Sep-23	3	1	Oct-23	2	2	Nov-23	2	2	Dec-23	2	2	Jan-24	2	2	Feb-24	2	2	Mar-24	2	2
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7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year	The Chairman at MI held meetings with Non-Executive Directors without the presence of the Executive Directors twice during the financial year 2023/24.																																							
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting GRI 2-15	The Board is mindful to ensure that when conflicts of interest arise, Directors disclose such instances to the Board. In such instances a Director is expected to refrain from voting or presenting their views on such matters. The company has established a conflict of interest policy in this regard and which was approved by the Board in August 2023 and was effective for the year under review.																																							
7.8	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	All Directors have attended over the minimum participation requirement of attending at least two-thirds of the meetings held for the financial year 2023/24. Further, none of the Directors were absent for three consecutive Board meetings during the same period as well. Attendance status of each Director at Board meetings is given on page 102.																																							
7.9	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	For all scheduled Board meetings, the company encourages physical participation of all Directors. However, recognizing the necessity during times of lockdowns and mobility constraints, the Board approved and adopted procedures for virtual Board meetings in 2021 as well as and when need arises.																																							

Section Reference	Requirement of the Direction	Extent of Adoption
8.	Company Secretary	
8.1 a)	The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations	Company Secretary Mrs. Pethiyagoda, is a senior management level employee, a qualified Chartered Secretary with over 27 years of experience in the related field. The Company Secretary offers her services to all Directors, with particular emphasis on supporting Non-Executive Directors who may require additional assistance to ensure they receive timely and accurate information. Primarily, her responsibilities include advising the Board on Board procedures, corporate governance matters, and compliance with applicable laws and regulations.
8.1 b)	The Company Secretary shall possess such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution	Refer commentary given in section 8.1 a) of this direction.
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	The Company Secretary attended all Board meetings during the financial year 2023/24 and she was readily accessible to all Directors who require her advice and services. Mrs. Pethiyagoda has over 27 years of experience in the Company Secretarial position, staying thoroughly informed about all current regulations applicable to Board procedures, corporate governance requirements and other requirements related to the Company Secretarial responsibilities.
8.3	The company secretary shall be responsible for preparing the agenda in the event of chairperson has delegated carrying out such function.	The responsibility for the preparation of the agenda for Board meetings has been delegated to the Company Secretary under the supervision of the Chairman. She takes a coordinating role to circulate the agenda, dealing with Directors and Corporate Management to incorporate key matters to be taken up.
8.4 & 8.5	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Minutes of all Board meetings are duly maintained and stored in safe custody by the Company Secretary as per this direction.
8.6 a) to f)	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties	Minutes of the Board Meetings are maintained in sufficient detail by the Board Secretary as defined in the direction.
8.7	The minutes shall be opened for inspection at any reasonable time, on reasonable notice by any director	The Board of Directors has access to the minutes and can inspect Board minutes at any reasonable time, at short notice.
9.	Delegation of Functions by the Board	
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the company	The Board at MI has clearly defined and approved the levels of Delegation of Authority (DA) with relevant to the functions of approving credit facilities, approving deposits, signing cheques for payments etc.

CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption
9.2	In the absence of any of the sub-committees mentioned in section 10 of this Direction, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	MI Board has established five (5) subcommittees namely Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Human Resource and Remuneration Committee, Nominations Committee and Related Party Transaction Review Committee (RPTC). Refer the detail committee reports on pages 177 to 183.
9.3	The Board may establish appropriate senior management level sub- committees with appropriate Delegation of Authority to assist in Board decisions	In order to assist the Board level subcommittees, MI's Board has also established Senior Management level committees with proper authority limits to perform their relevant scope of tasks. Page 98 elaborates the tasks performed by those management level committees during the financial year under review.
9.4	The Board shall not delegate any matters to a Board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board has delegated some of its duties to the Board sub-committees and Corporate Management, but maintains close overall oversight over Company affairs to fulfill its governance duties effectively. The Board evaluates the delegated authority limits, assessing particularly the credit authority limits and other limits applicable to the Board sub-committees periodically. The Board has delegated its authority to Directors and specified authorized signatories to approve payments and sign key binding documents, whilst limiting delegation of certain key functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the company	The Board reviews the delegated powers vested with Directors, Corporate Management and other employees to ensure relevance to the needs of the Company. (Refer commentary given on section 9.4. above)
10	Board Sub-Committees	
10.1	Requirements on Board subcommittees (Asset base	more than Rs. 20 Billion)
a)	The company shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nominations Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee. Further, meetings of those committees shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	By 31st March 2024, all required Board subcommittees have been established and adopted at MI. Refer pages 177 to 183 for Board subcommittee reports. When considering committee meetings, during the year under review, BIRMC held meetings on quarterly basis. Terms of Reference (TOR) of BIRMC will be amended during the transitional period and will be complied with this Direction from 1st July 2024.
b)	Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties	Each subcommittee established at MI has Board-approved written Terms of Reference (TORs) that clearly outline their scope, authorities, and duties. These TORs undergo periodic reviews and amendments, as specified within the respective committee's TORs.
c)	The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the company.	Refer the Board subcommittee reports on pages 177 to 183 in this Annual Report, that clearly specify the performance, duties and responsibilities of each subcommittee during the financial year under review, to be tabled at the AGM as well.
d)	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	Each Board subcommittee at MI has appointed a secretary to perform its secretarial functions under the direct supervision of respective subcommittee chairman/chairperson. (Refer Board subcommittee reports on pages 177 to 183 for its respective secretaries)

Section Reference	Requirement of the Direction	Extent of Adoption
e)	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.	Refer Board subcommittee composition on page 96 in this Annual Report.
f)	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives	Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required. During the year under review, there were no changes in the composition of the members of Board Sub-committees.
10.2	Board Audit Committee (BAC)	
a)	The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit	Chairman of MI's Audit Committee, P.D.D. Perera, is an Independent Non-Executive Director. He is a Fellow Member of Chartered Accountants, Sri Lanka (FCA), Associate Member of Chartered Institute of Management Accountants, United Kingdom (ACMA-UK), Fellow Member of the Institute of Certified Management Accountants of Sri Lanka, and holds a Masters in Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura (MBA), while possessing four accounting qualifications and being a Chartered Accountant, he has a wealth of experience in the field of audit and financial reporting, which enables him to oversee the Committee's functions effectively.
b)	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	The Committee comprises of three Independent Non-Executive Directors. The Committee operates in an independent and objective manner to ensure impartiality of the Committee.
c)	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	As at the reporting date, the Company Secretary, Mrs. S. Pethiyagoda, acts as the Secretary to the Board Audit Committee, keeping record of the meeting proceedings.

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Section Reference	Requirement of the Direction	Extent of Adoption
d)	External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor	i) The BAC made recommendations for the re-appointment of External Auditor Ernst & Young, Chartered Accountants, for the financial year 2023/24. Further, BAC approved the audit fee at the audit committee meeting held on 18th March 2024 for the financial year 2023/24.
	ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, the company shall not use the service of the same external audit firm for not more than ten years consecutively	ii) Since this is the 7th consecutive undertaking of External Auditors within the given timespan of ten (10) undertakings. Current audit partner was engaged with the audit from the financial year 2022/23.
	iii. Audit partner of the company shall not be a substantial shareholder, director, senior management or employee of any finance company.	iii) & iv) The External Auditor's independence, objectivity, and the effectiveness of the audit process, was monitored and reviewed by MI's BAC, mainly focusing on relevant professional and regulatory requirements specific to the LFC sector. In keeping with this section, the External Auditors, Ernst & Young, Chartered Accountants submitted their annual declaration of Independence in the audit process to the Audit Committee on 18th March 2024 for the FY 2023/24.
	iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	
	v. Audit partner shall not be assigned to any non-audit services with the company during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework.	v) During the financial year under review, the audit partner has not been assigned to any non-audit services with the company. However, the BAC has developed a policy approved by the Board on the engagement of External Auditors to handle specific non-audit services permitted by regulation. For FY 2023/24, tax advisory services have been obtained from Ernst & Young, Chartered Accountants.
	vi. The BAC shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit.	vi) The Committee finalized the nature and scope of the audit with the Audit Partner before the commencement of the audit. Areas needing special attention and recommendations of the auditors were incorporated into the discussions, and were included in the audit plan.
	vii. The BAC shall review the financial information of the company, in order to monitor the integrity of the financial statements of the company in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.	vii) The Committee reviewed the Company's interim and annual Financial Statements prior to submission to the Board. The Committee reviewed the internal controls on the financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgmental areas and material audit judgments.

Section Reference	Requirement of the Direction	Extent of Adoption
	<p>viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.</p> <p>ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.</p>	<p>viii) The Committee met the External Auditors two times during this financial period without the presence of the Corporate Management to discuss matters arising from the Management Letter issued for the past audit period and to discuss other concerns.</p> <p>ix) The Committee reviewed the FY 2022/23 Management Letter issued by the External Auditors together with Management responses at the BAC meeting held on 22nd September 2023 (within three months of submission such) to ascertain existing material concerns that require their immediate attention for resolution, in the presence of the Finance Director.</p>
e)	<p>The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.</p>	<p>A comprehensive review of the effectiveness of the system of internal controls at MI was carried out by the company's internal audit division through the annual internal audit programme. The audit program adopted by Internal audit for the concluded financial year was re-adopted for the financial year 2024/25 and was affirmed by the BAC on 18th March 2024.</p>
f)	<p>The BAC shall ensure that the senior management is taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the company.</p>	<p>Based on the reports submitted by the supervisory bodies and internal/ external auditors, the BAC reviewed and considered the respective findings on internal control weaknesses, non-compliance with policies, laws and regulations and the Management's responses thereto and ensured that the recommendations were implemented in a timely manner.</p>
g)	<p>Internal Audit Function</p> <p>i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations))</p> <p>ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the company to carry out their assignments effectively and objectively.</p> <p>iii. The BAC shall take the following steps with regard to the internal audit function of the company;</p> <p>I. Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work</p> <p>II. Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit</p> <p>III. Assess the performance of the head and senior staff members of the internal audit department</p>	<p>i) MI has established an in house Internal Audit Function with clear reporting hierarchy to the BAC.</p> <p>ii) Board approved Internal Audit Charter has given clear mandate and authority to the internal audit division to carry out their duties independently and has been made accountable to the BAC. The BAC thoroughly assesses the information outlined in the risk-based internal audit plan and concluded that scope. Further the committee ensures the internal audit function is independent of the activities it audits and performed the duties with due professional care.</p> <p>iii) I. The Committee has already been submitted with the annual audit program by the Internal Audit Division of the Company for the financial year 2024/25.</p> <p>The committee has continuously reviewed the adequacy of the resources of the internal Audit department especially relating to this Direction. Internal resource requirements have been timely fulfilled and outsourcing arrangement also considered where necessary in compliance with all applicable directions.</p> <p>The Committee met and reviewed full audit/spot review reports in the presence of the audit team. As and when required, Corporate Management was also invited and their related observations were taken up to ensure corrective actions were initiated in a firm and effective manner.</p> <p>iii) II. The Audit Committee reviewed the findings of the Internal Audit team for the financial year 2023/24 which included the evaluations made by the Internal Audit Department on the adequacy of the Company's internal controls and compliances.</p> <p>The committee met six times with the Internal Auditors and reviewed the full audit/special review reports. Further, the committee ensured that the necessary corrective actions were taken by Management for the internal audit findings and recommendations that were made.</p>

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Section Reference	Requirement of the Direction	Extent of Adoption
	<p>IV. Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care</p> <p>V. Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.</p> <p>VI. Examine the major findings of internal investigations and management's responses thereto.</p>	<p>iii) III. The committee carried out the annual performance evaluation of the Head of the Internal Audit Department. The department's annual bonuses and salary increases were determined based on the formal performance management process, this lays out the quality of audit findings and timeliness of finalizing audits as key performance goals for the team.</p> <p>iii) IV. The Company's Internal Audit Function is positioned independently, not conflicting with the activities it performs. In order to strengthen the independence of the Internal Audit Department, the Audit division submits its reports directly to the BAC. The Audit Committee has direct access to the Board in the event any matters need to be brought to the attention of the Board.</p> <p>iii) V. MI's Annual Internal Audit Plan of 2024/25 which was affirmed by the BAC on 18th March 2024 has due provisions to carry out periodic reviews on compliance function and regulatory reporting in keeping to this section.</p> <p>iii) VI. Based on the reports submitted by the Internal Audit Department, the Audit Committee reviews and considers audit findings on internal investigations and the Management's responses thereto. However, no such major audit findings were identified and reported during the financial year 2023/24.</p>
h)	The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly	The BAC reviewed all statutory concerns raised by Central Bank of Sri Lanka (CBSL) relevant to the Audit Committee and ensured timely rectification of concerns through monthly status updates which is obtained from the management.
i)	<p>Meetings of the Committee</p> <p>i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities</p> <p>ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview</p> <p>iii. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/employees being present</p>	<p>i) The BAC met ten times during the financial year under review. The Secretary to the committee maintains comprehensive minutes that accurately reflect the essence of the meeting's discussions and conclusions.</p> <p>ii) The Finance Director and Chief Financial Officer attended Audit Committee meetings on invitation, while the Head of Internal Audit attended majority of meetings held for the financial year under review</p> <p>iii) The Committee met with External Auditors two times this year without the presence of the other Directors or senior management in keeping to this section.</p>
10.3	Board Integrated Risk Management Committee (BIRMC)	
a)	The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	<p>MI's BIRMC comprises of an Independent Non-Executive Director acting as the Chairman, whilst two Executive Directors including the Managing Director, Corporate Management including the COO, CFO, Head of Risk and Compliance, and AGM – Credit Risk comprises the full Committee. (Transitional provisions remain applicable till 1st July 2024 on the the composition of the committee and necessary changes to same will be effective prior to the date).</p> <p>The members of BIRMC collaborate closely with the senior management to evaluate daily risk scenarios and to make informed decisions aimed at mitigating or eliminating potential risks on behalf of the Board.</p>
b)	The secretary to the committee may preferably be the CRO.	As at the reporting date, the Head of Risk and Compliance bears the position of secretary to the BIRMC.

Section Reference	Requirement of the Direction	Extent of Adoption
c)	The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	BIRMC reviewed the risk reports submitted by the Risk Unit and on a quarterly basis and in the event of such risks exceeding the established risk tolerance levels as highlighted by the reports submitted to the Committee, the committee took prompt corrective actions during the year to mitigate the negative effects of specific risks. Refer the Board Committee overview on pages 96 to 97 and Risk Management Report on pages 160 to 176 on wider explanation on the company's risk management approach.
d)	Developing the company's risk appetite through a Risk Appetite Statement (RAS), this articulates the individual and aggregate level and types of risk that the company will accept, or avoid, in order to achieve its strategic business objectives.	MI's Board approved Statement on Risk Appetites (RAS) has been reviewed and amended by the BIRMC in year 2023.
e)	The BIRMC shall review the company's risk policies including RAS, at least annually	MI's risk policies and procedures including RAS have been last reviewed by the Board in year 2023.
f)	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity, investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee	The BIRMC attends to review the effectiveness of senior management level committees including Assets and Liabilities management Committee (ALCO), Credit Committee, Treasury Committee, Sustainability Committee and IT Steering committee and Customer Complaint Handling committee. Refer BIRMC Report on pages 177 to 178 for the scope of the Committee, a wider explanation on the Company's Risk Management Framework and its activities during the financial year 2023/24.
g)	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Refer commentary given in section 1.4 d) on page 123 of this direction.
h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	The Chairman of BIRMC conducted an Annual performance assessment of the Head of Compliance & Risk Management.
i)	<p>Compliance Function</p> <p>i. BIRMC shall establish an independent compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.</p> <p>ii. For finance companies with asset base of more than Rs. 20 billion, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly.</p> <p>iii. For finance companies with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.</p> <p>iv. The BIRMC shall ensure responsibilities of the compliance officer</p>	<p>i) The Company has established a compliance function to assess, monitor and report the Company's compliance with laws, regulations and regulatory guidelines. The compliance function is headed by a qualified Accountant in the senior managerial cadre who directly reports to the BIRMC on the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and internal controls.</p> <p>ii) As at the reporting date, plans are underway to separate the Compliance Function from Risk Function and appoint a dedicated compliance officer to comply with the requirements of new governance directive no. 5 of 2021 by 01st July 2024.</p> <p>iii) N/A</p> <p>iv) Roles and responsibilities of the company's compliance officer have been clearly defined in the company's Board approved compliance policy.</p>

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Section Reference	Requirement of the Direction	Extent of Adoption
j)	<p>Risk Management Function</p> <p>i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the company</p> <p>ii. For finance companies with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated Chief Risk Officer-CRO considered to be senior management</p> <p>iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including Risk Appetite Statement- RAS in order to ensure the company's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.</p> <p>iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management Framework</p> <p>v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management</p> <p>vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis</p> <p>vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/ or specific directions.</p>	<p>i) A separate risk unit has been established, directing reporting to the BIRMC to assess and recommend solutions to various risks, i.e., credit, market, liquidity, operational and strategic risks through appropriate risk indicators. Risk reports are submitted by the Head of Risk and Compliance on a quarterly basis and if any risks surpass the predefined tolerance levels, these instances are specifically emphasized in the reports provided to the BIRMC.</p> <p>ii) Refer the commentary given in section 10.3 (i) (ii) on page 137 of this direction.</p> <p>iii) The Board reviewed and approved the amendments made to MI's Risk Management Policy (Liquidity Risk and Credit Risk management) and RAS in the year 2023</p> <p>iv) MI's Integrated Risk management framework is laid down in the company's Internal Risk Management policy and same was subject to amendment and update to keep to the requirements of new governance directive during the transitional period provided till 1st July 2024.</p> <p>v) CRO participates for ALCO meetings where capital and liquidity positions are assessed and plans made to change their levels. Further, new products and services are reviewed by CRO in order to identify and mitigate the risks.</p> <p>vi) As per the company's updated Risk Register, key risk concerns are submitted and discussed at BIRMC on quarterly basis.</p> <p>vii) As per the Internal Risk Policy of the Company an 'activity report' is circulated by the BIRMC to the Board within seven days after having an IRMC meeting, detailing a summary of key risks identified for the period and specifying risk mitigating actions proposed by the Committee for the Board's views.</p>
10.4	<p>Nominations Committee</p>	
a)	<p>The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.</p>	<p>As at the reporting date, Board established Nominations committee constitutes four Directors (Three Independent Non-Executive Directors and one Executive Director-CEO). Mrs. E.D. Wickramasuriya (Independent Director) holds the position of Chairperson of the committee.</p> <p>Refer the Nominations Committee report on page 180.</p> <p>The composition of the committee will be changed and complied with in keeping to the Direction compliance date of 1st of July 2024.</p>
b)	<p>Secretary to the Nominations Committee may preferably be the company secretary.</p>	<p>During the financial year under review, Mrs. S. Pethiyagoda (Company Secretary) continued as the secretary to the Nominations Committee.</p>
c)	<p>The committee shall implement a formal and transparent procedure to appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer</p>	<p>MI's appointments of Directors to the Board are governed by the policy on orderly succession for the Appointments to the Board.</p> <p>The Senior management excluding CIA, CRO and compliance officer is duly recruited by the Executive Directors under the delegated Board authority and supervision of the Managing Director, encompassing a streamlined recruitment process.</p>

Section Reference	Requirement of the Direction	Extent of Adoption
d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction	As at 31st March 2024, all Key Responsible Persons at MI which include Directors and Corporate Management have obtained approval form Director NBFIs in keeping to Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities	Following a thorough examination and rigorous screening process, the Nominations Committee recommends eligible candidates as new appointments to the MI Board. Based on such recommendations final decisions on appointment/re-election are made by the Board in an objective and transparent manner. Refer A.7 and A7.1 of the CA Sri Lanka code of best practice for further details.
f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the company as a whole.	The Nominations Committee reviews the new appointments and re-elections to the Board with strategic direction of the Company to attract and retain Board members with relevant experience and qualifications.
g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	MI's Nominations Committee conducts a rigorous evaluation and screening process to identify qualified candidates who meet the eligibility criteria for new appointments to both the Board and senior management positions. Moreover, a process has been established to determine that the proposed appointees are fit and proper for the requirement. Based on such recommendations final decisions on appointments are made by the Board in an objective and transparent manner.
h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent	Upon an appointment of a new Director to the Board, MI's Company Secretary is authorized to announce to the shareholders with a brief resume of such Director including his/her expertise in relevant functional areas and names of companies in which the Director holds Directorships, through Colombo Stock Exchange.
i)	The committee shall consider and recommend (or not recommend) the re- election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	MI's Nominations Committee provides recommendations on Directors who are retiring by rotation for shareholder approval at the AGM. When providing recommendations, the Nominations Committee has a robust process to review the participation, contribution, and engagement of each Director at the time of re-election Based on above, following Directors are subject to retire by rotation for the financial year 2023/24 and are eligible for re-election; <ul style="list-style-type: none"> ⊙ Mr. A.L.N. Dias ⊙ Mrs. E.D. Wickramasuriya
j)	The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management	Due to the complexities associated with the LFC sector in terms of business dynamics, regulatory changes, and other relevant factors, there may be a necessity for the appointment of additional/new expertise. However, there were no new appointments/ additions to the MI's Board during the financial year under review.

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Section Reference	Requirement of the Direction	Extent of Adoption
k)	A member of the Nominations committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Mr. A L N Dias and Mrs. E D Wickramasuriya, members of the committee did not participate in the process of recommendation for their re-appointment.
10.5	Human Resource and Remuneration Committee	
a)	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	Refer the Board committee overview on page 96 for the composition of the and Remuneration Committee. The Committee is chaired by Mr. A. L. N. Dias who is an Independent Director.
b)	The secretary to the human resource and remuneration committee may preferably be the company secretary.	Mrs. S. Pethiyagoda (Company Secretary) acts as the secretary to the committee.
c)	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the company and fees and allowances structure for non-executive directors.	<p>The Company's remuneration policy is structured to accommodate retention needs. Each individual's performance is evaluated annually based on their respective targets and goals. Bonuses, salary increases, and opportunities for career advancement are tied to these appraisals.</p> <p>The Committee ensures that the remuneration packages offered to Executive Directors including the Managing Director reflect the market expectation and adequate enough to entice and retain high-caliber Directors who are necessary to accomplish the Company's goals. Further, the Remuneration Committee ensured the alignment of Executive Director remunerations with MI's business strategy.</p> <p>The Board as a whole decides the remuneration of the Non-Executive Directors, including the members of the Remuneration and Nominations Committees. The Non-Executive Directors receive a fee for attending meetings of the main Board and Board Committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.</p>
d)	There shall be a formal and transparent procedure in developing the remuneration policy.	In crafting the company's remuneration policy, the Committee considered the compensation levels provided by similar entities in the market. This approach aimed to enable the company to attract, motivate, and retain talent, all while factoring in performance and risk elements. By adopting this approach, the remuneration packages for Executive Directors/Senior Management remained competitive within the industry/market, ensuring that rewards are aligned with the Company's strategic and short-term objectives.
e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the company. The policy shall be subject to periodic review of the Board, including when material changes are made.	<p>The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries, allowances and other financial incentives for employees of the Company.</p> <p>MI's detailed Remuneration policy was last reviewed and approved by the Board on 25th September 2023.</p>
f)	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Refer commentary given in section 10.5 d) of this direction.

Section Reference	Requirement of the Direction	Extent of Adoption
g)	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	As per the current practice at MI, the performance of the Senior Management (excluding chief internal auditor, compliance officer, chief risk officer) is evaluated by the Executive Directors at the end of each financial year by taking into consideration the performance results of the Company, evaluating the actual against the financial and non-financial targets set at the beginning of the financial year. However, MD's performance assessment is carried out by the Board Chairman.
h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	According to the Board approved Terms of Reference (TOR) of the committee, only committee members are entitled to attend meetings. Other Board members who are not part of the committee and senior management may be invited to attend all or part of any meeting as deemed appropriate. Adhering to the TOR, no Director was involved in any discussions regarding their own remuneration.
11	Internal Controls	
11.1	The company shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	Refer the commentary given in section D.2 of the CA Sri Lanka Code of Best practice on page 116.
11.2	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	The company's internal control framework ultimately directed at safeguarding stakeholder interest and most importantly involves safeguarding shareholders' investment and the company's assets and to ensure the reliability and integrity of the information handled and its privacy. The following reports provide a comprehensive overview in this regard; <ul style="list-style-type: none"> ⦿ Risk Management Report on pages 160 to 176 ⦿ Board IRMC Report on pages 177 to 178 ⦿ Board Audit Committee Report on pages 181 to 182 ⦿ Directors' Statement on Internal Control on pages 197 to 198 ⦿ Auditor's Assurance Report on adequacy of internal control on financial reporting on page 199 ⦿ Integrity of management information and its privacy on page 123
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Clear organizational procedures, approved by the Board, have been formally distributed to each department for adherence by all employees. Regular performance reviews are conducted via the performance management process, with audits ensuring staff compliance and accountability to established control processes.
12	Related Party Transactions	
12.1	Board shall establish a policy and procedures for related party transactions	
a)	The company shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors. GRI 2-15	Refer below composition of the RPTRC as at 31st March 2024; <ul style="list-style-type: none"> ⦿ Mr. P. D. D. Perera- Independent Non-Executive Director (Chairman of the committee) ⦿ Mrs. E D Wickramasuriya- Independent Non-Executive Director ⦿ Mr. S. H. Jayasuriya- Executive Director ⦿ Mr. A L N Dias- Independent Non-Executive Director Executive Director representation will be aligned by the committee by 1st July 2024 to comply to this direction promptly.
b)	All related party transactions shall be prior reviewed and recommended by the RPTRC	All related party transactions at MI have been prior reviewed and approved as per the amended Related Party Transaction Review policy which was approved by the Board in February 2024. Refer RPTRC report on page 183.

CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption
c)	<p>The business transactions with a related party that are covered in this Direction shall be following;</p> <ul style="list-style-type: none"> i. Granting accommodation. ii. Creating liabilities to the company in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the company or obtaining those services from the company. iv. Creating or maintaining reporting lines and information flows between the company and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party. 	<p>Particulars relating to Related Party Transactions have been disclosed in the Notes to the Financial Statements. Further, pages 193 to 194 disclose information relating to Directors' Interests in Contracts.</p> <p>All Related Party Transactions mentioned therein have been carried out on an arm's length basis as per provisions of this section. The Related Party Transaction Review Committee reviewed all such transactions carried out during this year to ensure all transactions were at an arm's length.</p>
12.2	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction.</p> <ul style="list-style-type: none"> a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the company c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the company exert control over or vice versa d) Directors and senior management of legal persons in paragraph (b) or (c) e) Relatives of a natural person described in paragraph (a), (b) or (d). 	<p>No favorable treatment has been given to related parties for transactions effected by the Company directly with such parties. Transactions with related parties are done only after necessary due diligence. Transactions conducted by the Company with related parties are executed on an arm's length basis, taking into account the risk profile of the entity and MI's pricing structure.</p> <p>During the period under review, the process of capturing Related Party Transaction information was further streamlined in accordance with the provisions of this section and Sri Lanka Accounting Standard (LKAS - 24) on 'Related Party Transactions' for purpose of internal and external reporting.</p>
	<ul style="list-style-type: none"> f) Any concern in which any of the company's directors, senior management or a relative of any of the company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest. 	

Section Reference	Requirement of the Direction	Extent of Adoption
12.3	The committee shall ensure that the company does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the company.	MI has not entered into any transaction in a manner that would grant the related party 'more favorable treatment' than if dealt with an unrelated customer. Refer section 12.1 c) above that refer to 'Related Party Transactions' and 'Directors' Interests in Contracts' disclosures.
13	Group Governance	
13.1	Responsibilities of the company as a Holding Company	
a)	The company is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them	MI's associate company "The Nuwaraeliya Hotels PLC" with common Directorships is considered as an independent establishment with separate legal, regulatory and governance responsibilities.
b)	The Board of the company shall; <ul style="list-style-type: none"> i. Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group- wide policies ii. Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework. iii. Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding company and its subsidiaries iv. Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions v. Ensure that there are adequate resources to effectively monitor compliance of the company and its subsidiaries with all applicable legal and regulatory requirements. 	N/A
c)	The company, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls	N/A
d)	The Board and senior management of the company shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed	N/A

CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption
e)	The company shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	N/A
13.2	Responsibilities as a Subsidiary	
13.2	If the company is a subsidiary of another financial institution subject to prudential regulation, the company shall discharge its own legal and governance responsibilities	This section of the Direction is not applicable to MI as the company is not a subsidiary of any Group Company.
14	Corporate Culture	
14.1	The company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	Refer the commentary given in section D 6.1 of the CA Sri Lanka Code of Best Practice on page 119.
14.2	The company shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity	Refer the commentary given in section D 6.7 of the CA Sri Lanka Code of Best Practice on page 119.
14.3	The company shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically	MI's whistle-blowing procedures form part of the Human Resource Management Policy, approved by the Board. The policy establishes a formal mechanism for Company staff to report violations of laws, rules, regulations, or unethical conduct through designated whistle-blower channels. This allows the Audit Committee to take necessary actions in response. The policy sets forth the investigation process to be carried out on such reported incidents ensuring that they are handled strictly, protecting the confidentiality of those who are reporting and ensuring that they will not subject to any discriminatory action.
15	Conflicts of Interest	
a)	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Refer the commentary given in section 7.7 on page 130 of this Direction.
b)	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties.	MI's policy on potential conflict of interest with related parties was approved by the Board on 25th August 2023.

Section Reference	Requirement of the Direction	Extent of Adoption																
16	Disclosures																	
16.1	<p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least following disclosures are made in the Annual Report of the company;</p> <ul style="list-style-type: none"> i. Financial statements ii. Chairperson, CEO and Board related disclosures iii. Appraisal of board performance iv. Remuneration v. Related party transactions vi. Board appointed committees vii. Group Structure viii. Director's report ix. Statement on Internal Control x. Corporate governance report xi. Code of Conduct xii. Management Report xiii. Communication with shareholders 	<p>The Company complied with applicable accounting standards including the IFRS requirements introduced by CA Sri Lanka. The Financial Statements also conform to other regulatory requirements including the Finance Business Act, the Companies Act and rules specified by the Colombo Stock Exchange. Quarterly publications of interim results were published in all three languages and conform to the regulatory interim publication format and the applicable accounting standards.</p> <p>i) Responsibility of the Board in preparation and presentation of financial statements</p> <p>The Statement on Director's Responsibility given on page 195 provides an affirmation that the Annual Audited Financial Statements and respective disclosures have been prepared in line with applicable accounting standards and applicable regulatory requirements.</p> <p>ii) Chairperson, CEO and Board related disclosures</p> <p>Director information including their names and profiles are given on pages 76 to 81 while their transaction details are disclosed under the Directors' Interest in Contracts on pages 193 to 194 and in Related Party Disclosures in the Notes to the Financial Statements on pages 265 to 268.</p> <p>Attendance of Sub-Committee meetings and Board Meetings are given on pages 96 and 102.</p> <p>iii) Method of appraisal of the Board and its sub committees</p> <p>The detail procedure for conducting the performance evaluations of the MI's Board and its committees have been disclosed in the section A 9.4 (page 110) of CA Sri Lanka Code of Best Practice in this Annual Report.</p> <p>iv) Remuneration paid to Directors and Senior Management</p> <p>Refer the section B.3 on "Disclosure of Remuneration" given in CA Sri Lanka Code of Best Practice on page 113.</p> <p>Further, details of Director and Senior management remuneration in aggregate are disclosed on page 146.</p> <p>v) Relationship between chairman and MD/CEO and the relationships among the members of the Board</p> <p>Refer the Annual report of the Board of Directors of the Company on pages 187 to 192.</p> <p>Net accommodation granted to related parties</p> <p>The net accommodation granted during the financial year to each category of related party is given below as a percentage of the Company's core capital;</p> <table border="1"> <thead> <tr> <th>Category of Related Party</th> <th>Net Accommodation granted (Rs. 000)</th> <th>Net Accommodation Outstanding as of 31 March 2024 (Rs. 000)</th> <th>% Against Company's core capital</th> </tr> </thead> <tbody> <tr> <td>Senior management including Executive Directors</td> <td>12,350</td> <td>11,682</td> <td>0.15%</td> </tr> <tr> <td>Associate company</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Other related companies</td> <td>57,542</td> <td>57,542</td> <td>0.72%</td> </tr> </tbody> </table>	Category of Related Party	Net Accommodation granted (Rs. 000)	Net Accommodation Outstanding as of 31 March 2024 (Rs. 000)	% Against Company's core capital	Senior management including Executive Directors	12,350	11,682	0.15%	Associate company	-	-	-	Other related companies	57,542	57,542	0.72%
Category of Related Party	Net Accommodation granted (Rs. 000)	Net Accommodation Outstanding as of 31 March 2024 (Rs. 000)	% Against Company's core capital															
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CORPORATE GOVERNANCE REPORT

Section Reference	Requirement of the Direction	Extent of Adoption										
		<p>Aggregate value of transaction with senior management</p> <p>The aggregated value of remuneration paid and transactions carried out by the Senior Management and their close family members during financial year 2023/24 are discussed below;</p> <table border="1"> <thead> <tr> <th>Transaction type</th> <th>Amount (Rs. 000)</th> </tr> </thead> <tbody> <tr> <td>Accommodations granted</td> <td>12,350</td> </tr> <tr> <td>Deposits made</td> <td>874,655</td> </tr> <tr> <td>Remuneration paid</td> <td>314,067</td> </tr> <tr> <td>Borrowing</td> <td>340,000</td> </tr> </tbody> </table>	Transaction type	Amount (Rs. 000)	Accommodations granted	12,350	Deposits made	874,655	Remuneration paid	314,067	Borrowing	340,000
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Borrowing	340,000											
		<p>vi) Board appointed committees</p> <p>Details of the chairperson and members of the board committees and attendance at such meetings have been disclosed in page 96 of this annual report.</p>										
		<p>vii) Group Structure</p> <p>The Corporate Structure of the Company is stated on page 159 (Refer QR Code).</p>										
		<p>viii) Annual report of the Board of Directors</p> <p>The report, which contains the following declarations by the Board, is provided on pages 187 to 192 of this Annual Report.</p> <ul style="list-style-type: none"> ⊙ Declaration on not engaging in any activity, which contravenes laws and regulations ⊙ All related party transactions with the company and abstained from voting on matters in which they were materially interested. ⊙ Fair treatments to all stakeholders ⊙ The business is a going concern with supporting assumptions ⊙ Review of internal controls covering material risks to the Company and have obtained reasonable assurance 										
		<p>ix) Statement on Internal Control</p> <p>A report by the Board on the MI's internal control mechanism is given on pages 197 to 198 in this Annual Report.</p>										
		<p>The external auditor's assurance statement</p> <p>Independent Assurance Report on the Directors' Statement on Internal Control is disclosed on page 199 in this Annual Report.</p>										
		<p>Report on compliance with prudential requirements, regulations, laws and internal controls</p> <p>The Annual Report of the Board of Directors signed by the Directors given on pages 187 to 192 gives a collective confirmation on MI's compliance status with applicable laws and regulations.</p>										
		<p>A statement of the regulatory and supervisory concerns on lapses</p> <p>No public disclosures were instructed by the regulator in relation to regulatory lapses or supervisory concerns.</p>										

Section Reference	Requirement of the Direction	Extent of Adoption
		<p>x) External auditor's assurance statement of the compliance with the Corporate Governance Direction.</p> <p>External Auditors Ernst & Young, Chartered Accountants, reviewed the Company's compliance status to Central Bank of Sri Lanka Corporate Governance Directions. Accordingly, the firm has issued a factual finding report in this regard for the financial year 2023/24</p> <p>xi) Business conduct and ethics for directors, senior management and employees</p> <p>Refer the commentary given in section D 6.1 of CA Sri Lanka Code of Best Practice on Corporate Governance given on page 119 of this Annual Report.</p> <p>Chairperson's declaration on governance</p> <p>Refer chairman's Statement on Corporate Governance on page 87 given in this Annual Report.</p> <p>xii) Management Report</p> <p>'Management Discussion and Analysis' given on pages 34 to 65 covers all the requirements of this section by providing a comprehensive commentary of the Company's performance according to the International Integrated Reporting Framework covering MI's business model, industry risks and opportunities, SWOT analysis, and future predictions.</p> <p>xiii) Policy and methodology for communication with shareholders</p> <p>Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.</p> <p>The Company Secretary engages in communication with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders. More details on communications with shareholders are stated Corporate Governance section of this Annual Report.</p>

CORPORATE GOVERNANCE REPORT

MERCANTILE INVESTMENTS AND FINANCE PLC'S COMPLIANCE STATUS WITH COLOMBO STOCK EXCHANGE (CSE) LISTING RULES - SECTION 7.6 (CONTENTS OF THE ANNUAL REPORT) & SECTION 9 (CORPORATE GOVERNANCE)

LISTING RULES SECTION 7.6- CONTENTS OF THE ANNUAL REPORT

Section	Disclosure Requirement	Section Reference	Status of Compliance	Page Reference
7.6 (i)	Names of Directors during the financial year and their profiles.	Annual Report to the Board of Directors on the Affairs of the Company	Complied	187 to 192 & 76 to 81
7.6 (ii)	Principal activities of the Entity during the year and any changes therein	Material Accounting Policies	Complied	208
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Investor Relations	Complied	297
7.6 (iv)	The Public Holding percentage, number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Investor Relations	Partially complied	297
7.6 (v)	The statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year	Annual Report to the Board of Directors on the Affairs of the Company	Complied	187 to 192
7.6 (vi)	Information pertaining to material foreseeable risk factors of the company	Risk Management	Complied	160 to 176
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Human Strength	Complied	58 to 59
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties as at end of the year.	Notes to the Financial Statements	Complied	244 to 253
7.6 (ix)	Number of shares representing the Entity's stated capital	Investor Relations	Complied	296
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Investor Relations	Complied	296
7.6 (xi)	Equity ratios	Investor Relations	Complied	301
	Market Value	Investor Relations		298
7.6 (xii)	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	Notes to the Financial Statements	Complied	246 to 253
7.6 (xiii)	Details of funds raised through Public Issues, Rights Issues and Private Placements during the year	Investor Relations	N/A	
7.6 (xiv)	Information in respect of Employee Share Option Plan and Employee Share Ownership Plan	Notes to the Financial Statements	Complied	191
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.	Corporate Governance Report	Complied	149 to 158
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Investor Relations	Complied	299

LISTING RULES SECTION 9 - CORPORATE GOVERNANCE

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.1	Corporate Governance Rules			
9.1.1	Extent of compliance with the Corporate Governance Rules	The extent of compliance with Corporate Governance Section 9 of the listing rules issued by CSE is disclosed below.	1st October 2023	Already Complied
9.1.2				
9.1.3				
9.2	Policies			
9.2.1	Availability of Policies	<p>The following policies which are mandated by the revised CSE listing rules are currently in place at MI. As at reporting date, the company is reviewing same policies to ensure whether all criteria specified in the revised CSE rules are being covered;</p> <ul style="list-style-type: none"> ⊙ Policy on the matters relating to the Board of Directors ⊙ Policy on Board Sub-Committees ⊙ Policy on Corporate Governance, Nominations and Re-election ⊙ Policy on Remuneration ⊙ Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities ⊙ Policy on Risk Management and Internal Controls ⊙ Policy on Relations with Shareholders and Investors ⊙ Policy on Environmental, Social and Governance Sustainability ⊙ Policy on Whistle Blowing <p>The company is in the process of developing the following policies mandated by revised CSE listing rules;</p> <ul style="list-style-type: none"> ⊙ Policy on Control and Management of Company Assets and Shareholder Investments ⊙ Policy on Corporate Disclosures ⊙ Policy on Anti-Bribery and Corruption <p>The availability of the mandated policies will be updated to the corporate website on or before the effective date.</p>	1st October 2024	To be complied on or before the effective date
9.2.2	Waivers and Exemptions	At present, there are no any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	1st October 2024	Not applicable
9.2.3	Disclosures in the Annual Report	Refer section 9.2.1 of this code	1st October 2024	To be complied on or before the effective date
9.2.4	Requesting of the company's Policies by Shareholders	Upon a written request, MI's company secretary facilitates the providing of any of the above policies to the shareholders.	1st October 2024	To be complied on or before the effective date
9.3	Board Committees			
9.3.1	Establishment of Board Committees	<p>The Nominations Committee, Remuneration Committee, Audit Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are already in place at MI.</p> <p>Nominations Committee will be renamed as Nominations and Governance Committee as per the requirement of section 9.11 of this rule.</p>	1st October 2023	Already Complied

CORPORATE GOVERNANCE REPORT

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.3.2	The company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules	As at the reporting date, the compositions of all Committees are in line with the revised CSE listing rules. Each Sub Committee is governed by its own Terms of Reference and has a Secretary who arranges the meetings, maintains minutes and records under the supervision of the Chairperson of the respective Sub Committee. The Chairperson of the respective Sub Committee is accountable for the effective functioning of the Committee and reports on a periodic basis to the Board on the activities of the Sub Committee, highlighting matters for the attention of the Board. The Committee Terms of Reference/Charters are reviewed regularly.	1st October 2023	Already Complied
9.3.3	The Chairperson of the Board of Directors of the company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above	Currently, MI's Board chairman acts as the chairman of Audit committee and Related Party Transaction Review Committee. However, plans are underway to change the chairperson of these two committees to be in compliant with the requirements of the CSE listing rules by the effective date.	1st October 2024	To be complied on or before the effective date
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders			
9.4.1	Record Maintenance	The Company Secretary maintains records of all resolutions and information	1st October 2023	Already Complied
9.4.2	Communication and relation with Shareholders and Investors	The company has already established a Board approved policy on communication.	1st October 2023	Already Complied
9.5	Policy on matters relating to the Board of Directors			
9.5.1	Availability of policy on governing matters relating to Board of Directors	These requirements are currently captured through several policies and procedures namely Schedule of Matters Specifically Reserved for Board Decisions, Board Charter, Governance Framework and the Articles of Association.	1st October 2023	Already Complied
9.5.2	The company shall confirm compliance with the requirements of the policy referred to in rule 9.5.1 above in the Annual Report	Confirmations are made in the Annual Report of the Board of Directors given on pages 187 to 192	1st October 2023	Already Complied
9.6	Chairperson and CEO			
9.6.1	The Chairperson of the company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual	The Chairman is an Independent Non-Executive Director. The position of Chairman and CEO is not held by the same individual at MI.	1st October 2023	Already Complied
9.6.2	Disclosure of Non-Compliances the rule 9.6.1	Not applicable	1st October 2023	Not applicable
9.6.3	Appointment of Senior Independent Director (SID)	Not applicable	1st October 2023	Not applicable
9.6.4	Disclosure of Non-Compliances in the Annual Report with regard to Senior Independent Director (SID)	Not applicable	1st October 2023	Not applicable

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.7	Fitness of Directors and CEOs			
9.7.1	Appointment of Fit and Proper Persons	MI Board has a formal and transparent process in place for the succession and appointment of Directors. The Nominations Committee processes and short-lists candidates and makes recommendations to the Board for approval. The attributes and experience required from potential appointees are identified and agreed prior to the search process, considering the combined knowledge, experience and diversity of the Board, in relation to the company's strategic plans and any gaps thereof.	1st October 2023	Already Complied
9.7.2		Upon completion of this process, names are referred to the Director of the Non-Bank Supervision Department of the Central Bank of Sri Lanka for approval as a "fit and proper" person. Further, all appointments are duly notified to the CSE as well.		
9.7.3	Fit and Proper Assessment Criteria; a) Honesty, Integrity and Reputation b) Competence and Capability c) Financial Soundness	The assessment criteria detailed in the revised CSE listing rules have been incorporated into the annual declaration of the Directors including MD/CEO.	1st April 2024	Already Complied
9.7.4	Annual Declarations from Directors and CEO	Annual declarations from Directors confirming that each of them has continuously satisfied the fit and proper assessment were obtained for this financial year under review.	1st October 2023	Already Complied
9.7.5	A statement that the Directors and CEO of the company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the CSE	Refer 9.7.4 above and Board of Director profiles are given on pages 76 to 81.	1st October 2023	Already Complied
9.8	Board Composition			
9.8.1	Board at Minimum to consist of Five (5) Directors.	The Board of Directors of the company consisted of eight (8) Directors as at 31 March 2024.	1st October 2024	Already Complied
9.8.2	The Board of Directors of the company shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.	The company is complied with the minimum number of Independent Directors. The Board of Directors of the company consisted of four (4) Independent Directors as at the end of financial year under review.	1st October 2024	Already Complied
9.8.3	Criteria for determining Independence	All the Independent Directors of the company fulfilled the criteria defining independence under Section 9.8.3 of this rule.	Criteria 9.8.3 (i) to (viii) 1st October 2023	Already Complied
9.8.4			Criteria 9.8.3 (ix) 1st January 2025	
9.8.5	Declaration of independence status of Directors	A self-declaration in relation to the independence status has been obtained as a part of each Director's performance assessment for the financial year under review.	1st October 2023	Already Complied
9.9	Alternate Directors			
9.9	Appointment of Alternate Directors	No Alternate Directors were appointed during the year under review. Articles of Association of the company include provisions relating to the appointment of Alternate Directors.	1st January 2024	Not applicable

CORPORATE GOVERNANCE REPORT

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.10	Disclosures relating to Directors			
9.10.1	Policy on the maximum number of Directorships	In terms of section 3.11, of Finance Business Act Direction No. 5 of 2021, A Director of the company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the company. (Refer the disclosure in this regard is given on page 127)	1st October 2023	Already Complied
9.10.2	The company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement	Nominations Committee reviews all new Director appointments. However, no new appointment of Directors happened at MI during the financial year under review.	1st October 2023	Already Complied
9.10.3	The company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees	During the financial year, no change happened in the composition of company's Board Committees.	1st October 2023	Already Complied
9.10.4	Disclosures in relation to the Directors in the Annual Report	Refer pages 76 to 81 for the profiles of Directors. Refer page 102 for the Board meeting attendance and page 96 for Board committee meeting composition and attendance. Refer pages 76 to 81 for Directorships in other companies.	1st October 2023	Already Complied
9.11	Board Nominations and Governance Committee			
9.11.1	The company shall have a Nominations and Governance Committee	Plans are underway to rename the company's "Nominations Committee" as "Nominations and Governance Committee" as per the requirement of this section.	1st October 2024	To be complied on or before the effective date
9.11.2	The company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee	All appointments to the Board need to be recommended by the company's Nominations Committee. In addition, there is a formal procedure in place at MI for orderly succession of appointments to the Board. Refer Nominations Committee report on page 180.	1st October 2024	To be complied on or before the effective date
9.11.3	The Nominations and Governance Committee shall have a written Terms of Reference clearly defining the scope, authority, duties and matters pertaining to the quorum of meetings	Refer Report of the Board Nominations Committee on page 180.	1st October 2024	To be complied on or before the effective date
9.11.4	Composition of the Nominations and Governance Committee The members of the Nominations and Governance Committee shall; a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. b) Not comprise of Executive Directors of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the committee The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report	Refer Report of the Board Nominations Committee on page 180. Plans are underway to remove Executive Director representation from the committee by effective date of this rule.	1st October 2024	To be complied on or before the effective date
9.11.5	The functions of the Nominations and Governance Committee	Refer Report of the Board Nominations Committee on page 180.	1st October 2024	To be complied on or before the effective date

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.11.6	<p>Contents of the Board Nominations and Governance Committee Report</p> <ul style="list-style-type: none"> ⊙ Names of Chairperson and members with nature of directorship ⊙ Date of appointment to the Committee ⊙ Availability of documented policy and processes when nominating Directors ⊙ Requirement of re-election at regular intervals at least once in 3 years ⊙ Board diversity ⊙ Effective implementation of policies and processes relating to appointment and re-appointment of Directors ⊙ Details of Directors re-elected ⊙ Periodic evaluation on the performance of the Board ⊙ Process adopted to inform Independent Directors of major issues. ⊙ Induction/orientation programs for new Directors on corporate governance, Listing Rules, securities market regulations or an appropriate negative statement ⊙ Annual update for all Directors on corporate governance, Listing Rules, securities market regulations or an appropriate negative statement ⊙ Compliance with independence criteria ⊙ Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions 	Refer Report of the Board Nominations Committee on page 180.	1st October 2024	To be complied on or before the effective date
9.12	Board Remuneration Committee			
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	<p>The Remuneration Committee ensures that the remuneration packages offered to Executive Directors including the Managing Director reflect the market expectation and adequate enough to retain high-caliber Directors who are necessary to be retained to accomplish the Company's goals. Further, the Remuneration Committee ensured the alignment of Executive Director remunerations with MI's business strategy.</p> <p>MI's detailed Remuneration policy was last reviewed and approved by the Board on 25th September 2023.</p>	1st October 2023	Already Complied
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	<p>The Board as a whole decides the remuneration of the Non-Executive Directors, including the members of the Remuneration and Nominations Committees.</p> <p>The Non-Executive Directors receive a fee for attending meetings of the main Board and Board Committees. Fees paid to the Non-Executive Directors are neither performance related nor pensionable.</p>	1st October 2023	Already Complied

CORPORATE GOVERNANCE REPORT

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.12.5	Remuneration Committee shall have a written term of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Refer Report of the Board Remuneration Committee on page 179.	1st October 2023	Already Complied
9.12.6	Composition of the Remuneration Committee 1) The members of the Remuneration Committee shall; a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. b) Not comprise of Executive Directors of the Listed Entity 2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. 3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors	1) Refer Report of the Board Remuneration Committee on page 179. 2) Not applicable 3) Refer Report of the Board Remuneration Committee on page 179.	1) 1st October 2024 2) 1st October 2023 3) 1st October 2023	1) Already Complied 2) Not applicable 3) Already Complied
9.12.7	The functions of the Remuneration Committee	Refer Report of the Board Remuneration Committee on page 179.	1st October 2023	Already Complied
9.12.8	Disclosure in Remuneration Committee Report ⊙ Names of Chairperson and members with nature of directorship ⊙ Statement regarding the Remuneration Policy ⊙ The aggregate remuneration of the Executive and Non-Executive Directors.	Refer Report of the Board Remuneration Committee on page 179. Details of Director remuneration in aggregate is disclosed on page 221.	1st October 2023	Already Complied
9.13	Board Audit Committee (BAC)			
9.13.1	Perform Audit and Risk functions specified in Section 9.13.4 of this rule	The Audit functions of the Section 9.13.4 are performed by the BAC while a separate Committee, BIRMC has been formed to perform the Risk functions.	1st October 2023	Already Complied
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties.	Refer Report of the BAC on pages 181 to 182.	1st October 2023	Already Complied
9.13.3	1) The members of the Audit Committee shall; a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. b) Not comprise of Executive Directors of the Listed Entity.	Refer Report of the BAC on pages 181 to 182.	1st October 2024	Already Complied

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
	<p>2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.</p> <p>3) The Audit Committee may meet as often as required provided that the Audit Committee Compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.</p> <p>4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary.</p> <p>5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.</p> <p>6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation.</p> <p>7) The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.</p>			
9.13.4	The functions of the Audit Committee	Refer Report of the BAC on pages 181 to 182.	1st October 2024	Already Complied
9.13.5	<p>Disclosures in the Annual Report</p> <p>The company shall prepare an Audit Committee Report which shall be included in the Annual Report</p> <p>The Audit Committee Report shall contain disclosures set out in Section 9.13.5 (2)</p>	Refer Report of the BAC on pages 181 to 182.	1st October 2024	Already Complied
9.14	Board Related Party Transactions Review Committee (BRPTRC)			
9.14.1	The company shall have a Related Party Transactions Review Committee	Refer Report of the BRPTRC on page 183.	1st October 2023	Already Complied

CORPORATE GOVERNANCE REPORT

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.14.2	Composition of the Related Party Transactions Review Committee	1) The BRPTRC of the company comprises of three (3) Independent Directors and one (1) Executive Director. The Chairman of the BRPTRC is an Independent Director.	1) 1st April 2024	1) Already Complied
	1) The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include Executive Directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	2) No subsidiary company attributed to MI	2) 1st October 2023	2) Already Complied
	2) If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.			
9.14.3	Functions of the Related Party Transactions Review Committee as set out in Section 9.14.3	Refer the Report of the BRPTRC on page 183.	1st October 2023	Already Complied
9.14.4	General Requirements	Refer the Report of the BRPTRC on page 183.	1st October 2023	Already Complied
	1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.			
	2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.			
	3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.			
	4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:			
	(a) be present while the matter is being considered at the meeting; and,			
	(b) vote on the matter			

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Refer the Report of the BRPTRC on page 183.	1st October 2023	Already Complied
9.14.6	Shareholder approval The company shall obtain shareholder approval by way of a Special Resolution for the Related Party Transactions as set out in Section 9.14.6.	The Related Party Transaction policy of the company provides for obtaining shareholder approval by way of a Special Resolution for non-recurrent and recurrent Related Party Transactions identified in this Section. There were no Related Party Transactions during the financial year which required Shareholder approval as set out in Section 9.14.6.	1st October 2023	Already Complied
9.14.7	The company shall make an immediate Market Announcement to the Exchange for Related Party Transactions as set out in Section 9.14.7 (a) and (b)	There were no Related Party Transactions during the year which required immediate Market Announcement as set out in Section 9.14.7.	1st October 2023	Already Complied
9.14.8 (1)	Disclosures in the Annual Report Non-recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)	There were no such Related Party Transactions during the year under review.	1st October 2023	Already Complied
9.14.8 (2)	Disclosures in the Annual Report Recurrent Related Party Transactions exceeding 10% of the gross revenue/income (in the specified format)	Refer Note 50 on page 268 to the Financial Statements on "Related Party Disclosure".	1st October 2023	Already Complied
9.14.8 (3)	Disclosures in Related Party Transactions Review Committee Report <ul style="list-style-type: none"> ⊙ Names of the Directors comprising the Committee ⊙ Statement that Committee has reviewed Related Party Transactions and communicated comments/observations to the Board ⊙ Policies and procedures adopted by the Committee 	Refer the Report of the BRPTRC on page 183.	1st October 2023	Already Complied
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with Related Party Transaction Rules or negative statement to that effect.	Refer the Annual Report of the Board of Directors on page 190.	1st October 2023	Already Complied
9.14.9	Acquisition and disposal of assets from/ to Related Parties Except for transactions set out in Section 9.14.10, the company shall ensure that neither the company nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the company without obtaining the approval of the shareholders of the Entity by way of a Special Resolution.	During the year under review, there were no acquisition/ disposal of substantial assets from/to Related Parties.	1st October 2023	Already Complied

CORPORATE GOVERNANCE REPORT

Section	Requirement	Implementation	Effective date of Compliance	Status of Compliance
9.16	Additional disclosures			
9.16	The following declarations by the Board of Directors to be included in the Annual Report;	Refer the Annual Report of the Board of Directors on pages 187 to 192.	1st October 2023	Already Complied
	I. All material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested			
	II. Review of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so;			
	III. They made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;			
	IV. Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations			

MI's Compliance Status with CBSL Rules, Directions, Determinations, Notices and Guidelines

The company's compliance with laws and regulations with specific focus on CBSL directions is reported by the Head of Compliance and Risk Management to the Board.

Submission of Central Bank of Sri Lanka Web Returns

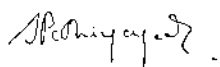
All required CBSL web returns were submitted by the Company on or before the due dates for submission. The information table is uploaded on the website of the company under the Corporate Governance section. (Refer QR code below)

Returns Submitted as Per Prevailing Regulations for the LFC Sector

The information table is uploaded on the MI website under the Corporate Governance section. (Refer QR code below)

External Auditors' Certification

The services of external auditors Messrs. Ernst and Young affirmed the contents stated in the Corporate Governance Report in relation to the Finance Companies (Corporate Governance) Direction No.05 of 2021. The external auditors confirmed that the disclosures given are in order, according to their report prepared on agreed procedures dated on 29th May 2024.



S. Pethiyagoda
Company Secretary



Ramidu Costa
Head of Compliance and Risk Management



P.D.D. Perera
Board Chairman

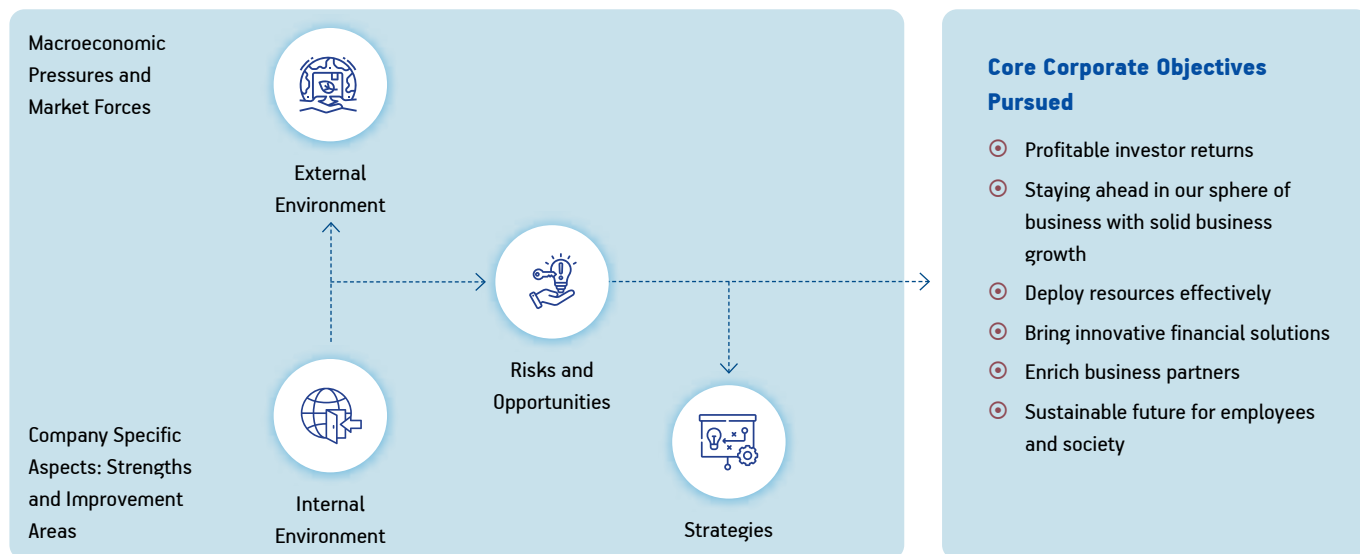
Colombo
29th May 2024

Detailed disclosures about Corporate Governance is made available on our website.



RISK MANAGEMENT REPORT

Our Operating Landscape



During the financial year under review, Sri Lankan economy showed some healthy signs of stabilising amidst formidable challenges yet lingering since year 2020. This revival was evidenced by considerable political stability, pivotal reforms, including the introduction of cost-reflective utility pricing, innovative revenue strategies, and tightened monetary policies.

Key Highlights in Our Operating Landscape

- ⦿ Sector asset quality metrics worsened as a result of implementing a 90-day past due criterion for non-performing loans, alongside a decline in borrowers' capacity to service debts
- ⦿ Yield on government securities declined since the middle part of the financial year, whereas deposit rates declined primarily while lending rates adjusted subsequently following maturity timelines of high rate deposits.
- ⦿ Low single-digit level inflation was reached as a result of tight monetary policy stance subsequent to all time high inflation levels recorded in the previous reporting period.
- ⦿ Sector loan book showed a sluggish expansion due to reduced exposure on auto loans with persistent restriction on vehicle imports while, divesting into gold loan as a substitute to core lending.
- ⦿ Improved profitability compared to last year by the sector mainly driven by decreased interest cost.
- ⦿ Sector liquidity levels were maintained satisfactorily, amidst curtailed loan book growth and higher investments towards government securities.

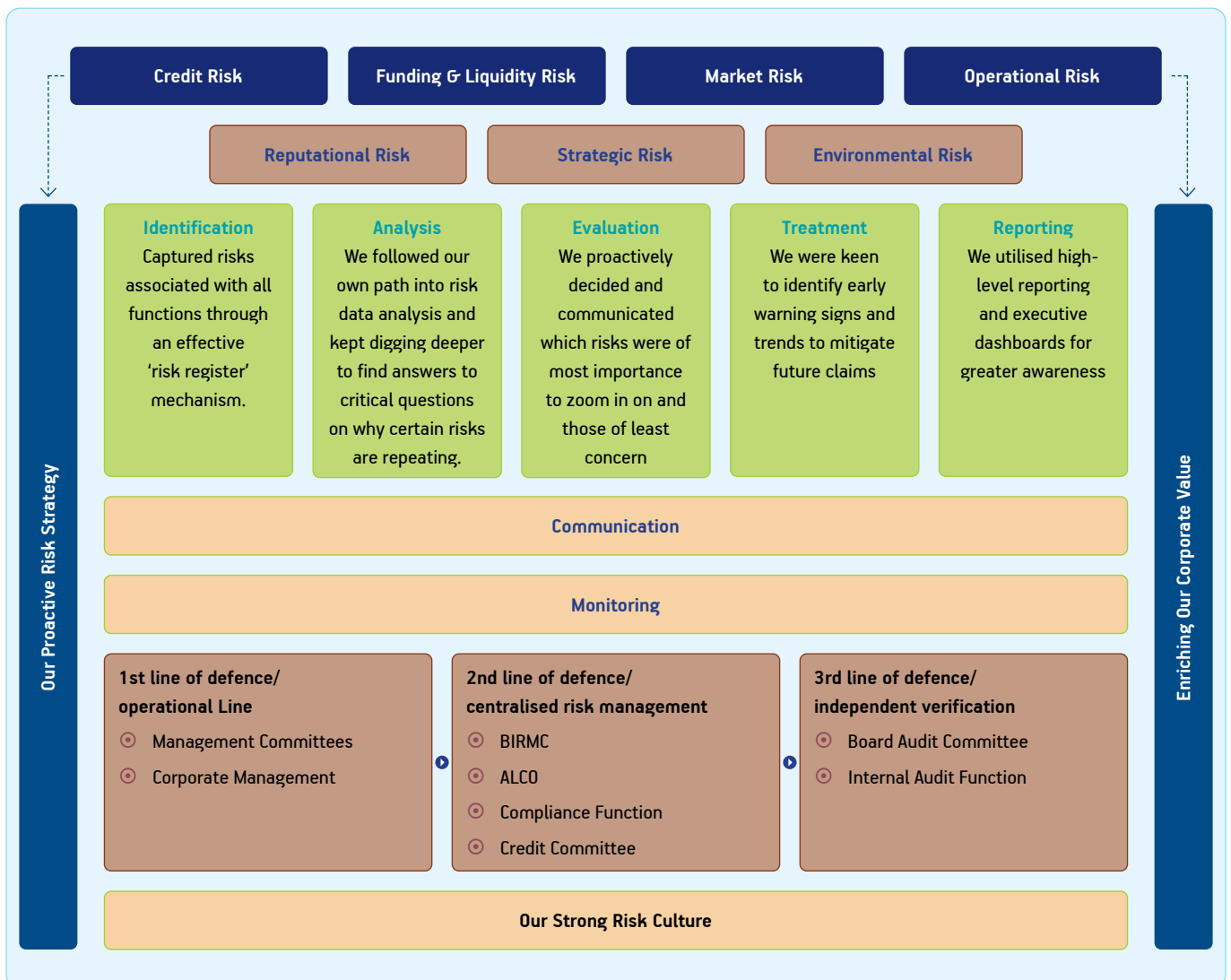
Our Statement on Risk Management

By deploying effective risk mitigation techniques, allowed us to stay receptive to evolving market risks and navigate through yet another year of severe operating volatility, to stay resilient and geared for the future. We consolidated on our strengths as well as focused over areas heading improvement, alongside strategies introduced to effectively tackle key risks and constraints.

Key Highlights

- ⦿ Diversification of credit and deposit portfolios through vigorous branch expansion, in lucrative business locations beyond western province.
- ⦿ New stress testing scenarios were embedded to the existing stress testing framework in view of the challenging operating environment.
- ⦿ The Company's financial performance and liquidity levels were regularly monitored through rolling financial cash flows and budgets.
- ⦿ Stringent monitoring process was initiated to monitor business unit wise key risk indicators.
- ⦿ With the guidance of BIRMC, the company's risk dashboard was further enhanced and presented to the monthly Board Meetings.
- ⦿ Based on the annual Compliance risk assessment, company's risk based compliance plan was designed and deployed on key compliance risk areas.
- ⦿ In order to integrate environmental, social, and governance (ESG) considerations into our financial activities, the policy on Sustainable Finance Activities was deployed
- ⦿ The Committee On Customer Complaint Handling and Redressing was established
- ⦿ The company's governance framework was reviewed and updated in response to the governance changes in our operating landscape

Our Integrated Risk Management Framework



RISK MANAGEMENT REPORT

Our Risk Strategy

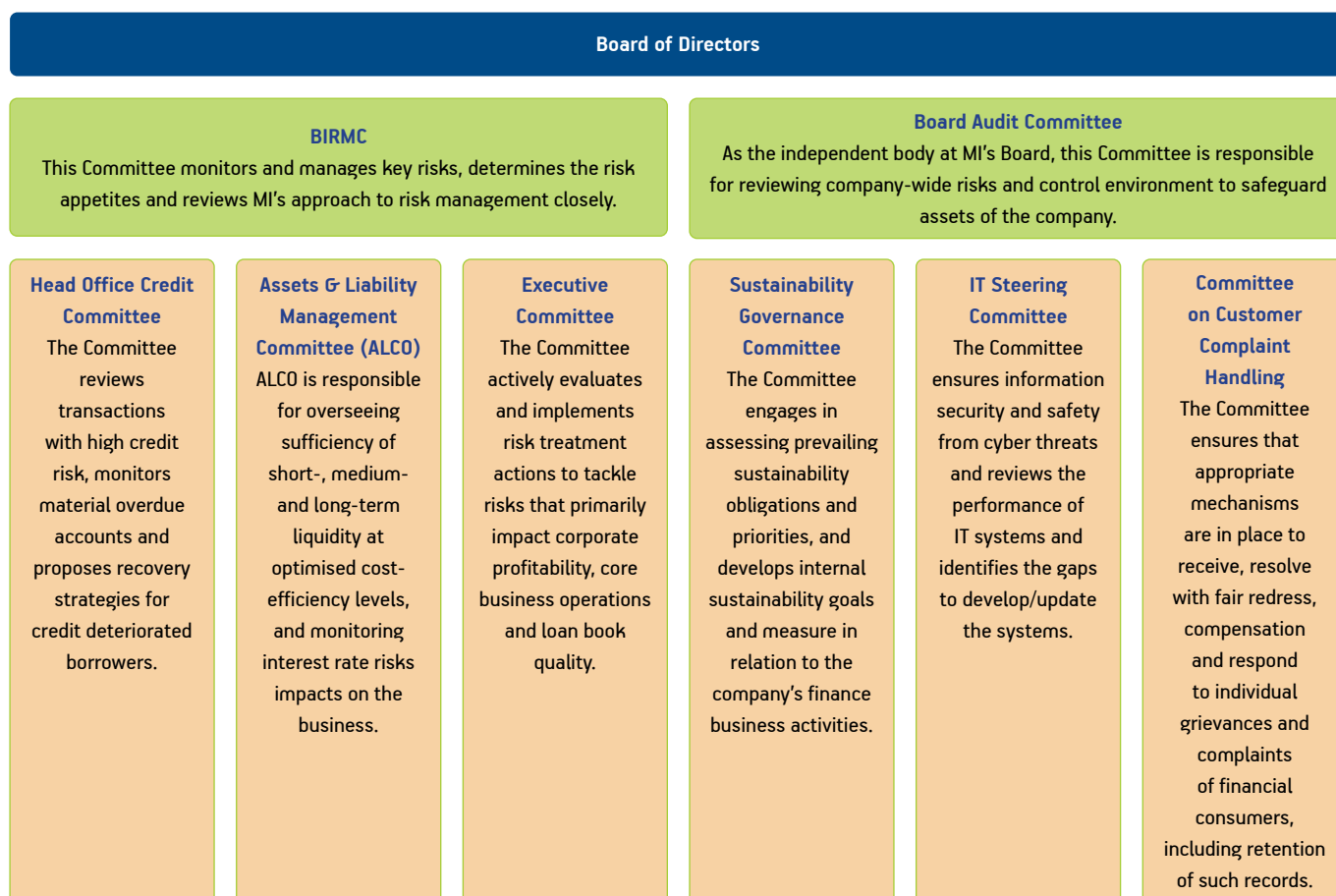
In order to aid our risk strategy, the company devoted significant resources, established a dedicated Risk Unit and formed a number of committees for effective governance. We also promoted a strong risk culture and integrated all aspects of risk management into decision-making and strategy setting. We considered the inputs and feedback of all business units when devising our proactive risk strategy. This helped us design the most appropriate risk strategy to maintain a healthy balance between risks and returns without hindering business opportunities.

Our Strong Risk Culture

Through strong risk controls installed in our Standard Operating Procedures (SOP's), we expected all staff members to manage risks at each level. We believe MI's risk culture is dependent on risk awareness, experience, curiosity and the ability to make sound judgments. Therefore, we enriched our risk culture with numerous training events, especially on day to day technical and operational areas and widened coverage by affording learning on evolving market landscape, staff health and safety, anti-money laundering (AML), countering financial crime, corruption, etc., throughout the year under review.

Our Approach to Governing Risk

The Board Integrated Risk Management Committee (BIRMC) as a Board-appointed subcommittee performs a leading supervisory role in reviewing all risk areas, whilst continuing to provide invaluable advice and recommendations on risk management, which were then executed through management committees by heads of divisions.



Our Risk Profile

According to the table below, risks with likelihood of high impact (red and orange circles) were analysed for continuous management and monitoring. Similarly, if impact and likelihood of risks were at a lower level (green and yellow circles), the strategy of accepting and managing was executed.

Risk Category	Risk Type	Risk Severity based on Impact and Likelihood	Trend	Possessed Action
Credit Risk	Default Risk			Continuous Monitoring
	Credit Concentration Risk			Accept and Manage
	Recovery Risk			Continuous Monitoring
Funding and Liquidity Risk				Continuous Monitoring
Market Risk	Interest Rate Risk			Continuous Monitoring
	Equity Price Risk			Accept and Manage
	Commodity Price Risk			Accept and Manage
Operational Risk	People Risk and Workplace Safety			Accept and Manage
	Business Disruptions, System Failures and Information Security Risk			Continuous Monitoring
	Legal and Compliance Risk			Accept and Manage
Strategic Risk				Continuous Monitoring
Reputational Risk				Accept and Manage
Environmental Risk				Accept and Manage

Low Moderate High Extremely High Increasing Decreasing No Change

Salient Features of Tackling Our Key Risks

Credit Risk



Credit risk unfolds due to failure of a customer or counterparty to honor their financial or contractual obligations to the company. It could result in the loss of the principal amount and interest with adverse implications on MI's profits due to loan book impairment provisions or write-offs arising from non-performing facilities.

Key Highlights

- Geographical decentralization of credit portfolio through newly opened branches.
- Boosted collections through initiatives of recovery, quality assurance and call center units.
- Measures taken to increase collections of several large ticket non-performing facilities as a collaborative effort of legal and recovery teams.
- Effective monitoring of business unit wise non-performing facilities.
- Focused on growing smaller ticket size short-term lending including Gold loans.

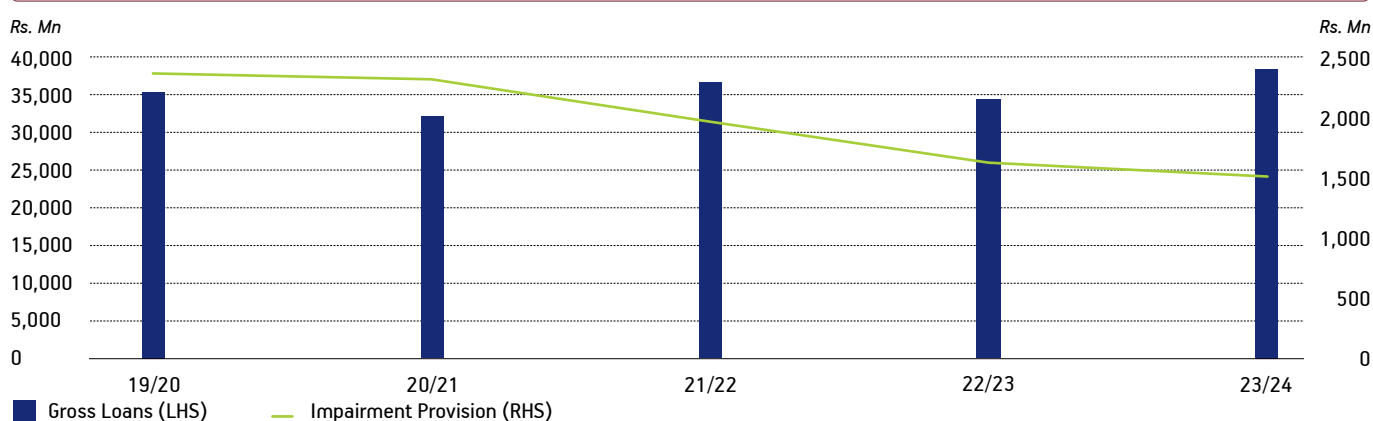
RISK MANAGEMENT REPORT

Statement on Credit Risk Appetites

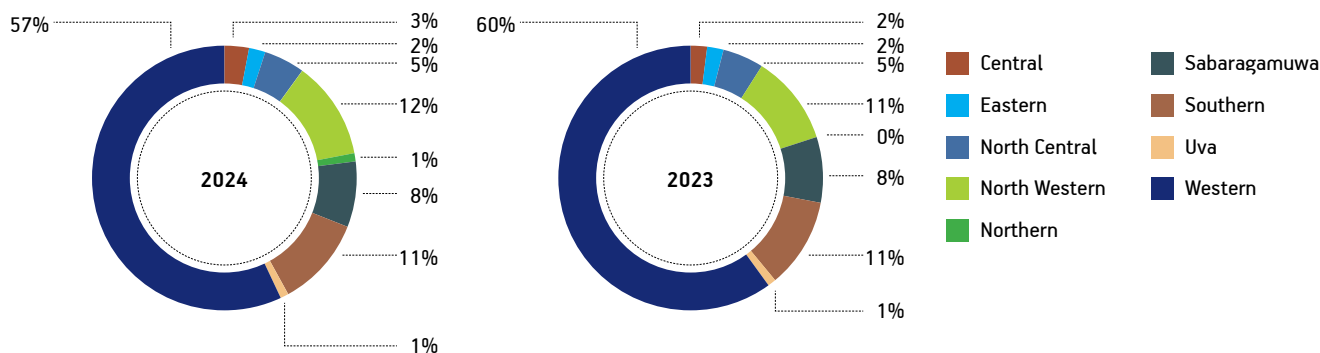
Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2023/24	Actual Figure FY 2022/23
Gross Non-Performing Advances Ratio	<10%	NA	9.81%	10.74%
Cumulative Collection Ratio	>80%	NA	79%	74%
Single Borrower Limit	< 15% of Capital Funds	< 15% of Capital Funds	4.68%	9.40%
Credit Exposure to Western Province	< 60% of Total Portfolio		57%	60%

Trends of our Key Credit Risk Metrics

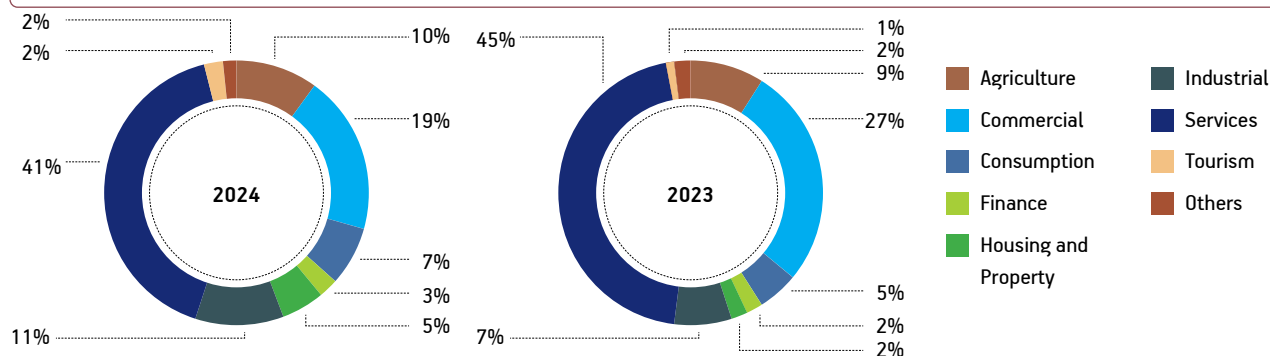
Gross Loans and Impairment Provision



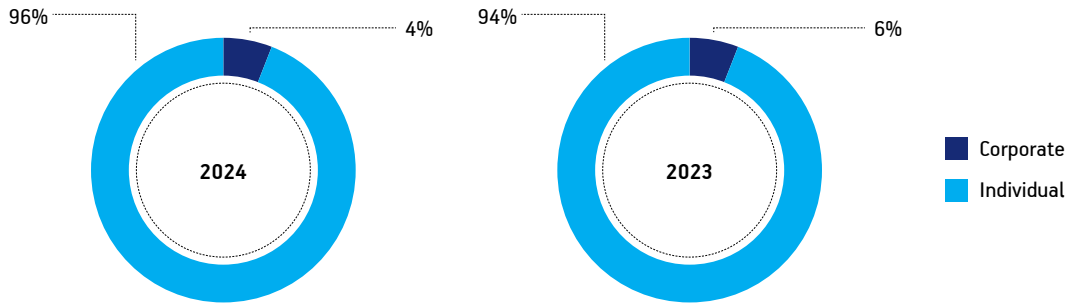
Geographical Concentration of Lending



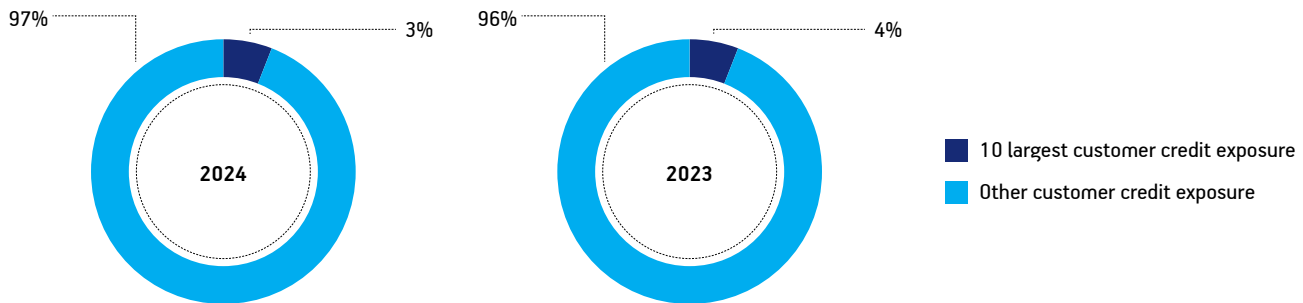
Concentration of Credit - Sector Wise



Credit Exposure by Counterparty



Exposure of 10 Largest Customers



How we Tackled Credit Risk

Risk	Risk Description	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Default Risk	Risk of failure of certain customers to settle their debt obligations.	High	<p>Continuing the trend from the previous financial year, the sector's shift towards gold-backed products, primarily for avenues that do not generate income, posed an additional risk.</p> <p>Moreover, the impact of economic turmoil, coupled with the sector's adoption of the 90-day past due basis, has imposed an additional strain on sector asset quality indicators since the beginning of the financial period under review.</p> <p>Additionally, rising taxes, elevated utility costs, general economic downturn, and increased unemployment have eroded the debt servicing capacity of both individuals and corporations.</p> <p>Amidst the aforementioned challenges observed in the operating environment, MI was able to strengthen its default risk management measures and reduced its NPA ratio to 9.81%, compared to last year recorded figure of 10.74%.</p> <p>What We Can Expect Going Forward: We anticipate that the gold loan product will introduce an additional default risk to the sector as world market gold prices remain volatile.</p>	<ul style="list-style-type: none"> Collective measures taken on long outstanding balances by the recovery and legal team. Restrained approach preserved since the inception of gold loan operations with reference to LTV ratio. Bucket-specific recovery measures initiated and implemented by fully-fledged call centre and quality assurance team. Business unit wise KRIs were assessed by BIRMC to maintain credit risk indicators within tolerable limits. Approach to solid credit control measures including credit evaluation to negate possible external environmental shocks.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Credit Concentration Risk	Risk of unbalanced distribution of MI's advances among business sectors, geographical regions and counterparties.	Moderate	<p>The focus on gold loans intensified, aligning with the pattern that has been consistent since the onset of the pandemic period. The demand for gold-backed products, which presented an opportunity for portfolio growth and sector-wide profitability, ultimately heightened concentration risk.</p> <p>Tourism, previously categorized as a high-risk industry, experienced a rebound during the year, while the construction sector remained elevated in risk due to its sluggish expansion.</p> <p>Different from the sector, MI mainly relied on the core competency on auto loans (registered vehicles) while being amiable on gold loans as well.</p> <p>Rapid expansion drive of branch network in the second half of the year aided MI to spread geographical concentration. For instance, credit concentration towards Western province confined to 57%, which was 60% at the end of previous financial year.</p> <p>What We Can Expect Going Forward: We expect the continued fall of interest rates and with its downward pricing together with the ongoing economic revival will increase demand for core lending. In addition, MI will be able to further reduce geographical concentration risk, subsequent to proposed branch extensions.</p>	<ul style="list-style-type: none"> ○ Focused on registered vehicle segment remained same lasting the trend of previous financial period. ○ High-risk sectors were identified and credit evaluation was streamlined accordingly. ○ Credit risk team and respective management committees reviewed product caps, sectorial caps and regulator limits. ○ Branch wise single exposure limits were enacted. ○ Risk on geographical concentration was confined locating branches away from western province.
Recovery Risk	Risk of MI's loan advances requiring a longer period to recover.	High	<p>Despite inflation reaching single-digit levels during the year under review, the real income of individuals remained lower due to elevated price levels and pressure on commodity prices following tax adjustments.</p> <p>Moreover, the freezing of corporate cash flows, compounded by high borrowing costs and reduced household demand, has undermined the creditworthiness of corporations.</p> <p>Amidst the prevailed disturbances, MI was able to maintain its cumulative collection ratio at 79% compared to the last year figure of 74%.</p> <p>What We Can Expect Going Forward: Greater improvement in creditworthiness is anticipated in a low-rate environment, coupled with optimistic catalysts expected from monetary policy measures, amidst the strengthening of external reserves.</p>	<ul style="list-style-type: none"> ○ Customer convenience was enhanced in payments through broadened collection channels deployed. ○ Vigilant monitoring of business unit wise credit quality indicators; NPL percentage and provision coverage. ○ Continuous tracking of large ticket size customers to arrive at effective negotiations. ○ Communication maintained with customers to provide best solutions regarding repayment and settlement-related concerns.

Detailed disclosure about Credit Risk Management is made available on our website.



Stress Testing on Credit Risk

Stress Testing on Overall Asset Downgrade

Stress Scenario: Increasing the Gross Non-performing facilities over the performing facilities for the entire loan portfolio.

Scenario	Magnitude of Shock (%)	Stressed NPA (%)
1	5	10.30
2	10	10.79
3	15	11.28

Commentary:

Under the given stress cases MI's NPA levels remain below the industry average. However, considering the prevailing economic challenges in the country, continuous monitoring of asset quality is recommended.

Stress Testing on Provision for Impairment and Capital Buffers

Stress Scenario: Impact on MI's Total CAR when increasing the impairment provision by given stress scenarios.

Scenario	Magnitude of Shock (%)	Stressed CAR (%)
1	5	17.73
2	10	17.57
3	15	17.42

Commentary:

Under the given stress case even, MI's Total Risk Weighted Capital Adequacy ratio is well above the prudential capital adequacy requirement of 12.5%.

Funding and Liquidity Risk



Funding and liquidity risk is the risk arising from a potential inability to meet financial liabilities on time, as and when they become due, mainly owing to mismatches between the maturities of the company's assets and liabilities.

Key Highlights

- ⊙ Accessed to fresh banking funding lines and other borrowing facilities amidst improved financial performance and rating outlook.
- ⊙ Liquidity Risk Management policy was reviewed and amendments were approved by the Board of Directors.
- ⊙ Bridged the maturity mismatches between assets and liabilities through tenor matching, utilizing newly accessed funding lines and core business product mix management and also by maintaining the mismatches within the Board approved tolerance limits.
- ⊙ Deposit base concentration was diversified through the expanded branch network, which bolstered a high retail client base than before.

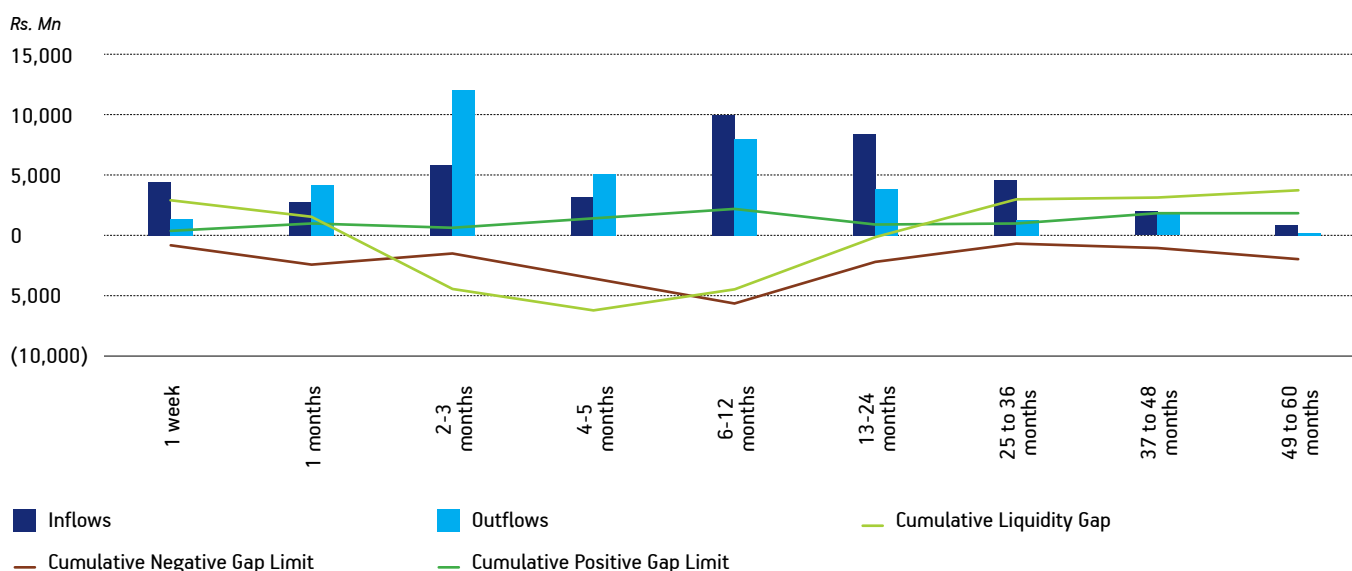
RISK MANAGEMENT REPORT

Statement on Funding & Liquidity Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2023/24	Actual Figure FY 2022/23
Statutory Liquid Assets Ratio (%)	>12% of Deposit Liabilities	10% of Deposit Liabilities	19.68%	18.82%
Deposits Retention Ratio (%)	>80%	NA	86%	77%
Maximum single Depositor Exposure (%)	<10%	NA	4%	3%
Net Advances to Deposit (%)	<140%	NA	102%	105%
Cumulative 1 year Maturity Mismatch (Rs. Mn)	<6,000 Mn	NA	-4,865 Mn	-2,046 Mn

Trend of Funding & Liquidity Risk Metrics

Liquidity Gap Analysis



How we Tackled Funding & Liquidity Risk

Risk	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Funding and Liquidity Risk	Moderate	<p>High interest rate environment along with the lower demand for private sector credit prevailed during the first half of the financial year, forcing finance companies to retain their investments in government securities. On the other hand, deposit mobilization remained upbeat within the sector as well.</p> <p>Aside from the circumstances prevailed in the first half of the financial year, substantial decline in treasury bill rates were noted by 31st March 2024. Subsequently, re-adjusted downwards trend in lending rates that divested funds to core lending and thus eroded the liquidity levels somewhat in the concluding part of the financial year.</p> <p>What We Can Expect Going Forward: Fixed rate borrowings are projected with the prevailing lower rates coupled with necessity for core lending escalated by demand.</p>	<ul style="list-style-type: none"> Possible worst case scenarios were identified in order to access possible liquidity shocks through stress testing. Periodical cash flow predictions were prepared certifying that short-term obligations were fulfilled. Penetrated to unexploited retail client base through the branch network disseminated out of Western province. Liquidity position and asset and liability maturity mismatch were monitored to ensure that Board-approved appetite limit has been achieved. Longer tenor low cost borrowing was pursued with the objective of contracting asset and liability maturity mismatch. Increased deposit retention was achieved through geographical decentralization of the base.

Stress Testing on Funding & Liquidity Risk

Stress Testing on Statutory Liquid Assets

Stress Scenario: Sudden decline in liquid assets impacting on MI's statutory liquid assets ratio.

Scenario	Magnitude of Shock (%)	Stressed Statutory Liquidity (%)
1	5	18.69
2	10	17.71
3	15	16.72

Commentary:

Under the given stress cases, MI's Statutory Liquid Assets ratio remains well above the statutory requirement of 10%.

Market Risk



Market risk exposure arises by dealing in interest-bearing financial assets and liabilities, which for the company including its lending products, deposit products, investment in Government bills and bonds and institutional borrowings. Further, against the backdrop of numerous economic shocks and volatility, MI's equity investment portfolio and growing gold loan base are also exposed to changes in prices.

Key Highlights

- ALCO and respective senior management were approached of evolving market interest changes and provided with internal forecasts and stress testing analyses to make prudent decisions.
- Investment policy of the company was reviewed and required amendments were approved by the Board of Directors.
- Board-approved risk appetite limits and discreet decisions aided optimum utilization of the Gold Loan book amidst a volatile gold price market.
- Treasury unit effectively managed maturity profiles between rate-sensitive assets and liabilities properly and took optimum decisions to facilitate the company with decreased cost of funding.

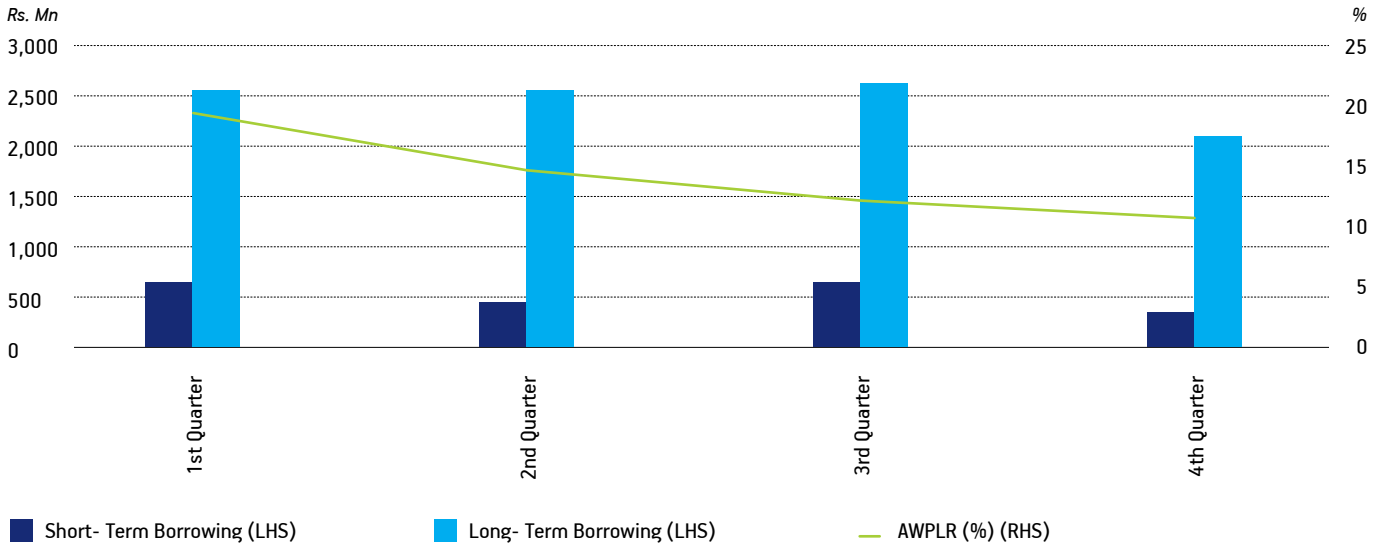
Statement on Market Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2023/24	Actual Figure FY 2022/23
Net Interest Margin (NIM)	>8%	NA	9.79%	6.46%

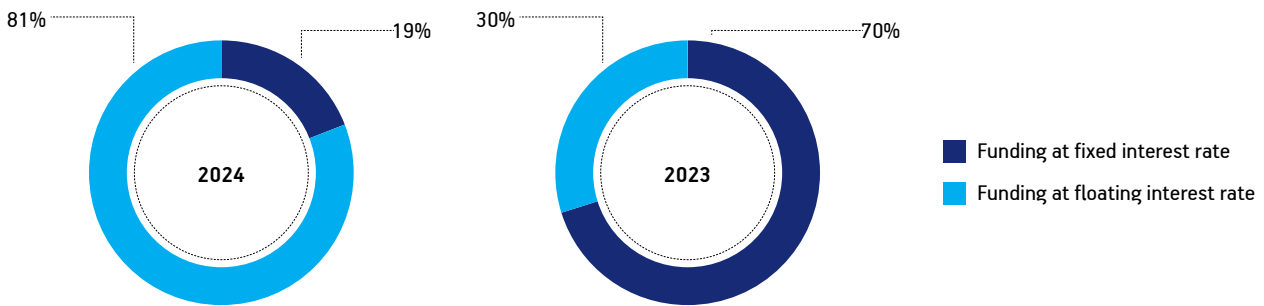
RISK MANAGEMENT REPORT

Trend of Market Risk Metrics

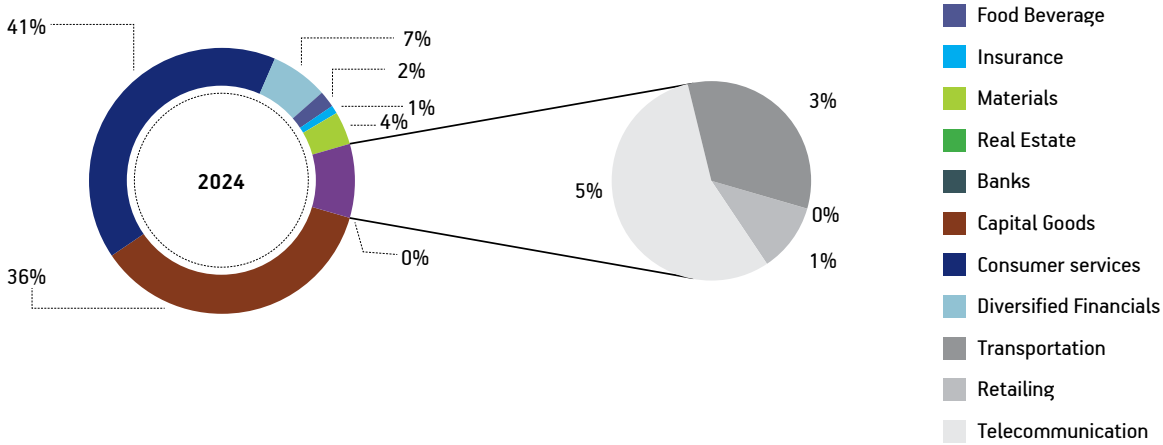
Short, long term borrowings and AWPLR



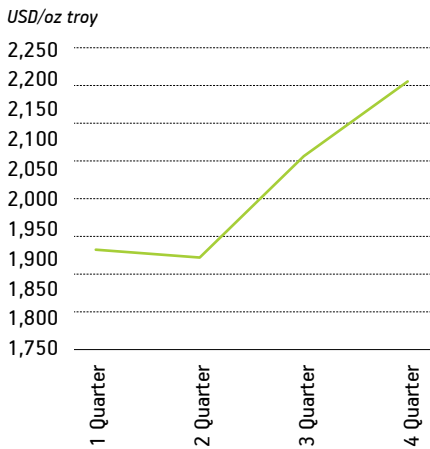
Floating and Fixed Interest rate Funding



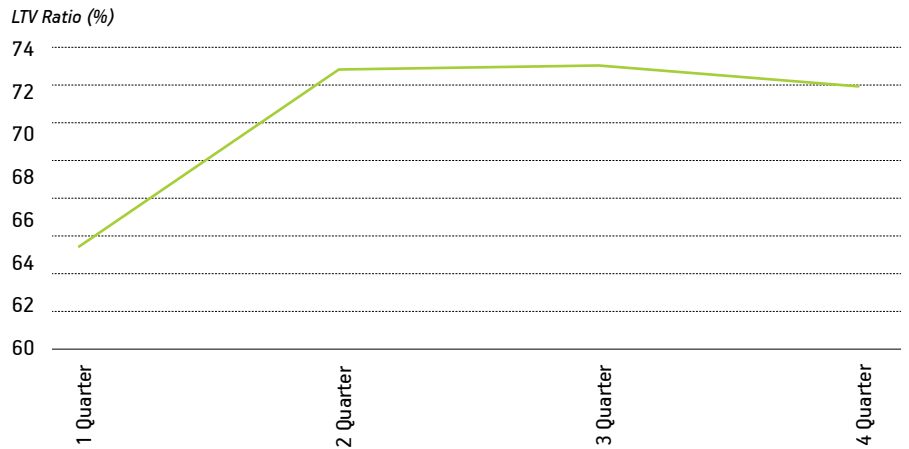
MI's Equity Portfolio



International gold price movement




Average Loan to Value Ratio of Gold Loans-New Disbursements



How We Tackled Market Risk

Risk	Risk Description	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Interest Rate Risk	Risk of facing reduced earnings or declined value of assets resulting from volatility in interest rates that impact rate-sensitive financial assets and liabilities.	High	<p>In light of the plummeting policy rates since the mid of the financial year, lending and deposit rates were adjusted downward accordingly.</p> <p>In this case, core margins and profitability of the sector increased with reduced exposure to interest rate risk.</p> <p>MI's strategy on mobilizing higher rate deposits for a shorter tenor relieved absorbing the favorable downward reprising effect rapidly. Consequently, NIM increased to 9.79% compared to last financial year's 6.46%.</p> <p>What We Can Expect Going Forward: With the further relaxation of tightened monetary policy, we expect market interest rates to respond to a similar downward trajectory.</p>	<ul style="list-style-type: none"> Regular monitoring and pricing review by the Treasury Committee on deposits kept managing costs and remained attractiveness of pricing to boost the base. Remained highly receptive to market rate movements and changes in the external environment in deciding lending rates. Periodical reporting to ALCO and BIRMC consisted of impact assessments on margins and profitability as outcomes of various stressed scenarios to take proactive measures.
Equity Price Risk	Equity price risk is the risk of decreasing fair value of the equity portfolio that may arise as a result of adverse movements in equity prices.	Moderate	<p>During the starting phase of the financial year under review, investors preferred government securities over equity investments recording a descending move of the equity prices.</p> <p>However, magnitude of above trend was weakened in the concluding part of the financial year resulting from low yield recorded on government securities.</p> <p>MI's equity portfolio amounted to Rs. 2 Billion as at financial year-end optimized by coherent investment decisions.</p> <p>What We Can Expect Going Forward: Notwithstanding the insecurity surrounding the terms of external debt restructuring, expectation of gradual economic reclamation followed by positive external reserves and price stabilization will further enhance the equity market performance in the near term.</p>	<ul style="list-style-type: none"> Adhered to the controls and covenants provided in the investment policy keeping risks minimal in all the investment decisions. Single shareholding exposures and sector-wise exposures were analysed to mitigate risk while decision making was performed in a futuristic way. Share price movements of the investment portfolio were closely monitored by the treasury management team and findings reported to the Director Board.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Commodity Price Risk	The risk of financial losses due to the movements in commodity prices. MI's commodity price risk arises mainly due to the gold-backed loans.	 Moderate	<p>The high propensity observed in diverting NBFI sector funds towards expansion of the gold loan portfolios was largely driven by the demand as considerable amount of households plunged into poverty.</p> <p>However, this stemmed as a risk to the sector with inherent high volatility of gold prices.</p> <p>In line with ongoing sector projections, we make accurate predictions and planned for eventualities on gold price movements, thereby avoiding capital losses while exceeding the gold loan book over Rs. 1.6 Billion by the end of financial year.</p> <p>What We Can Expect Going Forward: International gold prices are anticipated to follow a downward trend in the near future</p>	<ul style="list-style-type: none"> ⊙ Extended geographical concentration of the gold loan portfolio through branch expansion. ⊙ Adopting a healthy LTV, kept monitoring the LTV parameters even for minor fluctuation of gold prices since the commencement of gold loan operations. ⊙ Capital losses were minimized by resorting maturity to short -tenure gold loan tickets and measures to realize the maximum values of gold articles at the auctions. ⊙ Auctions were planned at frequent intervals to minimise risk of price movements.

Stress Testing on Market Risk

Stress testing on equity investments

Stress Scenario: Falling fair values of MI's equity investment portfolios impact on the Company's Total CAR

Scenario	Magnitude of Shock (%)	Stressed CAR (%)
1	5	17.67
2	10	17.46
3	15	17.25

Commentary:

Under the given stress cases, MI's Total Risk Weighted Capital Adequacy ratio is well above the prudential capital adequacy requirement of 12.5%.

OPERATIONAL RISK



Operational risk is the risk of losses resulting from failed internal processes, people, systems and external events which arise from day-to-day operations. These losses could be monetary or non-monetary and may affect every aspect of business.

Key Highlights

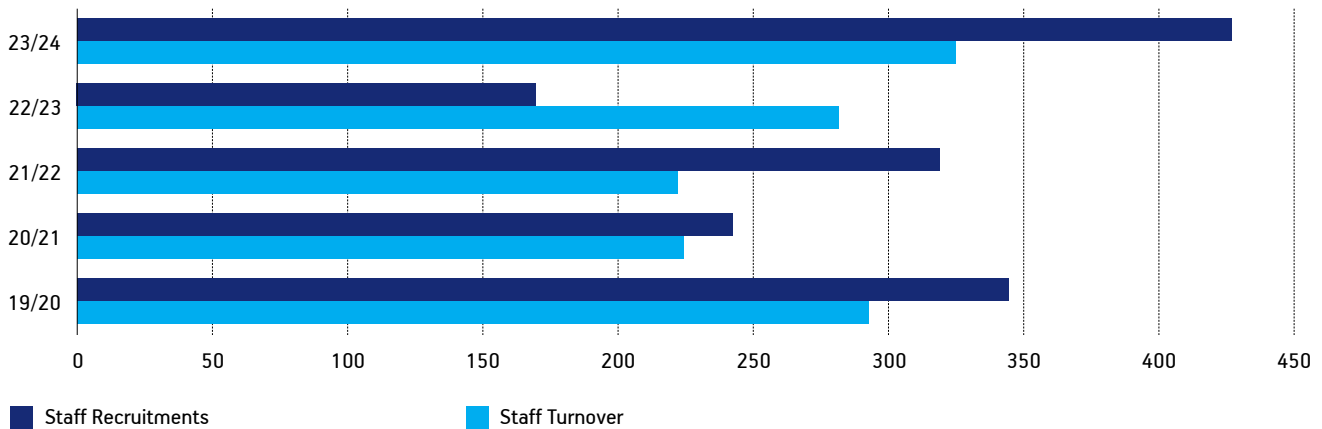
- ⊙ Board-approved Business Continuity Plan (BCP) is in place ensuring unbroken affairs with all stakeholder groups.
- ⊙ Proper resources were deployed to adhere to the Finance Business Act Direction No. 01 of 2022 on Technology Risk Management and Resilience standardising MI's cyber security practices, with ongoing planning for full compliance by required dates.
- ⊙ Enhanced reporting of operational risks through quarterly risk dashboards sanctioned by BIRMC.

Statement on Operational Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2023/24	Actual Figure FY 2022/23
Internal Fraud	< 3 Incidents	NA	0	0
External Fraud	< 2 Incidents	NA	0	0
Physical Assets Damages	< 2 Incidents	NA	0	0
Business Disruption Due to System Failures	< 2 Incidents	NA	1	1
Failure/Risk on New Products and Practices	< 1 Incidents	NA	0	0
Human Resources Related Risk	< 2 Incidents	NA	0	0

Trend of Operational Risk Metrics

Staff turnover vs. Staff Recruitments



How we Tackled Operational Risk

Risk	Risk Description	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
People Risk and Workplace Safety	The risk of loss intentionally or unintentionally caused by employees. The risk arises from employee errors, employee health and safety concerns, etc.	Moderate	<p>The corporate sector experienced a severe shortage of skilled labour owing to migration of skilled workforce including professionals.</p> <p>Notwithstanding the positive move of the economy, uncertainty over commercial debt restructuring and related disorders has caused a lower expectation level among whole nation.</p> <p>Amidst all the obstacles, MI was able to retain its high calibre workforce while sourcing new talents assuring career progression among all staff categories.</p> <p>What We Can Expect Going Forward: Lower migration rate together with high staff morale can be expected with elections scheduled to be held during late 2024.</p>	<ul style="list-style-type: none"> Talent pool was maintained with right motivation and skills levels Extensive staff trainings were targeted to improve career development minimizing skill gaps. MI has implemented a detailed performance assessment of all employees and introduced mentoring to minimise the effects of the challenging environment. Peaceful and sociable work environment is in place encouraging loyalty and morale. A whistle-blowing policy along with strict disciplinary actions process was in place to ensure discipline and compliance. Succession plan for all key positions in place ensuring continuity of business processes.

RISK MANAGEMENT REPORT

Risk	Risk Description	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Business Disruptions, System Failures and Information Security Risk	The risk of losses caused by piracy, theft, failure, breakdown or disruption in technology, data or information. The risk arises from hardware and software failures, telecommunication problems and utility outages.	High	<p>Providing ICT enabled solutions internally and externally, while safeguarding information is of paramount importance as the rivalry among the financial industry is evolving.</p> <p>MI considered information as one of the key assets, adhering roadmap initiated in the previous reporting period for standardising cybersecurity practices as per Technology Risk Management and Resilience direction.</p> <p>In the period under consideration, MI concluded major technology-related initiatives of migrating to a fully-fledged external IT system.</p> <p>What We Can Expect Going Forward: We anticipate that business processes will become more streamlined in the future, in light of advancements in IT.</p>	<ul style="list-style-type: none"> ○ Employee awareness sessions were conducted aiming information security and data protection through the Intranet. ○ IT related infrastructure was enhanced ensuring productivity of processes and quality of reports generated. ○ Periodical review of Information technology-based BCP was steered by the Board. ○ Continuous monitoring process is in place for system downtimes and error reports against BCP appetites.
Legal and Compliance Risk	Risk of possible losses in terms of penalties, fines, claims or outside parties filing lawsuits against the company.	Moderate	<p>The regulator was compelled to pay closer attention to the NBFi sector given the unfavorable operating context. As resulting, penalties were imposed for non-compliance with AML and CFT regulations.</p> <p>During the financial year under review, Direction No 1 of 2024 (Periodic Reporting Requirements) and new gazette on customer protection framework came into effect. In addition to that, CSE listing rules were amended with reference to corporate governance requirements.</p> <p>Every conceivable measure was implemented to shield MI from legal and compliance risks, guaranteeing complete adherence to all regulatory provisions and avoiding any instances of non-compliance.</p> <p>What We Can Expect Going Forward: High possibility available for enacting strict supervisory measures for anti-money laundering and capital adequacy measures.</p>	<ul style="list-style-type: none"> ○ The Compliance Unit presented monthly compliance status reports, dashboards and gap analyses to the Board and made recommendations. ○ Compliance division staff participated in training sessions on Anti- Money Laundering and Counter Terrorist Financing conducted by the Central Bank of SriLanka. ○ Awareness sessions and trainings were conducted, relating to AML and combating financing of terrorism (CFT) for operational level staff including credit, deposits and gold loans. ○ IT related developments were initiated for AML and periodic reporting as per the specifications of the regulator. ○ High risk compliance areas highlighted by regulatory examiners were prioritized for constant monitoring in keeping to the company's risk based compliance plan.

Strategic Risk



Strategic Risk occurs due to incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy executions, failure to respond to changes in the regulatory, macroeconomic and competitive environments, product obsolescence and technology developments, etc.

Key Highlights

- ⦿ The board approved strategic roadmap for next four years is in place with tight monitoring mechanisms.
- ⦿ MI broadened its presence across the island subsequent to comprehensive feasibility studies and cost – benefit reviews.
- ⦿ Quarterly competitor analyses embedded with qualitative and quantitative metrics in order to identify unsymmetrical indicators.
- ⦿ Summaries of key risks and mitigation mechanisms were tabled at monthly Board meetings as a dashboard.

How We Tackled Strategic Risk

Risk	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Strategic Risk	High	<p>During the year under review, MI experienced a strategic turnaround widening its foot print all over the country, increasing efficiency levels, which led to an improved bottom line compared to the previous financial year.</p> <p>Furthermore, MI was able to realize a favourable repricing effect, following farsighted decisions made in the previous financial period on deposit mobilization.</p> <p>What We Can Expect Going Forward: Gradual relaxing of import restrictions is expected in the latter part of year 2024 as a measure of improving fiscal revenue. Demand for credit projected to be increased with the anticipated economic revival.</p>	<ul style="list-style-type: none"> ⦿ Stringent budgetary controls were in place for all business locations and departments. ⦿ Stress testing process was enhanced with possible scenarios guiding management towards effective strategic actions. ⦿ Comprehensive variance analysis covering all cost - income elements was carried out monthly with the objective of achieving cost efficiencies. ⦿ Technological advancement in all functional processes achieved through the ongoing process of system migration. ⦿ Aligned business strategy with sound risk management principles and parameters to remain within the tolerance level of risk.

Reputational Risk




Reputational risk arises when stakeholder loses his/ her favorable perception held about a company. This risk is highly dynamic, as stakeholders' expectations are not constant and, hence, the company is required to be continuously vigilant about the factors causing reputational risk.

Key Highlights

- ⦿ A committee on customer complaints handling was initiated by complying with the gazette on financial customer protection regulations.
- ⦿ MI's social standing was intensified through CSR activities conducted by the Sustainability Committee.

How We Tackled Reputational Risk

Risk	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Reputational Risk	 Moderate	<p>MI was able to secure a credit rating upgrade in outlook from 'Negative' to 'Stable' owing to the secured portfolio conserved, solidarity displayed financially including healthy liquidity levels and capital buffers amidst a few rating downgrades of the peers.</p> <p>Further, market share was escalated in deposits and borrowings succeeding the robust branch expansion.</p> <p>What We Can Expect Going Forward: Stakeholder interest will continue to be safe guarded through all possible proactive measures as a reputed financial establishment having which dispersed its presence close to 60 years industry presence.</p>	<ul style="list-style-type: none"> ⊙ Professional standing was maintained in all business affairs preserving public image. ⊙ Social media was deployed as a tool of brand promotion and product awareness. ⊙ Marketing and communication department paid severe attention on incidents that resulted in negative publicity. ⊙ Strong checks and balances in place with timely audit and review followed by disciplinary actions over breach of good conduct. ⊙ All functional procedures were enhanced annually achieving excellence in customer satisfaction. ⊙ All newly recruited front office staff were trained and educated on professionalism in customer handling. ⊙ Enhanced whistle-blowing policies to eliminate misconduct with the organisation. ⊙ Efficiency was increased, in customer handing points enhancing customer satisfaction with the aid of technology.

Environmental Risk




Environmental risk is the risk of actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of the company's activities.

Key Highlights

- ⊙ The policy on Sustainability Finance Activities was deployed during the year under review.
- ⊙ Utility cost control was taken as a matter of utmost significance in branch cost control reviews.
- ⊙ Paper consumption was minimized in the technology driven working environment.
- ⊙ Initiatives are underway to operate selected of company premises with solar power.

How We Tackled Environmental Risk

Risk	Risk Severity	Situational Analysis FY 2023/24	Our Strategies
Environmental Risk	 Moderate	<p>Environmental risk continued to extend with rapid climate changes, deforestation, water pollution, high energy consumption, rising sea levels, etc.</p> <p>MI paid attention to the need for environmental protection through lower electricity and paper consumption.</p> <p>What We Can Expect Going Forward: The country's finance business is moving towards more deployment of sustainable finance products.</p>	<ul style="list-style-type: none"> ⊙ Staff members were encouraged to minimize paper consumption. ⊙ Sustainability Governance Strategy was aligned transforming from a high carbon intensive mechanism to a low carbon intensive mechanism in the longer horizon. ⊙ Across the company, functions were automated to minimum paper consumption.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Composition of the Committee

The Committee consists of the following members;

Name	Membership Status	Directorship Status/ Position held in the company
Mr. A. L. N. Dias	Chairman of the Committee	Independent Non-Executive Director
Mr. Gerard G. Ondaatjie	Member	Executive Director
Mr. S.H. Jayasuriya	Member	Executive Director
Mr. Laksanda Gunawardena (w.e.f November 23, 2023)	Member	Chief Operating Officer
Mr. D. Fonseka (Until COO transition)	Member	Chief Operating Officer
Mr. Deva Anthony	Member	Chief Financial Officer (Non-Board Director)
Mr. T. I. Jayawardana (Resigned w.e.f January 26, 2024)	Member	Assistant General Manager – Credit Risk
Mr. Ramidu Costa	Member/Secretary to the Committee	Head of Compliance & Risk Management

The Board Integrated Risk Management committee (BIRMC)

The committee was established and operated in accordance with the sections 10.3 of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and respective transitional provisions issued by the Monetary Board under the Finance Business Act No. 42 of 2011.

Committee meetings

The Committee held four meetings for the financial year under review in order to achieve its key objectives and carry out its responsibilities. Details of Committee membership and meeting attendance information are disclosed on page 96 of this integrated annual report.

Duties and Responsibilities

According to the Board approved 'Terms and Reference' (TOR) of the committee, following remains the key responsibilities of the BIRMC.

- ⦿ Assessing key risks associated with business including but not limited to credit, market, liquidity, operational, information and strategic risks, which also cover the business continuity plan of the company, periodically, through assessing appropriate risk indicators and ensuring suitable risk mitigation strategies are in place for current and emerging risks which exceed the risk tolerance levels.
- ⦿ Determining appropriate risk appetite limits in addition to limits imposed stemming from regulations.
- ⦿ Setting a comprehensive risk management framework with appropriate compliance policies and systems to create a strong risk-conscious culture, by
 - Communicating MI's approach to the risk company wide.
 - Promoting ethical conduct and integrity among the staff by setting forth appropriate standards and expectations.

- ⦿ Reviewing the adequacy and effectiveness of the management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits. This includes the evaluation of the robustness and effectiveness of the risk management mechanisms in place and the exercising oversight over the overall risk management process.
- ⦿ Approving major decisions impacting MI's risk profile or risk exposure, ensuring all key risks are addressed with necessary mitigation strategies within the framework of the authority and scope assigned to the Committee.
- ⦿ Approving parameters and limits set by the Management against various categories of risk upon ascertaining that they are in accordance with the laws and regulations.
- ⦿ Identifying and monitoring the management of fundamental risks to reduce the likelihood of unwelcome surprises.
- ⦿ Assessing performance against defined risk appetite limits and risk goals set for the Company periodically and reviewing MI's approach to Risk Management in order to introduce changes to bridge any gaps arising as a result of the evolving business landscape.

Key BIRMC Actions initiated during financial year 2023/24

The Committee considered wide range of risks faced by the Company amidst the prevailing subdued economic conditions and volatility, initiating proactive and vigilant measures in order to fulfill its duties and responsibilities towards effectively managing risks of the company on behalf of the Board.

- ⦿ Reviewed existing policies on risk management, enhancing risk controls arising from the operational and regulatory environmental with due changes and recommended the policies for approval of the Board.
- ⦿ The committee performed critical assessment of company's foundational risk capabilities and determined the adequacy of enterprise-wide risk governance processes. Key control framework of credit and liquidity risk, including appetite limits and tolerance thresholds were tightened and combined with more frequent monitoring and reporting to the Board.
- ⦿ Newly developed Stress testing framework was reviewed by considering prevailing macro-economic challenges in the country and recommended for Board approval.
- ⦿ With the due recommendation of BIRMC, a summarized version of the Risk Dashboard was presented at the monthly Board Meetings.
- ⦿ Adequacy of the Company's liquidity buffers were regularly monitored through frequent cash flow forecasts and rolling cash flow budgets.
- ⦿ Continuous monitoring of implementing new rules and regulations issued by the regulatory authorities
- ⦿ Reviewed quarterly Anti Money Laundering (AML) and Countering of Financing of Terrorism (CFT) reports tabled by the Compliance Officer
- ⦿ Company-wide compliance risk assessment and risk based compliance plan was reviewed and referred for the approval of the Board.
- ⦿ Regulatory compliance related gaps and lapses were promptly communicated to the Board for immediate direction and actions.
- ⦿ Company's risk appetite statement was reviewed by considering the strategic plan targets initiated by the Board in December 2023.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

During the FY 2023/24, the Committee continued to review established Corporate Management Committees to provide additional focus on credit and recovery risk, liquidity risk, IT resilience including cyber Security, operational risk concerns, business continuity planning, environmental and sustainability risks. The key actions performed by those Committees and positive outcomes derived are summarized below;

Key actions performed	Resulted outcomes
<p>Assets and Liabilities Management Committee (ALCO)</p> <ul style="list-style-type: none"> With the frequent fluctuations prevailing in the market interest rates, ALCO monitored interest rate trends and advised the Treasury Committee on mitigating repricing risk. Provided information to the Board through BIRMC on material risks related to liquidity management including liquidity planning based on forecast and best practices. Reviewed and made recommendation to BIRMC on required amendments to the liquidity risk management policy. 	<ul style="list-style-type: none"> Closer monitoring and proactive actions recommended helped lower interest cost resulted in better margins. Enhanced treasury management function with stronger risk controls helped sustain solid liquidity buffers during challenging times.
<p>IT Steering Committee</p> <ul style="list-style-type: none"> Made recommendations to the Board through BIRMC on company's IT strategy and IT Business Continuity Planning. Updated the Board regarding the project implementation status on migration to the fully-fledged external IT system Duly reviewed MI's adoption of the road map set forth in standardizing its cyber security practices by aligning with the new Finance Business Act Direction No. 01 of 2022 on Technology Risk Management and Resilience. 	<ul style="list-style-type: none"> Ensured MI's core IT system functions operated uninterrupted with zero hackings or disruptive software glitches and viruses to run at optimal capacity.
<p>Executive Management Committee</p> <ul style="list-style-type: none"> Strategic and operational decisions were taken based on Company's performance and evolving industry and process changes. 	<ul style="list-style-type: none"> By studying evolving performance trends and associated risk, proactively strategized with prompt actions to lower risks attached to operations and the workforce. Kept abreast with competitor trends and industry benchmarks and evolving economic dimensions to effect prudent actions.
<p>Sustainability Governance Committee</p> <ul style="list-style-type: none"> Reviewed and made recommendations on the sustainability product development proposals especially relating to Solar related lending Focused and initiated discussions on green funding sources 	<ul style="list-style-type: none"> Ensured that the Company's obligations towards society and the environment are fulfilled and the associated risks were managed.
<p>Customer Complaints Handling Committee</p> <ul style="list-style-type: none"> Reviewed and initiated measures to bridge the gaps identified with the recently introduced government gazette on Financial Consumer Protection regulations Made recommendations to improve the existing mechanism on analyzing customer complaints Made recommendations on the customer accessibility policy 	<ul style="list-style-type: none"> Ensured appropriate mechanisms are in place to receive, resolve with fair redress, compensation and respond to individual grievances and complaints raised by financial consumers.



A.L.N. Dias
Chairman
Board Integrated Risk Management Committee
29th May 2024

BOARD REMUNERATION COMMITTEE REPORT

Committee Composition

GRI 2-19, 2-20

The Remuneration Committee is established and operated by the Board in compliance with Rule 9.12 of the Listing Rules of the Colombo Stock Exchange and Sections 10.1 and 10.5 of Finance Business Act Directions No.05 of 2021 on Corporate Governance and related transitional provisions.

Name	Membership Status	Directorship status/ Position held in the company
Mr. A. L. N. Dias	Chairman of the Committee	Independent Non-Executive Director
Mr. P. D. D. Perera	Member	Board Chairman/Independent Non-Executive Director
Mr. M. K. S. Pieris	Member	Independent Non-Executive Director
Ms. S. Pethiyagoda	Secretary to the Committee	Company Secretary

Terms of Reference

The terms governing the Committee are;

- ◉ Recommending and approving the total remuneration and incentivization packages of the Executive Directors including the Managing Director/ CEO.
- ◉ Considering and recommending to the Board, the broad policy for remuneration and incentive packages.
- ◉ Reviewing company's remuneration practices and policies to ensure fairness in Directors' Remuneration.
- ◉ Determining the policy for the terms of employment of the Executive Directors.
- ◉ Monitoring the performance conditions subject to which any long term incentive awards may be granted under the schemes adopted by the company.
- ◉ When applied, reviewing the design of share incentive schemes and approving grant of long term incentive awards, such as share appreciation rights and performance shares.
- ◉ Bearing the responsibility for selecting and appointing any remuneration consultants who advise the Committee.

Role of the Committee

The Committee as part of its responsibilities reviews the established corporate remuneration policy and proposes recommendations to the Board on the following matters:

- ◉ Determining competitive and fair remuneration packages for the Executive Directors including the Managing Director/ CEO of the Company.
- ◉ Implementing formal and transparent procedures for developing policies to formulate compensation packages, which attract and motivate qualified and experienced personnel to the Board of the Company
- ◉ Evaluating prevailing market remuneration levels time to time, in order to ensure it meets market/ industry rates, when making remuneration policy amendments.

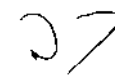
Guiding remuneration principles

In order to remunerate individuals in an effective manner, MI Board set forth guiding principles which encompass alignment of policy to following broader corporate objectives;

- ◉ Deciding on standard pay that will enable the company to attract and retain high caliber staff, necessary to achieve the objectives of the company in a competitive environment.
- ◉ Remuneration to be in a way that it satisfies both shareholder and employee interests.
- ◉ Periodic committee meetings to identify employee performance and recommend suitable remuneration changes.
- ◉ Set goals and targets for the Managing Director/ Chief Executive Officer and Executive Directors and evaluating their performance against set targets and goals periodically and determining the basis for required revisions to remuneration, benefits and other incentives.

Key Activities during FY 2023/24

- ◉ The Committee had one meeting during the financial year, where it reviewed and made recommendations to the Board on the structure for Board performance evaluations and increments.
- ◉ The Committee reviewed and recommended the amendments made to the Board Remuneration Policy and sought approval of the Board to set forth policy.
- ◉ Ensuring balance between staff retention and costs, the Committee provided guidance on annual remuneration and suggested changes by duly considering the prevailing economic volatility including inflationary effects, tax implications and industry efficiency levels.
- ◉ The committee reviewed the company's organization structure changes carried out for the year under review and referred same to the Board for approval.



A. L. N. Dias
Chairman
Board Remuneration Committee
29th May 2024

BOARD NOMINATION COMMITTEE REPORT

Committee Composition

GRI 2-10, 2-18

The Nomination Committee was formed by MI in line with the Best Practices on Corporate Governance and the present composition of the Committee is in line with Section 10.4 of Finance Business Act Directions No.05 of 2021 and respective transitional provisions. The committee comprises of the following Board Directors.

Name	Membership Status	Directorship Status/ Position held in the company
Mrs. E. D. Wickramasuriya	Chairman of the Committee	Independent Non-Executive Director
Mr. G. G. Ondaatjie	Member	Managing Director
Mr. P. D. D. Perera	Member	Independent Non-Executive Director
Mr. A.L. N. Dias	Member	Independent Non-Executive Director
Ms. S. Pethiyagoda	Secretary to the Committee	Company Secretary

Objectives of the Committee

The Nomination Committee was established by the Mercantile Investments' Board of Directors in order to strengthen the Director Appointment process, specifically focusing on:

- Identifying individuals qualified to serve as Board members, consistent with criteria approved by the Board.
- Recommending to the Board, the Director nominees for election or appointment after ascertaining the necessity of additional Directors.
- Conducting a rigorous and transparent process for selecting or appointing of new Directors.
- Advising the Board on issues of Director's independence

Role of the committee

- Review the size, structure and composition of the Board and to make recommendations of any changes to the Board.
- Implement and maintain a formal and transparent procedure to select or appoint new Directors, CEO and Key Responsible Personnel in order to fulfill leadership needs of the Company.

- Evaluate the appointment of Directors to the Board of Directors and Board Committees of the company
- Establish criteria including, qualifications, competencies, experience, independence, and other key attributes, to ensure fitness and propriety required to hold the position of Directors, CEO and Key Management
- Review and recommend from time to time the requirements of additional or new expertise for Directors and Key Responsible Personnel and seek out possible candidates to fill those positions and advice and recommend to the Board on any such appointment
- Assess nominees based on defined criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of Director or key management submitted by any shareholder of the company.
- Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the Managing Director/ CEO of the Entity to ensure that their responsibilities are properly discharged.
- Recommend to the Board, prior to the solicitation of proxies, an account of qualified candidates for election to the Board at each meeting of shareholders of the Company at which Directors are to be elected and, in the case of a vacancy on the Board, a candidate to fill that vacancy.
- Evaluate the performance of incumbent Directors upon the expiration of their terms.
- Ensure balance of skill, knowledge and experience of members forming the Board and also ensure that the members are fit and proper persons to hold the position as required by statutes.
- Prepare evaluation forms for all Board members and all members of Board committees and, at least annually, receive comments from all members of the Board and report to the Board with an assessment of the Board's performance.
- Oversee the orientation and training of new Directors in order to ensure the expected levels of responsibilities are delivered by the committee
- Ensure succession arrangements are in place for the post of Managing Director/ CEO and Key Responsible Personnel and have in place an effective training and development plan for the KRPs identified for succession.

- Recommend ways in which the Board could improve its performance in achieving the objectives of the committee.

Committee meetings

Four Nomination Committee meetings were held during the year under review and the proceedings of the meetings accordingly reported to the Board.

Key Actions during the FY 2023/24

- By duly considering the transitional provisions granted to section 3.5 a) of Finance Business Act Directions No.05 of 2021 on Corporate Governance, the committee concluded that it was satisfied with the present composition of the Board. Same time, future Board Composition requirements of the said direction effective from 1st July 2024 was also reviewed and plans effected to be compliant by the said date.
- To ensure compliance with Rule 9.11 of the recently revised Listing Rules of the Colombo Stock Exchange (CSE) the company is underway to change the committee Terms of Reference (TOR) by 1st October 2024. Salient changes that will take place include to rename the existing Board Nomination Committee as the "Board Nominations and Governance Committee" and to effect Committee Director composition changes.
- The Committee obtained declarations from all the Independent Non-Executive Directors through a prescribed format confirming their status of independence.
- The Board approved the Succession Plan of Senior Management put up to Board in September 2023, as recommended by the Committee.
- As per the Articles of Association of the company, two Directors namely Mr. A. L. N. Dias and Mrs. E. D. Wickramasuriya retired by rotation during the financial year under review. After due consideration, the committee recommended the re-appointment of the said Directors.



E. D. Wickramasuriya
Chairperson
Board Nomination Committee
29th May 2024

BOARD AUDIT COMMITTEE REPORT

The Board of Directors have established the Board Audit Committee in line with the Central Bank Direction No. 05 of 2021 and respective transitional provisions, listing rules on corporate governance issued by CSE and code of best practice on corporate governance issued by CA Sri Lanka in 2023. The committee comprises three independent Non-Executive Directors and a Secretary.

Name	Membership Status	Directorship Status/ Position held in the company
Mr. P. D. D. Perera	Chairman of the Committee	Board Chairman/ Independent Non-Executive Director
Mrs. E. D. Wickramasuriya	Member	Independent Non-Executive Director
Mr. A. L. N. Dias	Member	Independent Non-Executive Director Company
Ms.S. Pethiyagoda	Secretary to the Committee	Company Secretary

During the financial year under review, the Finance Director, Chief Financial Officer, Other member from the management team and representatives from Internal and External Auditors were present at meetings by invitation.

Terms of Reference

Terms of Reference of the committee which stems from the scope of the Board Audit Committee has been established for the purpose of assisting the Board in fulfilling its responsibilities, including risk management, integrity of Financial Statements, internal control, compliance, overseeing External auditor's engagement, internal audit matters etc.

Responsibilities of the Audit Committee

- Reviewing of the appropriateness of the financial reporting systems of the Company to provide accurate, appropriate and timely information to the Board, management, regulatory authorities and other stakeholders.
- Ensuring that the Company adopts and adheres to the high standards of prevailing corporate governance practices and conforming to the industry best practices.
- Reviewing risk management measures and internal controls to ensure efficiency and effectiveness in mitigating risks involved.
- Making recommendations on matters in connection with the appointment of the external auditors and service period, audit fee, resignation or dismissal of the auditor. The implementation of Central Bank guidelines issued to auditor from time to time, application of relevant accounting standards.
- Assisting the Board in discharging its responsibilities and exercises oversight over financial reporting, internal controls and internal/external audits.
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.
- Developing and implementing a policy with the approval of the Board on the engagement of the external auditor to provide non-audit services that is permitted under the relevant statues, regulations, requirements and guidelines.
- Reviewing the key financial information of the Company in order to monitor the integrity of the annual and interim financial statements and disclosures focusing on major judgemental areas, any changes in accounting policies, significant adjustments arising from audits, the going concerns assumptions and the compliance with relevant accounting standards and other legal requirements.

- Discussing the issues, outstanding matters and reservations arising from the interim and final audits and any other matters with the auditors.
- Reviewing the external auditor's management letter and the management's responses.
- Reviewing the adequacy of the scope and functions of the internal auditors, internal audit program, and independency of the internal audit department.

The Audit Committee assures that the Company's policies and activities comply with rules and regulations and accepted ethical guidelines. Establishing effective risk management processes that enable the proper identification and mitigation of risk is one of the key objectives of the Board Audit Committee. Assisting the Board of Directors in fulfilling its oversight responsibilities in the financial reporting process and auditing Financial Statements by monitoring the integrity and reliability of the Financial Statements is another key function of the Audit Committee. The committee also ensures effective whistle-blowing policies are in place to address issues relating to breach of ethics, for fair and independent investigations and for appropriate follow-up actions.

The Committee held ten meetings for the financial year under review in order to achieve its key objectives and carry out its responsibilities. Details of Committee membership and meeting attendance information are disclosed on page 96 of this integrated annual report.

Internal Audit

The Committee ensured that the Internal Audit Division at MI is independent of the operational activities of the Company and Internal Audit division performed its activities impartially, diligently and professionally.

BOARD AUDIT COMMITTEE REPORT

MI's Annual Internal Audit program was structured to ensure that there is adequate audit coverage at both the Head Office and branch level. The type and frequency of audits of the Business Units are determined based on the risk assessment, which assists prioritizing the audit. The Audit Committee regularly reviewed audit reports and followed-up with Management on material audit observation with recommendations.

The Internal Audit Department's resource requirements were assessed and performance appraisal of the head of Internal Audit was reviewed by the committee.

Independence of External Auditors

The Audit Committee reviewed both audit and non-audit functions of the External Auditors which are segregated as those require independent view and other advisory services. Messrs. Ernst and Young, Chartered Accountants, External Auditors, does not handle a substantial volume of non-audit services of the Company, in keeping with terms of reference of engagement of External Audit partners to provide non-audit services.

The Audit Committee ensured that the provision of such limited services did not impair the independence and objectivity of External Auditors and that work was assigned in such manner as to prevent any conflict of interest.

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well monitored.

The Audit Committee will recommend to the Board of Directors that Messrs. Ernst and Young, Chartered Accountants, be reappointed as the External Auditor of the Company for the year ending 31st March 2025, subject to the approval of shareholders at the Annual General Meeting, in accordance with Central Bank regulations on selecting regulatory-approved External Auditors for LFCs. The Audit Committee's selection and review of the External Auditors will be based on capability, resource availability of the firm and their level of independence from MI and Board of Directors. The Audit Committee recommended the fees payable to the Auditors for the 2023/24 financial year and approved by the Board.

Key activities conducted by the committee during FY 2023/24

- ⊙ The Committee regularly monitored all exceptional items charged to the Income Statement, long outstanding items in the Company's chart of accounts, credit quality including adequacy of provisioning, risk management procedures and adherence to classification of non-performing loans and provisioning requirements specified by the regulator.
- ⊙ The Committee monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the Central Bank of Sri Lanka (CBSL) through regular follow-up reports tabled during the year under review.
- ⊙ The committee reviewed the effectiveness of the adopted risk-based audit approach and internal controls of the Company.

- ⊙ Members of the committee regularly attended virtual and physical seminars, conferences, workshops, presentations done by internal and external officers on the areas such as new developments, new accounting standards, tax regulations, new statutes and Directions issued by the regulator.
- ⊙ The Committee emphasised the need to uphold good governance practices and ethical values to staff. The Company Code of Ethics and Whistle-blower's Charters were strongly enforced and thereafter followed up by educating and encouraging all members of staff to resort to whistle-blowing to designated independent officials, if they suspect any wrongdoings or other improprieties.
- ⊙ Implementation status of key Directions that include transitional provisions, including the Corporate Governance Direction No. 5 of 2021, Rule 9 of Colombo Stock Exchange (CSE) and Direction no. 01 of 2022 on Technology Risk Management and Resilience were regularly reviewed and significant gaps were referred to monthly Board meeting discussions for adoption by the future stipulated dates.
- ⊙ Under the supervision of the BAC, External Auditors Messrs EY carried out a 'Model Validation' review on the impairment provision computation and due recommendations were adopted in coordination with the finance department for the balance sheet date.



P. D. D. Perera
Chairman
Board Audit Committee
29th May 2024

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Composition of the Committee

The Board-Related Party Transaction Review Committee (BRPTRC) was established during the financial year 2014/15 to review transactions carried out by the Company with related parties, by early adopting the code of Best Practices on Related Party Transaction issued by the Securities and Exchange Commission of Sri Lanka (SEC) in December 2013. MI's BRPTRC composition is as follows;

Name	Membership Status	Directorship Status/ Position held in the company
Mr. P. D. D. Perera	Chairman of the Committee	Board Chairman/ Independent Non-Executive Director
Mrs. E. D. Wickramasuriya	Member	Independent Non-Executive Director
Mr. S. H. Jayasuriya	Member	Executive Director
Mr. A. L. N. Dias	Member	Independent Non-Executive Director
Ms. S. Pethiyagoda	Secretary to the Committee	Company Secretary

Scope of the Committee

Identifying of all related parties of the Company and review their transactions with the Company to ensure that they are carried out on an arm's length basis.

The committee's main objective is to offer an unbiased evaluation, authorization, and supervision of the company's transactions involving related parties. During each meeting, the management informs the committee about any updates or modifications regarding previously identified individuals or entities that are considered related parties.

Objective

To protect the interest of investors and other stakeholders as a whole, through the introduction of a formal mechanism to identify and report related party transactions and comply with requirements of the Code of Best Practice on Related Parties issued by the Securities and Exchange Commission and Central Bank of Sri Lanka.

Responsibilities of the Committee

- Adopting policies and procedures to identify related parties and review of related party transactions of the Company and reviewing and overseeing existing policies and procedures.
- Adopting Related Party Transaction policies to uphold good governance towards the best interest of the company and its stakeholders.

- Establishing guidelines to be followed by the Board and Senior Management in respect of ongoing related party transactions.
- Prior review of proposed Related Party Transactions of the Company except those explicitly exempted by the Committee policies.
- Ensuring that procedures and guidelines are issued to compel required RPTs, to be referred to the Committee review.
- Updating the Board of Directors on the related party transactions of the Company on a quarterly basis.
- Making immediate market disclosures on applicable related party transactions as required by the Colombo Stock Exchange (CSE).
- Making appropriate disclosure on related party transactions in the Annual Report as required by the CSE.
- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- Draw the attention of the Board on concerning transactions, if any.

Activities conducted by the committee during FY 2023/24

- Five committee meetings were held during the year under review. Finance Division through the Finance Director submitted comprehensive reports on related party transactions to the Committee for the

members review and oversight. Attendance of the members of the Committee is provided on page 96. Any concerns of the Committee continued to be reported to the Board of Directors on an ongoing basis.

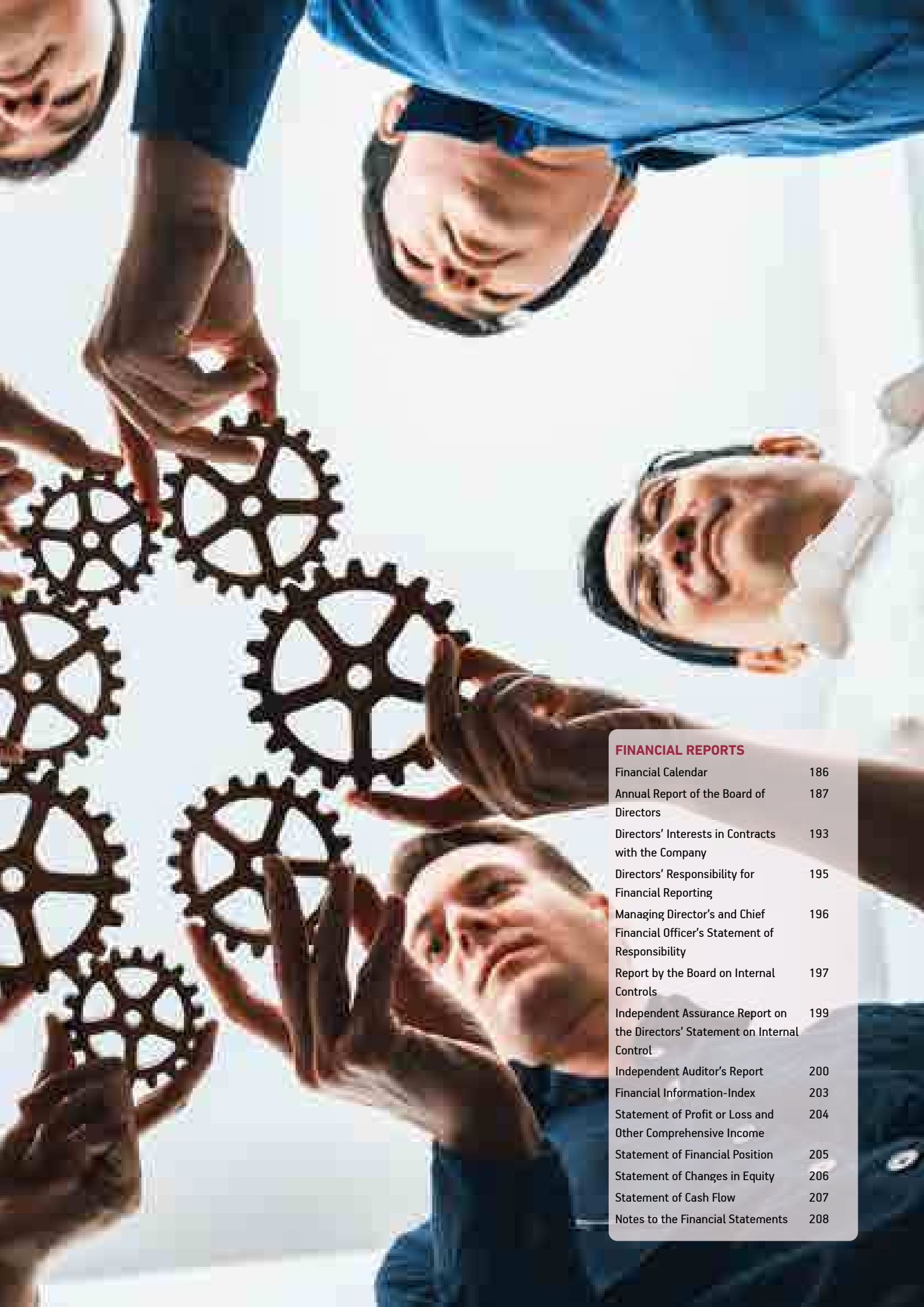
- During the year under review, the committee reviewed all the recurrent and non-recurrent related party transactions entered into by the company on a quarterly basis that all such transactions entered into have been done on an arms-length basis, where no favorable terms have been offered. Based on this evaluation, concluded that the aggregate value of all non-recurrent related party transactions entered into during the year was below the threshold for immediate disclosure in terms of Rule 9.14.8 (1) of the Listing Rules.
- Prior review of related party transactions real-time, on a email based approval system was established during the year. Accordingly, at least one Committee member's sanction was obtained prior, before executing the relevant transaction.
- The aggregate value of a one recurrent related party transaction entered into by the Company which fall under section 9.14.8(2) of the Listing Rules have been disclosed in Note 50 to the Financial Statements on page 268.
- The Committee reviewed the amended policy on Related Party Transactions and referred for the approval of the Board in February 2024.
- Based on the information as disclosed by the Directors, the database of related parties maintained in the company's core system was updated and the required system generated comprehensive reports were tabled at every quarterly meeting of the committee for review.



P. D. D. Perera
Chairman
Related Party Transactions Review Committee
29th May 2024

Catalysing the gears of productivity





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FINANCIAL CALENDAR

	2023/24	2024/25 (Proposed)
First interim dividend	28th March 2024	August 2024
Second interim dividend	-	February 2025
Annual Report and Accounts for the year signed/to be signed	29th May 2024	30th May 2025
Annual General Meeting to be held	28th June 2024	30th June 2025

Submission of the Interim Financial Statements in Terms of the Rule 7.4 of the Colombo Stock Exchange and as per the Requirements of the Central Bank of Sri Lanka	Submitted on	2024/25 to be submitted on or before
For the 3 months ended 30th June – (unaudited)	11th August 2023	15th August 2024
For the 3 and 6 months ended 30th September – (unaudited)	14th November 2023	15th November 2024
For the 3 and 9 months ended 31st December – (unaudited)	13th February 2024	15th February 2025
For the 3 months and year ended 31st March – (unaudited)	30th May 2024	31st May 2025

Publication of Financial Statements as per Finance Business Act No 42 of 2011	2023/24 Published on	2024/25 to be Published on or before
Six month Financial Statements	30th November 2023	29th November 2024
Annual Financial Statements	28th June 2024	30th June 2025

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Annual Report of the Board of Directors on the affairs of the company and statement of Compliance of the contents of the Annual Report.

The details set out herein provide the information required by the section 168 of the Companies Act No 7 of 2007 and recommended best accounting practices.

1. General

The Directors of Mercantile Investments and Finance PLC have pleasure in presenting to the shareholders this report together with the Audited Financial Statements for the year ended March 31, 2024, and the Auditors' Report on those Financial Statements, conforming to the requirement of the Companies Act No 07 of 2007, Finance Business Act No 42 of 2011 and the Directions issued thereunder.

Mercantile Investments and Finance PLC is a public limited liability company incorporated in Sri Lanka on 15 June 1964 under the Companies Ordinance No 51 of 1938 and re-registered under the Company Act No 07 of 2007 and a licensed Finance Company under the Finance Business Act 42 of 2011.

The ordinary shares of the company are quoted on the Diri Savi board of the Colombo Stock Exchange since June 2011 and transferred to the second board on 15 November 2019. Fitch Ratings Lanka Ltd has assigned BBB-(lka) (Stable outlook) long term financial institution rating to the Company.

The registered office of the Company is situated at No 236, Galle Road, Colombo 03, which is also its Head Office.

This Report provides the information as required by the Companies Act No 07 of 2007, Finance Business Act Direction No 05 of 2021- (Corporate Governance) , Listing Rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance. This Report was approved by the Board of Directors on May 29, 2024.

Section 168 of the Companies Act No 07 of the 2007, requires the following information to be published in the Annual Report, prepared for the year under review (i.e., for the year ended March 31, 2024)

Information required to be disclosed	Reference to the Companies Act	Extent of compliance by the Company
I) The nature of the business of the Company together with any change thereof during the accounting period	Section 168 (1) (a)	Refer page 208
II) Completed and signed Financial Statements of the Company for the accounting period completed.	Section 168 (1) (b)	Refer pages 204 to 205
III) Auditor's Report on Financial Statements of the Company and the Group.	Section 168 (1) (c)	Refer page 200 to 202
IV) Any changes made to the Accounting policies during the year under review.	Section 168 (1) (d)	Refer page 208 to 217
V) Particulars of the entries in the Interests Registers of the Company during the accounting period.	Section 168 (1) (e)	Refer page 191
VI) Remuneration and other benefits paid to Directors of the Company during the period.	Section 168 (1) (f)	Refer page 221
VII) Total amount of donations made by the Company during the period.	Section 168 (1) (g)	Refer page 188
VIII) Information on Directorate of the Company during and at the end of the accounting period.	Section 168 (1) (h)	Refer pages 190 to 191
IX) Separate disclosure on amounts payable by the Company to the Auditor as Audit Fees and fees for other services rendered during the accounting period.	Section 168 (1) (i)	Refer page 223
X) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer page 191
XI) Acknowledgment of the contents of this report/ signatures on behalf of the Board by two Directors and the Secretary of the Company.	Section 168 (1) (k)	Refer page 192

2. Review of Business

2.1 Vision, Mission and Corporate Conduct

The company's Vision and Mission are given on page 16 of this Report. The business activities of the company are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission, which reflects our commitment to high standards of business conduct and ethics.

2.2 Reviews on Operations of the Company

The company has established delivery points across all key regional hubs of the country. During the year, there were 8 new delivery points added, the total number of delivery points in country was 51 at the end of 2024 (43 at the end of 2023)

A review of operations of the company during the financial year and results of those operations are contained in the Chairman's Review, Managing Director's Review on pages 24 to 31 and Management Discussion & Analysis on pages 34 to 73 of this Annual Report.

Segment wise contribution to revenue, results, assets and liabilities is disclosed in Note 53 to the Financial Statements on page 269 to 271.

2.2.1 Principal Activities of the Company

The principal business activities of the company consist of finance leasing, hire purchase financing, term loan financing, fleet management, micro financing, share trading, Gold Loans and mobilisation of deposits.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

2.2.2 Associate Company

Company has a 26.12% (2023 – 26.12%) holding in The Nuwara Eliya Hotels Company PLC which is a quoted public company and involving in the business of hoteliering. Details of the investments in associate is given in note 29 to Financial Statement on page 242 to 244 of this Annual Report.

2.3 Financial Statements of the Company

The Financial Statements of the company duly certified by the Chief Financial Officer and approved by two Directors in compliance with the requirements of sections 151, and 168(1) (b) of the Companies Act No 07 of 2007 are given on pages 205 of the Annual Report.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the company to reflect a true & fair view of the state of its affairs. The Directors are of the view that Statement of Profit or loss and other Comprehensive income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Material accounting policies & Notes thereto appearing on page 204 to 293 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 and the Companies Act No 07 of 2007. Further, these Financial Statements also comply with the requirements of the Finance Business Act No. 42 of 2011 and the listing rules of the Colombo Stock Exchange. The statement of 'Directors Responsibilities' appearing on page 195 to 196 of this Annual Report forms an integral part of this report.

2.5 Directors Statement on Internal control over Financial Reporting

The Board has issued a statement on the internal control mechanism of the company as per Section 16 of Finance Business Act Direction No 05 of 2021- (Corporate Governance). The said statement which forms an integral part of the Annual Report of the Board of Directors on the affairs of the company is given on pages 197 to 198.

The Board has obtained an Assurance report from the External Auditors on the Directors' Statement on internal control over Financial Reporting which is given on page 199.

2.6 Auditors' Report

Company's Auditors, Messrs Ernst & Young Partners performed the audit on the Financial Statements for the year ended March 31, 2024 and the Auditor's Report on the Financial Statements is given on pages 200 to 202 of this Annual Report as required by section 168(1)(c) of the companies Act No 07 of 2007.

2.7 Accounting Policies & Changes during the year

The Company prepared its Financial Statements for all periods up to and including the year ended March 31, 2024, in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) which were in effect up to that date. The Material accounting policies adopted in the preparation of Financial Statements of the company are given on pages 208 to 217 of the Annual Report as required by Section 168 (1) (d) of the companies Act No 07 of 2007. The Board of Directors wish to confirm that there were no changes to the Accounting Policies used by the company during the year.

2.8 Interest Register

The Interest's Register is maintained by the Company, as per the Section 168(1) (e) of the Companies Act No 7 of 2007. All Directors have made declarations as provided for in section 192(1) & (2) of the Companies Act aforesaid. The related entries were made in the Interest Register during the year under review. The share ownership of Directors is disclosed on page 191 of this report, Entries were made in the Interests Register on share transactions, Directors' interest in contracts, and remuneration paid to the Directors Etc. The Interest Register is available for inspection by shareholders, or their authorised representatives as required by the section 119 (1) (d) of the Companies Act No 07 of 2007.

2.9 Corporate Donations

During the year company made donations amounting to Rs. 552,000 (2023-Rs. 287,000). There are no donations made to the Government approved charities from above (2023 –Nil). The information given above on donations forms integral part of the Report of the Board of Directors as required by section 168(1) (g) of the companies Act No 07 of 2007.

2.10 Future Developments

Future developments activities of the company are discussed under the Managing Director's report on page 28 of this Annual Report.

3. Gross Incomes

The income of the company for the year ended March 31, 2024 was Rs. 10,948 Mn (year ended March 31, 2023- Rs. 9,035 Mn). An analysis of income is given in Notes 6 & 7 to the Financial Statements on page 218 to 219 of this Annual Report

4. Dividend and Reserves

4.1 Profit and Appropriations

The profit before income tax of the company for the year ended 2024 was Rs. 819 Mn (Rs.132 Mn in 2023) and the profit after tax for the year ended 2024 was Rs. 555 Mn (Rs. 106 Mn in 2023)

The details of profits relating to the company are tabled below.

As of March 31,	2024	2023
Profit before Tax	819,780	132,820
Taxation	(263,966)	(26,767)
Profit after Tax	555,814	106,053
Other Comprehensive Income	(46,047)	6,717
Balance brought forward	2,721,856	3,639,546
Available for Appropriation	3,185,468	3,752,316
Transfer to Statutory Reserve	(30,000)	(6,000)
Transfer to Retain Profit FV through OCI reserve	5,242	18,774
Transfer to Regulatory Loss Allowance	(24,287)	(1,043,234)
Interim Dividend Paid	(60,120)	-
Balance carried forward	3,122,457	2,721,856

4.2 Dividend on Ordinary Shares

Details of information on dividends are given in Note 17 to the Financial Statements on page 226.

4.3 Provision for Taxation

Income tax for 2023/2024 year has been provided at the rate of 30% (First six month 24% & last six month 30%- 2022/23) on the taxable income arising from the operations of the company and has been disclosed in accordance with Sri Lanka Accounting Standards. Profits of the company are also liable for Value Added Tax on Financial Services at the rate of 18% & social contribution levy on Financial Service 2.5% (18% -2023),

The company has also provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 on "Income Taxes".

Information on Income Tax Expenses & Differed Taxes is given in Notes 15 & 37 to the Financial Statements on pages 224 to 225,258 respectively, of this Annual Report.

4.4 Reserves

A summary of reserves of the company as at year ended 31st March 2024 is as follows.

	2024	2023
Statutory Reserve Fund	887,400	857,400
Revaluation Reserve	2,279,152	2,052,205
Associate Company-reserve	605,297	591,399
General Reserve	4,086,430	4,086,430
Available for sale Reserve	80,812	(372,519)
Regulatory Loss Allowance	1,067,522	1,043,234
Retain Earnings	3,122,457	2,721,856

The company's total Reserves as of March 31, 2024 amounted to Rs. 12,165 Mn (2023-Rs. 11,016 Mn). The movement of the reserves are given on page 206 under Statement of Changes in Equity & Note 41 & 46 to the Financial Statements of this Annual Report.

5. Property, Plant & Equipment & Leasehold Property & Intangible Assets

Capital expenditure incurred on Property Plant & Equipment, Intangible assets, Leasehold Property are as follows.

Year	2024	2023
Property, Plant & Equipment	229 Mn	131 Mn
Leasehold Property	Nil	Nil
Intangible Assets	33 Mn	2 Mn

Details of which are given in Note 31 on page 246 to 253 in the Financial Statements. Capital expenditure approved and contracted for is given in Note 47 to the Financial Statements on page 265 of this Annual Report.

6. Market Value of Freehold Properties

Significant components of freehold land and buildings of the company were revalued by a professionally qualified independent valuer as of March 31, 2024, and brought into the Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. The details of freehold properties owned by the company are given in Notes 31.3 to the Financial Statements on page 249.

7. Stated Capital and Debentures

The stated capital of the company as of March 31, 2024 was Rs. 36 Mn comprising 3,006,000 ordinary shares. (2023- Rs.36 Mn). The details of the stated capital are given in Note 40 to the Financial Statements on page 262 of this Annual Report.

The Company did not issue any debentures during the financial year ended March 31, 2024.

8. Share Information

8.1 Information on Earnings, Dividend, Net Assets and Market Value

Information relating to earnings, dividends, net assets per share and market value per share is given in the Financial Highlights on page 18. Information on trading of the shares and movement in the number of shares represented by the Stated Capital of the company is given in the section on 'Investor Relations' on page 296 to 299.

8.2 Distribution Schedule of Shareholdings

Information on distribution of shareholding and the respective percentages are given in the Section on 'Investor Relations' on page 296.

8.3 Issue of shares

The company did not make any share issues during the year under review.

Year	Voting Ordinary shares	
	2024	2023
Number of shares issued	Nil	Nil

9. Substantial Shareholdings

The list of 20 Largest Shareholders as of 31 March 2024 are as follows.

Nilaveli Beach Hotels (Pvt) Ltd	629,580
Mr. G. G. Ondaatjie (Managing Director)	484,615
Ms. A. M. Ondaatjie	484,615
Mr. T. J. Ondaatjie	484,614
Mercantile Fortunes (Pvt) Ltd	415,162
Tangerine Tours (Pvt) Ltd.	203,809
Mr. C. A. Ondaatjie	166,224
Mr. A. S.G.H. Jafferjee	41,055
MR.S. S. Jafferjee	41,055
Mrs. P. R. Divitotawela /R.D.Madugalla	12,525
Mrs. P. R. Divitotawela /A.D.Galagoda	12,525
Mr. N. H. V. Perera	10,020
Mr. R. M. D. Abeygunewardena	10,020
Mr. J. A. S. S. Adhihetty	10,020
Mr. A. M. Dominic & J S Dominic	151
Mr. R. Vaseeharan	10

Float adjusted market capitalization as of 31 March 2024 Rs. 789,375,600/-

The Company is not fully Compliant with the minimum public holding requirement as of 31 March 2024.

Number of shares representing the share capital 3,006,000

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Names of the top twenty shareholders shares, percentages of their respective holdings and percentage holdings of the public, etc are given in the Section on 'Investor Relations' on page 297 .

9.1 Equitable Treatment to all Stakeholders

While valuing the patronage of all our stakeholders, the company has made all endeavours to ensure equitable treatment to all our shareholders.

10. Board of Directors

10.1 Information on Directors of the Company

10.1.1 List of Directors

The Board of Directors of the Company as of March 31, 2024, comprised of Eight Directors (Eight Directors as of March 31, 2023) with extensive financial & commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors – Profile' on pages 76 to 81 of this Annual Report.

Names of the persons holding office as Directors of the company as at the end of the year and the names of persons , who ceased to hold office as Directors of the company any time during the year 2023/2024,as required by section 168(1) (h) of the companies Act No 07 of 2007 are given below.

Name of the Director	Executive/ Non-Executive	Independence/ Non-Independancy
Mr. P. D. D. Perera (Chairman)	Non-Executive	Independent
Mr. G. G. Ondaatjie (Managing Director)	Executive	Non-Independent
Mrs. A.M. Ondaatjie	Executive	Non-Independent
Mr. T. J. Ondaatjie	Executive	Non-Independent
Mr. S .H .Jayasuriya	Executive	Non-Independent
Mrs. E. D. Wickramasuriya	Non-Executive	Independent
Mr. A. L. N. Dias	Non-Executive	Independent
Mr. M.K.S. Pieris	Non-Executive	Independent

10.1.2 New Appointments & Resignations

There were no new appointments or resignations to and from the Board of Directors during the financial year.

10.1.3 Recommendation for Re-election

In terms of Article 23(7) of the articles of association, Mr.A.L.N.Dias and Ms. E.D.Wickramasuriya retire by rotation and being eligible to offer themselves for re-election.

10.1.4 Directors' Meetings

Details of the meetings of the Board of Directors are presented on page 102.

10.1.5 Board Sub-Committees

Information with regard to Board subcommittees is given under Corporate Governance on pages 96 to 98 of this Annual Report.

Board Audit Committee

All members of the Audit committee are Non-Executive Directors. The Managing Director/ CEO, Senior Management Committee members, Internal and External auditors attend the meetings by invitation. The Board Audit Committee report is given on page 181 to 182 of this Annual Report.

Integrated Risk Management Committee

The Board of Directors have established a comprehensive risk management system in the Company to identify, evaluate and manage the risks associated with the operations of the company. A detailed overview of the process is set out in the Integrated Risk Management Committee Report on pages 177 to 178 of this Annual Report.

Remuneration & Nomination Committees

The Report of the Remuneration & Nomination Committees are given on pages 179 to 180 of this Annual Report.

Related Party Transaction Review Committee

The report of the Related Party Transaction Review Committee is given on pages 183 of this Annual Report.

10.1.6 Directors' Remuneration & Other Benefits

Directors' remuneration & other benefits, in respect of the company for the financial year ended March 31, 2024, is given in Note 11.1 to the Financial Statements on page 221 of this Annual Report as required by section 168 (1)(f) of the companies Act No 07 of 2007.

11. Disclosures of Directors Dealing in Shares

11.1 Directors' interest in ordinary shares of the Company

	2024	%	2023	%
Mr. G. G Ondaatje (Managing Director/CEO)	484,615	16.12	484,615	16.12
Mrs. A. M. Ondaatje	484,615	16.12	484,615	16.12
Mr. T. J. Ondaatje	484,614	16.12	484,614	16.12
Mr. S. H. Jayasuriya	-	-	-	-
Mr. M. K. S. Pieris	-	-	-	-
Mr. P. D. D. Perera	-	-	-	-
Mrs. E. D. Wickramasuriya	-	-	-	-
Mr. A. L. N. Dias	-	-	-	-

11.1.1. Mr. Gerard G. Ondaatje serves as the Managing Director as well as Chief Executive Officer of the Company.

11.1.2 The number of ordinary shares held by the public as of March 31, 2024, was 303,605 shares (2023- 303,605) which amounted to 10.10% (2023- 10.10 %) of the stated capital of the company.

11.1.3 Directors Interest in Debentures

There were no debentures registered in the name of any Director as at the beginning and at the end of the year.

12. Directors Interests in Contracts or Proposed Contracts and Related Party Transaction

Directors have no direct or indirect interest in any contract or proposed contract with the company for the year ended March 31, 2024. Further information is given on page 193 to 194 of this Annual Report. The Directors have also disclosed transactions if any that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures'. Refer note 50 to the Financial Statements on pages 265 to 268 for those transactions disclosed by the Directors. These interests have been declared at Related Party Transaction Review Committee Meetings.

There are no related party transactions which exceeded 10 percent of the total Equity or 5 percent of the total assets whichever is lower, and the company has complied with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions.

The Directors have disclosed their interest in other companies so as to ensure that they refrain from voting on a matter in which they have an interest.

13. Employee Share Option Plans and Profit-Sharing Plans

The Company does not have any employee profit sharing plans or employee share option plans.

14. Environmental Protection

The Directors, to the best of their knowledge and belief, are satisfied that the company has not engaged in any activities, which have caused adverse effects on the environment, and it has complied with the relevant environmental regulations.

15. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and employees have been paid up to date.

16. Events after the Balance Sheet Date

There have been no material events occurring after the balance sheet date that would require adjustments to or disclosure in the financial statements as disclosed in Note 52 to the Financial Statements on page 269 of this Annual Report.

17. Going Concern

The Board of Directors had reviewed the company's business plans and is satisfied that the company has adequate resources to continue its operation in the foreseeable

future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

18. Appointment of External Auditors

According to the guideline issued by the Monetary Board of the Central Bank of Sri Lanka under Sec 30 (2) of the Finance Business Act, No. 42 of 2011, the Company is required to appoint an external auditor from the panel of external auditors listed in the said guideline. Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

A resolution to authorise the Directors to determine the Auditors' remuneration will be proposed at the forthcoming Annual General Meeting.

19. Auditors' Remuneration and Interest in Contracts with the Company

A Total amount of Rs 3,845,000/- is payable by the company to the Auditors for the year under review comprising Rs. 2,650,000/- as Audit fees, and expenses of Rs. 1,195,000 /- for non-audit services.

As far as the Directors are aware, the auditors do not have any other relationship or interest in contracts with the company.

Auditors too have provided a declaration confirming that they are not aware of any relationship with or interest in the company or, in their professional judgment, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka applicable as at the date of their declaration.

20. Risk Management & System of Internal Controls

20.1 Risk Management

Specific steps that have been taken by the company in place to identify, evaluate and manage both business risk & financial risk are detailed on pages 273 to 293 of this Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

20.2 System of Internal Controls

The Board of Directors have established an effective and comprehensive system of Internal Controls to ensure that proper controls are in place to safeguard the assets of the company, to detect & prevent fraud & irregularities, to ensure that proper records are maintained, and Financial Statements presented are reliable. Monthly Management Accounts are prepared, giving management with relevant, reliable and up to date Financial Statements and key performance indicators.

The Audit Committee reviews on regular basis, the reports, policies and procedures to ensure a comprehensive Internal Control framework is in place. More details in this regard can be seen in the 'Audit Committee Report' on pages 181 to 182 of this Annual Report.

20.3 Appraisal of Board Performance

A Scheme of self-assessment is undertaken annually by each Director in conformity with the Section 1.5d of the Finance Business Act Direction No 05 of 2021- (Corporate Governance) by answering a self-assessment questionnaire.

The chairmen assessed the performance of each director and chairmen's performance was assessed by the Non-Executive Directors.

The Board also carried out an annual self-evaluation of its own performance and that of the subcommittees to ensure that they discharge their duties and responsibilities satisfactorily, in terms of the Companies Act No. 07 of 2007, Finance Business Act Direction No 05 of 2021- (Corporate Governance), Listing Rules of the Colombo Stock Exchange and Best Practices on Corporate Governance. The responses are collated by the Company Secretary, which are submitted to the Board and discussed at the Board Meeting.

Board evaluations for the year under review were tabled at the Board Meeting held in the month of 30th April 2024.

20.4 Audit Committee

The composition of the Audit Committee and their report is given on page 181 to 182 of this Annual report.

21. Corporate Governance Directors Declarations

The Directors' Declare that –

- ⊙ The company has not engaged in any activity which contravenes laws and regulations.
- ⊙ The company has made all endeavours to ensure the equitable treatment of shareholders.
- ⊙ The business is a going concern.
- ⊙ Effectiveness and successful adherence of internal controls and risk management is practiced by the company.
- ⊙ The measures taken in this regard are set out in the corporate governance report on page 87 to 159 of this annual report.
- ⊙ To the best of their knowledge, there has not been any violation of the code of business conduct and ethics of the company.

The measures taken and the extent to which the company has complied with the Code of best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka, the CSE and the Central Bank of Sri Lanka are given in the section on 'Corporate Governance' on page 87 to 159.

22. Human Resources

The company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance. Specific measures taken in this regard are detailed in the Human Strength section on page 58 to 59 of this Annual Report. Further the Board made a declaration in this year's Director's Report stating, "All the members of Board of Directors and key management personnel have complied with code of business conduct and ethics introduced in the HR Handbook".

23. Compliance with Applicable Laws and Regulations

To the best of their knowledge, the Board assures there has been no violation or possible violation of laws or regulations in any jurisdiction whose effect should be disclosed. There have been no irregularities involving management or employees that could have material financial effect or otherwise.

24 Outstanding Litigation

In the opinion of the Directors and in consultation with the Company Lawyers, litigation currently pending against the company will not have material impact on the reported financial results or future operations of the Company. Refer further information on Note 48 to the Financial Statement on page 265.

25. Contingent Liabilities

Except as disclosed in Note 48 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

26. Notice of Meeting

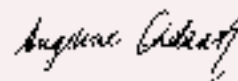
The details of the Annual General Meeting are given in the notice of meeting on page 312 of this Annual Report.

27. Acknowledgement of the contents of the Report

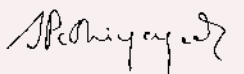
As required by section 168(1)(k) of the Companies Act No 07 of 2007, the Board of Directors hereby acknowledge the contents of this report.



Gerard G. Ondaatjie
Managing Director



Angeline M. Ondaatjie
Director



Ms. Sonali Pethiyagoda
Company Secretary

Colombo
29 May 2024

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

Company	Relationship	Accommodation granted / deposits / receivable for services rendered / payable for services obtained	As at 31.03.2024 Rs. '000	As at 31.03.2023 Rs. '000
(a) Mr. G. G. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Chairman	Motor vehicle hire, repairs and others	4,148	2,344
Tangerine Beach Hotels PLC	Director	Deposits	71,325	303,850
		Motor vehicle hire, repairs and others	544	318
Royal Palms Beach Hotels PLC	Director	Deposits	32,580	273,636
		Motor vehicle hire, repairs and others	505	193
The Nuwara Eliya Hotels Company PLC	Deputy Chairman	Deposits	1,497,181	953,270
		Motor vehicle hire, repairs and others	1,910	1,209
Tangerine Tours (Pvt) Limited	Director	Deposits	-	102,768
		Motor vehicle hire, repairs and others	1,315	1,473
Nilaveli Beach Hotels (Pvt) Limited	Director	Deposits	223,250	197,014
		Motor vehicle hire, repairs and others	-	-
Security Ceylon (Pvt) Limited	Chairman	Deposits	12,121	10,085
		Motor vehicle hire, repairs and others	80	20
		Security expenses	3,357	3,230
Mercantile Orient (Pvt) Limited	Chairman	Deposits	8,114	6,869
Global Films Limited	Chairman	Deposits	1,991	1,771
Fair View Hotel (Pvt) Limited	Chairman	Deposits	192,072	150,191
Mercantile Fortunes Insurance brokers (Pvt) Limited	Chairman	Deposits	40,368	65,707
		Motor vehicle hire, repairs and others	3,514	1,008
		Insurance commission receivable	45,524	65,462
		Insurance premium payable	166,101	183,970
Tangerine Vacations (Pvt) Limited	Director	Deposits	-	25,090
(b) Ms. A. M. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Director	Motor vehicle hire, repairs and others	4,148	2,344
Tangerine Beach Hotels PLC	Chairperson	Deposits	71,325	303,850
		Motor vehicle hire, repairs and others	544	318
Royal Palms Beach Hotels PLC	Chairperson	Deposits	32,580	273,636
		Motor vehicle hire, repairs and others	505	193
The Nuwara Eliya Hotels Company PLC	Director	Deposits	1,497,181	953,270
		Motor vehicle hire, repairs and others	1,910	1,209
Tangerine Tours (Pvt) Limited	Chairperson	Deposits	-	102,768
		Motor vehicle hire, repairs and others	1,315	1,473
Nilaveli Beach Hotels (Pvt) Limited	Director	Deposits	223,250	197,014
		Motor vehicle hire, repairs and others	-	-
Security Ceylon (Pvt) Limited	Director	Deposits	12,121	10,085
		Motor vehicle hire, repairs and others	80	20
		Security expenses	3,357	3,230

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

Company	Relationship	Accommodation granted / deposits / receivable for services rendered / payable for services obtained	As at 31.03.2024 Rs. '000	As at 31.03.2023 Rs. '000
Mercantile Orient (Pvt) Limited	Director	Deposits	8,114	6,869
Global Films Limited	Director	Deposits	1,991	1,771
Fair View Hotel (Pvt) Limited	Director	Deposits	192,072	150,191
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	40,368	65,707
		Motor vehicle hire, repairs and others	3,514	1,008
		Insurance commission receivable	45,524	65,462
		Insurance premium payable	166,101	183,970
Tangerine Vacations (Pvt) Limited	Chairperson	Deposits	-	25,090
(c.) Mr. T. J. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Director	Motor vehicle hire, repairs and others	4,148	2,344
Tangerine Beach Hotels PLC	Director	Deposits	71,325	303,850
		Motor vehicle hire, repairs and others	544	318
Royal Palms Beach Hotels PLC	Director	Deposits	32,580	273,636
		Motor vehicle hire, repairs and others	505	193
The Nuwara Eliya Hotels Company PLC	Director	Deposits	1,497,181	953,270
		Motor vehicle hire, repairs and others	1,910	1,209
Tangerine Tours (Pvt) Limited	Director	Deposits	-	102,768
		Motor vehicle hire, repairs and others	1,315	1,473
Nilaveli Beach Hotels (Pvt) Limited	Chairman	Deposits	223,250	197,014
		Motor vehicle hire, repairs and others	-	-
Security Ceylon (Pvt) Limited	Director	Deposits	12,121	10,085
		Motor vehicle hire, repairs and others	80	20
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Mercantile Orient (Pvt) Limited	Director	Deposits	8,114	6,869
Global Films Limited	Director	Deposits	1,991	1,771
Fair View Hotel (Pvt) Limited	Director	Deposits	192,072	150,191
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Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	40,368	65,707
		Motor vehicle hire, repairs and others	3,514	65,463
		Insurance commission receivable	45,524	183,970
		Insurance premium payable	166,101	1,008
(d) Mr. S. H. Jayasuriya				
Mercantile Fortunes (Pvt) Limited	Director	Motor vehicle hire, repairs and others	4,148	2,344
Security Ceylon (Pvt) Limited	Director	Deposits	12,121	10,085
		Motor vehicle hire, repairs and others	80	20
		Security expenses	3,357	3,229
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	40,368	65,707
		Motor vehicle hire, repairs and others	3,514	65,462
		Insurance commission receivable	45,524	183,970
		Insurance premium payable	166,101	1,008

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out the responsibilities of the Directors in relation to the preparation and presentation of the Financial Statements of the Company.

As per Section 148 (1), 150 (1) and 151 of the Companies Act No. 07 of 2007, Directors of the Company have the responsibility for ensuring that the Company keeps proper books of account of all the transactions and prepares Financial Statements that give a true and fair view of the state of affairs and of the profits/ losses for the year.

Accordingly, the Directors have diligently guided the Company to maintain proper books of account and reviewed the financial reporting system at their regular meetings and through the Board Audit Committee. The Audit Committee Report is given on pages 181 to 182 of this Integrated Annual Report. The Directors are also responsible for preparing Financial Statements that give a true and fair view of the financial position as at the end of each financial year and the financial performance for each financial year of the Company. The Financial Statements comprise of the Statement of Financial Position as at 31st March 2024, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto of the Company. These financial statements prepared and presented in this Integrated Annual Report are consistent with the underlying books of account and are in conformity with the requirements of the Companies Act, Sri Lanka Accounting Standards and the Finance Business Act No. 42 of 2011.

Hence, the Board of Directors confirms that the Financial Statements of the company give a true and fair view of the financial position of the company as at 31st March 2024 and financial performance of the company for the financial year ended.

Further, the Directors have responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company. The Directors consider that, in preparing the Financial Statements exhibited from pages 204 to 293, they have adopted appropriate accounting policies and standards on a consistent basis and supported by reasonable

and prudent judgments and estimates, so that the form and substance of transactions are appropriately reflected.

The Board of Directors also approved the interim financial statements prior to their release following a review and recommendation by the Board Audit Committee.

The Directors ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

The Directors also have the responsibility to ensure that the Company maintains adequate general supervision, control and administration of the affairs and business of the Company.

Additionally, the Board of Directors is responsible for implementing an adequate and effective internal control mechanism at Mercantile Investments and Finance PLC. This mechanism is designed to manage key risk areas within an acceptable risk profile, rather than eliminating the risk of failure to achieve the Company's corporate objectives.

The Directors are responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities and ensuring accuracy and completeness of the accounting records and timely preparation of reliable financial information during the financial year under review which is mainly executed through the Board Audit Committee. The Management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. Furthermore, the Directors instituted a comprehensive and effective risk management mechanism to identify, appraise and manage the potential and material risk faced by the Company, which was mainly executed through the Board Integrated Risk Management Committee (Refer the BIRMC Report given on pages 177 to 178).

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Directors confirm that, to the best of their knowledge, all taxes, statutory dues and levies payable by the Company as at the reporting date have been paid or where relevant, provided for.

The Company's Auditors, Messrs. Ernst & Young, Chartered Accountants, carry out reviews and sample checks on the system of internal controls as they consider appropriate and necessary for expressing their opinion on the Financial Statements.

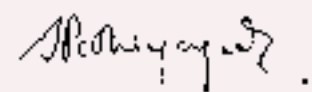
The Directors also confirm that as per the Section 166(1) and 167(1) of the Companies Act No. 07 of 2007, they have prepared the Annual Report on time and ensured that copies are sent to the shareholders within the specified period of time required by Rule No. 7.5 (a) & (b) of Listing Rules (The Colombo Stock Exchange). Furthermore, Directors have confirmed that after considering the financial position, performance, operating condition, regulatory and other aspects such as in the 'Code of Best Practice on Corporate Governance' issued by CA Sri Lanka, the Board of Directors are reasonably satisfied that the Company possesses adequate resources to continue in operation for the foreseeable future.

Messrs. Ernst & Young, Chartered Accountants, the External Auditors of the Company, have examined the Financial Statements made available by the Board of Directors together with all financial records, related data and minutes of shareholders and Directors' meetings and express their opinion which appears as reported by them on pages 200 to 202 of this Integrated Annual Report.

Compliance Report

Accordingly, the Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



Sonali Pethiyagoda
Company Secretary
29th May 2024

MANAGING DIRECTOR'S AND CHIEF FINANCIAL OFFICER'S STATEMENT OF RESPONSIBILITY

The Financial Statements of Mercantile Investments and Finance PLC are prepared and presented in accordance with the following requirements:

- Sri Lankan Financial Reporting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.
- The Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Directions, Circulars and guidelines issued to Finance Companies by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011.
- Listing Rules of the Colombo Stock Exchange; and
- The Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka.

The formats and Accounting Policies adopted in the preparation of the Financial Statements are appropriate and have been consistently applied during the financial year under review. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Material Accounting Policies and estimates that involved a high degree of judgment and complexity were discussed with External Auditors and the Board Audit Committee.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31st March 2023 except for certain improvements made to the Company's Expected Credit Loss models as part of the model validation process.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements to the best of our knowledge. Material estimates and judgment relating to the Financial Statements were made on a prudent and reasonable basis, in order to ensure that the Financial Statements are reflected in a true and fair manner. The form and substance of transactions reasonably represent the Company's state of affairs. To ensure this, the Company has taken sufficient care in installing a system of Internal Controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. As we believe, the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continued to adopt the Going Concern basis in preparing the financial statements.

The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting. Further, the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31 March 2024, as required by the Corporate Governance Direction on No. 5 of 2021, results of which is given on page 159 of this Integrated Annual Report, in the 'Directors Statement on Internal Controls'.

The Board Audit Committee met periodically with the Internal and External Auditors to review the manner in which the auditors carry out their responsibilities in performing their duties and to discuss audit findings, and any deficiencies in internal controls that may impact the accuracy and completeness of the financial reporting process.

The Financial Statements of the Company were audited by Messrs. Ernst & Young, Chartered Accountants and their Audit Report is given on pages 200 to 202 of this Integrated Annual Report.

The Audit Committee has reviewed and recommended the scope and fees of audit and non-audit services, provided by the External Auditors for approval of the Board of Directors to ensure that the provision of such services does not impair the Auditor's independence and objectivity. Both Internal and External Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

We confirm that the Company has complied with all applicable laws, regulations and prudential requirements, and there are no material non-compliances and litigations pending against Mercantile Investments and Finance PLC other than those disclosed in Note 48 of the Financial Statements in this Integrated Annual Report.

All taxes, duties and statutory payments by the Company and in respect of the employees of the Company as at 31st March 2024 have been paid or where relevant provided for.



Deva Anthony
Chief Financial Officer/ Director (Non-Board)



Gerard Ondaatje
Managing Director

29th May 2024

REPORT BY THE BOARD ON INTERNAL CONTROLS

Directors' Statement On Internal Control Over Financial Reporting Responsibility

This Report on internal control has been presented in accordance with Section 16 (1) (ix) of the Finance Companies (Corporate Governance) Direction, No. 05 of 2021 and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the Company's system of internal controls and risk management. The system of internal controls have been however, designed to manage the Company's key risk areas within an acceptable risk profile, rather than to eliminate the risk of failure to achieve Company's policies and objectives. Hence, MI's internal control system can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses.

The Board has established a mechanism for identifying, evaluating and managing material risks. This process includes enhancing the system of internal controls when needed in-line with changes in the business environment or regulation. The management of MI assists the Board in implementing policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to control risks.

The process adopted in applying and reviewing the design and effectiveness of the Internal Control System on Financial Reporting

The salient processes that have been established in reviewing the adequacy and integrity of the system of internal controls pertaining to financial reporting are as follows:

- Relevant Heads of Divisions have been delegated the task of maintaining a strong control environment to capture their related transactions on to a defined and structured recording information system that supports in financial reporting. Procedure manuals have been established for each function incorporating risk controls for staff to adhere. Transactions so captured have followed due procedural process that is sanctioned by the Board.
- The Finance Department which comes under the purview of the Finance Director and the Chief Financial Officer has been delegated the task of preparing the Annual Financial Statements and other periodic financials reports in line with Sri Lanka Accounting Standards and other applicable regulations.
- MI's Internal Audit Division has been entrusted with the task of carrying out the Company's internal audit function on a periodic basis to verify the compliance with policies and procedures and the effectiveness of the internal control systems. The findings of the internal audit are tabled at the Board Audit Committee for its review and actions.
- The annual internal audit plan is reviewed and approved by the Board Audit Committee. All branches and operational units are audited in order to provide an independent and objective report and the frequency of the audits are determined by the level of risk assessed.
- The Audit Committee of the Company meets periodically to review Internal Auditors observations on internal controls, External Auditors' queries arising from the statutory review and other matters impacting financial reporting. The Committee evaluates the adequacy and effectiveness of Company's risk management process and internal control systems. The Committee further reviews work of Internal Auditors on their scope, quality of audits, independence of internal audit and the resources. The Committee follows up concerns with the corporate management and in turn provides feedback to the Board on any material matters and unresolved issues and makes recommendations.
- Other Sub-Committees appointed by the Board also assist the Board in reviewing and providing feedback to the Board on the effectiveness of areas specifically entrusted upon to such Committees through periodic supervision. This includes reviewing related operations to ensure they are in line with corporate objectives, policies and established procedures.
- Under the oversight of the Head of Compliance, policies and procedures covering all functional areas of the Company, are reviewed and updated by the relevant heads of departments and, are approved by the Board or Board approved subcommittees annually as a standard practice.
- To strengthen reporting, additional IT controls were established and wider spectrum of management information reports were generated during FY 2023/24.
- The comments made by the external auditors with regard to the internal control system over financial reporting in previous years were reviewed and appropriate steps have been taken to address any matters raised.
- Head of Compliance submitted compliance status reports to the Board on a monthly basis covering all applicable Central Bank rules and regulations.
- In order to adhere to the new Corporate Governance Direction of the Central Bank (No. 05 of 2021) which was effective from 1st July 2022; required changes have been made to some internal processes and procedures during the financial year under review.
- The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure. Financial reporting and management information processes were strengthened by constant monitoring and adaptation to market realities and this will be an ongoing annual process.
- Policies/Charters are developed covering all functional areas of the company and these are recommended by the relevant Heads of Divisions or appointed Committees and are approved by the Board. Such policies and Charters are reviewed and approved annually.

Confirmation by the Board on Financial Reporting

Based on the established internal control mechanism explained above, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes is done in line with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

REPORT BY THE BOARD ON INTERNAL CONTROLS

External Auditors review of the statement

The external auditor, Messrs. Ernst & Young, has reviewed the above report for the year ended 31st March 2024. They reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System of the Company over financial reporting.

Statement on Prudential Requirements, Regulations and Laws

The Board of Mercantile Investments and Finance PLC presents this report on compliance with prudential requirements, regulations and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

- ⊙ The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws.
- ⊙ The Board confirms that there are no regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, rules and directions.

By order of the Board,



P. D. D. Perera
Board Chairman/ Chairman –Board Audit
Committee



Gerard Ondaatjie
Managing Director

29th May 2024

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rajurath Towers
No. 109, Galle Road
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GSM/UM/RMD/DM

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MERCANTILE INVESTMENTS & FINANCE PLC

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mercantile Investments & Finance PLC (the Company), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial

statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the

Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the key audit matter

Allowances for Impairment of Financial Assets

Allowances for impairment of financial assets amounting to LKR 2.1 Bn arising from loans and advances of LKR 19.7 Bn (Note 23) and Finance leases & Hire Purchases of LKR 28.2 Bn (Note 24 & 25) and Other financial assets of LKR 0.6 Bn (Note 26.1) is determined by the management based on the accounting policies described in Note 3.2.

In addressing the adequacy of the allowances for impairment of financial assets, our audit procedures included the following key procedures:

This was a key audit matter due to

- ⦿ the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets: and
- ⦿ the materiality of the reported amount of allowance of impairment and use of complex calculations in its determination.

- ⦿ Assessed the alignment of the Company's allowances for impairment computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report.
- ⦿ Evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of allowances for impairment, policies and procedures by the Board and the management.
- ⦿ Checked the completeness, accuracy and reasonableness of the underlying data used in the impairment computations by cross checking to relevant source documents and accounting records of the Company.
- ⦿ Evaluated the reasonableness of credit quality assessments and related stage classifications.
- ⦿ Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages.
- ⦿ Assessed the adequacy of the related financial statement disclosures set out in notes 23, 24, 25 and 26.1 and accounting policies described in note 3.2.

Key areas of significant judgements, assumptions and estimates used by management included : assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.

ආයතනිකව පරීක්ෂා කළ අවස්ථාවකදී, අපගේ පරීක්ෂකයන්ගේ අදහස වන්නේ මෙම වාර්තාවේ විස්තරයන් සහ සංඛ්‍යාලේඛන සඳහා සාධාරණ සහ විශ්වාසනීය බවයි. අපගේ පරීක්ෂණයන් සඳහා අපි භාවිතා කළ ක්‍රමවේදයන් සහ සාධක සඳහා අපි විශ්වාස කළෙමු. අපගේ පරීක්ෂණයන් සඳහා අපි භාවිතා කළ ක්‍රමවේදයන් සහ සාධක සඳහා අපි විශ්වාස කළෙමු. අපගේ පරීක්ෂණයන් සඳහා අපි භාවිතා කළ ක්‍රමවේදයන් සහ සාධක සඳහා අපි විශ්වාස කළෙමු.

ආයතනිකව පරීක්ෂා කළ අවස්ථාවකදී, අපගේ පරීක්ෂකයන්ගේ අදහස වන්නේ මෙම වාර්තාවේ විස්තරයන් සහ සංඛ්‍යාලේඛන සඳහා සාධාරණ සහ විශ්වාසනීය බවයි. අපගේ පරීක්ෂණයන් සඳහා අපි භාවිතා කළ ක්‍රමවේදයන් සහ සාධක සඳහා අපි විශ්වාස කළෙමු. අපගේ පරීක්ෂණයන් සඳහා අපි භාවිතා කළ ක්‍රමවේදයන් සහ සාධක සඳහා අපි විශ්වාස කළෙමු.

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Key Audit Matter

Information Technology (IT) systems related internal controls over financial reporting

Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.

Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following key procedures.

- ⦿ Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures .
- ⦿ Involved our internal specialized resources and;
 - Obtained an understanding of the IT Governance Structure of the Company
 - Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management
 - Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks.
- ⦿ Tested source data of the reports used to generate disclosures for accuracy and completeness.

Other Information included in the Company's 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2024 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

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.

INDEPENDENT AUDITOR'S REPORT



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

We also :

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

29 May 2024
Colombo

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	Note	2024 Rs. '000	2023 Rs. '000
Gross income	6	10,948,958	9,035,723
Interest income	7.1	10,628,251	8,749,868
Interest expenses	7.2	(6,441,603)	(6,134,824)
Net interest income		4,186,648	2,615,044
Fee and commission income	8	75,732	75,568
Net fee and commission income		75,732	75,568
Other operating income	9	244,975	210,288
Total operating income		4,507,355	2,900,900
Impairment (charge)/reversal for loans and receivables and other financial assets	10	(7,911)	276,201
Net operating income		4,499,443	3,177,101
Less: Operating expenses			
Personnel expenses	11	(1,592,749)	(1,302,861)
Depreciation of PPE and Right-of-use assets and amortization of intangible assets	12	(162,490)	(161,831)
Other operating expenses	13	(1,516,724)	(1,267,105)
Total operating expenses		(3,271,963)	(2,731,798)
Operating profit before VAT on financial services		1,227,480	445,304
Value Added Tax on financial services	15.2	(559,538)	(331,848)
Operating profit after VAT on financial services		667,943	113,456
Add: Share of associate company's profit / (Loss) net of tax	14	151,837	19,365
Profit before taxation from operations		819,780	132,820
Less: Income tax expenses	15	(263,966)	(26,767)
Profit for the year		555,814	106,053
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods			
Changes in fair value of financial investments through OCI		-	-
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of financial investments through OCI	46	458,573	196,647
Net change in revaluation surplus on Land & Buildings	41.1	324,211	-
Deferred tax effect on revaluations surplus on Land & building	37	(97,263)	(169,086)
Share of other comprehensive income of associates (net of tax)	29.1	13,897	(98,662)
Actuarial gain/(loss) on retirement benefit obligation	38.2	(60,120)	(13,210)
Deferred tax effect on actuarial gain	37	14,073	19,927
Net other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods		653,371	(64,383)
Other comprehensive income/(expenses) for the year (net of tax)		653,371	(64,383)
Total comprehensive income/(expenses) for the year (net of tax)		1,209,184	41,670
Earnings per share			
Basic earnings per share (Rs.)	16	184.90	35.28
Diluted earnings per share (Rs.)	16	184.90	35.28
Dividend per ordinary share (Rs.)	17	20	-

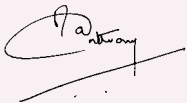
Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 208 to 293 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2024 Rs. '000	2023 Rs. '000
Assets			
Cash and cash equivalents	20	2,492,057	1,791,064
Placement with banks at Amortized cost	21	3,460	1,422
Financial investments - At FVOCI (quoted)	22.1	6,427,831	6,303,228
Financial investments - At FVPL	22.2 & 22.3	329,519	3,250
Loans and receivables at Amortized Cost	23	16,591,202	13,593,368
Finance leases receivables at Amortized Cost	24	20,302,868	19,026,269
Hire purchase receivables at Amortized Cost	25	101,631	127,176
Financial investments - at FVOCI (unquoted)	22	70,427	70,427
Other financial assets	26	289,256	442,950
Inventories	27	101,181	314,853
Other assets	28	179,493	230,244
Current tax refunds		-	117,327
Investment in associates	29	1,404,225	1,255,524
Investment property	30	260,055	227,219
Property, Plant and Equipment	31	4,391,241	3,930,649
Right-of-use assets	31.15	215,306	139,667
Leasehold property	32	38,866	39,334
Intangible assets	33	32,094	9,335
Total assets		53,230,713	47,623,304
Liabilities			
Bank overdraft		317,122	93,518
Deposits due to customers at Amortized Cost	34	36,104,935	31,223,715
Debt instruments issued and other borrowings at Amortized Cost	35	2,441,542	3,487,442
Other financial liabilities	36	430,673	378,645
Current tax liabilities		236,812	-
Deferred tax liabilities	37	750,164	795,864
Other liabilities		114,915	112,023
Retirement benefit obligations	38	396,405	337,518
Lease Liability	39	273,077	178,573
Total liabilities		41,065,645	36,607,298
Shareholders' funds			
Stated capital	40	36,000	36,000
Revaluation reserve	41.1 & 41.2	2,884,448	2,643,604
Statutory reserve fund	42	887,400	857,400
General reserves	43	4,086,430	4,086,430
Retained earnings	44	3,122,457	2,721,856
Regulatory loss allowance reserve	45	1,067,522	1,043,234
Fair Value through OCI reserve	46	80,812	(372,519)
Total shareholders' funds		12,165,069	11,016,006
Total liabilities and shareholders' funds		53,230,713	47,623,304
Net assets per share (Rs.)		4,047	3,665
Capital commitments and contingencies	47 & 48		

I Certify that these financial statements have been prepared in Compliance with the requirements of the companies Act No. 07 of 2007



Deva Anthony
Chief Financial Officer / Director (Non-Board)

The Board of Directors are responsible for these Financial Statements.

The Financial Statements were authorized for issue by the Directors on 29 May 2024. The Directors have the power to amend and reissue the Financial Statements. Signed for and on behalf of the Board by;



Gerard G. Ondaatje
Managing Director



Shermal H. Jayasuriya
Finance Director

The material accounting policies and the notes from pages 208 to 293 form an integral part of these financial statements.

29 May 2024

Colombo

STATEMENT OF CHANGES IN EQUITY

Note	Stated Capital Rs.'000	Revaluation Reserves Land and Buildings Rs.'000	Associate Company Reserve Rs.'000	Statutory Reserve Rs.'000	General Reserve Rs.'000	Regulatory Loss Allowance Reserve Rs.'000	Fair Value through OCI Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
As At 31st March, 2022	36,000	2,221,290	690,061	851,400	4,086,430		(550,391)	3,639,546	10,974,336
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	106,053	106,053
Other comprehensive income/(expenses)	-	(169,086)	(98,662)	6,000	-	-	196,647	6,717	(58,384)
Total comprehensive income/(expenses)	-	(169,086)	(98,662)	6,000	-	-	196,647	112,770	47,668
Dividends paid to equity shareholders	-	-	-	-	-	-	-	-	-
Transfer to retained profit	-	-	-	-	-	-	(18,774)	18,774	-
Deffered Tax rate Adjustment	-	-	-	-	-	-	-	-	-
Transfer to regulatory loss allowance reserve	-	-	-	-	-	1,043,234	-	(1,043,234)	-
Transfer to statutory reserve	-	-	-	-	-	-	-	(6,000)	-
As At 31st March, 2023	36,000	2,052,204	591,399	857,400	4,086,430	1,043,234	(372,519)	2,721,856	11,016,006
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	555,814	555,814
Other comprehensive income/(expenses)	-	226,947	13,897	-	-	-	458,573	(46,047)	653,371
Total comprehensive income/(expenses)	-	226,947	13,897	-	-	-	458,573	509,767	1,209,184
Dividends paid to equity shareholders	-	-	-	-	-	-	-	(60,120)	(60,120)
Transfer to retained profit	-	-	-	-	-	-	(5,242)	5,242	-
Deffered Tax rate Adjustment	-	-	-	-	-	-	-	-	-
Transfer to regulatory loss allowance reserve	-	-	-	-	-	24,287	-	(24,287)	-
Transfer to statutory reserve	-	-	-	30,000	-	-	-	(30,000)	-
As At 31st March, 2024	36,000	2,279,152	605,297	887,400	4,086,430	1,067,522	80,812	3,122,456	12,165,069

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 208 to 293 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

Year ended 31 March	Note	2024 Rs. '000	2023 Rs. '000
Cash flow from operating activities			
Profit before tax		819,780	132,820
Capital gain from sale of quoted shares and treasury bonds	9	-	-
Unrealized loss from investments of FVPL	9	(27,549)	(326)
Dividend from investing securities	9	(35,705)	(41,174)
Share of (profit)/Loss of associate investments	14	(151,837)	(19,365)
(Profit)/loss on sale of Property, Plant and Equipment	9	(423)	(7,835)
Depreciation of Property, Plant and Equipment	12	91,175	84,963
Depreciation of Investment Property	12	1,665	1,665
Depreciation of ROU assets	12	58,694	53,899
Amortization of leasehold property	12	468	468
Amortization of intangible assets	12	10,488	20,835
Provision for bad and doubtful debts	10	7,911	(276,201)
Retirement benefit provision	38.1	85,397	69,144
Retirement benefit paid	38.1	(86,631)	(16,839)
Operating profit before changes in operating assets and liabilities (Note A)		773,433	2,056
(Increase) / decrease in operating assets			
Deposits held for regulatory purposes		(505,522)	(1,227,040)
Funds advanced to customers		(4,178,144)	2,231,859
Other receivables		707,817	(220,367)
Increase / (decrease) in operating liabilities			
Other payables		195,119	(351,411)
Deposits from customers		4,881,221	4,874,443
		1,873,924	5,309,539
Income taxes paid		(119,314)	(462,815)
Net cash from operating activities		1,754,610	4,846,724
Cash flows from investing activities			
Dividends received	9	35,705	41,174
Dividends received from associates	29.1	17,031	-
Purchase of Equity securities		(4,640)	(3,517)
Proceeds from sale of equity securities		58,502	128,069
Purchase of Property, Plant and Equipment	31	(229,313)	(130,988)
Proceeds from sale of Property, Plant and Equipment		2,179	75,000
Acquisition of investment properties		(34,500)	(10,168)
Proceeds from sale of Investment Properties		-	2,500
Acquisition of intangible assets	33	(33,247)	(1,935)
Net cash from operation activities		(188,282)	100,136
Cash flows from financing activities			
Borrowings obtained during the year		2,400,000	1,540,000
Borrowings repaid during the year		(3,445,901)	(5,075,287)
Dividends paid		(43,038)	-
Net Cash from financing activities		(1,088,939)	(3,535,287)
Net increase in cash and cash equivalents		477,389	1,411,573
Cash and cash equivalents at the beginning of the period		1,697,545	285,971
Cash and cash equivalents at the end of the period (Note B)		2,174,936	1,697,545
Reconciliation of profit before tax with cash inflow from operating activities (Note A)			
Cash and cash equivalents at the end of the period (Note B)			
Cash in hand	20	386,458	220,014
Balances with bank	20	321,724	343,416
Money market balances	20	1,783,875	1,227,634
Bank Overdrafts		(317,122)	(93,518)
		2,174,936	1,697,545
Operational Cash flow from Interest			
Interest Received		10,789,748	8,636,691
Interest payments		(6,797,201)	(5,034,970)

The material accounting policies and the notes from pages 208 to 293 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 Corporate information

Mercantile Investments and Finance PLC is a public limited liability company, listed on the Colombo Stock Exchange, incorporated on 15th June 1964 and domiciled in Sri Lanka. It is a licensed finance company regulated under the Finance Business Act No. 42 of 2011. The company was re-registered under the Companies Act No. 07 of 2007. The registered office of the company is located at No. 236, Galle Road, Colombo 03.

The staff strength of the company as of 31st March 2024 was 1,198 (1,097 as of 31st March 2023).

1.2 Principal activities and nature of operations

Company

The company provides a comprehensive range of financial services including accepting deposits, granting of loans, lease financing, hire purchase financing, fleet management and share trading.

Associates

The principle activity of the company's associate, namely Nuwara Eliya Hotels Company PLC is engaged in the provision of Hotel Services.

There were no significant changes in the nature of the principle activities of the company and its associate during the financial year under review.

1.3 Parent enterprise and ultimate parent enterprise

The company doesn't have an identifiable parent of its own.

1.4 Approval of financial statements by the Board of Directors

The financial statements of Mercantile Investments and Finance PLC for the year ended 31 March 2024 (including comparatives) were approved and authorized for issue by the Board of Directors on 29 May 2024.

2. Basis of Preparation

This section provides a summary of Material accounting policies, judgements, estimates and assumptions used and other general accounting policies.

All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective notes in the financial statements.

2.1 Statement of compliance

The financial statements of the company have been prepared and presented in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011 and amendments thereto, provide appropriate disclosure as required by Listing Rules of the Colombo Stock Exchange. These Sri Lanka Accounting Standards are available at www.slaasc.com.

The formats used in the preparation of the financial statements and the disclosures made therein also comply with the specified format prescribed by the Central Bank of Sri Lanka for the preparation, presentation and publication of annual audited financial statements of licensed finance companies.

2.2 Responsibility for financial statements

The Board of Directors are responsible for these financial statements of the company as per the provision of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for the financial statements in the statement of financial position on page 205.

These financial statements include the following components:

- ⊙ Statement of profit or loss and other comprehensive income providing the information on the financial performance of the company for the year under review (refer page 204).
- ⊙ Statement of financial position providing the information on the financial position of the company as at year end (refer page 205).
- ⊙ A statement of changes in equity depicting all changes in shareholders' equity during the year under review (refer page 206).
- ⊙ Statement of cash flow providing the information on the users on the ability of the company to generate cash and cash equivalents and the needs to utilization of those cash flows (refer page 207)
- ⊙ Notes to the financial statements which comprise of accounting policies used and other explanatory information (refer pages 208 to 293).

2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position.

Items	Basis of measurement	Note No.
Financial investments at FVPL	Fair value	22
Financial investments at FVOCI	Fair value	22
Land and buildings	Stated under revaluation model	31
Defined benefit obligations	Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation.	38
Lease liability	Lease liability is recognized as the present value of future operating lease rentals.	39

2.4 Functional currency and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency).

These financial statements are presented in Sri Lankan Rupees, which is the company's functional and presentation currency except when otherwise indicated.

2.5 Presentation of financial statements

The assets and liabilities of the company presented in its statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. An analysis on 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 the Note 54 to the financial statements.

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Sri Lanka Accounting Standards LKAS 1 "Presentation of Financial Statements".

2.7 Rounding

The amounts in the financial statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standards LKAS 1 "Presentation of Financial Statements".

2.8 Offsetting

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 amount and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Statement of profit or loss and other comprehensive income, unless required or permitted by an Accounting Standards or Interpretation, and as specifically disclosed in the accounting policies of the company.

2.9 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.10 Going concern basis of accounting

The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.11 Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods and thus the actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized prospectively.

The most significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognized in the financial statements of the company are as follows:

2.11.1 Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not possible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in the Note 19 to the financial statements.

2.11.2 Financial assets and liabilities classification

The accounting policies of the company provide scope for assets and liabilities to be classified at inception into different accounting categories under certain circumstances. The classification of financial instrument is given in the Note 18 to the financial statements.

2.11.3 Impairment losses On loans and advances

The company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of profit or loss and other comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence, actual results may differ, resulting in future changes to the provisions made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to Expected Credit Loss.

A collective assessment of impairment takes into account data from the Loans and advance portfolio (such as credit quality, levels of arrears, credit utilization, advances to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, Inflation, GDP Growth Rate, country risk and the performance of different individual groups).

NOTES TO THE FINANCIAL STATEMENTS

The impairment loss on Loans and Receivables is disclosed in more detail in Note 10 to the financial statements.

The impairment loss on loans and receivables is disclosed in more detail in Notes 10, 23, 24 and 25 to the financial statements.

2.11.4 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.11.5 Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2.11.6 Defined benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and long-term nature, a defined benefit obligation is subject to significant uncertainty. Defined benefit obligation is disclosed in more details in the Note 38 to the financial statements.

2.11.7 Estimation of carrying value of Property, Plant and Equipment

The company reviews the residual values, useful lives and method of depreciation of Property, Plant and Equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence, they are subject to uncertainty.

2.11.8 Revaluation of property, Plant and Equipment

The company measures land and buildings at revalued amounts. The company engaged an independent professional valuer to assess fair values of significant components of land and buildings as at 31st March 2024. The key assumptions used to determine the fair value of the land and buildings are provided in the Note 31.4 to the financial statements.

2.11.9 Provisions for liabilities, commitments and contingencies

The company receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

3. Material accounting policies – Recognition of Assets and Liabilities

Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, unless otherwise indicated.

3.1 Financial instruments — Initial recognition, classification and subsequent measurement

3.1.1 Date of recognition

All financial assets and liabilities except "regular way trades" are initially recognized on the trade date, i.e., the date that the company becomes a party to the contractual provisions of the instrument. "Regular way trades", means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or

convention in the marketplace. Those trades are initially recognized on the settlement date.

3.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instrument".

Transaction cost in relation to financial assets and financial liabilities at fair value through profit and loss are dealt with through the Statement of profit or loss and other comprehensive income.

3.1.2.1 Day 1' Profit or Loss

When the transactions price differs from the fair value of other observable current market transactions in the same instruments or based on a valuation technique shows variables include only data from observable markets, the company immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'interest income and personnel expenses'. In cases where fair value is determined using data, which is not observable, or when the instrument is recognized, The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortized using "Effective Interest Rates" (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.2 Financial Instruments

(i) Classification of Financial Instruments

The Company classifies its Financial Assets into the following measurement categories:

- ⊙ Measured at fair value (either through Other Comprehensive Income, or through Profit or Loss); and
- ⊙ Measured at amortized cost.

The classification depends on the Company's business model for managing Financial Assets and the contractual terms of the Financial Assets' cash flows.

The Company classifies its Financial Liabilities at amortized cost unless it has designated liabilities at fair value through Profit or Loss or is required to measure liabilities at fair value through Profit or Loss such as Derivative Liabilities.

(ii) Financial Assets measured at amortized cost

Cash and Cash equivalent, Placements, Loans and Receivables from Customers and Other Financial Assets are measured at amortized cost where they have:

- ⊙ Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- ⊙ Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost. The measurement of credit impairment is based on the three-stage Expected Credit Loss model described below in Note (V) Impairment of Financial Assets.

(iii) Financial assets measured at fair value through Other Comprehensive Income

Equity instruments

Investment in equity instruments that are neither Trading Financial Assets recognized through Profit or Loss, nor contingent consideration recognized by the Company in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through Other Comprehensive Income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other Comprehensive Income, by default such investments shall be measured at fair value through Profit and Loss. Amounts presented in other Comprehensive Income are not subsequently transferred to Profit or Loss. Dividends on such investments are recognized in Profit or Loss.

Debt Instruments

Investments in debts instruments including Government securities are measured at fair value through Other Comprehensive Income.

Amounts presented in Other Comprehensive Income are not subsequently transferred to Profit or Loss. Interest on such investments is recognized in Profit or Loss.

(iv) Fair Value through Profit or Loss

Fair Value through Profit or Loss comprise:

- ⊙ Financial Investments - For Trading.
- ⊙ Instruments with contractual terms that do not represent solely payments of principal and interest.

Financial Instruments held at fair value through Profit or Loss are initially recognized at fair value, with transaction costs recognized in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the Statement of Profit or Loss as they arise.

Where a Financial Asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

(a) Financial Investments - For Trading

A Financial Investment is classified as Financial Assets recognized through Profit or Loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of Financial Instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

(b) Financial Instruments designated as measured at fair value through Profit or Loss

Upon initial recognition, Financial Instruments may be designated as measured at fair value through Profit or Loss. A Financial Asset may only be designated at fair value through Profit or Loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e., eliminates an accounting mismatch) that would otherwise arise from measuring Financial Assets or Liabilities on a different basis.

A Financial Liability may be designated at fair value through Profit or Loss if it eliminates or significantly reduces an accounting mismatch or:

- ⊙ Host contract contains one or more embedded derivatives; or
- ⊙ Financial Assets and Liabilities are both managed, and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

(v) Impairment of Financial Assets

The Company applies a three-stage approach to measuring Expected Credit Losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- ⊙ Instruments measured at amortized cost and
- ⊙ Fair value through Other Comprehensive Income.

ECL is not recognized on equity instruments.

Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

Company determines 12-month ECL from customers who are not significantly credit deteriorated (i.e., 0 to 30 days past due)

Stage 2: Lifetime ECL – not Credit Impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e., reflecting the remaining lifetime of the Financial Asset) is recognized.

In being consistent with the policies of the Company, significant deterioration is measured through the rebuttable presumption of more than 30 days and less than or equal to 90 days past due in line with the requirements of the standard.

NOTES TO THE FINANCIAL STATEMENTS

Stage 3: Lifetime ECL – Credit Impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognized, and Financing Income is calculated by applying the Effective Rate to the amortized cost (net of provision) rather than the gross carrying amount.

In being consistent with the policies of the Company, credit impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard.

Determining the stage for Impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for impairment loss reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's policy criteria, or which are less than 30 days past due, are considered to have a low credit risk.

The provision for impairment loss for these Financial Assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off is shown as an income in the Statement of Profit or Loss.

The Company assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, Financial Instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- ⊙ Financial Assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the Financial Asset discounted by the Effective rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.
- ⊙ Financial Assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Effective rate.
- ⊙ Undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

ECLs are recognized using a provision for impairment loss account in Statement of Profit and Loss.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD: The probability of Default 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 derecognized and is still in the portfolio.

EAD: The Exposure at Default 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 capital and financing income, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued financing income from missed payments.

LGD: The Loss Given Default 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 Company would expect to receive, including the realization of any collateral.

(vi) Recognition of Financial Instruments

A Financial Asset or Financial Liability is recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and Receivables are recognized when cash is advanced (or settled) to the borrowers.

Financial Assets are recognized initially at fair value plus directly attributable transaction costs.

(vii) Offsetting

Financial Assets and Liabilities are offset, and the net amount is presented in the Balance Sheet when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note on 55 Financial risk management - Offsetting of Financial Assets and Liabilities.

(viii) Designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'net gain or loss on financial assets and liabilities designated at fair value through profit or losses. Interest earned is accrued in 'interest income', using the EIR, while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

The company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

3.2.1 Loans and receivables

Loans and receivables include, loans and receivables, finance leases receivables, hire purchase receivables and placements with the Banks.

Details of loans and receivables are given in following notes to the financial statements.

Items	Note No.
Loans and receivables	23
Finance leases receivables	24
Hire purchase receivables	25
Placement with Banks	21

3.2.2 Cash and cash equivalents

Details of cash and cash equivalents are given in the note 20 to the financial statements.

3.2.3 Classification and subsequent measurement of financial liabilities

At inception a financial liability is classified into one of the following categories.

- ⊙ At fair value through profit or loss
 - Held for trading; or
 - Designated at fair value through profit or loss.
- ⊙ At amortized cost

The subsequent measurement of financial liabilities depends on their classification.

Details on different types of financial liabilities recognized on the statement of financial position are given in the note 18 to the financial statements.

3.2.4 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designed upon initial recognition as at fair value through profit or loss.

The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

3.2.5 Financial liabilities at amortized cost

Financial instruments issued by the company that are not designated at fair value through profit or loss, are classified as liabilities under 'due to customers', 'debt securities issued' or 'subordinated term debts' as appropriate, where the substance of the contractual arrangement results in the company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of owned equity shares.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of comprehensive income. Gain and losses too are recognized in the Statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Details of financial liabilities at amortized cost are given in the following notes to the financial statements.

Items	Note No.
Deposits due to customers	34
Debts instruments issued and other borrowings	35

3.2.6 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.2.7 De-recognition of financial assets and financial liabilities

3.2.7.1 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 asset has expired
- ⊙ The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - ⊙ The company has transferred substantially all the risks and rewards of the asset; or
 - ⊙ The company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

3.2.7.2 Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the Statement of profit or loss and other comprehensive income.

3.2.8 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in the note 19 to the financial statements.

3.2.9 Identification and measurement of impairment of financial assets

The company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers are experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In addition, for an investment in an equity security a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

3.2.9.1 Impairment of financial assets carried at amortized cost

The company recognizes the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - "Financial Instruments". The methodology adopted by the company is explained below:

Individual assessment of impairment

For individual assessment of impairment for financial assets carried at amortized cost (such as loans and advances to customers, finance leases and hire purchase receivable), the company first assesses individually, whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of a provision account and the amount of impairment loss is recognized in Statement of profit or loss and other comprehensive income. Interest income continues to be accrued and recorded in 'interest income' on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The calculation of the present value of the estimated future cash flows of collateralized financial asset, reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Loans together with the associated impairment provision are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the provision account. If a future write-off is later recovered, the recovery is credited to 'other income'.

Collective Assessment of Impairment

If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year-to-year such as changes in;

- ⊙ Growth in Gross Domestic Production (GDP)
- ⊙ Interest rates
- ⊙ Inflation rates
- ⊙ Changes in unemployment rate
- ⊙ Property prices

- ⊙ Commodity prices
- ⊙ Payment status
- ⊙ Changes in laws and regulations
- ⊙ Recent lending portfolio growth and product mix

The methodology and assumptions used for estimating provision for impairment including assumptions for projecting future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of rescheduled loans and advances

Where possible, the company seeks to reschedule loans and advances rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. In case of individually significant rescheduled credit facilities, once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan/advance is no longer considered past due. The Management continually reviews renegotiated loans and advances to ensure that all criteria are met and that future repayments are likely to occur.

Collateral valuation

The company seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum at inception and based on the company's annual reporting schedule.

To the extent possible, the company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collaterals such as motor vehicles, real estate are valued based on data provided by third parties such as valuers and other independent sources.

Collateral repossessed

Repossessed collateral will not be taken into books of accounts unless the company has taken those collaterals into its business operations.

3.2.9.2 Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets are reviewed 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. Impairment losses of continuing operations are recognized in the Statement of profit or loss and other comprehensive income under those expense categories consistent with the function of the impaired asset, except for property previously revalued where the gain or loss on revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the extent of any previously recognized revaluation gains.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized 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 recognized. 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/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of profit or loss and other comprehensive income.

3.3 Leases

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

3.3.1 Operating leases

3.3.1.1 Operating leases – company as a lessee (Right of Use Assets)

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it:

- ⊙ Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- ⊙ Relied on its assessment of whether leases are onerous immediately before the date of initial application

NOTES TO THE FINANCIAL STATEMENTS

- ⊙ Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- ⊙ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

3.3.1.2 Operating leases – company as a lessor

Leases where the company does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases. Details of 'operating leases' are given in the note 9, 26 and 31 to the financial statements.

3.3.2 Finance leases

3.3.2.1 Finance leases – company as a lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The company does not have any finance leases as a lessee.

3.3.2.2 Finance leases – company as a lessor

When the company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'finance leases receivables. The finance income receivable is recognized in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Details of 'finance leases receivables are given in the note 24 to the financial statements.

3.4 Hire purchase receivable

Advances granted under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as "hire purchases receivables."

Details of 'hire purchase receivables' are given in the note 25 to the financial statements.

3.5 Property, Plant and Equipment

Details of Property, Plant and Equipment are given in the note 31 to the financial statements.

3.5.1 Depreciation

Details of depreciation is given in the note 12 to the financial statements.

3.6 Intangible assets

Details of intangible assets are given in the note 33 to the financial statements.

Amortization recognized during the year in respect of intangible assets is included under the item of amortization of intangible assets under depreciation and amortization in the Statement of profit or loss and other comprehensive income.

3.7 Investment property

Details of investment property are given in the note 30 to the financial statements.

3.8 Provisions

When the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the company can reliably estimate the amount of the obligation, we recognize it as a provision in accordance with LKAS 37 - Provisions, Contingent Liabilities and Contingent Asset.

3.9 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part

of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.10 Employee benefits

3.10.1 Defined benefit plan – gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined in the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

Details of retirement benefit obligations are given in the note 38 to the financial statements.

3.10.2 Defined contribution plan

Details of the defined contribution plans and amount recognized in the Statement of profit or loss and other comprehensive income as expenses on defined contribution plans are given in note 11 to the financial statements.

4. Material Accounting Policies – Recognition of Income And Expenses

Details and recognition criteria of income and expenses are given in notes 6 to 13 to the financial statements.

4.1 Income tax expenses

Details of income tax expense are given in note 15 to the financial statements.

5. New Accounting Standards Issued But Not Yet Effective

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 March 2024.

The following new accounting standards/ amendments have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those accounting standards will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements. None of those have been early adopted by the Company.

Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS.

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16.

The amendments to SLFRS 16 Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024

SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

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

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

This standard is not applicable to the company.

Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

6. Gross Income

Accounting Policy

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and such revenue can be reliably measured. The specific recognition criteria is given under the respective income notes.

Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Interest income (Note 7.1)	10,628,251	8,749,868
Fee and commission income (Note 8)	75,732	75,568
Other operating income (Note 9)	244,975	210,288
Total	10,948,958	9,035,723

7. Net Interest Income

Accounting Policy

Recognition of income and expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as Fair Value Through Other Comprehensive Income (FVOCI), interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the interest 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, pre-payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, 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 EIR and the change in carrying amount is recorded as 'interest and similar income' for financial assets and 'interest and similar expense' for financial liabilities.

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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Discounts/premium on treasury bills and treasury bonds are amortized over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognized on an accrual basis. The interest income on securities purchased under resale agreements is recognized in the statement of profit or loss and other comprehensive income on an accrual basis over the period of the agreement.

7.1 Interest income

For the year ended 31 March	2024 Rs. '000	2023 Rs. '000
Income from finance lease	5,432,365	4,265,204
Income from hire purchase	2,481	14,377
Income from other loans and receivables	4,032,859	3,243,151
Income from treasury bills and bonds	877,080	955,572
Income from fixed deposits, unit trust and money market investments	283,467	271,564
Total	10,628,251	8,749,868

7.2 Interest Expenses

Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Interest on fixed deposits	5,856,013	5,091,664
Interest on savings deposits	10,326	13,573
Interest on bank overdraft	193	352
Interest on bank and securitized borrowings	454,113	984,509
Interest on lease liability	75,491	14,133
Bank chargers	45,668	30,592
Total	6,441,603	6,134,824
Net interest income	4,186,648	2,615,044

8. Fee and Commission Income

Accounting Policy

The company earns fee and commission income from insurance referral business that is accounted for on an accrual basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as introducer commission received on insurance policies of loans and receivable customers.

For the Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Gross Commission Income	75,732	75,568
	75,732	75,568

9. Other Operating Income

Accounting Policy

Other income

Other income is recognized on an accrual basis.

Dividend income

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

Gain or losses on disposal of Property, Plant and Equipment, investments in Government Securities, Dealing Securities and Investment Securities

Gains or losses resulting from the disposal of Property, Plant and Equipment is accounted for through the Income Statement and investments in government securities, dealing securities and investment securities gains or losses are accounted for through Other Comprehensive Income, in the period in which the sale occurs except for the components of such investments which are identified for trading and classified as FVPL.

Recovery of bad and doubtful debts written off

Recovery of amounts written off as bad and doubtful debts is recognized on a cash basis.

Operating lease rental income

Income arising on operating leases is accounted for on a straight line basis over the lease terms on ongoing leases.

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For the Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Dividend from FVOCI - Financial Investments	35,705	41,174
Capital gain/(Loss) on Government Securities & Equity Securities FVPL - Financial Investments	142	-
Unrealized gain/(loss) on Government Securities & Equity Securities FVPL - Financial Investments	27,407	326
Rental income from Properties /Investment properties	19,350	18,472
Net gain/(loss) on disposal of Property, Plant and Equipment	423	7,835
Other income	158,610	140,005
Bad debts recovered	3,337	2,475
Total	244,975	210,288

10. Impairment Charges and Other Losses / (Reversals)

Accounting Policy

The company recognizes the changes to the impairment provision which is assessed based on Expected Credit Loss method (ECL) in accordance with the Sri Lanka Accounting Standard -SLFRS 09 (Financial Instruments).The methodology adopted by the company is explained in the note 3.1.2.1 (v) to these Financial Statements.

10.1 For the year ended 31st March

Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Charges / (reversals) to the Statement of profit or loss and other comprehensive income on impairment		
- Loans and receivables (Note 23.4)	(143,307)	(110,393)
- Finance leases receivables (Note 24.4)	84,593	(217,013)
- Hire purchase receivables (Note 25.4)	(12,033)	(4,922)
-Other financial assets (Note 26.1)	78,658	56,127
Total	7,911	(276,201)

10.2 Analysis of Impairment Charges and Other Losses

	2024				2023			
	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Other Loans and receivables	5,023	(21,206)	(127,123)	(143,307)	(23,080)	(86,652)	(661)	(110,393)
Finance leases receivables	(7,811)	(54,793)	147,198	84,593	(42,485)	(203,116)	28,588	(217,013)
Hire purchase receivables	(167)	(662)	(11,204)	(12,033)	(176)	(4,640)	(105)	(4,922)
Other financial assets	-	-	78,658	78,658	(3,873)	-	60,000	56,127
Total	(2,956)	(76,661)	87,528	7,911	(69,615)	(294,408)	87,822	(276,201)

11. Personnel Expenses

Accounting Policy

Personnel expenses include salaries and bonus, terminal benefit charges and other related expenses.

Bonus

The provision for bonus is recognized when 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 on the amount of the obligation.

Defined contribution plans - Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF)

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods as defined in the 'Sri Lanka Accounting Standard LKAS 19 - Employee Benefits'.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The company and the employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund where as the company contributes 3% of the salary to the Employees' Trust Fund.

Defined benefit plan - gratuity

Defined benefit plan contributions are recognized in the Statement of profit or loss and other comprehensive income based on an actuarial valuation carried out for the gratuity liability in accordance with 'LKAS 19 - Employee Benefits'.

For the Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Salaries and bonus	1,220,946	968,238
Directors' emoluments (Note 11.1)	98,678	91,745
Employer's contribution to EPF	123,859	113,410
Employer's contribution to ETF	30,093	27,691
Defined benefit plan (Note 38)	85,397	69,144
Other allowances and staff related expenses	33,776	32,634
Total	1,592,749	1,302,861

11.1 Directors' emoluments

Directors' emoluments represents the fees, salaries and allowances paid to both Executive and Non-Executive Board Directors of the company.

12. Depreciation of Property Plant and Equipment (PPE), Right-Of-Use (ROU) Assets and Amortization of Intangible Assets

Accounting Policy

Depreciation of Property, Plant and Equipment & Right of Use Assets

Depreciation is recognized in the Statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of Property Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated. The estimated useful lives are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Class of assets	Depreciation % per annum	Estimated useful life
Buildings	1.33 - 2.5	40 - 75 Years
Plant and machinery	20	5 Years
Computer equipment	25	4 Years
Office equipment	10	10 Years
Furniture and fittings	10	10 Years
Fixtures	10	10 Years
Motor vehicles	10 - 16.67	6 - 10 Years
Office bicycles	10	10 Years
Tools	25	4 Years
Right of Use Assets	20-25	4 - 5 Years

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available-for-use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of Property, Plant & Equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in the note 31 to the financial statements.

Depreciation of investment property

Investment property includes land and buildings. Depreciation on building are recognized on a straight line basis over the estimated useful life of 40-75 years.

Amortization of intangible assets

Intangible assets are amortized using the straight line method to write down the cost over its estimated useful economic lives as given below:

Class of assets	Depreciation % per annum	Estimated useful life
Computer software	20 - 50	2 - 5 Years

The unamortized balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized as expenses in the Statement of profit or loss and other comprehensive income to the extent that they are no longer probable of being recovered from the expected future benefits.

The reconciliation of carrying amounts and accumulated amortization and impairment at the beginning and end of the year are given in the note 33 to the financial statements.

Amortization of leasehold property

Leasehold property includes a land on 99 years lease which is amortized over the lease period using the straight line method.

For the Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Depreciation of Investment Property (Note 30)	1,665	1,665
Depreciation of Property, Plant & Equipment (Note 31)	91,175	84,963
Depreciation of ROU Assets (Note 31.15)	58,694	53,899
Amortization of Leasehold Property (Note 32)	468	468
Amortization of Intangible Assets (Note 33)	10,488	20,835
Total	162,490	161,831

The company has reviewed the residual value and the useful lives of the assets as at 31st March, 2024 and there were no any material changes with the previous year reassessment.

13. Other Operating Expenses

Accounting Policy

Other operating expenses are recognized in the Statement of profit or loss and other 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 & Equipment in a state of efficiency has been charged to the Statement of profit or loss and other comprehensive income in arriving at the profit for the year.

Crop Insurance Levy (CIL)

As per the provision of Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 01st April, 2013 and is payable to the National Insurance Trust Fund.

Currently, the CIL is payable at 1% of the profit after tax and amount relevant for the year is accounted under "other operating Expenses" category of other operating expense.

For the Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Auditors' remuneration	3,485	2,717
Non Audit related services	1,020	294
Professional and legal expenses	13,886	10,581
Advertising and business promotion expenses	98,076	82,453
Insurance premium	77,076	67,762
Donations	552	287
Office and building maintenance	60,912	66,250
Computer equipment maintenance	74,621	79,962
Other Operating Expenses	1,187,098	956,801
Total	1,516,724	1,267,105

14. Share of Associates Company's Profit/(Loss) After Taxation

Accounting Policy

Investment in associate companies are accounted for by using the equity method of accounting in terms of the Sri Lanka Accounting Standard - LKAS 28 - Investment in Associates and Joint Ventures.

The company's share of profit/(loss) of an associate is recognized in the Statement of profit or loss and other comprehensive income.

For the Year ended 31 March	2024 Rs. '000	2023 Rs. '000
Nuwara Eliya Hotels Co. PLC share of Profit/(Loss) after tax (Note 29.1)	151,837	19,365
Total	151,837	19,365

NOTES TO THE FINANCIAL STATEMENTS

15. Income Tax Expenses and Tax on Financial Service

o GRI 207-1,207-2,207-3,207-4

Accounting Policy

As per the Sri Lanka Accounting Standard - LKAS 12 on 'Income Taxes', tax expense (tax income) is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognized in the Statement of profit or loss and other comprehensive income except to the extent it relates to items recognized directly in equity or in Other Comprehensive Income (OCI), in which case it is recognized in equity or in OCI.

Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted at the reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

Deferred taxation

Detailed disclosure of accounting policies and estimate of deferred tax are available in the note 37 to the financial statements.

Value Added Tax on financial services

The base for the computation of value added tax on financial services is the accounting profit before emoluments paid to employees and income tax, which is adjusted for the depreciation computed on prescribed rates. The amount of Value Added Tax charged in determining the profit or loss for the period is given in the note no 15.2 of the Financial statements.

Social Security Contribution Levy (SSCL) on financial services

As per Social Security Contribution Levy Act no 25 of 2022, effective from 1st October 2022, Company is liable to pay SSCL on Financial Service at the rate of 2.5% on the value addition attributable to the supply of finance services further Non-Financial Services are made liable on the turn over at the rate of 2.5%.

For the year ended 31st march	2024 Rs. '000	2023 Rs. '000
Income tax expenses on profit for the year (Note 15.1)	395,916	71,379
(Over)/ under provision in respect of previous year	(3,059)	(52,253)
Deferred tax (reversal)/ charged (Note 37)	(128,890)	20,952
Deferred tax impact due to the change of tax rate (reversal)/ charged (Note 37)	-	(13,311)
Total tax expense for the year	263,966	26,767

15.1 Reconciliation of Accounting profit and Taxable Income

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

For the year ended 31st march	2024 Rs. '000	2023 Rs. '000
Accounting Profit before income tax	667,943	113,456
Income tax expense on 1st 6 months accounting PBT @ 24%	-	13,615
Income tax expense on 1st 6 months accounting PBT @ 30%	-	17,018
Income tax expense on 12 months accounting PBT @ 30%	200,383	-
Add: Tax effect on non-deductible expenses	283,929	98,079
Less: Tax effect on deductible expenses	(88,397)	(63,137)
Tax effect on exempt income/profit	-	-
Profit and Income tax @ 15%	-	5,210
Profit and Income tax @ 14%	-	594
	395,916	71,379
Effective tax rate (including deferred tax)	39.98%	81.38%
Accounting profit before tax on financial services	1,227,480	445,304
Effective tax rate (excluding VAT on financial services)	21.50%	6.01%

Current year income tax expense has been recorded for on the taxable income at the rate of 30%.(2023 - 24% - 30%)

The company has taken into account the full benefit of capital allowances arising in terms of Section 16 of the Inland Revenue Act No. 24 of 2017 and amendments thereto in determining the taxation on profits for the year.

15.2 Value Added Tax charged on financial services

For the year ended 31st march	2024 Rs. '000	2023 Rs. '000
Value Added Tax on Financial Services - 18%	491,302	309,431
Social Security Contribution Levy on Financial Services - 2.5%	68,236	22,417
	559,538	331,848

16. Basic/ Diluted Earnings Per Ordinary Share

Accounting policy

Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as required by Sri Lanka accounting standard LKAS No 33 on Earning Per Share. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

Diluted earnings per share is calculated by dividing the net profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of diluted potential ordinary shares).

For the year ended 31st March	2024 Rs. '000	2023 Rs. '000
Net profit after tax attributable to equity holders of the company	555,814	106,053
Net profit after tax attributable to equity holders of the company for basic and diluted earnings per share	555,814	106,053

NOTES TO THE FINANCIAL STATEMENTS

	Nos. '000	Nos. '000
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares	3,006	3,006
Weighted average number of ordinary shares used for basic and diluted earnings per share	3,006	3,006
Basic earnings per share (Rs.)	184.90	35.28
Diluted earnings per share (Rs.)	184.90	35.28

17. Dividend Per Ordinary Share

Accounting policy

Provision for final dividends is recognized at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividend payable is recognized when the Board approves such dividend in accordance with the Companies Act No 7 of 2007.

For the year ended 31st March	2024			2023		
	Gross Dividend Rs.'000	Dividend Tax Rs.'000	Net Dividend Rs.'000	Gross Dividend Rs.'000	Dividend Tax Rs.'000	Net Dividend Rs.'000
Interim dividend						
Out of dividend received - free of tax	60,120	-	60,120	-	-	-
Out of normal profits	-	-	-	-	-	-
Total dividend	60,120	-	60,120	-	-	-
Dividend per ordinary share (Rs.)	20	-	20	-	-	-

18. Analysis Of Financial Instruments By Measurement Basis

Accounting policy

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of Material Accounting Policies describes how the classes of financial instruments are measured and how income and expense, including fair value gains and losses are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in SLFRS 09 - Financial Instruments : Recognition and Measurement and by headings given in the Statement of Financial Position.

18.1. Analysis of financial instrument by measurement basis as at 31st March 2024

	Financial Instruments at Amortized Cost (AC)	Financial Instruments at FairValue through Profit and Loss (FVPL)	Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI)	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Cash and cash equivalents	2,492,057	-	-	2,492,057
Placement with banks at Amortized cost	3,460	-	-	3,460
Financial investments - At FVOCI (quoted)	-	-	6,498,258	6,498,258
Financial investments - At FVPL	-	329,519	-	329,519
Loans and receivables at Amortized Cost	16,591,202	-	-	16,591,202
Finance leases receivables at Amortized Cost	20,302,868	-	-	20,302,868
Hire purchase receivables at Amortized Cost	101,631	-	-	101,631
Other financial assets	289,256	-	-	289,256
Total financial assets	39,780,475	329,519	6,498,258	46,608,252

For the year ended 31st march	At Amortized Cost Rs. '000	Total Rs. '000
Financial liabilities		
Bank overdraft	317,122	317,122
Deposits due to customers at Amortized Cost	36,104,935	36,104,935
Debt instruments issued and other borrowings at Amortized Cost	2,441,542	2,441,542
Other financial liabilities	430,673	430,673
Total financial liabilities	39,294,272	39,294,272

18.2. Analysis of financial instrument by measurement basis as at 31st March 2023

	Financial Instruments at Amortized Cost (AC)	Financial Instruments at FairValue through Profit and Loss (FVPL)	Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI)	Total
Financial assets				
Cash and cash equivalents	1,791,064	-	-	1,791,064
Placement with banks at Amortized cost	1,422	-	-	1,422
Financial investments - At FVOCI (quoted)	-	-	6,373,655	6,373,655
Financial investments - At FVPL	-	3,250	-	3,250
Loans and receivables at Amortized Cost	13,593,368	-	-	13,593,368
Finance leases receivables at Amortized Cost	19,026,269	-	-	19,026,269
Hire purchase receivables at Amortized Cost	127,176	-	-	127,176
Other financial assets	442,950	-	-	442,950
Total financial assets	34,982,247	3,250	6,373,655	41,359,153

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st march	At Amortized Cost Rs. '000	Total Rs. '000
Financial liabilities		
Bank overdraft	93,518	93,518
Deposits due to customers at Amortized Cost	31,223,715	31,223,715
Debt instruments issued and other borrowings at Amortized Cost	3,487,442	3,487,442
Other financial liabilities	378,645	378,645
Total financial liabilities	35,183,320	35,183,320

19. FAIR VALUE MEASUREMENT

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 company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. External valuers are involved for valuation of significant assets such as properties.

19.1. Determination of fair value and fair value hierarchy

For all financial instruments where fair values are determined by referring to externally quoted price or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a trade price may not be possible. In these circumstances the company uses alternative market information to validate the financial instrument's fair value with greater weight given to information that is considered to be more relevant and reliable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized using the following fair value hierarchy, which reflects the significance of the inputs used in the fair value measurement.

Fair values hierarchy

- Level 1** - Quoted market price (unadjusted) : financial instruments with the quoted prices in active markets.
- Level 2** - Valuation technique using observable inputs : financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.
- Level 3** - Valuation technique with significant unobservable inputs : financial instruments are valued using valuation techniques where one or more significant inputs are unobservable.

19.2. Valuation framework

The Company has established control framework with respect to the measurement of fair values of all significant assets and liabilities.

Specific controls include

- ⊙ Review and approval process for significant judgements and assumptions
- ⊙ Periodic review of fair value measurements against observable market data

19.3 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. These amount were based on the values is disclosed in the statement of financial position.

As at 31st March	2024				2023			
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non- financial assets								
Property, Plant and Equipment								
Land and buildings (Note 19.3.1)	-	-	3,802,000	3,802,000	-	-	3,479,869	3,479,869
	-	-	3,802,000	3,802,000	-	-	3,479,869	3,479,869
Financial assets								
Financial investments- (FVOCI)								
Quoted investments	2,064,942	-	-	2,064,942	1,682,810	484,872	-	2,167,682
Unquoted investments (Note 19.3.2)	-	-	70,427	70,427	-	-	70,427	70,427
Government debt securities	4,690,579	-	-	4,690,579	-	4,135,547	-	4,135,547
Financial investments- (FVPL)								
Quoted investments	329,519	-	-	329,519	3,250	-	-	3,250
	7,085,040	-	70,427	7,155,467	1,686,060	4,620,419	70,427	6,376,906

19.3.1. The fair value of the land & buildings are based on the valuation done by professionally qualified independent professional valuer on 31st March, 2024.

19.3.2. Value of unquoted shares as at 31st March, 2024 categorized under financial investments- (FVOCI) whose fair values can not be reliably measured is stated at cost in the statement of financial position .

19.3.3. Significant unobservable inputs used in level 3 measurement

Note no 31.4 to the financial statements provides information on significant unobservable inputs used in measuring fair value of land and buildings categorized as Level 3 in the fair value hierarchy.

There were no transfer between Level 1 and Level 2 during the year 2023 and 2024

19.4. Financial instruments not measured at fair value and fair value hierarchy

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

19.4.1. Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity it is assumed that carrying amount approximate their fair value. This assumption is also applied to savings accounts which doesn't have specific maturity.

19.4.2. Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rate of similar financial instruments as a significant unobservable input in measuring the fair value and accordingly none of the financial assets were categorized under Level 3 except for unquoted equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

19.4.3. Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interests rates would result in lower/(higher) fair value being disclosed.

19.4.4. The following table shows the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy.

As at 31st March	2024					2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets										
Cash and cash equivalents	-	-	-	2,492,057	2,492,057	-	-	-	1,791,064	1,791,064
Placement with banks	-	-	-	3,460	3,460	-	-	-	1,422	1,422
Loans and receivables	-	-	16,868,707	16,868,707	16,591,202	-	-	13,206,753	13,206,753	13,593,368
Finance leases receivables	-	-	21,589,339	21,589,339	20,302,868	-	-	18,724,450	18,724,450	19,026,269
Hire purchase receivables	-	-	101,631	101,631	101,631	-	-	127,176	127,176	127,176
Other financial assets	-	-	289,256	289,256	289,256	-	-	442,950	442,950	442,950
Total financial assets	-	-	38,848,934	41,344,452	39,780,475	-	-	32,501,328	34,293,814	34,982,247
Financial liabilities										
Bank overdraft	-	-	-	317,122	317,122	-	-	-	93,518	93,518
Deposits due to customers	-	-	36,352,317	36,352,317	36,104,935	-	-	31,169,107	31,169,107	31,223,715
Debt instruments issued and other borrowings	-	-	2,441,542	2,441,542	2,441,542	-	-	3,125,007	3,125,007	3,487,442
Other financial liabilities	-	-	430,673	430,673	430,673	-	-	378,645	378,645	378,645
Total financial liabilities	-	-	39,224,531	39,541,654	39,294,272	-	-	34,672,759	34,766,277	35,183,320

19.5. Reclassification of financial assets

There have not been any reclassifications during the financial years 2022/23 and 2023/24.

20. Cash And Cash Equivalents

Accounting policy

Cash and cash equivalents comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

There were no cash and cash equivalents held by the company that were not available for use by the company.

Details of cash and cash equivalents in the statement of financial position are given below.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Cash in hand	386,458	220,014
Balances with the banks	321,724	343,416
Money market balances	1,783,875	1,227,634
	2,492,057	1,791,064

As at 31st March 2024, the company had available Rs.3,433 Million (2023-Rs.2,691 Million) of undrawn committed borrowing facilities.

Net Cash & Cash Equivalents for the purpose of Cash Flow Statement

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, money at call and short notice net of outstanding bank overdrafts.

21. PLACEMENT WITH BANKS

Accounting policy

Balances with banks and financial institutions includes fixed deposits. Balances with banks and financial institutions are carried at amortized cost in the statement of financial position.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Saving deposits	3,460	1,422
	3,460	1,422

22. Financial Investments - At (FVOCI)

Accounting policy

Financial investments at FVOCI include equity and debt securities which comprise government securities and unit trust investments as at the balance sheet date. Equity investments classified as FVOCI are those which are neither classified as held for trading nor designated at fair value through profit or loss (FVPL). Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

Unrealized gains and losses are recognized directly in equity through Other Comprehensive Income in the fair value reserve. When the financial investment is disposed of, the cumulative gain or loss previously recognized in equity is not recognized in the Statement of profit or loss and other comprehensive income but will be dealt within the Other Comprehensive Income Statement.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Government securities, Unit trust and quoted investments		
Government debt securities (Note 22.1.1 & Note 22.3)	4,690,579	4,135,547
Equities (Note 22.1.2)	2,064,942	1,682,810
Unit Trust Investment (Note 22.1.3)	-	484,872
	6,755,521	6,303,228
Unquoted investments		
Equities (Note 22.1.4)	70,427	70,427
	70,427	70,427
Total financial investments - (FVOCI)	6,825,947	6,373,655

NOTES TO THE FINANCIAL STATEMENTS

22.1.1 Government Debt Securities

As at 31st March	2024 Rs. '000	2023 Rs. '000
Treasury Bill - FVOCI	4,362,889	4,135,547
Treasury Bond - FVPL	327,690	-
	4,690,579	4,135,547

22.1.2 Equities (quoted)

As at 31st March	2024			2023		
	No of Shares	Cost Rs. '000	Market Value Rs. '000	No of Shares	Cost Rs. '000	Market Value Rs. '000
Banks						
Commercial Bank of Ceylon PLC	630	69	62	595	67	38
Sampath Bank PLC	114,878	10,026	9,190	112,104	9,916	5,885
		10,095	9,252		9,983	5,923
Capital Goods						
Aitken Spence PLC	15,000	343	1,954	15,000	343	1,965
John Keells Holdings PLC	1,514,307	277,644	293,774	1,514,307	277,644	212,003
Access Engineering PLC	13,121,925	293,469	296,556	13,121,925	293,469	186,331
Hayleys PLC	636,893	72,205	52,289	636,893	72,205	45,856
Hemas Holdings PLC	1,000,000	101,131	80,400	1,000,000	101,131	65,000
ACL Cables PLC	245,406	29,778	20,639	245,406	29,778	20,197
		774,570	745,612		774,569	531,353
Consumer Durables and Apparel						
Hayleys Fabric PLC		-	-	898,284	36,717	22,637
		-	-		36,717	22,637
Consumer Services						
Royal Palms Beach Hotels PLC	8,576,700	124,582	257,301	8,576,700	124,582	225,567
Tangerine Beach Hotels PLC	3,899,644	26,343	229,689	3,899,644	26,343	214,480
Hayleys Leisure PLC	1,933,440	60,070	38,669	1,933,440	60,070	46,403
Light House Hotel PLC	7,736,677	224,407	293,220	7,736,677	224,407	211,211
Hotel Sigiriya PLC	13,340	556	680	13,340	556	444
Palm Garden Hotel PLC	200,000	25,913	8,780	200,000	25,913	11,000
Fortress Resorts PLC	100,000	2,844	2,300	100,000	2,844	2,200
		464,715	830,639		464,715	711,305

22.1.2

As at 31st March	2024			2023		
	No of Shares	Cost Rs. '000	Market Value Rs. '000	No of Shares	Cost Rs. '000	Market Value Rs. '000
Diversified Financials						
Singer Finance (Lanka) PLC	296,760	14,357	3,650	296,760	14,357	3,324
People's Leasing & Finance PLC	8,029,351	99,842	88,323	7,610,092	95,314	60,120
Lanka Orix Leasing Company PLC	100,000	100,528	39,750	100,000	100,528	37,500
LOLC Finance PLC	2,000,000	56,829	11,000	2,000,000	56,829	12,000
		271,556	142,723		267,028	112,943
Food Beverage & Tobacco						
Three Acre Farms PLC	153,545	46,036	42,302	153,545	46,036	20,076
Renuka Foods PLC	203	4	3	200	4	4
Ceylon Grain Elevators PLC	0			103,669	13,740	8,698
		46,040	42,305		59,780	28,778
Insurance						
HNB Assurance PLC	200,000	12,336	11,880	200,000	12,336	9,980
		12,336	11,880		12,336	9,980
Material						
Tokyo Cement Company (Lanka) PLC (Non Voting)	2,000,128	119,158	87,806	1,818,299	119,158	82,733
Swisstek (Ceylon) PLC	250,000	11,623	4,775	250,000	11,623	3,525
		130,781	92,581		130,782	86,258
Real Estate						
East West Properties PLC	50,000	2,471	415	50,000	2,471	420
		2,471	415		2,471	420
Retailing						
United Motors Lanka PLC	150,000	18,701	8,700	150,000	18,701	8,265
Odel PLC	300,000	11,943	3,900	300,000	11,943	5,730
		30,644	12,600		30,644	13,995
Telecommunication services						
Dialog Axiata PLC	9,300,000	102,123	108,810	9,300,000	102,123	96,720
		102,123	108,810		102,123	96,720
Transportation						
ExpoLanka Holdings PLC	452,661	163,766	68,125	452,661	163,766	62,467
		163,766	68,125		163,766	62,467
Total		2,009,097	2,064,944		2,054,914	1,682,779

NOTES TO THE FINANCIAL STATEMENTS

22.1.3 Unit Trust Investment

As at 31st March	2024	2023	2024	2023
	Cost Rs. '000	Market Value Rs. '000	Cost Rs. '000	Market Value Rs. '000
NDB Wealth Management Ltd	-	-	450,000	484,872
	-	-	450,000	484,872

22.1.4 Equities (non-quoted)

As at 31st March	2024			2023		
	No of Shares	Cost Rs. '000	Market Value Rs. '000	No of Shares	Cost Rs. '000	Market Value Rs. '000
Security Ceylon (Pvt) Ltd	250	200	200	250	200	200
Credit Bureau of Sri Lanka	269	27	27	269	27	27
Finance Houses Consortium	20,000	200	200	20,000	200	200
Fair View Hotels (Pvt) Ltd	7,000,000	70,000	70,000	7,000,000	70,000	70,000
		70,427	70,427		70,427	70,427

22.2 Financial Investments -At Fair Value Through Profit And Loss (FVPL)

Financial investments at FVPL is comprised of equity investments and Government Security Investment which are intended to be sold to realize a capital gain with the favorable market condition movements.

Unrealized gains and losses are recognized directly in the Income Statement. When the financial investments are disposed of, the cumulative gain or loss is recognized in the Income Statement.

As at 31st March	2024			2023		
	No of Shares	Cost Rs. '000	Market Value Rs. '000	No of Shares	Cost Rs. '000	Market Value Rs. '000
Capital Goods						
Hayleys PLC	21,868	2,568	1,795	21,868	2,568	1,574
Transportation						
ExpoLanka Holding PLC	228	50	34	228	50	31
Food Beverage & Tobacco						
Ceylon Grain Elevators PLC	-	-	-	19,597	2,660	1,644
		2,618	1,830		5,279	3,250

22.3 Government Debt Securities

As at 31st March	2024	2023
	Rs. '000	Rs. '000
Treasury Bonds - FVPL	327,690	-
	327,690	-

23. Loans and Receivables

Accounting policy

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the company, upon initial recognition, designates as FVOCI
- Those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'loans and receivables' are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the Statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the Statement of profit or loss and other comprehensive income in "impairment (charge)/reversal for loans and receivables".

"Day 1" difference for staff loans

All staff loans granted at below market interest rates were recognized at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortized as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortized costs.

Write-off of loans and receivables

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is non-realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross loans and receivables	19,764,323	16,384,873
Prepaid rentals	166	166
Unearned interest	(2,485,880)	(1,828,777)
Allowance for impairment (Note 23.4)	(653,728)	(808,792)
Interest in suspense	(33,679)	(154,103)
Net loans and receivables	16,591,202	13,593,368

23.1 Loans and receivables-within one year

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross loans and receivables	9,949,437	8,515,643
Prepaid rentals	166	166
Unearned interest	(1,361,536)	(43,289)
Loans and receivables	8,588,066	8,472,519

NOTES TO THE FINANCIAL STATEMENTS

23.2 Loans and receivables-from one to five years

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross loans and receivables	9,807,557	7,867,068
Prepaid rentals	-	-
Unearned interest	(1,124,344)	(1,784,351)
Loans and receivables	8,683,214	6,082,717

23.3 Loans and receivables-after five years

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross loans and receivables	7,329	2,163
Unearned interest	-	(1,136)
Loans and receivables	7,329	1,026

23.4 Movement in allowance for impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	808,792	922,641
Bad debts written off during the year	(11,757)	(3,456)
Charge/(reversal) to the statement of profit or loss and other comprehensive income	(143,307)	(110,393)
Balance at the end of the year	653,728	808,792

Stage-wise impairment provision movement of loan and receivables is disclosed in Note 54 of the financial statements.

23.4.1 Individual impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	551,901	551,715
Bad debt written off during the year	(11,757)	(3,456)
Charge/(reversal) to the statement of profit or loss and other comprehensive income	(177,698)	3,642
Balance at the end of the year	362,447	551,901

23.4.2 Collective impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	256,891	370,927
Bad debt written off during the year	-	-
Charge/(reversal) to the statement of profit or loss and other comprehensive income	34,390	(114,036)
Balance at the end of the year	291,281	256,891

23.5 Sector wise analysis of loans and receivables

As at 31st March	2024 Rs. '000	2023 Rs. '000
Agriculture	1,139,479	737,533
Industrial	1,735,495	2,821,015
Tourism	488,175	298,226
Trading	3,275,231	2,643,950
Construction	965,088	876,769
Services	8,362,316	7,546,376
Others	3,798,538	1,461,001
	19,764,323	16,384,870

24. Finance Leases Receivables

Accounting policy

When the company is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amount receivable under finance leases net of initial rentals received, unearned interest and provision for impairment are classified as finance leases receivables in the Statement of Financial Position.

After initial measurement, 'finance leases receivables' are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest Income' in the Statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the Statement of profit or loss and other comprehensive income in 'impairment charge/reversal for Loans and receivables'. The impairment allowance is determined based on the Expected Credit Loss (ECL) approach specified in SLFRS 9.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross finance leases receivables	27,969,432	26,438,080
Prepaid rentals	(129)	(125)
Unearned interest	(6,924,171)	(6,748,102)
Allowance for impairment (Note 24.4)	(653,974)	(589,869)
Interest in suspense	(88,289)	(73,715)
Net finance leases receivables	20,302,868	19,026,269

24.1 Finance leases receivable-within one year

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross finance leases receivables	12,953,531	11,750,417
Prepaid rentals	-	(67)
Unearned interest	(4,085,353)	(3,489,697)
Finance leases receivables	8,868,178	8,260,653

NOTES TO THE FINANCIAL STATEMENTS

24.2 Finance leases receivable-from one to five years

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross finance leases receivables	15,015,902	14,687,663
Prepaid rentals	(129)	(58)
Unearned interest	(2,838,818)	(3,258,405)
Finance leases receivables	12,176,954	11,429,200

24.3 Finance leases receivable-after five years

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross finance leases receivables	-	-
Unearned interest	-	-
Finance leases receivables	-	-

24.4 Movement in allowance for impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning the year	589,869	810,733
Bad debt written off during the year	(20,489)	(3,851)
Charge/(reverse) to the Statement of profit or loss and other comprehensive income	84,593	(217,013)
Balance at the end the year	653,974	589,869

Stagewise impairment provision movement for lease receivables is disclosed in Note 54 of the financial statements.

24.4.1 Movement in individual impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	281,897	258,804
Bad debt written off during the year	(20,489)	(3,851)
Charge/(reverse) to the statement of profit or loss and other comprehensive income	168,700	26,943
Balance at the end of the year	430,108	281,897

24.4.2 Movement in collective impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	307,972	551,928
Bad debt written off during the year	-	-
Charge/(reverse) to the statement of profit or loss and other comprehensive income	(84,106)	(243,956)
Balance at the end of the year	223,866	307,972

24.5 Sector wise analysis of finance leases receivables

As at 31st March	2024 Rs. '000	2023 Rs. '000
Agriculture	3,517,433	2,932,714
Industrial	45,139	2,195,894
Tourism	3,768,715	417,996
Trading	6,163,773	7,130,580
Construction	1,550,091	461,059
Services	8,050,682	12,174,587
Others	4,873,599	1,125,251
	27,969,433	26,438,080

25. Hire Purchases Receivables

Accounting policy

Advances granted under agreement that transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as hire purchase receivables. Amount receivable under hire purchases net of initial rental received, unearned interest and provision for impairment are classified as hire purchases receivable in the Statement of Financial Position.

After initial measurement, 'hire purchases receivables' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the Statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the Statement of profit or loss and other comprehensive income under "impairment charge/ reversal for loans and receivables".

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross hire purchases receivables	305,897	359,079
Prepaid rentals	-	-
Unearned interest	(490)	(1,161)
Allowance for impairment (Note 25.4)	(191,193)	(216,189)
Interest in suspense	(12,582)	(14,553)
Net hire purchases receivables	101,631	127,176

25.1 Hire purchases receivable-within one year

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross hire purchases receivables	202,243	240,465
Prepaid rentals	-	-
Unearned interest	-	-
Hire purchases receivables	202,243	240,465

NOTES TO THE FINANCIAL STATEMENTS

25.2 Hire purchases receivable-from one to five years

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross hire purchases receivables	103,655	118,614
Prepaid rentals	-	-
Unearned interest	(490)	(1,161)
Hire purchases receivables	103,164	117,453

25.3 Hire purchases receivable-after five years

As at 31st March	2024 Rs. '000	2023 Rs. '000
Gross hire purchases receivables	-	-
Unearned interest	-	-
Hire purchases receivables	-	-

25.4 Movement in allowance for impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning the year	216,189	228,245
Bad debt written off during the year	(12,963)	(7,135)
Charge/(reverse) to the statement of profit or loss and other comprehensive income	(12,033)	(4,922)
Balance at the end the year	191,193	216,189

Stage wise impairment provision movement for hire purchase receivables is disclosed in the Note 54 of the financial statements.

25.4.1 Movement in individual impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	134,564	123,464
Bad debt written off during the year	(4,747)	(7,135)
Charge/(reverse) to the statement of profit or loss and other comprehensive income	(37,270)	(7,082)
Balance at the end of the year	92,547	109,247

25.4.2 Movement in collective impairment

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	87,835	104,781
Bad debt written off during the year	-	-
Charge/(reverse) to the statement of profit or loss and other comprehensive income	10,811	2,161
Balance at the end of the year	98,646	106,942

25.5 Sector wise analysis of hire purchases receivables

As at 31st March	2024 Rs. '000	2023 Rs. '000
Agriculture	16,538	18,399
Industrial	22,827	20,930
Tourism	1,976	2,403
Trading	56,047	147,901
Construction	79,964	889
Services	122,722	145,314
Others	5,824	23,242
	305,898	359,079

26. Other Financial Assets

Accounting policy

Insurance receivables

Premium receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of profit or loss and other comprehensive income.

Operating lease receivables

All leases other than finance leases are classified as operating leases. When acting as lessor, the company includes the assets subject to operating leases in 'Property, Plant and Equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

Rental receivable under operating leases are accounted for on a straight line basis over the periods of the leases to reduce the asset to its estimated residual value and are included in 'other operating income'. Estimated residual values are based on assumptions for used vehicle prices at lease termination and the number of vehicles that are expected to be returned.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Insurance receivables	220,932	300,230
Investments (Note 26.1)	9,307	69,307
Other receivables	59,018	73,413
	289,256	442,950

26.1 The investment made in "Repurchase Agreements" with a primary dealer appointed by the Central Bank of Sri Lanka for the purpose of complying with the "Liquid Assets Direction No.4 of 2013 issued by the Central Bank of Sri Lanka" has been classified under other financial assets category. The net carrying value was arrived after making an impairment provision of Rs 627 Million as at 31st March 2024 which includes the current year provision of Rs 60 Million.

27. Inventories

Accounting policy

Inventory consists of spare parts, lubricants, stationary and others. Inventories are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items, using weighted average cost formula. The cost of inventory is determined at actual cost.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	2024 Rs. '000	2023 Rs. '000
Spare parts	6,402	9,421
Lubricant and others	3,293	3,887
Stationary	8,261	6,673
Vehicle Stock	80,332	294,872
Maintenance Stock	2,893	-
	101,181	314,853

28. Other Assets

Accounting policy

Other assets mainly comprises deposits, prepayments other advance payments, VAT receivable and sundry receivables carried at historical cost.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Other receivables	106,446	100,261
Deposits and prepayments	73,047	129,983
	179,493	230,244

29. Investment In Associates

Accounting policy

Investments in associates are accounted for by using the equity method of accounting in terms of the Sri Lanka Accounting Standard – LKAS 28 on "investments in associates". An associate is an entity in which the company has significant influence. Significant influence is presumed to exist when the company holds between 20% and 50% of the voting power of another entity.

Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the company's share of net assets of associate since acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Statement of profit or loss and other comprehensive income reflects the company's share of results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the company and the associate are eliminated to the extent of the interest in the associate.

The company's share of the profit or loss of an associate is shown on the face of the Statement of profit or loss and other comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the company. When necessary, adjustments are made to bring the accounting policies in line with those of the company.

After application of the equity method, the company determines whether it is necessary to recognize an impairment loss on its investment in its associate. The company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in 'share of losses of an associate' in the Statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the Statement of profit or loss and other comprehensive income.

Company has a 26.12% (2022-26.12%) holding in Nuwara Eliya Hotels Company PLC which is a quoted public company and involved in the business of hotelliering. The Principal place of business is located in Nuwara Eliya.

The profits and income of the Nuwara Eliya Hotels PLC, arising on provision of tourism related services is liable for taxation at the rate of 30 % whereas Income from other sources are taxed also at the rate of 30% .

As at 31st March	2024 Rs. '000	2023 Rs. '000
Investment in associates - quoted (29.1)	1,404,225	1,255,525
Total	1,404,225	1,255,525

29.1 Investment in associates - quoted

As at 31st March	2024 Rs. '000	2023 Rs. '000
Nuwara Eliya Hotels Company PLC		
Carrying value at the beginning of the year	1,255,525	1,334,821
Increase/(Decrease) in Investment		
Add: Share of associates Profit/(Loss) after tax (29.1.1)	151,837	19,365
Less : Dividend received from associates	(17,031)	-
Current year retained profit/(Loss) net of tax	134,806	19,365
Share of Other Comprehensive Income/(Loss)	13,897	(98,662)
Carrying value at the end of the year	1,404,225	1,255,525

Summary of associate's statement of financial position

As at 31st March	As per audited financial statements 2024 Rs. '000	As per audited financial statements 2023 Rs. '000
Current assets	2,655,615	1,775,888
Non-current assets	4,257,650	4,159,135
Current liabilities	(512,539)	(211,183)
Non-current liabilities	(1,024,671)	(917,083)
Net assets	5,376,054	4,806,757
Holding percentage of the company	26.12%	26.12%
Share of net assets of the company	1,404,225	1,255,525
Market value per share (Rs.)	1,725.75	1,490.00
Total market value of the investment (Rs.'000)	985,521	850,891

Market value of the investment has increased compared to previous year. This investment will be held in the long term considering its strategic advantage in future and measured the investment in associates on the equity method as per LKAS 28.

NOTES TO THE FINANCIAL STATEMENTS

29.1.1 Summary of Associate's Revenue and Profit after Tax

As at 31st March	2024 Rs. '000	2023 Rs. '000
Revenue	2,132,295	995,527
Profit/(Loss) after tax	581,307	74,137
Share of associate's Profit/(Loss) after tax	151,837	19,365

30. Investment Property

Accounting policy

Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for under cost model in the financial statements. accordingly, after initial recognition, the property is carried at its cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on a straight line basis over the estimated useful life of the class of asset from the date of purchase upto the date of disposal. Estimated useful life of buildings classified as investment property ranges from 40 to 75 years.

De-recognition

Investment properties are de-recognized when they are disposed of, or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Cost		
Balance at the beginning of the year	242,202	234,034
Additions during the year	34,500	10,168
Disposals during the year	-	(2,000)
Balance at the end of the year	276,702	242,202
Less : Accumulated Depreciation		
Balance at the beginning of the year	14,982	13,317
Charge for the year	1,665	1,665
Disposals during the year	-	-
Balance at the end of the year	16,646	14,982
Carrying value	260,055	227,219

The company earned rental income from the property situated at No 75A-23/2, Kollupitiya Road, Colombo 03 for which the details are given below:

For the Year ended 31st March	2024 Rs. '000	2023 Rs. '000
Rental income derived from investment properties	10,830	10,932
Direct operating expenses incurred generating rental income	1,263	(1,181)
Profit arising from investment properties	9,567	9,751

The company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

30.1 Information on the investment property of the company

As at 31st March	Extent (Perches)	Building (Square Feet)	No of Buildings	2024		2023	
				Cost Rs. '000	Fair Value Rs. '000	Cost Rs. '000	Fair Value Rs. '000
Nilaweli							
Nilaweli Village, Pulmoddai Road, Trincomalee.	438	-	-	59,000	87,600	59,000	87,600
Kurunegala							
Sapirimini Jeewa Pohora, Thaththiripitiya, Welipennegahamulla.	80	-	-	2,500	4,000	2,500	4,000
Peliyagoda							
151/3A Negombo Road, Peliyagoda.	5	-	-	5,000	10,000	5,000	10,000
Kollupitiya							
No 75A-23/2, Kollupitiya Road, Colombo 03.	-	2,636	1	83,234	126,900	83,234	126,900
Gampaha							
No 735/1, Jonikkuwatte Road, Kohalwila.	19.7	-	-	12,300	31,200	12,300	31,200
Nugegoda							
No 19, Sigiri Mawatha, Kohuwala, Nugegoda.	66	-	-	60,000	75,000	60,000	75,000
Kandana							
No 72, Theresa Mawatha, Kandana.	9.7	-	-	10,000	12,125	10,000	12,125
Nawagamuwa							
No 737/7, Sri Sumanatissa Mawatha, Kaduwela, Nawagamuwa.	47	-	-	10,168	10,168	10,168	10,168
Kelaniya							
No 108/1/A Old kandy road, Dalugama, Kelaniya	26.25	-	-	34,500	34,500	-	-
Total				276,702	391,493	242,202	356,993

The fair value of the investment properties as at 31st March, 2022 was based on market valuations carried out in the year 2021/2022 by a professionally qualified independent valuer Mr. P. P. T. Mohideen, Chartered Valuation Surveyor, Bsc (Hons) Estate Management and Valuation, Executive Diploma in Business Administration, FIV (Sri Lanka) and member of the Royal Institute of Chartered Surveyors - England. Directors are of the view that there is no material change in the fair values as at 31st March 2024 as per their judgement.

NOTES TO THE FINANCIAL STATEMENTS

31. Property, Plant And Equipment

Accounting policy

The company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be reliably measured.

Basis of measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. When parts of an item of Property or Equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Cost model

The company applies the cost model to all Property, Plant and Equipment except freehold land and buildings and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Useful life/ depreciation rates of the Property, Plant and Equipment are disclosed in the Note 12 to the financial statements.

Revaluation model

The company applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the company are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and presented in revaluation reserve in equity or used to reverse a previous loss on revaluation of the same asset, which was charged to the Statement of profit or loss and other comprehensive income. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Statement of profit or loss and other comprehensive income or charged in other comprehensive income and presented in revaluation reserve in equity only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

The company has revalued all of freehold land and building as at 31st March, 2024.

Subsequent cost

These are costs that are recognized in the carrying amount of an asset if it is probable that the future economic benefits embodied within that part will flow to the company and it can be reliably measured. The costs of the day-to-day servicing of Property and Equipment are recognized in the Statement of profit or loss and other comprehensive income as incurred.

Restoration cost

Expenditure incurred on replacement, repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognized as an expense when incurred.

Derecognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognized in 'other income/ expenses' in the Statement of profit or loss and other comprehensive income in the year the asset is derecognized.

When replacement costs are recognized in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognized as required by Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment'.

Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. These are stated in the statement of financial position at cost.

Assets on operating leases

Assets leased to customers under agreements in which we retain substantially all the risks and rewards associated with ownership and legal title are classified as operating leases. Such assets are recognized as Property, Plant and Equipment in the statement of financial position.

31.1 Carrying value of Property, Plant and Equipment

2024- Current year	At valuation		At cost							Total
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating leases	Capital work-in-progress	
	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)
Cost/ valuation										
Balance as at 01.04.2023	2,546,432	933,437	435,243	52,801	218,510	154,667	131,278	9,500	-	4,481,869
Additions during the year	-	36,588	40,900	2,032	39,875	50,967	58,951	-	-	229,313
Disposals during the year	(1,330)	-	(401)	-	(4,598)	(125)	-	-	-	(6,453)
Derecognition	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property	69,898	254,313	-	-	-	-	-	-	-	324,211
Transfers/ adjustments	-	(37,337)	-	-	-	-	-	-	-	(37,337)
Cost/ valuation as at 31.03.2024	2,615,000	1,187,000	475,742	54,833	253,788	205,510	190,229	9,500	-	4,991,602
Accumulated depreciation										
Balance as at 01.04.2023	-	18,669	165,943	43,800	178,310	67,282	69,166	8,050	-	551,219
Charge for the year	-	18,669	26,748	2,984	17,915	14,371	10,487	-	-	91,175
Disposals during the year	-	-	(301)	-	(4,373)	(23)	-	-	-	(4,697)
Derecognition	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	(37,337)	-	-	-	-	-	-	-	(37,337)
Accumulated depreciation at 31.03.2024	-	-	192,390	46,785	191,852	81,629	79,654	8,050	-	600,360
Net book value as at 31.03.2024	2,615,000	1,187,000	283,351	8,049	61,936	123,880	110,576	1,450	-	4,391,241

NOTES TO THE FINANCIAL STATEMENTS

31.1 Carrying value of Property, Plant and Equipment

2023- Previous year	At valuation					At cost				Total
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating leases	Capital work-in-progress	
	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)
Cost/valuation										
Balance as at 01.04.2022	2,556,576	978,925	415,617	48,461	208,433	110,135	100,033	9,500	-	4,427,681
Additions during the year	7,056	-	28,073	4,340	15,673	44,601	31,246	-	-	130,988
Disposals during the year	(17,200)	(45,488)	(8,448)	-	(5,596)	(68)	-	-	-	(76,800)
Derecognition	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-	-
Cost/ valuation as at 31.03.2023	2,546,432	933,437	435,243	52,801	218,510	154,667	131,278	9,500	-	4,481,869
Accumulated depreciation										
Balance as at 01.04.2022	-	-	145,705	39,287	165,304	55,840	61,206	8,050	-	475,392
Charge for the year	-	19,134	23,870	4,514	18,089	11,397	7,960	-	-	84,963
Disposals during the year	-	(465)	(3,633)	-	(5,008)	(29)	-	-	-	(9,134)
Derecognition	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31.03.2023	-	18,669	165,943	43,800	178,385	67,208	69,166	8,050	-	551,221
Net book value as at 31.03.2023	2,546,432	914,768	269,300	9,001	40,126	87,459	62,112	1,450	-	3,930,649

31.2 Revaluation of Property, Plant and Equipment

The land and buildings were revalued during the financial year 2023/2024 by a professionally qualified independent valuer, Mr. E. G. Jayatissa, Chartered Valuation Surveyor, Bsc (Hons) Estate Management and Valuation, FIV (Sri Lanka) and Panel Valuer at Banks & Institutes. The results of such revaluation was incorporated in these financial statements from its effective date which was 31st March, 2024. Such assets were valued on an open market value for an existing use basis. The surplus arising from the revaluation was transferred to the revaluation reserve.

31.3 Information on the Freehold Land and Building of the Company

As required by rule No. 7.6 (VIII) of the continuing listing requirements of the Colombo Stock Exchange

Location	Extent (Perches)	Buildings (Square Feet)	No of Buildings	Revalued	Revalued	Net Book	As a % of	Net Book	As a % of
				Amount of	Amount of	Value	Total NBV	Value	Total NBV
				Buildings	Land	As At	As At	As At	As At
				(Rs. '000)	(Rs. '000)	(Rs. '000)		(Rs. '000)	
							31.03.2024	31.03.2023	31.03.2023
Kollupitiya - No. 236, Galle Road, Colombo 03	32.56	46,777	1	561,000	814,000	1,375,000	36.17	1,239,855	35.82
Maharagama - No. 176, Lake Road, Maharagama	168.74	10,919	2	52,000	548,000	600,000	15.78	582,063	16.82
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama	104.00	17,359	3	61,000	249,000	310,000	8.15	297,816	8.60
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala	87.72	27,543	2	146,000	404,000	550,000	14.47	506,177	14.62
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala	17.80	1,700	1	14,000	47,000	61,000	1.60	54,647	1.58
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	9.46	6,264	1	105,000	111,000	216,000	5.68	165,312	4.78
Negombo - No. 36, Colombo Road, Negombo	13.87	3,961	1	47,000	38,000	85,000	2.24	61,425	1.77
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	-	1,210	1	51,000	-	51,000	1.34	45,080	1.30
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	-	3,583	1	150,000	-	150,000	3.95	138,670	4.01
Negombo - No. 36/1, Colombo Road, Negombo	16.22	-	-	-	32,000	32,000	0.84	24,300	0.70
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03	16.94	-	-	-	372,000	372,000	9.78	345,856	9.99
Total	-	-	-	1,187,000	2,615,000	3,802,000	100	3,461,200	100

31.4 Revaluation

The Freehold land and building of the company were revalued by a professionally qualified independent valuer (Mr. E. G. Jayatissa) as at 31st March, 2024.

31.4.1 Effective Date of Valuation as at 31st March 2024

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2024		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Kollupitiya - No. 236, Galle Road, Colombo 03.	Open Market Basis		781,440	485,647	814,000	561,000	32,560	75,353
	Price per perch of land	25,000,000.00						
	Price per square foot for building	15,000.00						
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis		548,405	32,971	548,000	52,000	(405)	19,029
	Price per perch of land	3,250,000.00						
	Price per square foot for building	4,762.34						
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis		249,600	47,232	249,000	61,000	(600)	13,768
	Price per perch of land	2,400,000.00						
	Price per square foot for building	3,560.17						
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis		403,133	99,639	404,000	146,000	868	46,361
	Price per perch of land	4,750,000.00						
	Price per square foot for building	5,306.97						

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Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2024		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis		47,150	7,344	47,000	14,000	(150)	6,656
	Price per perch of land	2,650,000.00						
	Price per square foot for building	8,500.00						
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	Open Market Basis		107,076	57,047	111,000	105,000	3,924	47,953
	Price per perch of land	13,000,000.00						
	Price per square foot for building	16,800.00						
Negombo - No. 36, Colombo Road, Negombo	Open Market Basis		38,143	22,807	38,000	47,000	(143)	24,193
	Price per perch of land	2,750,000.00						
	Price per square foot for building	12,000.00						
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method		-	44,160	-	51,000	-	6,840
	Gross Annual Rentals	2,904,000.00						
	Years purchase(Present value of 1 unit per period)	23.5 Y.P						
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	Investment Method		-	135,840	-	150,000	-	14,160
	Gross Annual Rentals	8,500,000.00						
	Years purchase(Present value of 1 unit per period)	23.5 Y.P						
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis		24,300	-	32,000	-	7,700	-
	Price per perch of land	2,000,000.00						
	Price per square foot for building	-						
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis		345,856	-	372,000	-	26,144	-
	Price per perch of land	22,000,000.00						
	Price per square foot for building	-						
Total			2,545,102	932,687	2,615,000	1,187,000	69,898	254,313

31.4.2 Details of Valuation as at 31st March 2023

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2023		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land	Buildings	Land	Buildings	Land	Buildings
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Kollupitiya - No. 236, Galle Road, Colombo 03.	Open Market Basis		765,090	389,707	-	-	-	-
	Price per perch of land	24,000,000.00						
	Price per square foot for building	10,000.00						
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis		506,220	26,504	-	-	-	-
	Price per perch of land	3,250,000.00						
	Price per square foot for building	3,145.43						
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis		234,000	39,102	-	-	-	-
	Price per perch of land	2,400,000.00						
	Price per square foot for building	2,834.26						
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis		356,355	88,225	-	-	-	-
	Price per perch of land	4,750,000.00						
	Price per square foot for building	3,768.32						
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis		44,500	6,664	-	-	-	-
	Price per perch of land	2,650,000.00						
	Price per square foot for building	4,500.00						
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	Open Market Basis		85,800	45,264	-	-	-	-
	Price per perch of land	12,500,000.00						
	Price per square foot for building	9,487.57						
Negombo - No. 36, Colombo Road, Negombo	Open Market Basis		31,200	34,773	-	-	-	-
	Price per perch of land	2,750,000.00						
	Price per square foot for building	5,997.78						
Kollupitiya - No. 75- 17/4, Kollupitiya Road, Colombo 03	Investment Method		-	36,524	-	-	-	-
	Gross Annual Rentals	2,610,000.00						
	Years purchase(Present value of 1 unit per period)	23.5 Y.P						
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	Investment Method		-	108,054	-	-	-	-
	Gross Annual Rentals	8,040,000.00						
	Years purchase(Present value of 1 unit per period)	23.5 Y.P						
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis		18,532	-	-	-	-	-
	Price per perch of land	1,500,000.00						
	Price per square foot for building	-						
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis		348,852	-	-	-	-	-
	Price per perch of land	20,000,000.00						
	Price per square foot for building	-						
Total			2,390,549	774,816	-	-	-	-

The properties were not revalued as at 31st March 2023. Hence NBV of as at 31st March 2023 Considered to be fair value on that date.

NOTES TO THE FINANCIAL STATEMENTS

Narrative descriptions on the sensitivity of fair value measurement to changes in significant unobservable inputs are tabled below.

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market comparable method In determining the fair value of the property being revalued, this method considers the selling price of a similar property within a reasonably recent period of time. This involves evaluating recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of the specific property.	<ul style="list-style-type: none"> ⊖ Price per perch for land ⊖ Price per square foot for building 	Estimated fair value would increase (decrease) if;- <ul style="list-style-type: none"> ⊖ Price per perch would be higher (lower)- ⊖ Price per square foot would be higher (lower)
Investment method This method involves the capitalisation of the expected rental income over a specific period of time which is derived from the real estate market	<ul style="list-style-type: none"> ⊖ Gross Annual Rentals ⊖ Years Purchase 	Estimated fair value would increase (decrease) if;- <ul style="list-style-type: none"> ⊖ Gross Annual Rentals would be higher (lower) ⊖ Years purchase would be higher (lower)

31.5 The carrying amounts of revalued assets, that would have been included in the financial statements, had the assets been carried at cost are as follows:

As at 31st March Class of asset	2024			2023		
	Cost	Cumulative Depreciation	Net Carrying Amount	Cost	Cumulative Depreciation	Net Carrying Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Freehold land	160,521	-	160,521	160,521	-	160,521
Freehold buildings	292,343	114,998	177,345	255,755	109,904	145,851
	452,863	114,998	337,865	416,276	109,904	306,372

31.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value (excluding capital working progress) of Rs.262,559,980/- (2023 - Rs.130,987,857/-)

Cash payments amounting to Rs.262,559,980/- (2023 - Rs.130,987,857/-) were made during the year for purchase of Property, Plant and Equipment.

31.7 Property, Plant and Equipments include assets under operating leases, where the company is a lessor. The net carrying amount of those assets as at 31st March 2024 was Rs1,450,086/- (2023 - Rs1,450,086/-), on which the accumulated depreciation as at 31st March 2024 was Rs 8,049,914/- (2023-8,049,914/-) .

31.8 Temporarily idle Property, Plant and Equipment

There were no temporary idle Property, Plant and Equipment or any asset retired from active use and held for disposal on the date of statement of financial position.

31.9 Fully depreciated Property, Plant and Equipment

The cost of Property, Plant and Equipment as at reporting date includes the fully depreciated assets amounting to Rs.489,509,338/- (2023- Rs.398,789,707/-)

31.10 Property, Plant and Equipment pledged as security for liabilities

There were no Property, Plant and Equipment pledged as securities for liabilities except properties at Sri Vajiragnana Mawatha, Maharagama and No. 28, Sunethradevi Road, Kohuwala pledged as securities for overdraft facilities obtained from Sampath Bank PLC and Hatton National Bank PLC respectively.

31.11 Title restriction in Property, Plant and Equipment

There were no restrictions that existed in the title of the Property, Plant and Equipment of the company as at reporting date except properties at Sri Vajiragnana Mawatha, Maharagama and No.28, Sunethradevi Road, Kohuwala pledged as securities for overdraft facilities obtained from Sampath Bank PLC and Hatton National Bank PLC respectively.

31.12 Compensation from third parties for items of Property, Plant and Equipment

There were no compensation received /receivable from third parties for items of Property, Plant and Equipment that were impaired, lost or given up.

31.13 Capitalization of borrowing cost

There were no borrowing costs that have been capitalized into the capital work-in-progress.

31.14 Capital commitments

There are no significant capital commitments which have been approved or contracted for by the company as at 31st March, 2024.

31.15 Right of use assets

Accounting policy

Basis of recognition

The company applies Sri Lanka Accounting standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision of services.

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 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.

31.15.a Movement in right -of- use assets

As at 31st March	2024 Rs. '000	2023 Rs. '000
Cost		
Balance at the beginning of the year	394,069	385,555
Modifications	-	-
Additions/renewal of operating leases during the year	134,333	12,069
Disposals during the year	(14,927)	(3,554)
Balance at the end of the year	513,475	394,069
Accumulated amortization and impairment		
Balance at the beginning of the year	254,401	204,056
Amortization for the year	58,694	53,899
Disposals during the year	-	(3,554)
Impairment	(14,927)	-
At the end of the year	298,168	254,401
Net book value as at 31st March	215,306	139,667

NOTES TO THE FINANCIAL STATEMENTS

32. Leasehold Property

As at 31st March	2024 Rs. '000	2023 Rs. '000
Cost		
At the beginning of the year	46,354	46,354
Additions	-	-
Disposals	-	-
At the end of the year	46,354	46,354
Accumulated amortization and impairment		
At the beginning of the year	7,020	6,552
Amortization for the year	468	468
Disposals	-	-
Impairment	-	-
At the end of the year	7,488	7,020
Net book value as at 31st March	38,866	39,334

33. Intangible Assets

Accounting policy

Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 'Intangible Assets'. Accordingly, these assets are stated in the statement of financial position at cost, less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is charged to the Statement of profit or loss and other comprehensive income when incurred.

Useful economic lives, amortization and impairment

The company does not possess intangible assets with indefinite useful lives. Useful economic lives, amortization and impairment of finite intangible assets are described below:

Intangible assets with finite lives and amortization

Intangible assets with finite lives are amortized over the useful economic lives. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of profit or loss and other comprehensive income as an expense.

Computer software

All computer software costs incurred, licensed for use by the company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the statement of financial position under the category of intangible assets and carried at cost, less accumulated amortization and accumulated impairment losses, if any.

Useful life/ depreciation rate of the computer software is disclosed in the Note 12 of the financial statements.

Derecognition of intangible assets

Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of profit or loss and other comprehensive income.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Cost		
At the beginning of the year	147,814	145,879
Additions	33,247	1,935
Disposal	-	-
At the end of the year	181,061	147,814
Accumulated amortization and impairment		
At the beginning of the year	138,479	117,644
Amortisation for the year	10,488	20,835
Disposal	-	-
At the end of the year	148,967	138,479
Net book value as at 31st March	32,094	9,335

33.1 Net book value of Intangible assets reported as of 31st March 2024 solely comprised of computer softwares which were acquired from the market.

33.2 Fully amortized Intangible assets

The cost of intangible assets as at reporting date includes the fully depreciated assets amounting to Rs 37,108,081/- (2023- Rs.108,771,113/-)

34. Deposits Due To Customers

These include fixed deposits and savings deposits. Subsequent to initial recognition fixed deposits are measured at their amortized cost using the Effective Interest Rate method (EIR). Interest paid/payable on these deposits are recognized in the Statement of profit or loss and other comprehensive income.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Fixed deposits (note 34.1)	35,887,105	31,030,285
Savings deposits	217,830	193,430
	36,104,935	31,223,715

34.1 Analysis of fixed deposits by maturity date

As at 31st March	2024 Rs. '000	2023 Rs. '000
1 to 90 days	5,338,477	16,069,324
91 to 365 days	22,280,303	10,090,108
More than 365 days	8,268,325	4,870,853
	35,887,105	31,030,285

34.2 In compliance with circular No.01 of 2023 of the Sri Lanka Deposit insurance scheme all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure to safeguard customer rights and confidence. The company has paid Rs. 32,714,837 as the premium for the above insurance scheme during the year.(2023 - Rs 39,353,359).

NOTES TO THE FINANCIAL STATEMENTS

35. Debts Instruments Issued And Other Borrowings

Accounting policy

These represent the funds borrowed by the company for long term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortized cost using the EIR method except where the company designates debt securities issued at fair value through profit or loss. Interest paid or payable is recognized in the Statement of profit or loss and other comprehensive income.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Short term borrowings (Note 35.1)	340,000	340,000
Long term borrowings (Note 35.2)	2,096,900	2,990,565
Interest payable	4,642	156,877
	2,441,542	3,487,442

Reconciliation of opening to closing balance

As at 31st March	2024 Rs. '000	2023 Rs. '000
Short term borrowings		
Opening Balance	340,000	500,000
Addition	-	340,000
Repayment	-	(500,000)
Closing Balance	340,000	340,000
Long term borrowings		
Opening Balance	2,990,565	6,252,436
Addition	1,700,000	-
Repayment	(2,593,665)	(3,261,871)
Closing Balance	2,096,900	2,990,565

35.1 Short Term Borrowings

As at 31st March	Terms of Repayment			2024	2023
	Interest Rate	Period	Payment terms	Rs. '000	Rs. '000
Individual Borrowings	8.00%	1 Year	At maturity	340,000	340,000
				340,000	340,000

35.2 Long Term Borrowings

As at 31st March	Terms of Repayment			2024	2023
	Interest Rate	Period	Payment terms	Rs. '000	Rs. '000
Seylan Bank PLC	AWPLR+1.9%	4 yrs	Fixed monthly installment	-	-
Securitized Borrowings	8.60% - AWPLR+1.8%	3 Yrs	Variable installment	459,000	1,155,000
Sampath Bank PLC	AWPLR+2%	3 yrs	Fixed monthly installment	388,400	312,500
Peoples Bank	AWPLR+1.5%	3 yrs	Fixed monthly installment	-	27,778
Nations Trust Bank	10.80%	2yrs	Fixed monthly installment	-	187,500
National Development Bank PLC	10.80%	2yrs	Fixed monthly installment	-	187,500
National Development Bank PLC	AWPLR+1.8%	3 yrs	Annual installment	-	667,000
National Development Bank PLC	9.00%	3 yrs	Fixed monthly installment	-	152,788
Hatton National Bank PLC	AWPLR+1.5%	4 yrs	Fixed monthly installment	174,500	300,500
Cargills Bank Limited	AWPLR+1%	3 Yrs	Fixed monthly installment	216,667	-
Cargills Bank Limited	AWPLR+2%	4 Yrs	Fixed monthly installment	358,333	-
Pan Asia Bank PLC	AWPLR+1%	3 Yrs	Fixed monthly installment	500,000	-
				2,096,900	2,990,565

Maturity analysis of borrowings and assets pledged details are given in note 53 and 50 to the financial statements respectively.

36. Other Financial Liabilities

As at 31st March	2024	2023
	Rs. '000	Rs. '000
Vendor payable	135,118	95,122
Insurance payable	166,101	183,970
Other payable	129,454	99,553
	430,673	378,645

NOTES TO THE FINANCIAL STATEMENTS

37. Deferred Tax Liabilities

Accounting policy

Deferred tax is provided on all 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, except;

- ⊙ Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ⊙ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- ⊙ 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 assets and unused tax losses can be utilized: except
- ⊙ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ⊙ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 or substantively enacted at the reporting date.

The deferred tax relating to items recognized directly in equity are also recognized in equity, and not in the Statement of profit or loss and other comprehensive income.

As at 31st March	2024		2023	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Summary of net deferred tax liability				
Balance at the beginning of the year	(2,652,880)	(795,864)	2,662,767	639,064
SLFRS Adjustments	-	-	-	-
Tax effect due to change of tax rate on opening deductible temporary difference (Refer Note 15)	-	-	-	(13,311)
Tax effect due to change of tax rate on opening revaluation surplus on PPE	-	-	-	169,086
Tax effect due to change of tax rate on opening actuarial gain	-	-	-	3,991
Amount originating/(reversing) during the year(Refer Note 15)	429,632	128,890	69,840	20,952
Deferred tax effect on revaluation surplus on PPE	(324,211)	(97,263)	-	-
Deferred tax effect on actuarial gain	46,910	14,073	(79,727)	(23,918)
Balance at the end of the year	(2,500,548)	750,164	2,652,880	795,864
Deferred tax asset				
Retirement benefit obligation	396,405	118,921	337,518	101,255
Unclaimed impairment provision	719,879	215,964	219,412	65,824
Lease Liability	57,771	17,331	38,905	11,672
	1,174,054	352,216	595,835	178,751
Deferred tax liability				
Accelerated depreciation for tax purpose - leased assets	(245,264)	(73,579)	(143,549)	(43,065)
Accelerated depreciation for tax purpose - owned assets	(287,036)	(86,111)	(287,075)	(86,122)
Deferred tax effect on revaluation surplus	(3,142,303)	(942,691)	(2,818,092)	(845,428)
	(3,674,603)	(1,102,381)	(3,248,716)	(974,615)
Net temporary difference and deferred assets/(tax liability)	(2,500,548)	(750,164)	(2,652,880)	(795,864)

38. Retirement Benefit Obligations

GRI 201-3

Accounting policy

The company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit (PUC) method as required by Sri Lanka Accounting Standard LKAS No. 19 - on 'Employees Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates that apply to the currency in which the benefits will be paid.

The company policy is to perform actuarial valuation in every year.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19 on 'Employees Benefits'.

This is a final salary defined benefit plan where regulatory requirement (Gratuity Act No. 12 of 1983) is to pay half month last drawn salary into number of years completed to the employees who completed 5 years upon termination of the employment.

NOTES TO THE FINANCIAL STATEMENTS

38. Retirement Benefit Obligations (Contd.)

38.1 Provision for retirement benefit obligations

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	337,517	272,002
Income / Expenses recognized during the year (note 38.2)	145,517	82,354
Payments made during the year	(86,631)	(16,839)
Past service cost	-	-
Balance at the end of the year	396,403	337,517

38.2 Expenses recognized in the Statement of profit or loss and other comprehensive income

As at 31st March	2024 Rs. '000	2023 Rs. '000
Interest cost - statement of profit or loss and other comprehensive income	57,378	42,704
Current service cost - statement of profit or loss and other comprehensive income	28,019	26,440
	85,397	69,144
Actuarial (gain) / loss - other comprehensive income	60,120	13,210
	145,517	82,354

Actuarial valuation of the gratuity liability was carried out as at 31st March, 2024 by Messer Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the 'Projected Unit Credit Method' (PUC), the method recommended by the Sri Lanka Accounting Standard (LKAS 19) on 'Employee Benefits'.

38.3 Actuarial assumptions - demographic

Mortality

In service - A 67/70 Mortality table issued by the Institute of Actuaries, London.

Withdrawal

The withdrawal rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Withdrawal rate of 20% used in this valuation have been determined based on the staff turnover statistics of the company. (Previous year 25%).

Disability

The disability rate at an age represents the probability of an employee leaving within one year of that age due to ill health/disability. Assumptions similar to those used in other comparable plans for disability were used as the data required to do a "scheme specific" study was not available.

Normal retirement age

The employees who are aged over the specified retirement age of 60 years, have been assumed to retire on their respective next birthdays. (2023- 60 years).

Actuarial assumptions - financial

Rate of discount

In the absence of a deep market in long term bonds in Sri Lanka, a long term rate of discount of 13.4% has been used having given weightage to the anticipated long term rate of inflation. (Previous year 17%).

Salary increases

A 10% p.a salary increment rate has been used in respect of the active employees. (Previous year 10%).

38.4 Sensitivity analysis

In order to show the significance of the salary escalation rate and discount rate used in the actuarial valuation as at 31st March 2024, sensitivity analysis has been carried out as follows:

Discount Rate	Salary Escalation Rate	Present Value of Defined Benefit Obligation	
		2024 Rs. '000	2023 Rs. '000
1% Increase	As the Rate Above	382,970	328,527
1% Decrease	As the Rate Above	410,826	347,022
As the Rate Above	1% Increase	409,753	346,166
As the Rate Above	1% Decrease	383,759	329,205

38.5 Maturity profile of the Defined Benefit Obligation

As at 31st March	2024 Rs. '000	2023 Rs. '000
Within the next 12 Months	63,683	78,226
Between 1 - 2 years	118,857	95,837
Between 2 - 5 years	123,355	120,319
Beyond 5 years	90,509	43,137
	396,404	337,518

Weighted Average duration of Defined Benefit Obligation as at 31st March 2024 is 3.9 years.(3.20 years in 2023)

39. Lease Liability

The company recognizes a lease liability at the date of initial application for leases previously classified as operating leases applying LKAS 17. The Company has measured the lease liability at the present value of the remaining lease payments, discounted using the company's Incremental Borrowing Rate of 13%. (2023 - 22%)

As at 31st March	2024 Rs. '000	2023 Rs. '000
Lease Liability (Note 39.1.1)	273,077	178,573

39.1.1 Movement in Operating lease liabilities

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance/Restated Balance as at 1st April	178,573	233,757
Modifications to Lease Liability	-	-
Disposals during the year	-	(3,554)
Additions/renewal operating leases during the year	109,085	3,163
Accretion of the Interest	75,491	14,133
Payment to lease creditors	(90,071)	(68,925)
Balance at the end of the year	273,077	178,573

NOTES TO THE FINANCIAL STATEMENTS

39.1.2 Sensitivity Analysis of Lease Liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the company as at 31 March 2024.

Increase/(Decrease) in Incremental Borrowing Rate	2024 Rs. '000		2023 Rs. '000	
	Sensitivity effect on Lease Liability Increase (Reduction) in the Liability	Sensitivity effect on Interest Expense Increase/(Reduction) in profit for the year	"Sensitivity effect on Lease Liability Increase/(Reduction) in the Liability	Sensitivity effect on Interest Expense Increase/(Reduction) in profit for the year
1bp Up	(4,705)	1,646	(3,286)	1,027
1bp Down	4,887	(1,466)	3,105	(1,041)

39.1.3 Contractual Maturity Analysis of Lease Liability

As at 31st March 2024	With in One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Lease Liability	104,685	240,565	-	345,250

As at 31st March 2023	With in One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Lease Liability	85,751	166,059	-	251,810

40. Stated Capital

As at 31st March	2024 Rs. '000	2023 Rs. '000
Value		
Ordinary shares	36,000	36,000
	36,000	36,000

As at 31st March	2024 No's	2023 No's
Number of shares in issue		
Ordinary shares (no par value)	3,006	3,006
	3,006	3,006

41. Capital Reserve - Revaluation Reserve

The revaluation reserve relates to revaluation of land and buildings of the company and its associates company and represents the increase in the fair value of the land and buildings at the date of revaluation.

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	2,643,603	2,911,351
Increase during the year through FVOCI	338,108	(98,662)
Deferred tax effect	(97,263)	(169,086)
Balance at the end of the year	2,884,448	2,643,603

41.1 Revaluation Reserve- Company

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	2,052,204	2,221,290
Increase during the year due to revaluation	324,211	-
Transfer out realized gain on disposed revalued building	-	-
Deferred tax effect	(97,263)	(169,086)
Balance at the end of the year	2,279,152	2,052,205

41.2 Associate Company Reserve

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	591,399	690,061
Increase during the year through FVOCI	13,897	(98,662)
Transfer out realized gain on disposed revalued building	-	-
Deferred tax effect	-	-
Balance at the end of the year	605,297	591,399

Revaluation reserve (Company & Associates) can be utilized for dividend distribution upon realization.

42. Statutory Reserve Fund

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	857,400	851,400
Transfers during the year	30,000	6,000
Balance at the end of the year	887,400	857,400

Statutory reserve fund which is a capital reserve, was created in accordance with Finance Companies Direction No. 1 of 2003 issued by Central Bank of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

43. General Reserve

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	4,086,430	4,086,430
Transfers during the year	-	-
Balance at the end of the year	4,086,430	4,086,430

The company maintains the general reserve to retain funds for future expansion.

44. Retained Earnings

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	2,721,856	3,639,546
Total comprehensive income		
Profit for the year	555,814	106,053
Other comprehensive income - Actuarial gain / (Loss)	(46,047)	6,717
Transfer to general reserve	-	-
Transfer to statutory reserve	(30,000)	(6,000)
Transfer from OCI reserve	5,242	18,774
Transfer to regulatory loss allowance reserve	(24,287)	(1,043,234)
Dividend paid	(60,120)	-
Balance at the end of the year	3,122,457	2,721,856

45. Regulatory Loss Allowance Reserve

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	1,043,234	-
Transfer to retained earnings	-	-
Transfer from retained earnings	24,287	1,043,234
Balance at the end of the year	1,067,522	1,043,234

* The Regulatory Loss Allowance Reserve is a non-distributable reserve created as required by Section 7.1 of Direction No.01 of 2020. Finance Business act direction, classification and measurement of credit facilities.

46. Fair Value Through OCI Reserve

As at 31st March	2024 Rs. '000	2023 Rs. '000
Balance at the beginning of the year	(372,519)	(550,391)
Transfer to retained earning	(5,242)	(18,774)
Net gain / (losses) on remeasuring of FVOCI (note 46.1)	458,573	196,647
Balance at the end of the year	80,812	(372,519)

46.1 Net gain / (losses) on remeasuring of FVOCI

As at 31st March	2024 Rs. '000	2023 Rs. '000
Government securities unrealised gain / (losses)	(29,972)	21,276
Equity investments gain / (Losses)	488,545	175,370
	458,573	196,647

Fair Value through OCI reserve comprises the cumulative net change in fair value of financial investment , until such investment are derecognized or impaired.

47. Capital Commitments

There are no significant capital commitments which have been approved or contracted for by the company as at 31st March 2024.

48. Contingencies

48.1 Contingent Liabilities

Accounting policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless its occurrence is remote.

The company does not anticipate any contingent liabilities to arise out of any contingent event as at the date of statement of financial position except as disclosed below :

- a. Litigation, filed by the customers against the company.
Although litigations resulted from the ordinary course of business activities of the company ,the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly, no provision for any liability has been made in these financial statements as no any pending court cases against the company to recover any damages.

48.2 Contingent assets

There are no contingent assets as at the date of the statement of financial position.

49. Trust Activities

The company is not engaged in any trust activities which may have an impact on its financial results, financial position or liquidity of the company.

50. Related Party Disclosure

The company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. Except for the transactions that key management personnel (KMPs) have made with the company under schemes uniformly applicable to all the staff at concessionary rates, transactions with the related parties listed below have been at commercial rates on an arms length basis.

50.1 Parent and ultimate controlling party

The company does not have an identifiable parent of its own.

50.2 Transactions with the key Management Personnel (KMP's)

Key management personnel (KMP) are those persons having authority and responsibility for directing, planning and controlling the activities of the company directly or indirectly. The Board of Directors(including executive and non-executive) of the company have been classified as key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

Apartment No.89-28/4 and 89-28/5, Kollupitiya Road, Colombo - 03 is being currently used by one of the key management Personnel without any charges for residential purpose. Current year Depreciation Rs.3.00 Million (FY 2023 - Rs. 2.33 Million)

For the year ended 31st March	2024 Rs. '000	2023 Rs. '000
Short - term employee benefits	120,247	104,348
Post employee benefits	97,115	75,985
Other cost - Directors	37,675	39,350
	255,037	219,683

50.3 Transactions involving Key Management Personnel (KMPs) and their close family members (CFMs)

Close family members (CFM) are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include children, spouse or domestic partner of KMP.

	2024 Rs. '000	2023 Rs. '000
Statement of financial position		
Liabilities		
Deposits	640,954	552,901
Borrowings	340,000	340,000
Interest Payable	2,267	2,267
	983,220	895,168
Statement of profit or loss and other comprehensive income		
Interest expenses	132,347	51,994
Other Expenses	1,894	1,170
Other transactions		
Dividend paid on shareholding	29,077	-

Rs. 1,792,567 has been paid by the company for a KMP for the consultation services provided by him which is not a revenue expense to the company.

50.4 Transactions with entities which are controlled by Key Management Personnel (KMPs) and their close family members (CFMs).

50.4.1 Statement of financial position

As at 31st March	2024 Rs. '000	2023 Rs. '000
Assets		
Insurance Commission Receivable	45,525	63,850
Other receivables	12,017	6,566
Total	57,542	70,416
Accommodation as a % of capital funds	0.59%	0.75%
Liabilities		
Deposits	2,079,005	2,090,251
Insurance premium payable	166,101	183,970
Accrued expenses	3,357	3,230
	2,248,464	2,277,451

Statement of profit or loss and other comprehensive income

For the year ended 31st March	2024 Rs. '000	2023 Rs. '000
Interest Income on Loans & Advances	-	-
Rent Income	8,520	7,540
Insurance Commission Income	75,732	77,180
Other Income	15,254	12,924
Interest Expenses on Fixed Deposit	528,368	242,304
Security Expenses	36,283	38,510
Other Expenses	3,353	2,419
Other Transactions		
Dividend Paid on shareholdings	24,971	-

50.4.2 Transactions with Associate

Statement of financial position

As at 31st March	2024 Rs. '000	2023 Rs. '000
Assets		
Loan & Advances	-	-
Other Receivables	1,911	1,209
Liabilities		
Deposits	1,497,181	953,270

Statement of profit or loss and other comprehensive income

For the year ended 31st March	2024 Rs. '000	2023 Rs. '000
Rent Income	1,800	1,560
Other Income	4,537	2,310
Interest expenses on fixed deposits	290,767	88,260
Other Expenses	915	15
Other transactions		
Dividend income	17,031	-

NOTES TO THE FINANCIAL STATEMENTS

50.5 Disclosures on related party transactions according to the section 9 of the listing rules

During the year the Company has entered in to following recurrent related party transactions which exceed 10% of the gross revenue/income as disclosed below;

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year (Rs. 000)	Aggregate value of Related Party Transactions as a % of Gross Revenue	Terms and Conditions of the Related Party Transactions
Mercantile Fortune Insurance Brokers (Pvt) Ltd	Other Related Entity	Customer insurance premium Remitted to Mercantile Fortune Insurance Brokers (Pvt) Ltd.	1,202,468	10.98%	Premium paid at market rate

51. Assets Pledged

The following assets have been pledged as security for banking and loan facilities

Name of the bank	Nature of the facility	Facility amount (Rs.)	Facility outstanding as at 31.03.2024 (Rs. 000)	Securities/ mortgages
	Overdraft	347 Million	63,786	Mortgaged over investments in quoted shares by the company and over immovable property No. 28, Sunethradevi Road, Kohuwala
Hatton National Bank	Term Loan	500 Million	426,500	Mortgaged over hire purchases, leases and vehicle loan receivables for 120%
	Term Loan	500 Million	319,450	Mortgaged over leases and vehicle loan receivables for 1.5 times
NDB	Term Loan	500 Million	437,500	Mortgaged over vehicle loan receivables for 130%
	Term Loan	1 Billion	1,000,000	Mortgaged over vehicle loan receivables for 130%
	Overdraft	100 Million	2,140	Mortgaged over property at Vajiragnana Mawatha, Maharagama
Sampath Bank	Term Loan	750 Million	500,000	Mortgaged over leases receivables for 1.5 times
	Short Term Loan	500 Million	500,000	Mortgaged over leases and vehicle loan receivables for 1.5 times
	Term Loan	500 Million	260,406	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.5 times
Seylan Bank	Overdraft	50 Million	-	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
Nations Trust Bank	Long term loan	500 Million	437,500	Mortgaged over leases receivables for 1.3 times
People's Bank	Term Loan	1 Billion	361,111	Mortgaged over leases and vehicle loan receivables for 130%
Commercial Bank	Overdraft	125 Million	-	Mortgaged over investments in quoted shares by the company
			4,308,392	

Name of the bank	Nature of the facility	Facility amount (Rs.)	Outstanding as at 31.03.2024 (Rs. 000)	Securities/ mortgages
Securitized borrowings	Trust Loan	784 Million	284,970	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Trust Loan	1 Billion	365,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 130%
	Trust Loan	1 Billion	950,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 130%
	Trust Loan	310 Million	310,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 130%
	Trust Loan	600 Million	600,000	Mortgaged over vehicle loan receivables for 130%
			2,509,970	

52. Events After The Reporting Date

Accounting policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made into the financial statements where necessary.

Subsequent to the reporting date, no events have arisen which would require adjustments to or disclosures in the financial statements.

53. Financial Reporting By Segments

Accounting policy

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and incur expenses, that relate to transactions with any of the company's other components, whose operating results are reviewed regularly by the company management committee (being the chief operating decision-maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

As per the provisions of Sri Lanka Reporting Standard - SLFRS 8, the operating segments of the company has been identified based on the products and services offered by the company of which level of risk and rewards are significantly differ from one another and management believes that information about the segment would be useful to users of the financial statements.

The operating business are organized and managed separately according to the nature of the products and services provided with each segment representing a strategic business unit that offers different products and serves different markets. The operating segments identified by the company for are as follows:

Finance lease	This segment includes finance leasing products offered to the customers
Hire purchase	This segment includes hire purchase products offered to the customers
Loans and advances	This segment include vehicle loans, loans against property mortgages and micro finance lending
Investments	This segment includes the investments in equities and debt securities
Other	This segment includes all other business activities other than the above segments

The company has aggregated all other business lines under "other segment" considering the risks & rewards and the materiality criteria.

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 financial statements of the company. Inter-segment transfers are accounted at arms length basis.

Business Segments

The following table presents the income, profit and assets and liability information on the company business's segment for the year ended 31st March, 2024 and comparative figures for the year ended 31st March, 2023.

NOTES TO THE FINANCIAL STATEMENTS

53.1 Financial Reporting By Segments As Per The Provisions Of Sri Lanka Financial Reporting Standard - SLFRS 08 (Contd...)

For the year ended 31st March	Finance Lease		Hire Purchase	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
External operating income				
Interest income	5,432,365	4,265,204	2,481	14,377
Interest expenses	3,196,025	2,895,869	1,460	9,761
Net interest income/(expenses)	2,236,340	1,369,335	1,021	4,616
Fee and commission income	-	-	-	-
Capital gains	-	-	-	-
Dividends	-	-	-	-
Others	-	-	-	-
Total operating income	2,236,340	1,369,335	1,021	4,616
Impairment charge/(reversal) for loans and receivables / Equity Investments	84,593	(217,013)	(12,033)	(4,922)
Net operating income	2,151,747	1,586,347	13,054	9,537
Personnel expenses	790,248	571,693	361	1,927
Commission	121,753	90,835	72	-
Depreciation and amortisation	80,620	76,390	37	257
Disallowed VAT on expenses	35,161	23,049	16	78
Other overheads	640,513	568,954	293	1,918
	1,668,295	1,330,921	778	4,180
Operating profit before value added tax on financial services	483,452	255,426	12,276	5,357
Value added tax and SSCL on financial services	277,617	156,645	127	528
Operating profit after value added tax on financial services	205,836	98,781	12,149	4,829
Share of associate company's profit before taxation				
Profit before taxation from operations				
Income tax expenses				
Profit for the year				
Other information				
As At 31st March				
Segment assets	20,302,868	19,026,269	101,631	127,176
Segment liabilities	15,662,956	14,625,199	78,405	97,758
Net assets	4,639,911	4,401,070	23,226	29,418

Loans & Advances		Investments		Others		Total	
2024	2023	2024	2023	2024	2023	2024	2023
Rs. '000							
4,032,859	3,243,151	1,160,547	1,227,136	-	-	10,628,251	8,749,868
2,372,653	2,201,944	719,116	861,122	152,351	166,127	6,441,603	6,134,824
1,660,206	1,041,207	441,431	366,014	(152,351)	(166,127)	4,186,648	2,615,044
-	-	-	-	75,732	75,568	75,732	75,568
-	-	26,047	-	-	-	26,047	-
-	-	35,705	41,174	-	-	35,705	41,174
-	-	-	-	183,222	169,113	183,222	169,113
1,660,206	1,041,207	503,184	407,188	106,604	78,554	4,507,355	2,900,900
(143,307)	(110,393)	-	-	78,658	56,127	7,911	(276,201)
1,803,513	1,151,600	503,184	407,188	27,946	22,428	4,499,443	3,177,101
586,661	434,700	177,808	170,000	37,670	32,796	1,592,749	1,211,116
33,076	13,871	-	-	-	-	154,900	104,707
59,850	58,085	18,140	22,716	3,843	4,382	162,490	161,831
26,103	17,526	7,911	6,854	1,676	1,322	70,867	48,829
475,502	432,618	144,117	169,185	30,532	32,639	1,290,957	1,205,314
1,181,191	956,801	347,977	368,755	73,722	71,140	3,271,963	2,731,797
622,322	194,799	155,207	38,434	(45,776)	(48,712)	1,227,480	445,304
206,096	119,109	62,465	46,580	13,234	8,986	559,538	331,848
416,226	75,690	92,742	(8,147)	(59,010)	(57,698)	667,942	113,456
						151,837	19,365
						819,780	132,820
						(263,966)	(26,767)
						555,814	106,053
16,591,202	13,593,365	7,905,943	7,630,601	8,329,070	7,245,891	53,230,713	47,623,301
12,799,535	10,449,010	6,099,160	5,865,525	6,425,588	5,569,804	41,065,645	36,607,296
3,791,667	3,144,355	1,806,783	1,765,076	1,903,482	1,676,087	12,165,069	11,016,006

NOTES TO THE FINANCIAL STATEMENTS

54. Current And Non-Current Analysis Of Assets And Liabilities

The table below shows an analysis of Assets and Liabilities analyzed according to when they are expected to be recovered or settled.

As at 31st March	2024 Within 12 months Rs.'000	After 12 months Rs.'000	Total Rs.'000	2023 Within 12 months Rs.'000	After 12 months Rs.'000	Total Rs.'000
Assets						
Financial assets						
Cash and cash equivalents	2,492,057	-	2,492,057	1,791,064	-	1,791,064
Placement with banks	-	3,460	3,460	-	1,422	1,422
Financial investments-at FV through OCI	5,497,760	930,071	6,427,831	5,734,672	568,557	6,303,228
Financial investments - At FVPL	329,519	-	329,519	3,250	-	3,250
Financial Investments - at FVOCI (unquoted)	-	70,427	70,427	-	70,427	70,427
Loans and receivables	10,642,462	5,948,740	16,591,202	12,228,681	1,364,684	13,593,368
Finance lease receivables	7,867,509	12,435,359	20,302,868	7,177,721	11,848,547	19,026,269
Hire purchase receivables	48,050	53,582	101,632	25,801	101,375	127,176
Other financial assets	279,950	9,307	289,256	373,643	69,307	442,950
Total financial assets	27,157,307	19,450,946	46,608,253	27,334,832	14,024,319	41,359,153
Non-financial assets						
Inventories	-	101,181	101,181	-	314,853	314,853
Current tax refunds	-	-	-	-	-	-
Investment in associates	-	1,404,225	1,404,225	-	1,255,524	1,255,524
Other assets	106,446	73,047	179,493	100,261	129,983	230,244
Property, plant and equipment	-	4,391,241	4,391,241	-	3,930,649	3,930,649
Leasehold property	-	38,866	38,866	-	39,334	39,334
Intangible assets	-	32,094	32,094	-	9,335	9,335
Investment property	-	260,055	260,055	-	227,220	227,220
Right-of-use assets	-	215,306	215,306	-	139,667	139,667
Total non-financial assets	106,446	6,516,015	6,622,461	100,261	6,046,564	6,146,825
Total assets	27,263,753	25,966,961	53,230,714	27,552,421	20,070,881	47,623,301
Liabilities						
Financial liabilities						
Bank overdraft	317,122	-	317,122	93,518	-	93,518
Deposits due to customers	29,597,549	6,507,387	36,104,935	26,416,604	4,807,111	31,223,715
Debt instruments issued and other borrowings	1,460,216	981,325	2,441,542	2,611,442	876,000	3,487,442
Other financial liabilities	402,172	28,505	430,677	364,836	13,809	378,645
Total financial liabilities	31,777,060	7,517,217	39,294,276	29,486,400	5,696,920	35,183,320
Non-financial liabilities						
Current tax liabilities	236,812	-	236,812	-	-	-
Deferred tax liability	-	750,164	750,164	-	795,864	795,864
Other liabilities	114,915	-	114,915	112,023	-	112,023
Retirement benefit obligation	-	396,404	396,404	-	337,517	337,517
Lease Liability	-	273,077	273,077	-	178,573	178,573
Total non-financial liabilities	351,727	1,419,645	1,771,372	112,023	1,311,954	1,423,977
Total liabilities	32,128,786	8,936,862	41,065,648	29,598,423	7,008,873	36,607,295
Net assets/ liabilities	(4,865,033)	17,030,099	12,165,066	(2,046,003)	13,062,008	11,016,006

55. Financial Risk Management

55.1 Risk Index

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55.2 Introduction

MI's risk management landscape was further strengthened in the light of the evolving financial industry landscape. As a result of policy changes deployed during the financial year under review to maintain required appropriate balance between risk and rewards, the company hence was well geared to face headwinds that prevailed with resilience. By instilling strong controls and strategies, management continuously strived to mitigate risks in the attempt of generating higher profitability which minimizing unexpected losses, despite significant challenges faced during the year. This detail disclosure note given herewith illustrates MI's exposure to each identified key risks and outlines management procedure for the identification, analyzing, measurement and monitoring of such risks and associated considerations and risk controls in place to mitigate or eliminate risks in keeping to the unique business model the company continues to adopt.

55.2.1 Board's Role in Risk Management

MI's Board has delegated the oversight of entity's risk function to two key Board Subcommittees namely the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC). In addition, other board subcommittees and management committees such as the Assets and Liabilities Committee (ALCO), Credit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review committee have been entrusted to oversee specified areas of business to either directly or indirectly assist the BIRMC in ensuring sound risk governance prevails across key functions of MI's business operation.

NOTES TO THE FINANCIAL STATEMENTS

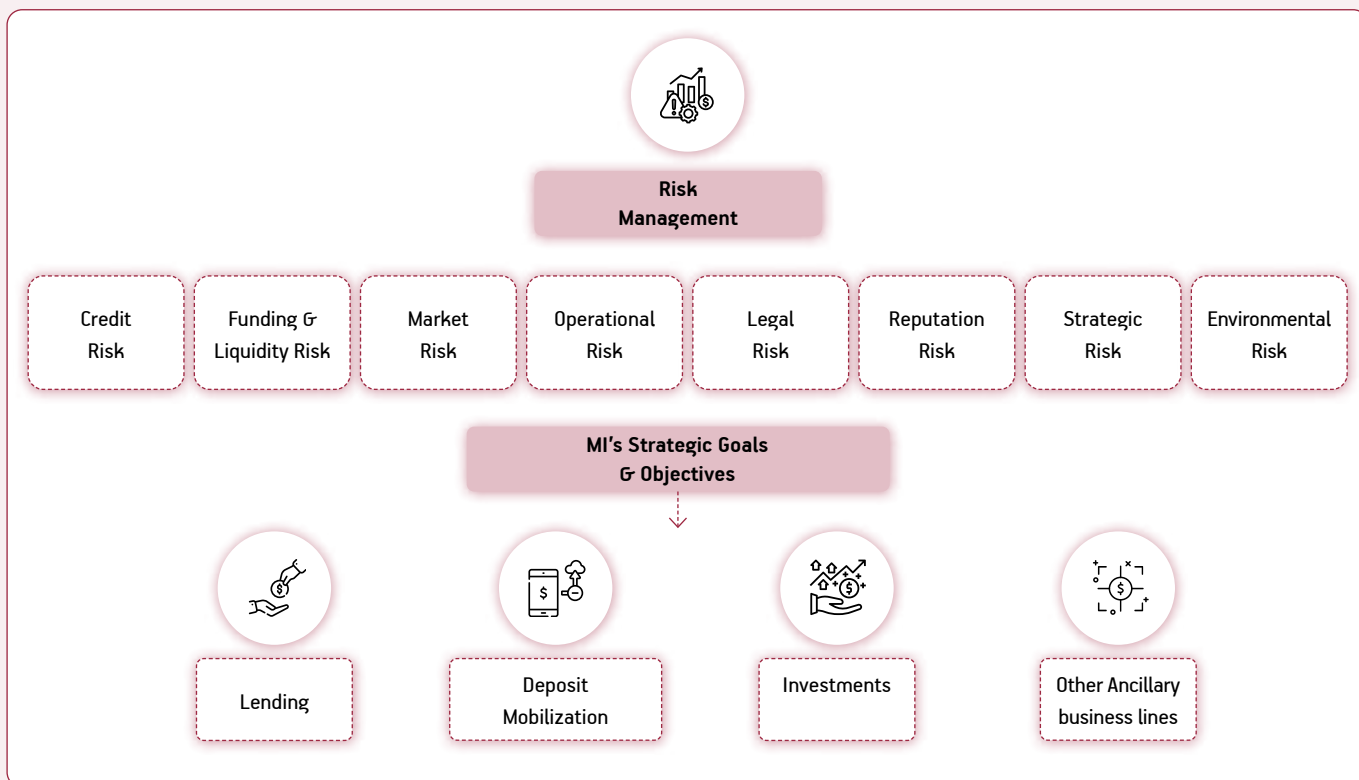
In keeping to sound governance practices and finance industry standards, our risk management policies and procedures are properly aligned to our overall businesses strategy to safeguard and counter against material risks. Based on proper understanding of our operating context, management has established risk appetite levels sanctioned by the BIRMC. Any negative deviations and exceeding of limits are captured through a sound risk monitoring process that regularly measures and reports such instances to the respective subcommittee through to the Board for their guidance and instructions.

55.2.2 Risk measurement and reporting

We have established reasonable cut off policy limits within the risk appetite levels accepted by the MI Board, that have been set forth, applying best in industry accepted norms and sound financial understanding. These limits depict the business strategy and market context of the Company as well as the level of risk tolerance. Tolerance limits of each risk category against actual balance sheet date position is illustrated in the Statement of Risk Management in this Annual Report. MI's exposure to various risks are measured in a way that provides clarity on the choice of actions and decisions enforcing balance in the risk-reward trade-off.

Our integrated risk management framework illustrates an insight on the impact of probable and remote scenarios on the Company's risk profile. Eventually, the derived respective risk measurement outputs are reported to the BIRMC periodically by the Head of Risk Management for the committee's oversight and instructions.

55.2.3 MI's Integrated Risk Management Framework



55.3 Credit Risk

In general, Credit risk arises due to failure of a customer or counterparty to honor their financial or contractual obligations to the Company. Being a finance company, managing Credit Risk is utmost important and vital element in MI's overall risk management strategy. Since the company possesses an over Rs. 38 billion loan book, it could be exposed to credit risk, needing close monitoring and vigilance and prompt actions, when asset quality is threatened.

Management takes into account of all indicators of credit risk exposures (This includes product risk, individual obligor default risk, and geographic and sector concentration risks) both at micro and macro levels to manage and control associated risks. (Refer the credit risk section of the Risk Management report)

55.3.1 Credit Quality by Class of Financial Assets

MI's credit quality categorisation methodology has been developed based on a contract's debt servicing status, available collateral buffer and loss rate indicators in keeping to accounting standards and industry applied credit risk evaluation models to ascertain the credit quality of financial assets. The table below sets out information about the maximum exposure to credit risk, measured at amortised cost, and Fair Value as at the end of the financial year 2023/24 in keeping to SLFRS 9.

55.3.1. A Credit Quality by Class of Financial Assets - As at 31st March 2024 (as per SLFRS 9)

	Not Subject to ECL Rs. 000	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000	Total Rs. 000
Financial Assets					
Cash and Cash Equivalents	2,492,057	-	-	-	2,492,057
Placements with banks	3,460	-	-	-	3,460
Financial Assets Measured at FVOCI (quoted)	6,427,831	-	-	-	6,427,831
Financial Assets Measured at FVPL	329,519	-	-	-	329,519
Loans & Receivables	-	13,504,827	2,420,687	1,353,095	17,278,609
Finance Lease Receivables	-	13,518,606	5,396,139	2,130,386	21,045,131
Hire Purchase Receivables	-	604	211	304,591	305,406
Financial Assets Measured at FVOCI (unquoted)	70,427	-	-	-	70,427
Other Financial Assets	289,256	-	-	-	289,256
	9,612,550	27,024,037	7,817,037	3,788,072	48,241,696

Commentary

Out of MI's total loan portfolio, 70% comprises of ECL stage 1 assigned loans and receivables (FY 2022/23, 63%) that comprises loan contracts of higher credit quality. This upward movement of the asset quality was mainly observed due to the improved collection amidst the favorable macro-economic landscape of the country.

55.3.1.B Neither Past Due & Past Due (Facilities in Arrears of 1 Day and above) but not Impaired-Age Analysis by Class of Financial Assets - As at 31st March 2024 (as per SLFRS 9)

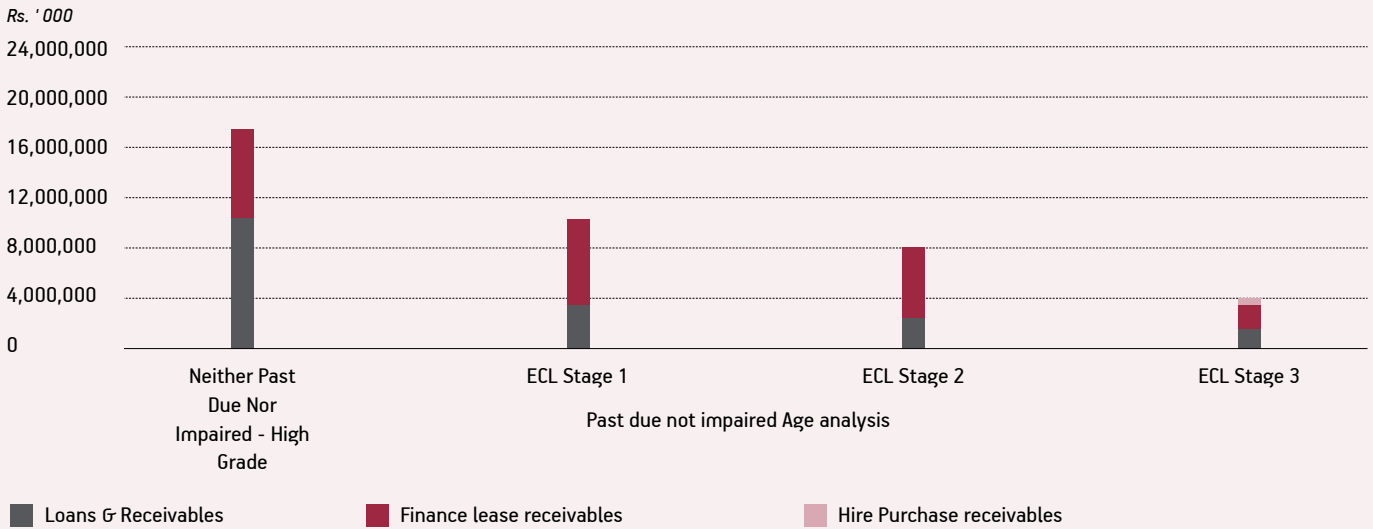
	Neither Past Due Nor Impaired - High Grade Rs. 000	Past due not impaired Age analysis		
		ECL Stage 1 Rs. 000	ECL Stage 2 Rs. 000	ECL Stage 3 Rs. 000
Loans & Receivables	10,096,606	3,408,221	2,420,687	1,353,095
Finance Lease Receivables	7,253,019	6,265,587	5,396,139	2,130,386
Hire Purchase Receivables	418	186	211	304,591
	17,350,043	9,673,994	7,817,037	3,788,072

Commentary

45% of MI's loan book remained in the "high grade performing" customer group with zero past due basis (Last FY 40%). Moving of arrears stages towards shorter past due duration was notably experienced during the financial year under review, resulting from gradual recovery in household income of the LFC sector borrower base as the economic landscape improved.

NOTES TO THE FINANCIAL STATEMENTS

Neither Past Due & Past due not impaired Age analysis 2023/24



Measurement Assumptions

Credit quality is measured in terms of the collection status and categorized for risk analysis. Below definitions are used to define different stages of the credit collection cycle.

- ⊙ **Impairment:** The amount by which the recoverable amount of an asset is less than its carrying amount. Refer pages 214 to 215 in notes to the financial statements for details on impairment methodology adopted and related policies.
- ⊙ **Individual Impairment:** Significant lending contracts are assessed individually for impairment. Assets are tested under individual impairment if the carrying value of a credit contract is greater than a pre-determined threshold specified for product categories. This enables the Company to take a greater prudent approach to the credit risk of high exposure contracts.
- ⊙ **Collective Impairment:** All the lending contracts other than contracts which are considered for Individual Impairment, are assessed under collective basis.
- ⊙ **Past Due:** MI considers any amount uncollected one day or more beyond their contractual due date are 'past due'.
- ⊙ **Neither past due nor impaired:** High grade customer group with zero past due basis.
- ⊙ **Stage 1 :** Company determines 12 month ECL from customers who are not significantly credit deteriorated, (i.e. 0 to 30 days past due)
- ⊙ **Stage 2 :** Significant credit deterioration is measured through the rebuttable presumption of more than 30 days and less than or equal to 90 days past due in line with the requirements of the standard.
- ⊙ **Stage 3 :** Credit impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard

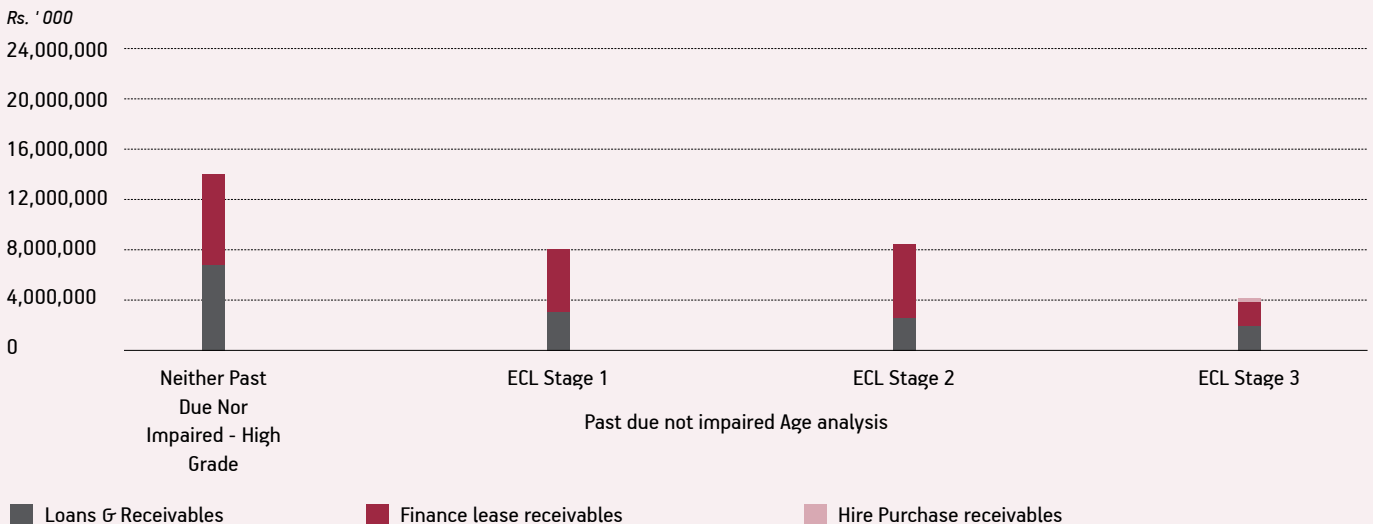
55.3.1.C Credit Quality by Class of Financial Assets - As at 31st March 2023 (as per SLFRS 9)

	Not Subject to ECL Rs. 000	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000	Total Rs. 000
Financial Assets					
Cash and Cash Equivalents	1,791,064	-	-	-	1,791,064
Placements with banks	1,422	-	-	-	1,422
Financial Assets Measured at FVOCI (quoted)	6,303,228	-	-	-	6,303,228
Financial Assets Measured at FVPL	3,250	-	-	-	3,250
Loans & Receivables	-	10,075,191	2,572,984	1,908,088	14,556,263
Finance Lease Receivables	-	11,866,660	5,916,858	1,906,335	19,689,853
Hire Purchase Receivables	-	4,846	6,749	346,323	357,918
Financial Assets Measured at FVOCI (unquoted)	70,427	-	-	-	70,427
Other Financial Assets	442,950	-	-	-	442,950
	8,612,341	21,946,697	8,496,591	4,160,746	43,216,375

55.3.1.D Neither Past Due & Past Due (Facilities In Arrears of 1 Day and above) but not Impaired-Age Analysis by Class of Financial Assets- As at 31st March 2023 (as per SLFRS 9)

	Neither Past Due Nor Impaired - High Grade Rs. 000	Past due not impaired Age analysis		
		ECL Stage 1 Rs. 000	ECL Stage 2 Rs. 000	ECL Stage 3 Rs. 000
Loans & Receivables	6,929,115	3,146,076	2,572,984	1,908,088
Finance Lease Receivables	7,077,855	4,788,805	5,916,858	1,906,335
Hire Purchase Receivables	3,540	1,306	6,749	346,323
	14,010,510	7,936,187	8,496,591	4,160,746

Neither Past Due & Past due not impaired Age analysis 2022/23



NOTES TO THE FINANCIAL STATEMENTS

55.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2024

The following tables display the reconciliations from the opening to closing balance of the gross carrying amounts by the class of the financial assets.

	Carrying Amount Rs. 000	Not Subject to ECL Rs. 000	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000
Cash and Cash Equivalents					
Gross carrying amount as at April 1, 2023	1,791,064	1,791,064	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	700,993	700,993	-	-	-
Financial assets derecognized or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2024	2,492,057	2,492,057	-	-	-
Placements with banks					
Gross carrying amount as at April 1, 2023	1,422	1,422	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	2,038	2,038	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2024	3,460	3,460	-	-	-
Financial assets measured at FVOCI (quoted)					
Gross carrying amount as at April 1, 2023	6,303,228	6,303,228	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	124,603	124,603	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2024	6,427,831	6,427,831	-	-	-
Financial assets measured at FVPL					
Gross carrying amount as at April 1, 2023	3,250	3,250	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	326,269	326,269	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2024	329,519	329,519	-	-	-

	Carrying Amount Rs. 000	Not Subject to ECL Rs. 000	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000
Financial assets at amortised cost – Loans & Receivables					
Gross carrying amount as at April 1, 2023	14,556,263	-	10,075,191	2,572,984	1,908,088
Transfer to Stage	-	-	(382,746)	198,788	183,958
New assets originated or purchased	12,929,105	-	11,270,750	1,549,936	108,419
Financial assets derecognised or repaid (excluding write-offs)	(10,195,002)	-	(7,458,368)	(1,901,021)	(835,613)
Write-offs	(11,757)	-	-	-	(11,757)
As at March 31, 2024	17,278,609	-	13,504,827	2,420,687	1,353,095
Financial assets at amortised cost – Finance lease receivables					
Gross carrying amount as at April 1, 2023	19,689,853	-	11,866,660	5,916,858	1,906,335
Transfer to Stage	-	-	(1,974,578)	1,154,771	819,807
New assets originated or purchased	10,157,188	-	8,325,693	1,780,812	50,683
Financial assets derecognised or repaid (excluding write-offs)	(8,781,421)	-	(4,699,169)	(3,456,302)	(625,950)
Write-offs	(20,489)	-	-	-	(20,489)
As at March 31, 2024	21,045,131	-	13,518,606	5,396,139	2,130,386
Financial assets at amortised cost – Hire Purchase receivables					
Gross carrying amount as at April 1, 2023	357,918	-	4,846	6,749	346,323
Transfer to Stage	-	-	1,046	(2,066)	1,020
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(47,765)	-	(5,288)	(4,472)	(38,005)
Write-offs	(4,747)	-	-	-	(4,747)
As at March 31, 2024	305,406	-	604	211	304,591
Financial assets measured at FVOCI (unquoted)					
Gross carrying amount as at April 1, 2023	70,427	70,427	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2024	70,427	70,427	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amount Rs. 000	Not Subject to ECL Rs. 000	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000
Other Financial Assets					
Gross carrying amount as at April 1, 2023	442,950	442,950	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(153,694)	(153,694)	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2024	289,256	289,256	-	-	-

55.3.1.F Provision for Impairment (ECL) Movement (as per SLFRS 9)- As at 31st March 2024

The following table shows reconciliations from the opening to closing balance of the provision for impairment by class of financial instruments.

	Note	Page No	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000	Total Rs. 000
Financial assets at amortised cost						
– Loans & Receivables						
Provision for impairment (ECL) as at April 1, 2023			59,647	48,746	700,399	808,792
Transfer to Stage			12,033	(7,224)	(4,809)	-
Net remeasurement of impairment			(14,811)	(681)	(86,260)	(101,752)
New assets originated or purchased			60,657	21,814	7,477	89,948
Financial assets derecognised or repaid (excluding write-offs)			(46,582)	(33,145)	(51,776)	(131,503)
Write offs and Recoveries			-	-	(11,757)	(11,757)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2024	23	235	70,944	29,510	553,274	653,728
Financial assets at amortised cost						
– Finance lease receivables						
Provision for impairment (ECL) as at April 1, 2023			73,057	114,911	401,901	589,869
Transfer to Stage			3,102	(13,488)	10,386	-
Net remeasurement of impairment			(28,855)	(25,876)	173,617	118,886
New assets originated or purchased			39,589	19,464	3,896	62,949
Financial assets derecognised or repaid (excluding write-offs)			(21,632)	(34,893)	(40,716)	(97,241)
Write offs and Recoveries			-	-	(20,489)	(20,489)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2024	24	237	65,261	60,118	528,595	653,974

	Note	Page No	12 Month ECL (Stage 1) Rs. 000	Life time ECL - not credit impaired (Stage 2) Rs. 000	Life time ECL - credit impaired (Stage 3) Rs. 000	Total Rs. 000
Financial assets at amortised cost						
– Hire Purchase receivables						
Provision for impairment (ECL) as at April 1, 2023			186	675	215,328	216,189
Transfer to Stage			146	(110)	(36)	-
Net remeasurement of impairment			(134)	(124)	(336)	(594)
New assets originated or purchased			-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)			(180)	(428)	(19,047)	(19,655)
Write offs and Recoveries			-	-	(4,747)	(4,747)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2024	25	239	18	13	191,162	191,193

55.3.2 Credit Impaired Financial Assets (as per SLFRS 9)

Reconciliation of changes in the gross carrying amount of life time ECL credit impaired (Stage 3) leases, hire purchases and other loans and advances are detailed below;

As at March 31, 2024	Loans & Receivables Rs. 000	Finance lease receivables Rs. 000	Hire Purchase receivables Rs. 000	Total Rs. 000
Stage 3 loans and advances of customers as at April 1,	1,908,088	1,906,335	346,323	4,160,746
Newly classified as impaired loans and advances during the year	108,419	50,683	-	159,102
Net change in already impaired loans and advances during the year	183,958	819,807	1,020	1,004,785
Net payment, write-off and recoveries and other movement during the year	(847,370)	(646,439)	(42,752)	(1,536,561)
Impaired loans and advances of customers as at March 31,	1,353,095	2,130,386	304,591	3,788,072

As at March 31, 2023	Loans & Receivables Rs. 000	Finance lease receivables Rs. 000	Hire Purchase receivables Rs. 000	Total Rs. 000
Stage 3 loans and advances of customers as at April 1,	1,807,022	1,135,733	390,509	3,333,264
Newly classified as impaired loans and advances during the year	146,323	147,517	-	293,840
Net change in already impaired loans and advances during the year	174,639	1,003,740	5,324	1,183,703
Net payment, write-off and recoveries and other movement during the year	(219,896)	(380,655)	(49,510)	(650,061)
Impaired loans and advances of customers as at March 31,	1,908,088	1,906,335	346,323	4,160,746

NOTES TO THE FINANCIAL STATEMENTS

55.3.3 Sensitivity of impairment provision on loans and advances to other customers (as per SLFRS 9)

Company has estimated the impairment provision on loans and advances as at 31st March 2024 based on industry wide accepted simulation model which encompasses assumptions wherever necessary to arrive at the level of impairment charge/ reversal. The changes to such assumptions may lead to changes in inputs used for the computation of impairment provision. The below table demonstrates the sensitivity of the impairment provision of the Company as at 31st March 2024 to a reasonably possible change in PDs, LGDs and forward looking information.

	Sensitivity effect on Statement of Financial Position [Increase/ (Decrease) in impairment provision]				Sensitivity Effect on Income Statement Rs. 000
	Stage 1	Stage 2	Stage 3	Total	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	
PD 1% increase across all age buckets	13,712	4,101	-	17,813	(17,813)
PD 1% decrease across all age buckets *	(13,712)	(4,101)	-	(17,813)	17,813
LGD 5% increase	71,986	69,888	118,529	260,403	(260,403)
LGD 5% decrease *	(67,755)	(64,660)	(115,707)	(248,122)	248,122
Probability weighted Economic Scenarios					
Base case 10% increase, worst case 5% decrease and best case 5% decrease	158	68	-	226	(226)
Base case 10% decrease, worst case 5% increase and best case 5% increase	(158)	(68)	-	(226)	226

* The PD/LGD decrease is capped to 0%, if applicable.

Commentary

Based on the "Sensitivity effect carried out on the Statement of Financial Position [Increase/ (Decrease) in impairment provision]" currently impact from a probability of default moving from (+or (-) 1%) and (+or (-) 5%) Loss given default would result in a worse case charge of Rs. 17.8 Million and Rs. 260.4 Million respectively to the Income Statement. However, impact of this worse case will bring down Total Capital Adequacy Ratio to 17.31%, well above the minimum regulatory limit of 12.5%.

55.3.4 Types of Collateral Taken to Minimise Credit Exposure

55.3.4.A Collateral Held

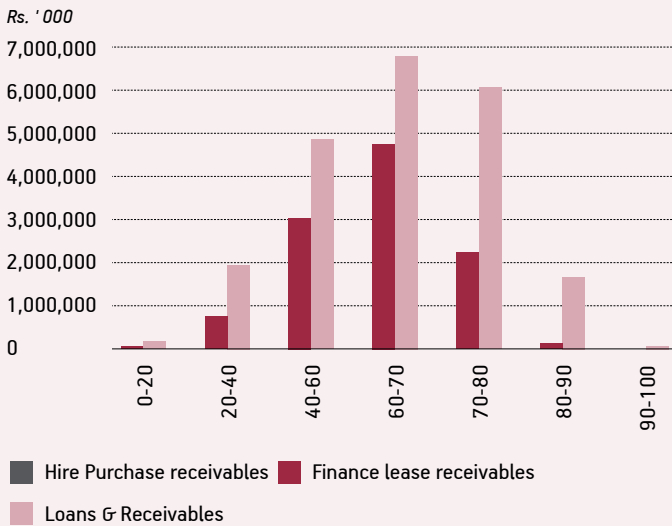
Type of Lending	Collateral generally obtained
Lease & Hire Purchase	Agricultural land and vehicles, Commercial property, Computer hardware and equipment, Dual purpose vehicles, Land vehicles, Motor bicycles, Motor cars, Motor coaches, Motor lorries, Motor Tricycles, Non-agricultural land vehicles, Other equipment, Other machinery, Prime movers, Tractor three wheels and tractor four wheels.
Personal Loans/ Term Loans	Same as above except Residential property.
Micro Finance, Cheque Loans	Promissory notes
Gold Loans	Gold articles

55.3.4.B Credit Portfolio Classification Based on Loan to Value Ratio (LTV)

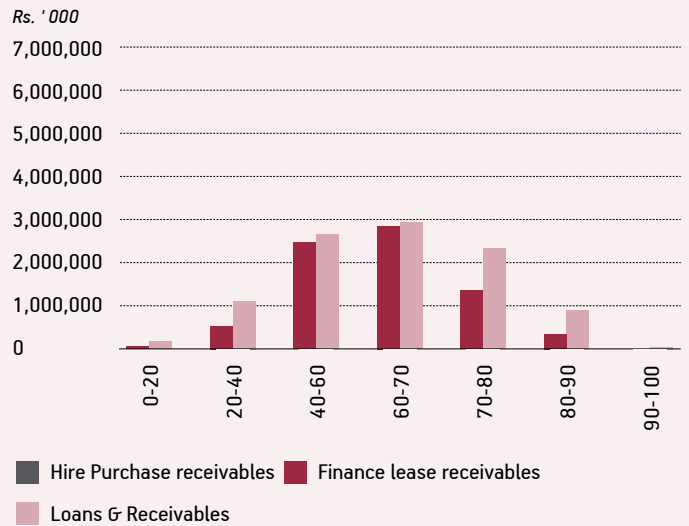
The table below specifies eligible credit exposures on the total lendings carried out for the FY 2023/24 by ranges of loan-to-value (LTV) ratios. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral.

LTV Ratio %	Rs. '000								
	2023/24				2022/23				Total
	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total	
0-20	343,522	78,718	-	422,240	197,382	69,019	-	266,401	
20-40	1,918,467	714,427	-	2,632,894	1,097,122	576,963	-	1,674,085	
40-60	4,887,866	3,035,145	-	7,923,011	2,690,506	2,475,836	-	5,166,342	
60-70	6,796,128	4,783,687	-	11,579,815	2,939,262	2,898,320	-	5,837,582	
70-80	6,057,708	2,233,713	-	8,291,421	2,369,893	1,401,888	-	3,771,781	
80-90	1,636,365	103,374	-	1,739,739	920,721	345,155	-	1,265,876	
90-100	23,725	-	-	23,725	8,036	-	-	8,036	
	21,663,781	10,949,064	-	32,612,845	10,222,922	7,767,181	-	17,990,103	

LTV Ratio 2023/24



LTV Ratio 2022/23



Commentary

LTV remained below 80% for approximately 95% of new lending business carried out during the year, indicating adequate collateral backing to cover against the remaining credit exposure.

NOTES TO THE FINANCIAL STATEMENTS

55.3.4. C Maximum Net Exposure of the Financial Assets

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets

	31st March 2024		31st March 2023	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Financial Assets				
Cash and Cash Equivalents	2,492,057	2,492,057	1,791,064	1,791,064
Placements with banks	3,460	3,460	1,422	1,422
Financial Assets Measured at FVOCI (quoted)	6,427,831	6,427,831	6,303,228	6,303,228
Financial Assets Measured at FVPL	329,519	329,519	3,250	3,250
Loans & Receivables	16,591,202	-	13,593,368	-
Finance Lease Receivables	20,302,868	-	19,026,269	-
Hire Purchase Receivables	101,631	-	127,176	-
Financial Assets Measured at FVOCI (unquoted)	70,427	70,427	70,427	70,427
Other Financial Assets	289,256	289,256	442,950	442,950
	46,608,251		41,359,154	

As an additional safeguard, guarantors are required particularly for lease and hire purchase contracts. The company resorts to repossessing the assets kept as security when the borrowers default goes beyond the specified credit period. The sales proceeds resulting from the subsequent sale of such assets are then used to minimise credit risk exposure.

Measurement Assumptions

- ⦿ The value of collateral represents the market value of the collateral asset at the time of granting the credit facility.
- ⦿ Net exposure was arrived by deducting the total value of the collateral from the total carrying value.

55.3.5 Analysis of Risk Concentration

The company monitors its credit concentration risk by referring to the degree of credit exposure by MI to various sectors and by geographic locations.

55.3.5. A. Sector Wise Analysis

Refer sector wise credit portfolio graph on page 164 of Risk Management Report

55.3.5. B. Province Wise Analysis

Refer province wise credit portfolio graph on page 164 of Risk Management Report

55.4 Liquidity Risk

Liquidity risk is the potential risk arising from the Company's inability to meet obligations in a timely manner as and when they become due, mainly on account of mismatches between the maturities of the Company's assets and liabilities. Considering the prevailing volatile economic setting, the company continued to display strict policies on managing of its assets, keeping liquidity as a vital focus, monitoring liquidity and taking measures to enhance liquidity, meet prudential limits, arrest assets and liquidity mismatches in both the short & long term.

55.4.1 Exposure to Liquidity Risk

Ratio	2024 %	2023 %
Net Loans & Advances /Customer Deposits	102	105
Net Loans & Advances /Total Assets	70	69

Commentary

MI's net loans to deposits ratio remained at acceptable levels of 102%, decreasing compared to last year amidst the challenging times evidenced by ongoing economic situation in the country.

55.4.2 Financial Assets and Financial Liabilities by Remaining Contractual Maturities

The following tables illustrate the maturity gap analysis of MI's financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31st March 2024.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances and renewal of fixed deposits.

	On demand Rs.'000	Up to 3 Months Rs.'000	4-12 months Rs.'000	1 to 3 Years Rs.'000	3 to 5 Years Rs.'000	More than 5 Years Rs.'000	Unclassified Rs.'000	Total Rs.'000
Financial Assets								
Cash & Cash Equivalents	2,492,057	-	-	-	-	-	-	2,492,057
Placement with Banks	-	-	-	-	-	3,460	-	3,460
Financial Investments FVOCI	1,100,000	3,684,175	1,028,157	-	-	-	685,926	6,498,258
Financial Investments FVPL	329,519	-	-	-	-	-	-	329,519
Loans and Receivables	975,810	2,958,836	6,839,460	6,705,409	2,277,479	7,329	-	19,764,323
Finance Lease Receivables	998,863	3,739,725	8,214,942	12,877,045	2,138,857	-	-	27,969,432
Hire Purchase Receivables	130,069	19,327	52,846	94,393	9,262	-	-	305,897
Other Financial Assets	-	279,949	-	-	-	-	9,307	289,256
Total Financial Assets	6,026,318	10,682,012	16,135,405	19,676,847	4,425,598	10,789	695,233	57,652,202
Financial Liabilities								
Bank Overdraft	317,122	-	-	-	-	-	-	317,122
Deposits Due to Customers	217,830	18,054,220	13,761,483	6,167,286	4,100,704	-	-	42,301,523
Debt Instruments Issued and Other Borrowings	-	348,395	1,314,272	1,061,521	60,569	-	-	2,784,757
Other Financial Liabilities	47,786	320,528	33,778	-	-	-	28,581	430,673
Total Financial Liabilities	582,738	18,723,143	15,109,533	7,228,807	4,161,273	-	28,581	45,834,075
Total Net Financial Assets/ Liabilities	5,443,580	(8,041,131)	1,025,872	12,448,040	264,325	10,789	666,652	11,818,127

Measurement Assumptions

- ⊙ Liquidity gap analysis is prepared based on the contractual maturity of assets and liabilities as at 31st March 2024.
- ⊙ Future interest income and interest expenses were considered for estimating future cash flows of Placements with other Banks, Loans and receivables, Finance Lease receivable, Hire purchase receivables, Deposits due to customers and Debt Instruments Issued and Other Borrowings.
- ⊙ In the case of variable future interest income and expenses, the higher of 31st March 2024 interest rate or the interest rate cap was used for calculation.

Commentary

While financial assets and liability remaining period to maturity of 1 year cumulative (undiscounted basis) stood at Rs. 1.6 billion negative, on the total assets and liability remaining period to maturity as given in Note 54 of financial statements. Based on the business model with loan book duration of longer tenor compared to deposit base, mismatch is realised, but mitigation measures are already in the pipeline by seeking back up contingency funding lines after considering behavioral patterns.

NOTES TO THE FINANCIAL STATEMENTS

55.4.3 Compliance to the Statutory Liquidity Position

Finance companies are required to maintain daily cash requirements and comply to minimum statutory liquidity limits imposed by the regulator. The Board together with Treasury division closely monitored the liquidity position on a daily, weekly & monthly basis and periodic statutory liquid assets reports were submitted to the regulator on due dates. MI maintained its statutory liquid assets ratio and the minimum approved securities requirement well above the minimum requirements specified by the regulator.

- (a) 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day.
- (b) 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day.
- (c) 10% of the total outstanding borrowing and any payable.

Further, MI maintained assets in the form of Sri Lankan government treasury bills and government securities equivalent to 15.9% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year, above the required level of 7.5% by the regulator.

55.4.4 Key Definitions Related to Liquidity Risk Management

Liquid Assets	Assets that are held in cash or in a form that can be readily converted to cash (E.g. Deposits with banks (free from any charge or lien), Treasury bills and bonds etc.)
Liquid Asset Ratio	This assesses the company's readiness to settle the total deposits and outstanding borrowings. (Excluding secured borrowings and borrowings considered as capital funds)

Description	CBSL minimum requirement as at 31st March 2024	Actual as at 31st March 2024	CBSL minimum requirement as at 31st March 2023	Actual as at 31st March 2023
Total liquid assets (Rs.000)	3,655,385	7,170,967	3,166,043	5,941,046
Statutory liquid assets ratio (%)	10.00	19.68	10.00	18.82
Minimum approved securities (Rs.000)	2,209,375	4,677,461	1,853,150	4,135,547

Commentary

Throughout the year, Liquidity buffers were kept to meet emerging needs and moreover to endure any market shocks that could result from the prevailed economic volatility. Accordingly, the statutory liquidity ratio stood at 19.68% well above the regulatory minimum of 10%.

55.4.5 Daily Liquidity Management

In order to meet ongoing financial liabilities and commitments, lending and expenditure, the treasury department managed short, medium & long term cash flows, by executing new and existing funding lines and temporary facilities from banks and other financial intermediaries as and when needed. The Core funding source remained the mobilization of deposits which remained on a growth trajectory, sourced from 51 MI locations.

55.5 Market Risks

Market Risk is the likelihood of loss in earnings that could arise from the possible fall in value of investments or trading portfolios, as a direct consequence of changes in market variables such as interest rates, equity prices and foreign exchange rates. MI's market risk exposure primarily revolves around the interest rate risk and equity price risk. MI is not exposed to exchange rate risk at present, due to the company's zero exposure to foreign currency assets and liabilities.

55.5.1 Interest Rate Risk

Interest Rate Risk is the potential for losses resulting from the volatility in interest rates that impact rate sensitive products and the susceptibility of the future income and expense levels of a company to change, in line with movements in market interest rates. MI continued to monitor and evaluate interest rate shocks against the income statement and adopted strategies to ensure that interest rate risk is maintained within prudent levels. In evaluating possible impacts of interest rate movement would have on profitability, we analyzed the Company's interest rate sensitivity level based on the company's exposure to various financial assets and liabilities terms of interest payments.

55.5.1. A Financial Assets and Financial Liabilities Exposed to Interest rate Risk

Disclosed below are the company's financial assets and financial liabilities exposed to interest rate risk as at 31st March 2024. The financial assets and financial liabilities so disclosed are at their carrying amounts and categorised by the earlier of contractual re- pricing or maturity dates.

	Up to 3 Months Rs.'000	3-12 months Rs.'000	1 to 3 Years Rs.'000	3 to 5 Years Rs.'000	More than 5 Years Rs.'000	Non- Interest Sensitive Rs.'000	Total Rs.'000
Financial Assets							
Placement with other banks	-	-	-	-	3,460	-	3,460
Financial Investments - at FVOCI	3,334,732	1,028,157	-	-	-	-	4,362,889
Financial Investments- at FVPL	327,690	-	-	-	-	-	327,690
Loans and Receivables	3,288,827	5,748,639	5,478,372	2,068,327	7,037	-	16,591,202
Finance Lease Receivables	3,118,077	5,437,268	9,937,148	1,810,375	-	-	20,302,868
Hire Purchase Receivables	49,716	17,586	31,247	3,082	-	-	101,631
Total Financial Assets	10,119,042	12,231,650	15,446,767	3,881,784	10,497	-	41,689,740
Financial Liabilities							
Bank Overdraft	317,122	-	-	-	-	-	317,122
Deposits Due to Customers	17,158,193	12,439,355	4,431,952	2,075,435	-	-	36,104,935
Debt Instruments Issued and Other Borrowings	290,304	1,169,913	921,831	59,494	-	-	2,441,542
Total Financial Liabilities	17,765,619	13,609,268	5,353,783	2,134,929	-	-	38,863,599
Total Interest Sensitivity Gap	(7,646,577)	(1,377,618)	10,092,984	1,746,855	10,497	-	2,826,141

Measurement Assumptions

- ⦿ The interest rates movements have been applied on the basis that both assets & liabilities pricing rates are on a fixed basis. i.e. Assumed minimal impact from floating rates applicable.
- ⦿ The market rates are predicted with no material changes in the foreseeable future.
- ⦿ The lending and deposit volumes are assumed to remain unchanged.

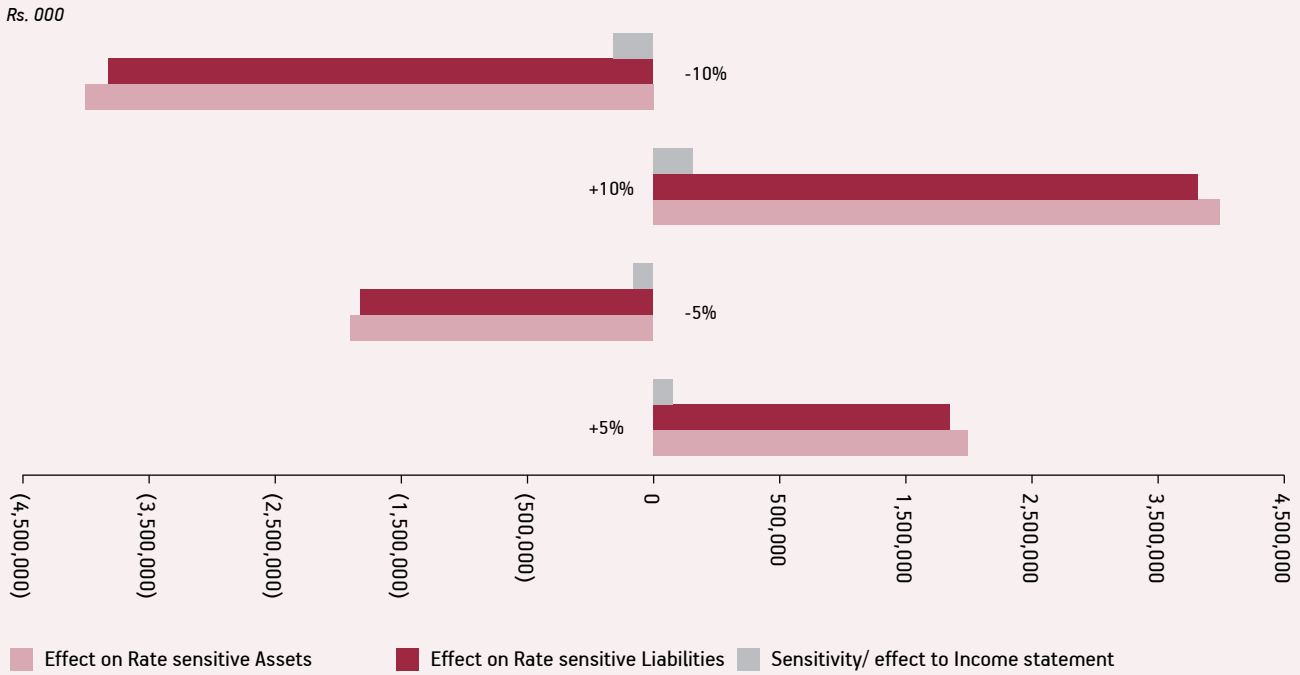
55.5.1. B Interest Rate Sensitivity Analysis

Given below is a sensitivity analysis carried out as at 31st March 2024 that demonstrates possible impact to the company's Net Interest Income applying 5% and 10% increase and decrease by parallel rate shocks simulated on rate sensitive assets and liabilities, keeping all other variables constant.

	Parallel increase of market rates by 5% effect to the Interest Income /(Expenses) Rs.'000	Parallel decrease of market rates by 5% effect to the Interest Income /(Expenses) Rs.'000	Parallel increase of market rates by 10% effect to the Interest Income /(Expenses) Rs.'000	Parallel decrease of market rates by 10% effect to the Interest Income /(Expenses) Rs.'000
Effect on Rate sensitive Assets	2,084,487	(2,084,487)	4,168,974	(4,168,974)
Effect on Rate sensitive Liabilities	1,943,180	(1,943,180)	3,886,360	(3,886,360)
Sensitivity/ effect to Net Interest Income	141,307	(141,307)	282,614	(282,614)

NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Sensitivity Analysis



Measurement Assumptions

- The sensitivity rates applied + or (-) to parallel static over the total financial assets and financial liabilities contractual tenor till maturities.

Commentary

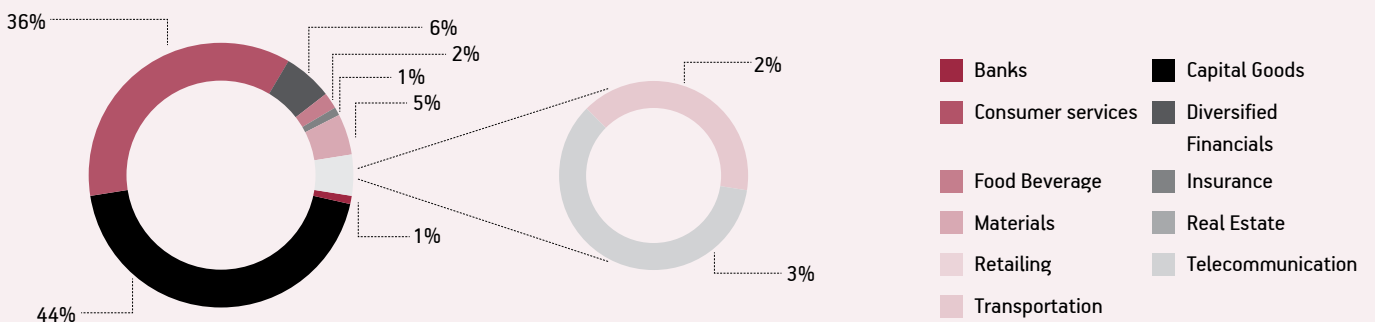
MI possesses interest rate sensitive assets of Rs. 41.7 billion and rate sensitive liabilities of Rs. 38.9 billion. Based on the sensitivity analysis, an interest rate fluctuation of 10%+ or (10%) will result in a worse case Rs. 283 Million impact to Net Interest Income. This moderate impact will not result in negative profitability and minimal impact to total capital position.

55.5.2 Equity Risk

Equity risk refers to the potential losses that may arise in the equity investment portfolio owing to adverse movements in value of equity prices. MI possesses a well-diversified share portfolio which is valued at a market value of Rs.2 billion, which has been primarily invested in blue chips institutions mostly in the hotels and construction sector. MI conducts market-to-market calculations on a periodic basis to identify fair value impacts caused by equity prices fluctuations.

55.5.2.A Analysis on Exposure to Equity Price Risk

Effect by Each Sector 2023/24



The table below summarises the impact on both the Other Comprehensive Income and on the equity in the event the Market drops to the recorded lowest market prices in last 2 years.

Investment Sector	Market Value at Lowest price (Last 2 Years) (Rs.000)	Effect to the Other Comprehensive Statement of Income if Market drops to the recorded lowest market price (Rs.000)	Percentage (%) of effect by each sector
Banks	3,012	6,240	1
Capital Goods	272,193	473,419	44
Consumer services	427,328	403,311	36
Diversified Financials	74,615	68,108	6
Food Beverage	17,775	24,529	2
Insurance	5,600	6,280	1
Materials	31,977	60,604	5
Real Estate	290	125	0
Retailing	11,700	900	0
Telecommunication	73,470	35,340	3
Transportation	40,739	27,386	2
	958,699	1,106,242	100

Commentary

During the starting phase of the financial year, investors preferred higher yield government securities over equity investments thereby pushing the equity prices downward. However, with the gradual decline recorded in policy interest rates, magnitude of such trend weakened and investors prefer once improved towards equity market investments.

The table below summarises the impact on Other Comprehensive Income due to 10% change in equity market prices.

	2023/24 Financial investments - at Fair Value through OCI Rs. '000	2022/23 Financial investments - at Fair Value through OCI Rs. '000
Stress Level	Impact on OCI	Impact on OCI
Shock of 10% on equity price (upward)	206,494	168,281
Shock of 10% on equity price (downward)	(206,494)	(168,281)

Commentary

Based on the risk analysis carried out on MI's equity portfolio after considering a possible downward equity market sentiments resulting especially due to macro economic challenges, the maximum amount of equity risk affect to the other comprehensive statement of income (OCI) stood at Rs. 206 million as at the end of 31 March 2024. Total impact to Total Risk Weighted Capital Adequacy Ratio (CAR) would be marginal and keeping yet MI's CAR at 17.46% well above the regulatory limit of 12.5%.

NOTES TO THE FINANCIAL STATEMENTS

55.6 Operational Risk

Operational risk arises due to inadequate or failed internal processes, people and systems or from external events. Operational risk events which include legal and regulatory implications could lead to financial and reputational losses. (Refer Risk Management Report on page 172 operational risk section for further details).

55.6.1 Nature of Relationship between the Associate and the Company

MI has a 26.12% stake in Nuwara-Eliya Hotels; being accounted for as an associate of the company. Nuwara-Eliya Hotels has a rich history, located in the hill country, and recognized as a renowned hotel. The gradual uplift witnessed across the tourism sector is bound to boost hotel revenue already reflected from the upward revenue trajectory in the last 12 months, backed by solid reputation of the hotel franchise across the country and worldwide.

55.6.2 Defined benefit Plans Associated Risk

For the purpose of assessing risks associated with employee benefit plans, the Company obtains an Independent experts' analysis and guidance to identify specific risks and for actuarial valuations and then to incorporate same in the Financial Statements. Refer Alliances section pages 56 to 57, Financial Statements Note 38 which provides a detailed breakdown of defined employment benefit estimates including assumptions made.

55.7 Capital Management Risk

55.7.1 Capital Management Objectives

Capital Adequacy being a strong measure to reflect financial health and stability of a finance company is treated as a high priority KPI and critical area of focus by the MI Board. Maintaining the right level of capital is important for the Company due to following reasons;

- a) Maintenance of a strong capital buffer against unexpected losses and to possess sufficient capital to meet current and future business needs and stakeholder expectation
- b) To meet prudential minimum capital requirements set by the regulator

MI's Strong capital base stands as a strong buffer against unforeseen losses and contingencies in the current volatile market conditions. This level of capital provides the company with adequate flexibility to pursue its future business plans and capital Investments and to take risk more confidently without undermining stakeholder returns.

MI Board as part of its capital management process regularly monitors the company's capital adequacy position which includes minimum capital requirements and has set minimum thresholds in keeping to MI's risk appetite levels, well above even the prudential capital adequacy ratio requirements to be categorised as a "well capitalised" as per regulatory criteria.

55.7.2 New Basel II Capital adequacy(CAR) framework

Instead of the finance companies (Risk weighted Capital Adequacy Ratio) Direction No. 02 of 2006, a more stringent new Basel II Compliant Capital Adequacy framework was introduced to the LFC'S with effect from 1st June 2018 by the regulator.

With the adoption of this risk focus stringent capital adequacy frame work, Finance companies were required to compute the Capital adequacy ratios based on Credit & Operational risk, in keeping to the "Basic approach" recommended by Basel II accord.

Applicable Minimum Capital Adequacy requirements by the regulator for LFC with Total Assets Less than Rs 100 Billion.

Components of Capital	01.07.2022 onwards
Tier 1 Capital	8.50%
Total Capital	12.50%

Salient Computational Features

Risk Weighted Assets Computation

Credit Risk

- a) Loan Portfolio separation between Performing and Non Performing.
- b) Asset Categorization based on counter parties risk profile
- c) Assessment of counter party ratings.
- d) Level of security underlining the claims.

The risk rates weights applied vary for a) to d) above depending on the level of credit risks.

Operational Risk

Under the "Basic Indicator approach" a formula based computation is applied taking historic information to assess the level of operational risk, thereby arriving at the risk weighted amount for operational risk.

Both credit risk and operational risk is combined to arrive at MI's total risk weighted assets.

MI's Tier 1 capital & total capital position as at 31st March 2024 (with comparison) and the capital adequacy ratio position is given in Note 55.7.4

55.7.3 Prompt Corrective Action Framework (PCA)

The Central Bank of Sri Lanka (CBSL) has set out a 'Prompt Corrective Action Framework' for LFCs based on the Capital Adequacy Ratio's effective from 1st July 2022.

Capital thresholds for each PCA capital adequacy applicable to LFCs with assets less than Rs.100 Billion is as follows;

PCA capital category	Capital Adequacy Ratio (CAR)
Well capitalized	CAR ≥ 14%
Adequately capitalized	12.5% ≤ CAR < 14%
Undercapitalized	9.5% ≤ CAR < 12.5%
Significantly undercapitalized	6.5% ≤ CAR < 9.5%
Critically undercapitalized	CAR < 6.5%

NOTES TO THE FINANCIAL STATEMENTS

55.7.4 Total Capital Base Computation

Item	31st March 2024	31st March 2023
Tier 1 Capital	8,132,287	7,701,686
Stated Capital/assigned capital	36,000	36,000
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	887,400	857,400
Audited retained earnings/(Losses)	3,122,457	2,721,856
(Less) Revaluation gains/surplus of investment property	-	-
General and other disclosed reserves	4,086,430	4,086,430
Current Year profit(Loss)	-	-
Adjustments to Tier 1 Capital	94,147	427,528
Goodwill (net)	-	-
Other intangible assets (net)	32,094	9,335
Other Comprehensive losses	-	372,519
Deferred tax assets (net)	-	-
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking & financial institutions	62,053	45,674
Shortfall of capital in Financial subsidiaries	-	-
Tier 1 Capital (after adjustments)	8,038,140	7,274,158
Tier 2 Capital	742,165	742,165
Instruments Qualifying Tier 2 capital	-	-
Revaluation gains	742,165	742,165
General provisions/ Collective impairment allowance	-	-
Eligible Tier 2 Capital	742,165	742,165
Total adjustment to eligible Tier 2 Capital	62,053	45,674
50% Investment in banking & financial subsidiary companies	-	-
50% of investment in other banking & financial institutions	62,053	45,674
Eligible Tier 2 Capital after adjustments	680,112	696,491
Total Capital	8,718,252	7,970,649

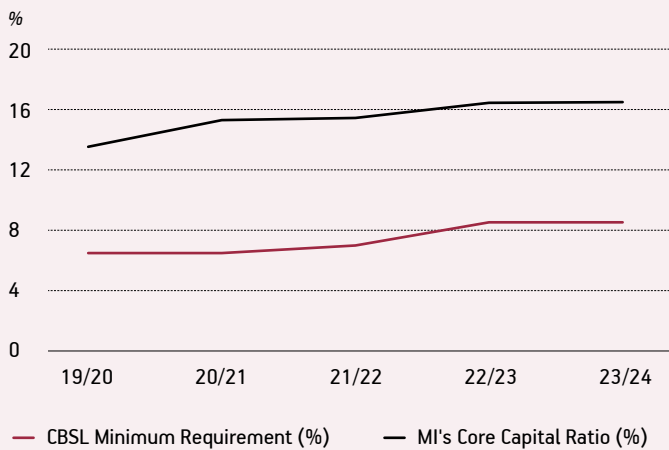
55.7.4.1 Capital Adequacy Ratios

As at 31st March		Strategic Plan (Projected 2024)	2024 %	2023 %
Core Capital Ratio =	Tier 1 Capital Risk Weighted Assets	> 13%	16.49	16.45
Total Risk Weighted Capital Ratio =	Capital Base Risk Weighted Assets	> 16%	17.88	18.02

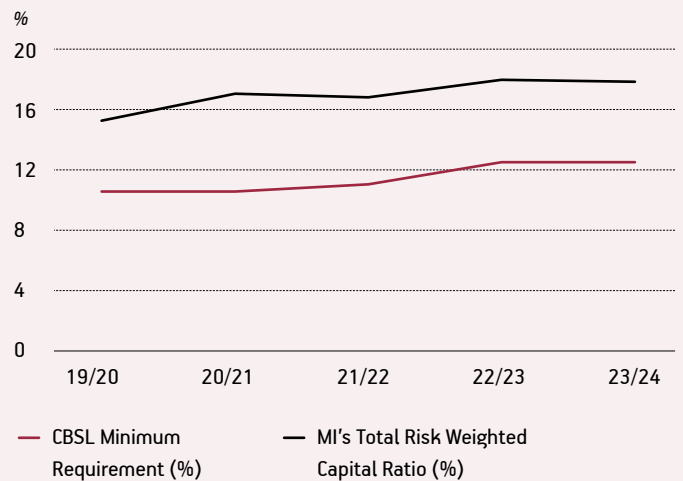
Commentary

MI's sound capital adequacy levels remain a core competitive advantage when comparing Core Capital and Total Risk Weighted Capital with similar size industry peers. Based on current and projected performance targets, MI is confident of maintaining its total Risk Weighted Capital Ratio above 14%, thus safeguarding the "well capitalized" grade status in terms of the regulatory PCA framework.

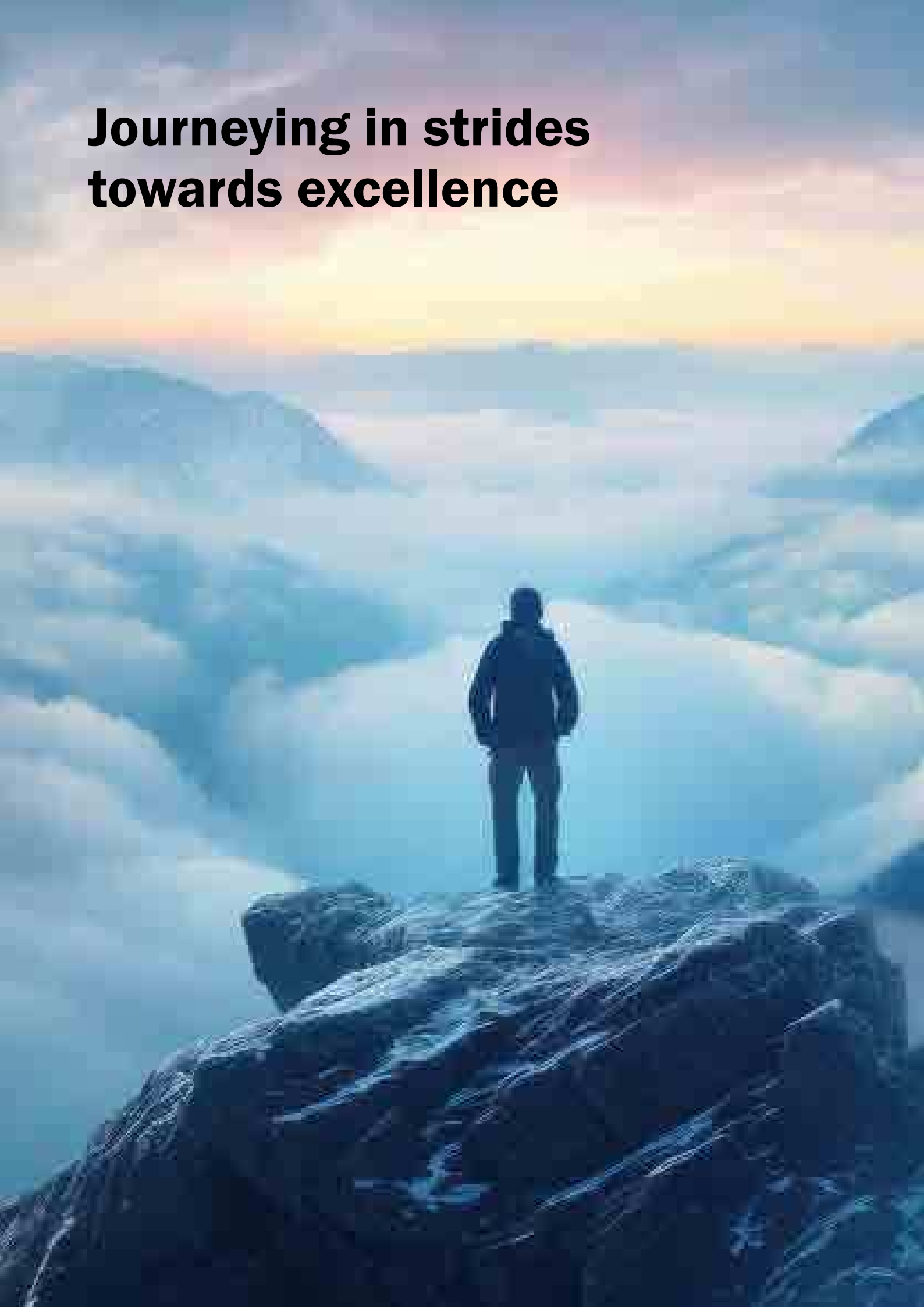
Core Capital Ratio



Total Risk Weighted Capital Ratio



**Journeying in strides
towards excellence**





SUPPLEMENTARY INFORMATION

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INVESTOR RELATIONS

Stock Exchange Listing

The issued ordinary shares of Mercantile Investments and Finance PLC are listed with the Colombo Stock Exchange. The audited Statement of Profit or loss and other Comprehensive income for the year ended 31st March 2024 and the audited Statement of Financial Position of the Company as at date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

Stock exchange code for Mercantile Investments & Finance PLC share is "MERC".

Mi's Investor Base

The Company's investor base currently comprises of 3,006,000 voting shares distributed among few large investors as given in the table below. The total numbers of shareholders 16 in 2023/24, where as the previous year stood at 16. There were no non voting shares issued by the company or any changes in share capital of the company during the year.

Distribution of Ordinary Shareholders

	Resident			Non-Resident			Total		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%
1 - 1,000	2	161	0.01	-	-	-	2	161	0.01
1,001 - 10,000	-	-	-	-	-	-	-	-	-
10,001 - 100,000	8	137,220	4.56	-	-	-	8	137,220	4.56
100,001 - 1,000,000	6	2,868,619	95.43	-	-	-	6	2,868,619	95.43
Over 1,000,000	-	-	-	-	-	-	-	-	-
Total	16	3,006,000	100.00	0	0	0.00	16	3,006,000	100.00

Analysis of Shareholders

Resident / Non-Resident

	31st March 2024			31st March 2023		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%
Resident	16	3,006,000	100.00	16	3,006,000	100.00
Non-Resident	-	-	-	-	-	-
Total	16	3,006,000	100.00	16	3,006,000	100.00

Individuals / Institutions

	31st March 2024			31st March 2023		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%
Individuals	13	1,757,449	58.46	13	1,757,449	58.46
Institutions	3	1,248,551	41.54	3	1,248,551	41.54
Total	16	3,006,000	100.00	16	3,006,000	100.00

Public Holding

As per the rule No. 7.6 (iv) of Colombo Stock Exchange, percentage of public holding as at 31st March 2024 was 10.10% ,comprising 10 shareholders.(2023 - 10.10% comprising 10 Shareholders).

MI is in the Second Board of Colombo Stock Exchange (CSE) due to deviation with CSE rule 7.13.1.

The Current status of the company

- ⊙ Existing Float adjusted Market Capitalization Rs. 789,375,600.00
- ⊙ Public Holding Percentage 10.10%
- ⊙ Number of Public Shareholders 10

The Company is not fully compliant with the minimum public holding requirement as of 31/03/2024

Steps to be adopted by the company to comply with the rule will be announced in a subsequent market announcement.

Twenty Major Shareholders of the MI as at 31st March 2024

Name	% on total capital	No of Shares 2024	% on total capital	No of Shares 2023
1. Nilaveli Beach Hotels (Pvt) Ltd	20.94	629,580	20.94	629,580
2. G.G. Ondaatjie	16.12	484,615	16.12	484,615
3. A.M. Ondaatjie	16.12	484,615	16.12	484,615
4. T.J. Ondaatjie	16.12	484,614	16.12	484,614
5. Mercantile Fortunes (Pvt) Ltd	13.81	415,162	13.81	415,162
6. Tangerine Tours (Pvt) Ltd	6.78	203,809	6.78	203,809
7. C.A. Ondaatjie	5.53	166,224	5.53	166,224
8. A.S.G.H.Jafferjee	1.37	41,055	1.37	41,055
9. S S Jafferjee	1.37	41,055	1.37	41,055
10. P.R. Divitotawela / R.D.Madugalle	0.42	12,525	0.42	12,525
11. P.R. Divitotawela / A.D.Galagoda	0.42	12,525	0.42	12,525
12. N.H.V. Perera	0.33	10,020	0.33	10,020
13.J.A.S.S. Adhihetty	0.33	10,020	0.33	10,020
14.R.M.D. Abeygunawardena	0.33	10,020	0.33	10,020
15. A.M. Dominic	0.01	151	0.01	151
16. R.Vaseeharan	0.00	10	0.00	10
Total	100.00	3,006,000	100.00	3,006,000

INVESTOR RELATIONS

Directors' Shareholdings as at 31st March 2024

Name	Position	31st March 2024		31st March 2023	
		No of Shares	%	No of Shares	%
Mr. G G Ondaatjie	Managing Director	484,615	16.12%	484,615	16.12%
Ms. A M Ondaatjie	Director	484,615	16.12%	484,615	16.12%
Mr. T J Ondaatjie	Director	484,614	16.12%	484,614	16.12%
Mr. S H Jayasuriya	Director	-	0.00%	-	0.00%
Mrs. E D Wickramasuriya	Director	-	0.00%	-	0.00%
Mr. P D D Perera	Chairman	-	0.00%	-	0.00%
Mr. A L N Dias	Director	-	0.00%	-	0.00%
Mr. M K S Pieris	Director	-	0.00%	-	0.00%

Share Trading

Since obtaining listing status under the Diri-Savi Board of the Colombo Stock Exchange and transferred to the second board in 15 November 2019, share trading has been negligible. The share trading details for the year are given below.

	2023/2024	2022/2023
Number of transactions	Not Traded	Not Traded
Number of shares traded	Not Traded	Not Traded

Market Value

	Highest Rs.	Lowest Rs.	Year End Rs.
2023/2024	-	-	-
2022/2023	-	-	-

Market Capitalisation (as at 31st March)

	Capital & Reserves Rs. 000	MI Market Capitalisation* Rs. 000	CSE Market Capitalisation Rs. 000	MI Market Capitalisation as a percentage of CSE Market Capitalisation
2023/2024	12,165,068	7,815,600	4,534,650,000	0.17
2022/2023	11,016,006	7,815,600	3,903,539,460	0.20

Related Party Transactions Exceeding 10% of the Equity or 5% of the Total Assets

No any Related party transactions during the year which exceeds 10% of the equity or 5% of the total assets.

Debentures

The Company did not issue any debentures during the financial year ended 31 March 2024.

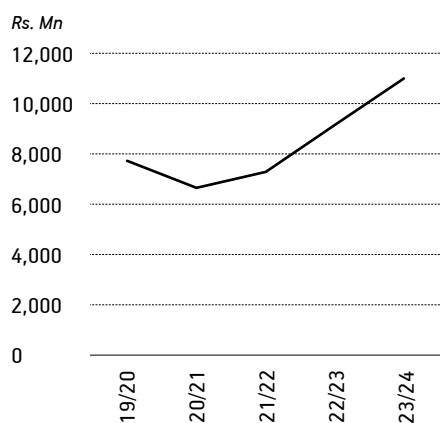
The following table presents the important disclosures made by the company to the Colombo stock exchange during the year 2023/2024

Date of Disclosure	Details of disclosures
31-May-23	Submission of unaudited interim financial statement for the period ended 31 March 2023
7-Jul-23	Submission of Annual Report for the period ended 31 March 2023
3-Aug-23	Resolution adopted at the Annual General Meeting
11-Aug-23	Submission of unaudited interim financial statement for the 01st quarter ended 30 June 2023
25-Aug-23	Appointment of Chairperson
17-Oct-23	Disclosure on Annual Rating Review
14-Nov-23	Submission of unaudited interim financial statement for the 02nd quarter ended 30 September 2023
13-Feb-24	Submission of unaudited interim financial statement for the 03rd quarter ended 31 December 2023
14-Mar-24	Disclosure on Cash Dividend

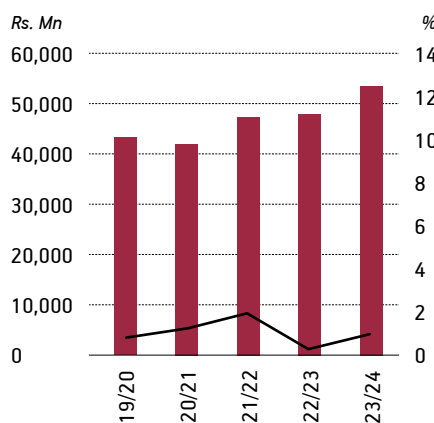
DECADE AT A GLANCE

For the year ended 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Operating Results										
Income	10,948,958	9,035,723	7,127,706	6,496,631	7,610,170	7,638,497	6,984,093	5,645,532	4,500,275	4,286,288
Interest expense	6,441,603	6,134,824	2,586,220	3,219,671	3,842,380	3,861,878	3,703,776	3,136,218	2,098,378	1,947,783
Non Interest expenses	3,687,575	2,768,079	3,072,566	2,449,459	3,075,999	2,989,966	2,441,730	2,299,829	1,690,927	1,540,416
Profit before tax	819,780	132,820	1,468,920	827,501	691,791	786,653	858,771	313,679	802,645	911,884
Provision for taxation	263,966	26,767	457,370	213,358	320,082	328,580	344,706	111,664	297,626	280,612
Net profit for the year	555,814	106,053	1,011,550	614,143	371,708	458,073	514,065	202,015	505,019	631,272
Dividends	60,120	-	345,690	-	60,120	-	45,090	-	21,042	88,677
Assets										
Liquid assets	7,172,978	5,928,033	3,569,782	3,937,316	3,793,902	2,031,095	2,311,208	1,861,433	1,879,970	1,773,833
Investments	2,137,199	2,241,359	2,343,510	2,316,531	1,055,767	2,339,990	1,509,192	3,319,973	3,559,791	4,202,760
Debentures	-	-	-	-	-	-	-	10,200	10,400	10,700
Advances	36,995,701	32,746,812	34,702,466	29,738,640	32,759,173	31,944,477	31,935,118	28,645,275	25,053,528	19,468,293
Other assets	583,049	1,105,373	626,453	737,306	640,205	619,565	638,866	656,452	226,532	157,544
Property, plant & equipment										
Right-of-use assets	4,391,241	3,930,649	3,952,290	3,279,866	3,105,781	2,848,159	2,691,612	1,790,296	1,803,939	1,756,125
Leasehold Property	215,306	139,667	181,499	180,357	223,255.00	-	-	-	-	-
Intangible Assets	38,866	39,334	39,802	40,270	40,739	41,207	41,672	42,140	42,609	43,076
Investment Property	32,094	9,335	28,235	47,299	45,987	64,211	48,979	12,578	12,386	3,344
Investment in Associates	260,055	227,219	220,717	237,381	246,166	198,431	172,795	158,340	448,234	198,769.00
Total Assets	1,404,225	1,255,524	1,334,821	1,234,582	1,260,144	1,267,430	1,006,506	995,977	927,318	794,381
Liabilities										
Bank overdraft	53,230,713	47,623,304	46,999,575	41,749,548	43,171,119	41,354,565	40,355,948	37,492,664	33,964,707	28,408,825
Borrowings	317,122	93,518	395,159	86,451	86,567	186,276	254,238	1,092,434	412,472	272,634
Deposits from customers	2,872,214	3,866,087	7,022,730	6,357,692	9,128,983	8,957,478	9,327,958	10,165,837	8,527,169	5,682,640
Other liabilities	36,104,935	31,223,715	26,349,272	23,060,274	22,814,923	21,176,433	20,073,010	17,017,674	15,815,590	13,720,729
Total Liabilities	1,771,373	1,423,978	2,258,078	1,935,561	2,242,319	2,361,514	2,017,656	1,349,453	1,555,245	953,057
Total Share Holder's Funds	41,065,645	36,607,298	36,025,239	31,439,978	34,272,792	32,681,701	31,672,862	29,625,399	26,310,476	20,629,060
Share Holder's Fund										
Share Capital	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Reserves	12,129,069	10,980,006	10,938,336	10,273,570	8,862,327	8,636,864	8,647,086	7,831,265	7,618,231	7,743,765
Total Share Holder's Funds	12,165,069	11,016,006	10,974,336	10,309,570	8,898,327	8,672,864	8,683,086	7,867,265	7,654,231	7,779,765
♾ total liabilities	53,230,713	47,623,304	46,999,575	41,749,548	43,171,119	41,354,565	40,355,948	37,492,664	33,964,707	28,408,825

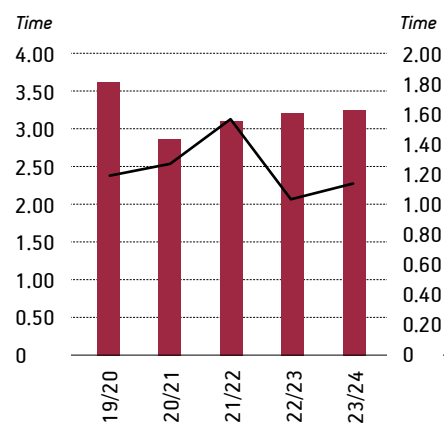
Gross Revenue



Total Asset Base & ROA



Debt to Equity & Interest Cover



■ Total Asset Base

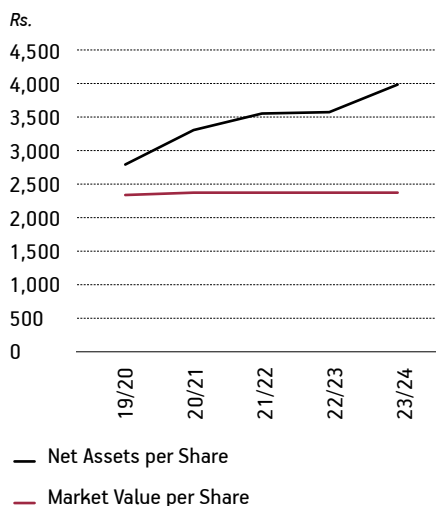
— ROA

■ Debt to Equity Ratio (Times)

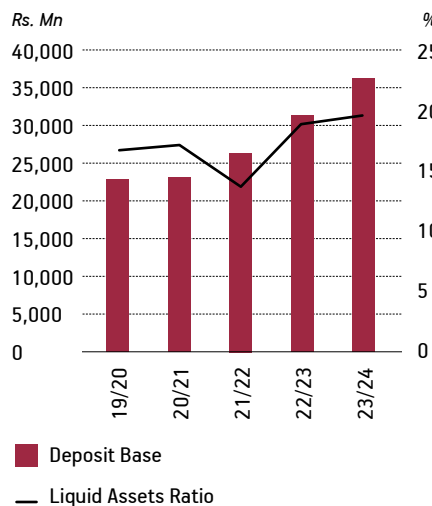
— Interest Cover (Times)

For the year ended 31st March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial Position										
Total Assests to Shareholders funds										
- (Times)	4.38	4.32	4.28	4.05	4.85	4.77	4.65	4.77	4.44	3.65
Debt to Equity - (Times)	3.23	3.19	3.08	2.86	3.60	3.50	3.42	3.59	3.23	2.53
Liquid assets as a % of deposits	19.87	18.99	13.55	17.07	16.63	9.59	11.51	10.94	11.89	12.93
Investor										
Return on shareholders' funds - (%)	4.57	0.96	9.22	5.96	4.18	5.28	5.92	2.57	6.60	8.11
Return on Average Assets-(%)	1.10	0.22	2.28	1.45	0.88	1.12	1.32	0.57	1.62	2.43
Assets per share - (Rs.)	4,047	3,665	3,651	3,430	2,960	2,885	2,889	2,617	2,546	2,588
Earnings per Share - (Rs.)	184.90	35.28	336.51	204.31	123.66	152.39	171.01	67.20	168.00	210.00
Dividend per Share - (Rs.)	20.00	-	115.00	-	20.00	-	15.00	-	7.00	29.50
Dividend Cover - (Times)	9.25	-	2.93	-	6.18	-	11.40	-	24.00	7.12
Dividend Payout-(%)	0.11	-	0.34	-	16.17	-	8.77	-	4.17	14.05
Interest Cover - (Times)	1.13	1.02	1.57	1.26	1.18	1.20	1.24	1.10	1.38	1.47
Growth										
Growth in income - (%)	21.17	26.77	9.71	(14.63)	(0.37)	9.37	23.71	25.45	4.99	4.65
Growth in Interest Expenses-(%)	5.00	137.21	(19.67)	(16.21)	(0.50)	4.27	18.10	49.46	7.73	(12.08)
Growth in Other Expenses-(%)	33.22	(9.91)	25.44	(20.37)	2.88	22.45	8.55	36.01	9.77	45.87
Growth In Profit before Tax-(%)	517.21	(90.96)	77.51	19.62	(12.06)	(8.40)	180.21	(60.92)	(11.98)	10.62
Growth in Profit after Tax - (%)	424.09	(89.52)	64.71	65.22	(18.85)	(10.89)	154.47	(60.00)	(20.00)	(6.53)
Growth In Total Assets-(%)	11.77	1.33	12.58	(3.29)	4.39	2.47	7.64	10.39	19.56	20.89
Growth in advances- (Net) (%)	12.97	(5.64)	16.69	(9.22)	2.55	0.03	11.48	14.34	28.69	20.27
Growth in Deposit Base-(%)	15.63	18.50	14.26	1.08	7.74	5.50	17.95	7.60	15.27	20.17
Growth in Shareholders Funds-(%)	10.43	0.38	6.45	15.86	2.60	(0.12)	10.37	2.78	(1.61)	24.15
Statutory ratios										
Core Capital Ratio - (Minimum 5%)	16.49	16.45	15.45	15.31	13.56	14.98	16.24	17.17	19.35	21.70
Risk Weighted Capital Ratio - (Minimum 10%)	17.88	18.02	16.84	17.07	15.25	16.69	17.36	14.26	15.75	15.27
Liquid assets - (%)	19.62	18.82	13.57	17.07	16.63	14.77	11.40	10.81	11.73	12.45

Net Assets per Share & Market Value per Share



Deposits & Liquid Asset Ratio



Core Capital Ratio & risk Weighted Capital ratio



GLOSSARY

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment.

Associate

An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in joint venture.

C

Capital Adequacy Ratios

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying International best practices on maintenance of Capital for Financial Institutions, to suit the local requirements.

Collective Impairment Provisions

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Contingencies

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which Corporate Institutions are governed. It involves the way in which authority is exercised over the management and the direction of the company, the supervisions of executive roles and the responsibility and accountability towards owners and other parties.

Cost Method

This is a method of accounting for an investment whereby the investment is initially recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distribution from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Cost to Income Ratio

Total operating expenses excluding impairment charge/(reversed) for loans and advances expressed as a percentage of operating Income.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and banks and investment debt securities.

D

Debt to equity

Total Borrowings expressed as a percentage of equity.

Deferred Tax

Sum set aside in the financial statements for taxation that would become payable/receivable in a financial year other than the current financial year.

Derecognition

The removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividends is covered by the current year's distributable profits.

Dividend Yield

Dividend earned per share as a percentage of its market value.

E

Earnings Per Share

Net profit after tax and after dividend on Preference Shares divided by the number of ordinary shares in issue.

Economic Value Added

A measure to assess productivity of a business that takes into consideration cost of total invested equity.

Effective Income Tax Rate

Provision for taxation divided by the net profit before taxation.

Effective Interest Rate

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee

F

Fair Value

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in other entity.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impaired Loans

Loans where identified impairment provisions have been raised and also include loans which are collateralized or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment Allowances

Impairment allowances are a provision held as a result of the rising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Impairment Provision Cover

Total impairment provision expressed as a percentage of Total Loan Book (Gross).

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Intangible Asset

An Intangible Asset is an identifiable non-monetary asset without physical substance.

Interest Cover

Profits before interest and taxes divided by the interest cost. This ratio measures the number of times Interest is covered by the current year's profits before interest and taxes.

K

Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with banks free from any charge or lien and Treasury Bills and Bonds.

Liquid Assets Ratio

Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total deposits and outstanding borrowings excluding secured borrowings and borrowings considered as capital funds.

Loans and Receivables

Conventional loan assets that are unquoted (originated).

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to loss in the event of obligor default

Loan to Value Ratio

LTV ratio is a computation that expresses the amount of a first disbursement as a percentage of the total appraised value of assets kept as security.

M

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Market Value Added (MVA)

The difference between the current market value of a firm and the capital contributed by investors. Market value added represents the wealth generated by a company for its shareholders since inception. Since the main goal of a for-profit organization is to maximize shareholders' wealth, market value added is an important measure to analyze how much value a company has added to the wealth of its shareholders. Higher market value added indicates higher wealth generation.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net assets per share

Shareholders' funds excluding preference shares divided by the number of ordinary shares in issue.

Net Interest Income (NII)

The difference between the amount a Financial Institution earns on assets such as Loans and securities and what it incurs on liabilities such as deposits and borrowings.

Net Interest Margin

Net interest income expressed as a percentage of average assets.

Non-Performing Loans

For a credit facility repayable on a monthly basis or more, when repayment due and unpaid for more than 90 days (FY 2022/23 - 120 day basis) from the repayment due date, the total exposure is treated as non-performing loans.

GLOSSARY

Non Performing Ratio

Total non-performing loans expressed as a percentage of the total loans and advances.

O

Off-Balance Sheet Assets

On-Balance Sheet assets and the credit equivalent of off-Balance Sheet assets multiplied by the relevant risk weighting factors prescribed by the Central Bank of Sri Lanka.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, peoples and systems or from external events.

P

Price Earning Ratio

Market price of an ordinary share divided by earnings per share.

R

Regulatory Loss Reserve

This refers to the difference between CBSL basis regulatory loss allowance for loans and advances and the impairment provision computed on loans and advances in line with the accounting standards.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Return on Average Assets

Net profit after tax divided by the average assets.

S

Segmental Analysis

Analysis of financial information by segments of an organization specifically, the different Industries and the different Business Lines in which it operates.

Shareholders' Funds

Total of stated capital plus capital and revenue reserves.

Sustainability Report

Sustainability reporting is a practice of measuring, disclosing and being accountable for organizational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organization.

T

Tier 1 Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier 2 Capital

Supplementary capital that consist of revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments that combine characteristics of equity and debt.

V

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

LIST OF ABBREVIATIONS

AGM	Annual General Meeting	KPIs	Key Performance Indicators
ALCO	Assets and Liabilities Management Committee	KRIs	Key Risk Indicators
AML	Anti-Money Laundering	KYC	Know Your Customer
ASPI	All Share Price Index	L&R	Loans and Receivables
ATM	Automated Teller Machine	LCB	Licensed Commercial Bank
AWPLR	Average Weighted Prime Lending Rate	LGD	Loss Given Default
BCP	Business Continuity Plan	LFC	Licensed Finance Company
BN	Billion	LKAS	Sri Lanka Accounting Standards
BOD	Board of Directors	LKR	Sri Lankan Rupees
CAR	Capital Adequacy Ratio	LTV	Loan to Value
CASL	The Institute of Chartered Accountants of Sri Lanka	MI	Mercantile Investments and Finance PLC
CBSL	Central Bank of Sri Lanka	MIS	Management Information System
CCTV	Closed-Circuit Television	MN	Million
CEFT	Common Electronic Fund Transfer	NBFI	Non-Bank Financial Institution
CEO	Chief Executive Officer	NPA	Non-Performing Advances
CFO	Chief Financial Officer	NII	Net Interest Income
COO	Chief Operating Officer	NIM	Net Interest Margin
CRO	Chief Risk Officer	NO.	Number Of
CSE	Colombo Stock Exchange	NPL	Non-Performing Loans
CSR	Corporate Social Responsibility	OCI	Other Comprehensive Income
DPS	Dividend Per Share	ODS	Ozone Depleting Substances
DR	Disaster Recovery	PAT	Profit After Tax
ECL	Expected Credit Loss	PAYE	Pay As You Earn
EIR	Effective Interest Rate	PCA	Prompt Corrective Action
EPF	Employees' Provident Fund	PD	Probability of Default
EPS	Earnings per Share	PER	Price Earnings Ratio
ESG	Economic Social Governance	PLC	Public Limited Company
ETF	Employees' Trust Fund	PR	Personnel Relationship
EVA	Economic Value Addition	PVT	Private Limited Company
EY	Ernst and Young	ROA	Return on Assets
FTRA	Financial Transaction Reporting Act	ROCE	Return on Capital Employed
FVOCI	Fair Value Through Other Comprehensive Income	ROE	Return on Equity
FVTPL	Fair Value Through Profit and Loss	RWA	Risk-Weighted Assets
FY	For the Year	ROU	Right Of Use
GDP	Gross Domestic Product	SBU	Strategic Business Units
GHG	Greenhouse Gas	SEC	Securities and Exchange Commission
GRI	Global Reporting Initiative	SLC	Specialized Leasing Company
HODs	Head of Departments	SLA	Statutory Liquid Assets
HP	Hire Purchase	SLAS	Sri Lanka Accounting Standard
HR	Human Resource	SLFRS	Sri Lanka Financial Reporting Standard
HRIS	Human Resource Information System	SME	Small and Medium Enterprises
HTM	Held to Maturity	SSCL	Social Security Contribution Levy
IFRS	International Financial Reporting Standard	UN	United Nations
IIRC	International Integrated Reporting Council	UNGC	United Nations Global Compact
IMF	International Monetary Fund	USD	US Dollar
IRMC	Integrated Risk Management Committee	VAT	Value Added Tax
IS	Information Systems	WHT	Withholding Tax
IT	Information Technology	YoY	Year on Year
IUCN	International Union for Conservation of Nature	YTM	Yield to Maturity
KMP	Key Management Personnel		

CORPORATE INFORMATION

GRI 2-1

Name of the Company

Mercantile Investments and Finance PLC

Legal Form

Public Limited Liability Company incorporated in Sri Lanka under the Companies Ordinance No 51 of 1938 and re-registered under the Companies Act No. 07 of 2007. A licensed finance company under the Finance Business Act No 42 of 2011.

Company Registration Number

PB 76 PQ

Tax Payer Identification Number

104021794

VAT Registration Number

104021794 7000

Registered Office

No. 236 Galle Road,
Colombo 3

Head Office

No. 236 Galle Road, Colombo 3
Telephone: 2343720 – 7
Fax: 2434524
Email: mercantile@mi.com.lk
Website: [http:// www.mi.com.lk](http://www.mi.com.lk)

Board of Directors

Pandithasundara Dinuka Dilhan Perera
(Chairman)
Gerard George Ondaatjie (Managing Director)
Shermal Hemaka Jayasuriya (Finance Director)
Angeline Myrese Ondaatjie
Travice John Ondaatjie
Anil Lasantha Naomal Dias
Eranjalie Deepthie Wickramasuriya
Malwattage Kanchana Sujeewa Pieris

Company Secretary

Sonali Pethiyagoda

Audit Committee

Pandithasundara Dinuka Dilhan Perera -
(Chairman of the Committee)
Anil Lasantha Naomal Dias
Eranjalie Deepthie Wickramasuriya
Sonali Pethiyagoda - Company Secretary -
(Secretary to the Committee)

Remuneration Committee

Anil Lasantha Naomal Dias -
(Chairman of the Committee)
Pandithasundara Dinuka Dilhan Perera
Malwattage Kanchana Sujeewa Pieris
Sonali Pethiyagoda - Company
Secretary - (Secretary to the Committee)

Nominations Committee

Eranjalie Deepthie Wickramasuriya -
(Chairman of the Committee)
Gerard George Ondaatjie
Pandithasundara Dinuka Dilhan Perera
Anil Lasantha Naomal Dias
Sonali Pethiyagoda - Company Secretary -
(Secretary to the Committee)

Integrated Risk Management Committee

Anil Lasantha Naomal Dias -
(Chairman of the Committee)
Gerard George Ondaatjie
Shermal Hemaka Jayasuriya
Laksanda Gunawardena
Deva Anthony
Ramidu Costa (Secretary to the Committee)

Related Party Transaction Review Committee

Pandithasundara Dinuka Dilhan Perera -
(Chairman of the Committee)
Shermal Hemaka Jayasuriya (Finance Director)
Anil Lasantha Naomal Dias
Eranjalie Deepthie Wickramasuriya
Sonali Pethiyagoda - Company Secretary -
(Secretary to the Committee)

Assets & Liability Committee

Gerard George Ondaatjie (Chairman of the
committee)
Shermal Hemaka Jayasuriya (Finance Director)
Corporate Management
Ramidu Costa – Head of Compliance & Risk
Management - (Secretary to the Committee)

External Auditors

Ernst & Young
Chartered Accountants

Bankers

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Seylan Bank PLC
Sampath Bank PLC
NDB Bank PLC
Nations Trust Bank PLC
Peoples Bank
Bank of Ceylon
Union Bank PLC
PanAsia Bank PLC
Cargills Bank PLC
Public Bank
DFCC Bank PLC

Credit Rating

Long-term Financial Institution Rating at BBB-
(lka) (stable outlook) by Fitch Ratings.

BRANCH NETWORK

	Address	Telephone	Fax	Branch Email	Details of Branch Head
1.	Head Office #236, Galle Road, Colombo 03, Sri Lanka	+94-11-2343720-7	+94-11-2390113	mercantile@mi.com.lk	Kularuwan Jayarathne kularuwan.j@mi.com.lk 0712498231
	Micro Unit #15, Mosque lane Colombo 03, Sri Lanka.	+94-11-2339895	+94-11-2339896		Tharanga Peiris tharanga.d@mi.com.lk 0717327978
	Corporate Department #236, Galle Road, Colombo 3, Sri Lanka.	+94-11-2343720	+94-11-2390113		Niranjana Edirisinghe niranjana.e@mi.com.lk 0710582670
2.	Ambalangoda Branch #16, New Road, Ambalangoda, Sri Lanka	+94-912210152		nilantha.kn@mi.com.lk	Nilantha Wanniarachchi nilantha.kn@mi.com.lk 0712317246
3.	Anuradhapura Branch #521/6, Maithreepala Senanayake Mawatha, Anuradhapura, Sri Lanka.	+94-25-2224886	+94-25-2224887	mianuradhapura@mi.com.lk	Damith Rathnayake damith.c@mi.com.lk 0701599009
4.	Akuressa Branch #124, Matara Road, Akuressa, Sri Lanka.	+94-41-2284752	+94-41-2284752	miakuressa@mi.com.lk	Gihan Ganganath gihan.g@mi.com.lk 0712498336
5.	Ampara Branch #975, Browns Junction, D.S.Senanayake Road, Ampara, Sri Lanka.	+94-63-2224255	+94-63-2224255	miampara@mi.com.lk	Kelum Siriwardena kelum.s@mi.com.lk 0712498330
6.	Awissawella Branch #93/1 Colombo Road Ukwatta, Awissawella, Sri Lanka.	+94- 36-2235722	+94-36-2235734	miawissawella@mi.com.lk	Mohan Liyanage mohan.l@mi.com.lk 0710791705
7.	Balangoda Branch #27, Haputhale Road, Balangoda, Sri Lanka	+94-45-2287605	+94-45-2287606	mibalangoda@mi.com.lk	Sanjeewa Arunashantha sanjeewa.a@mi.com.lk 0712498382
8.	Bandarawela Branch #191, Main Street , Bandarawela , Sri Lanka	+94-572235366		indiraj.p@mi.com.lk	Pathmanathan Indiraj indiraj.p@mi.com.lk 0715544225
9.	Bentota Branch #149 1/2, Colombo Road, Bentota, Sri Lanka.	+94-34-2275402	+94-34-2275403	mibentota@mi.com.lk	Shakthi De Silva shakthi.d@mi.com.lk 0712498362
10.	Chilaw Branch 288/L, Colombo Road, Maikkulama, Chilaw Sri Lanka.	+94-32-2224244	+94-32-2224245	michilaw@mi.com.lk	Nalin Kumara dissanayaka.k@mi.com.lk 0705181536
11.	Elpitiya Branch # 44C/44D,Pituwala Road, Elpitiya, Sri Lanka	+94-912491300		mielpitiya@mi.com.lk	Kavindu Pramuditha kavindu.v@mi.com.lk 0703012857
12.	Embilipitiya Branch #127 C, New Town Road, Embilipitiya, Sri Lanka.	+94-47-2261351	+94-47-2261352	miembilipitiya@mi.com.lk	Dimuthu Mahesh dimuthu.m@mi.com.lk 0712498340

BRANCH NETWORK

	Address	Telephone	Fax	Branch Email	Details of Branch Head
13.	Galle Branch #12, Park Road, Kaluwela, Galle, Sri Lanka.	+94-91-2246387	+94-91-2246388	migalle@mi.com.lk	Chavana Maneesha chavana.d@mi.com.lk 0712498389
14.	Gampaha Branch #116, Colombo Road, Gampaha, Sri Lanka.	+94-33-2234453	+94-33-2234463	migampaha@mi.com.lk	Dusshantha Samarajeewa dushshanth.s@mi.com.lk 0717466971
15.	Gampola Branch #190, Kandy Road, Gampola, Sri Lanka.	+94-81-2076561	+94-81-2076562	migampola@mi.com.lk	Lochana Karunathilaka lochana.l@mi.com.lk 0719709357
16.	Giriulla Branch # 116, Kurunegala Road, Giriulla, Sri Lanka	+94-37-2050447		migiriulla@mi.com.lk	Buddika Karunarathne buddhika.k@mi.com.lk 0713216967
17.	Godagama Branch #27/B, Dikhathapma, Highlevel Road, Meegoda, Sri Lanka.	+94-11-2752923	+94-11-2752924	migodagama@mi.com.lk	Dilanka Sanjeewa dilanka.s@mi.com.lk 0710580870
18.	Horana Branch #439 A, Panadura Road, Galledandugoda, Horana. Sri Lanka.	+94-34-2265411	+94-34-2265412	mihorana@mi.com.lk	Thilina Sampath thilina.w@mi.com.lk 0712498371
19.	Horana Town #174 , Rathnapura road, Horana	+94-37-2217101	-	dileepa.s@mi.com.lk	Deellipa Sampath Perera dileepa.s@mi.com.lk 0773913901
20.	Ja-Ela Branch #108, Old Negombo Road, Ja-Ela, Sri Lanka.	+94-11-2247937	+94-11-2247954	mijaela@mi.com.lk	Kasun Jayathilaka kasun.j@mi.com.lk 0711204888
21.	Jaffna Branch #79, Stanly Rd, Jaffna, Sri Lanka	+94-212210994	-	-	Romesh Christy romesh.cc@mi.com.lk 0715582613
22.	Jaffna-Chunnakam Branch KKS Road, Chunnakam East, Chunnakam	+94-21-2050430		sinthusan.p@mi.com.lk	Poopalarasa Sinthusan sinthusan.p@mi.com.lk 0712359841
23.	Kadawatha Branch #381/C, Kandy Road, Mahara, Kadawatha, Sri Lanka.	+94-11-2921205	+94-11-2921207	mikadawatha@mi.com.lk	Nuwan Kumara nuwan.k@mi.com.lk 0712498384
24.	Kaduwela Branch #509, Awissawella Road, Kaduwela, Sri Lanka.	+94-11-2538231	+94-11-2538232	mikaduwela@mi.com.lk	Nishantha Deshapriya nishantha.d@mi.com.lk 0713217290
25.	Kalutara Branch #355/ 1/A , Galle Rd, Kaluthara south, Sri Lanka	+94-342239608	-	danushka.k@mi.com.lk	Dhanushka Sampath danushka.k@mi.com.lk 0716690797
26.	Kandy Branch #192 /1/1, Kotugodella street , Kandy , Sri Lanka	+94-812234553		kusal.t@mi.com.lk	Kusal Rankoth kusal.t@mi.com.lk 0717405338
27.	Kegalle Branch #450/A, Kandy Road, Meepitiya, Kegalle, Sri Lanka.	+94-35-2053998	+94-35-2053997	mikegalle@mi.com.lk	Jayantha Kumara jayantha.k@mi.com.lk 0712439446

	Address	Telephone	Fax	Branch Email	Details of Branch Head
28.	Kesbewa Branch #53, Horana Road, Honnaththara, Kesbewa, Sri Lanka.	+94-11-2545847		mikesbewa@mi.com.lk	Ruwan Abeynayake ruwan.a@mi.com.lk 0713217332
29.	Kohuwala Branch #28A, Sunethradevi Road, Kohuwala, Sri Lanka.	+94-11-2814181	+94-11-2814181	mikohuwala@mi.com.lk	Harsha Siriwardhane harsha.s@mi.com.lk 0713104180
30.	Kotahena Branch #313, K.B Christie Perera Mawatha, Colombo 13, Sri Lanka.	+94-11-2339306	+94-11-2339307	mikotahena@mi.com.lk	Ksithijaya Gunathilake ksithijaya.g@mi.com.lk 0719709044
31.	Kottawa Branch #341, High Level Road, Pannipitiya, Kottawa, Sri Lanka.	+94-11-2838145	+94-11-2838146	damith.h@mi.com.lk	Damith Hewawitharana damith.h@mi.com.lk 0718752009
32.	Kuliyapitiya Branch #286, Madampe Road, Kuliyapitiya, Sri Lanka.	+94-37-2282464	+94-37-2282465	mikuliyapitiya@mi.com.lk	Chanakya Nawarathna chanakya.n@mi.com.lk 0775112364
33.	Kurunegala Branch #257, Negombo Road, Kurunegala, Sri Lanka.	+94-37-2222021	+94-37-2222021	mikurunegala@mi.com.lk	Priyantha Wimalasiri priyantha.w@mi.com.lk 0712498414
34.	Maharagama Branch #176, Lake Road, Maharagama, Sri Lanka	+94-11-2848925	+94-11-2848925	mimaharagama@mi.com.lk	Madawa Jayasinghe madawa.j@mi.com.lk 0712498432
35.	Matara Branch #531, Pamburana, Matara, Sri Lanka.	+94-41-2235377	+94-41-2235378	mimatara@mi.com.lk	Bimal Prasanthika bimal.p@mi.com.lk 0712498331
36.	Minuwangoda Branch #52 E, Negombo Road, Minuwangoda, Sri Lanka.	+94-11-2294008	+94-11-2294009	miminuwangoda@mi.com.lk	Gihan Mathew gihan.a@mi.com.lk 0712498395
37.	Moratuwa Branch #716, Galle Road, Idama, Moratuwa, Sri Lanka.	+94-11-2647525	+94-11-2647526	mimoratuwa@mi.com.lk	Shanaka Amaradiwakara shanaka.a@mi.com.lk 0718751981
38.	Malabe Branch #742 B, Thalangama North, Malabe, Sri Lanka.	+94-11-2790359	+94-11-2790370	mimalambe@mi.com.lk	Sameera Jayasooriya sameera.j@mi.com.lk 0762116972
39.	Negombo Branch #36, Colombo Road, Negambo, Sri Lanka.	+94-31-2221160	+94-31-2221161	minegombo@mi.com.lk	Nandana Pradeep nandana.p@mi.com.lk 0712498393
40.	Nittambuwa Branch #No. 386, Kandy Road, Nittambuwa	+94-33-2298788	+94-33-2298789	minittambuwa@mi.com.lk	Lasantha Perera lasantha.p@mi.com.lk 0713602413

BRANCH NETWORK

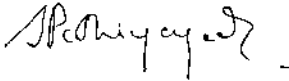
	Address	Telephone	Fax	Branch Email	Details of Branch Head
41.	Polonnaruwa Branch #05/142, Tamasha Place, Polonnaruwa, Sri Lanka	+94-27-2227022	+94-27-2227022	mipolonnaruwa@mi.com.lk	Darshana Weerakkody darshana.w@mi.com.lk 0711204864
42.	Puttalam Branch #146, Kurunegala Road, Puttalam, Sri Lanka.	+94-32-2265490	+94-32-2265491	miputtalam@mi.com.lk	Ayal Fernando ayal.f@mi.com.lk 0712321570
43.	Premier Centre #219, Dr. N.M.Perera Mw, Colombo 08, Sri Lanka.	+94-11-2683445	+94-11-2683478	mipremiercentre@mi.com.lk	Srinath Rabel srinath.r@mi.com.lk 0712498240
44.	Ragala Branch #87, Ragala Bazaar , Halgranoya, Sri Lanka	+94-710577104	-	tharaka.k@mi.com.lk	Yamuna Priyadarshani danthika.a@mi.com.lk 0718752041
45.	Rathnapura Branch No.61, Bandaranayake Mawatha, Ratnapura	+94-45-2233188	+94-45-2233188	miratnapura@mi.com.lk	Yeroshan Buwanaka yeroshan.c@mi.com.lk 0713338544
46.	Tissamaharama Branch #19/6, Sagara Building, Palliyawatta, Tissamaharama, Sri Lanka.	+94-45-2233186	+94-47-2239342	mitissa@mi.com.lk	Nadeeshani Wijepala nadeeshani.w@mi.com.lk 0713217764
47.	Tambuttegama Branch #1, Rajina Junction, Thambuttegama, Sri Lanka.	+94-25-2275276	+94-25-2224887	mithambuttegama@mi.com.lk	Prabath Indika indika.j@mi.com.lk 0718751959
48.	Trincomalee Branch #266, Anuradhapura Junction, Kandy Road, Trincomalee, Sri Lanka.	+94-26-2226456	+94-26-2226457	mitrinco@mi.com.lk	Prasanna Kumara prasanna.k@mi.com.lk 0712498259
49.	Veyangoda Branch #41, Nittambuwa Road, Veyangoda, Sri Lanka.	+94-33-2246586	+94-33-2246588	miveyangoda@mi.com.lk	Nalin Siriwardene nalin.s@mi.com.lk 0712498312
50.	Wattala Branch #120, Old Negombo Road, Wattala, Sri Lanka.	+94-11-2930793	+94-11-2930794	miwattala@mi.com.lk	Jeewantha Gunawardene jeewantha.g@mi.com.lk 0712498238
51.	Wellawatta Branch #329, Galle Rd, Wallawatta, Sri Lanka	+94-717466772	-	priyankara.d@mi.com.lk	Priyankara Dissanayake priyankara.d@mi.com.lk 0701791364

NOTICE OF MEETING

NOTICE IS HEREBY given that the Sixty first (61) Annual General Meeting of MERCANTILE INVESTMENTS AND FINANCE PLC will be held at No.236, Galle Road, Colombo 3, on 28th June 2024 at 11.00 a.m. for the following purposes.

- ⊙ To receive and consider the Report of Directors and the Statement of Accounts for the year ended 31st March 2024 and the Report of the Auditors thereon.
- ⊙ To re-elect Mr. A L N Dias as a Director in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.
- ⊙ To re-elect Ms. E D Wickramasuriya as a Director in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.
- ⊙ To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No7 of 2007 and to authorize the Directors to determine their remuneration.
- ⊙ To ratify the interim dividend of Rs.20.00 per share paid as the final dividend for the year ended 31st March 2024.
- ⊙ To authorize the Board of Directors to determine donations.

By Order of the Board



Ms. Sonali Pethiyagoda
Company Secretary

Colombo
29th May 2024

Notes

1. A member who is entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy who need not also be a member to attend instead of him/her.
2. A Form of Proxy is enclosed in the report
3. The completed Proxy Form should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3 not less than 48 hours before the time fixed for holding the meeting

FORM OF PROXY

I/We* of

being a member/members* of MERCANTILE INVESTMENTS AND FINANCE PLC, do hereby appoint;

of or failing him/her

- Mr. Pandithasundara Dinuka Dilhan Perera or failing him
- Mr. Gerard George Ondaatjie or failing him
- Mr. Shermal Hemaka Jayasuriya or failing him
- Ms. Angeline Myrese Ondaatjie or failing her
- Mr. Travice John Ondaatjie or failing him
- Mr. Anil Lasantha Naomal Dias or failing him
- Ms. Eranjalie Deepthie Wickramasuriya or failing her
- Mr. Malwattage Kanchana Sujeewa Pieris or failing him

as my/our* proxy to represent me/us* and to vote for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held on 28th June 2024 at 11.00 a.m. at No.236, Galle Road, Colombo 03 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against	Withhold
1. To receive and adopt the Report of Directors and the Statement of Accounts for the year ended 31st March 2024 with the Report of the Auditors there on.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. A L N Dias as a Director in terms of Article 23(7) and 23(8) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms. E D Wickramasuriya as a Director in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs. Ernst & Young who are deemed to be re-appointed as Auditors of the Company in terms of Section 158 of the Companies Act No.7 of 2007 and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To ratify the Interim Dividend of Rs.20.00 per share as the Final Dividend for year ended 31st March 2024.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Board of Directors to determine contributions for charities and other donations for the year 2024/2025.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our* hand this day of 2024.

.....
 Signature of Shareholder/s

Note: Please delete the inappropriate words.

Instructions as to Completion

- Kindly perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and please fill in the date of signature.
- If the Proxy Form is signed by an Attorney, the relative Power of the Attorney should also accompany the Proxy Form for registration, if such Power of Attorney has not already been registered with the Company.
- In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- The completed Form of Proxy should be deposited at the registered office of the Company at No. 236, Galle Road, Colombo 3, not less than 48 hours before the time of the meeting.

VOTING AT MEETINGS OF SHAREHOLDERS

Article 14 of the Articles of Association of the Company, dealing with voting is quoted below, for information of shareholders:

Voting at Meetings of Shareholders

1. In the case of a meeting of shareholders unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by Chairperson of the meeting:
 - (a) Voting by voice; or
 - (b) Voting by show of hands.
2. A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with Article 14(3).
3. At a meeting of shareholders, a poll may be demanded by-
 - (a) Not less than three (3) shareholders having the right to vote at the meeting; or
 - (b) A shareholder or shareholders representing not less than ten per centum of the total voting rights of all shareholders having the right to vote at the meeting.
4. A poll may be demanded either before or immediately after the vote is taken on a resolution.
5. If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present and voting.
6. The Chairperson of a shareholder's meeting is not entitled to a casting vote.
7. If a poll is duly demanded (and the demand be not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the person presiding at the meeting may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The person presiding may (and if so requested shall) appoint a scrutiner and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.
8. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
9. No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote to which no objection shall be made at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

STAKEHOLDER FEEDBACK FORM

Your relationship with MI (Please tick 'x' the appropriate box).

Employee	<input type="checkbox"/>	Shareholder	<input type="checkbox"/>	Regulators/Government	<input type="checkbox"/>
Customer	<input type="checkbox"/>	Business Partner	<input type="checkbox"/>	Society	<input type="checkbox"/>

Share your views about the Integrated Annual Report 2023/24 (Please scale from Excellent to Poor).

Theme & Layout	Content & Disclosures	Directness & Transparency
Excellent <input type="checkbox"/>	Excellent <input type="checkbox"/>	Excellent <input type="checkbox"/>
Good <input type="checkbox"/>	Good <input type="checkbox"/>	Good <input type="checkbox"/>
Average <input type="checkbox"/>	Average <input type="checkbox"/>	Average <input type="checkbox"/>
Poor <input type="checkbox"/>	Poor <input type="checkbox"/>	Poor <input type="checkbox"/>

Feedback and any suggestions to improve content:

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As a stakeholder any other suggestions, improvements and concerns to be addressed:

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Your Name :

Your Tel/Email :

Your Organization & Designation (If Applicable) :

Finance Director,
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Minimize waste by informing the Company Secretary to share soft version of the Annual Report or log on to our website and view the report.



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