STRUCTURED FOR GROWTH

Mercantile Investments and Finance PLC

Annual Report 2024/25

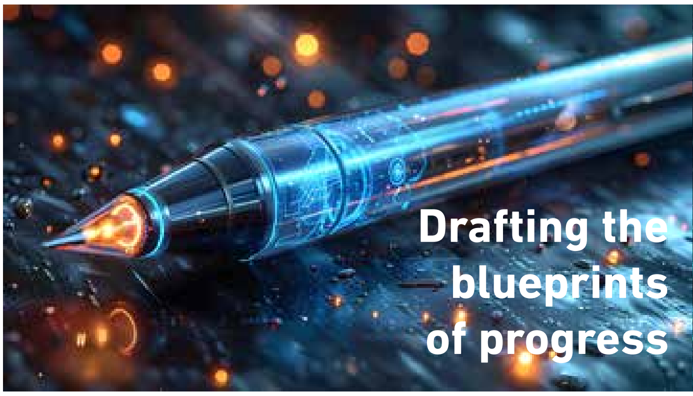
STRUCTURED FOR GROWTH

In a year marked by resurgence and rapid momentum, we soared to new heights, defying gravity at every turn. As one of Sri Lanka's fastest-growing finance companies, we expanded our footprint in record time, strengthening our presence across the island and reaffirming our commitment to accessible, customer-centric financial solutions.

This remarkable trajectory was no accident. Since our inception 60 years ago, our business has been the result of structured growth strategies towards sustainable outcomes with disciplined execution, and an unwavering promise to protect and grow the interests of our stakeholders.

As we look ahead, while celebrating Mercantile Investments 60 years in successful business with a momentous year, we remain firmly grounded in our values while rising ambitiously towards higher stakeholder value. With every milestone, we prove that with the right balance of courage and care, we can elevate not just our performance, but the lives of those we serve.

Contents



OUR JOURNEY

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLEMENTARY INFORMATION

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

STEWARDSHIP

WEB CONTENT

Sustainable Value Creation in Motion

FINANCIAL REPORTS

Integrated Reporting Navigation Index

Navigation Icons

Capitals

Financial Wealth: Shareholders' equity, funding received from clients and borrowings obtained from banks and financial intermediaries that are used to support our business

Alliances: Our strong commercial relationships and the bonds with our stakeholders, including the community and the wider society

Human Strength: The experienced and skillful workforce that drives our organisation to deliver unique and competitive products and services, to our customer base

Intellect: Our intangible assets that include MI's brand value, reputation and business know-how

Infrastructure: Physical resources that support all our business operations

Nature: Natural resources that we utilise in our business and the impact we create on them in return

Capital Management Report

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

DRAFTING THE BLUEPRINTS OF PROGRESS

Our Journey

Report at a Glance

Overview

As we celebrate an extraordinary milestone of over 60 years of excellence, MI remains unwavering to its commitment of delivering exceptional service to our valued customers. This year marks our continued dedication to sustainable growth in an ever-evolving market landscape, whilst optimising stakeholder value. We are proud to present our twelfth Integrated Annual Report, prepared in accordance with the guiding principles and content elements of the Global Reporting Initiative (GRI) standards as issued by the International Integrated Reporting Council (IIRC). This report provides a transparent and comprehensive disclosure of both financial and non-financial performance, reinforcing our dedication to upholding high governance standards, accountability, and transparency.

In alignment with our strategic objectives, this report showcases the progress we have made and continued to make towards creating sustainable value for our stakeholders. By embracing innovation and forward-thinking strategies, we aim to deliver long-term benefits for all stakeholders, reinforcing MI's position as a trusted premier finance company in the Non-Bank Financial Institution (NBFI) sector. Through this integrated disclosure, we reaffirm our commitment to sustainable value creation, transparently sharing the impacts created in the year under review and the planned trajectory for the years ahead.

Reporting Framework and Compliance Standards

GRI 2-2, 2-3, 2-5, 2-25

Reporting Period and Scope

This Annual Report covers the reporting period from 1 April 2024 to 31 March 2025. To support informed decision-making and provide meaningful context for performance evaluation, the report includes comparative data from the previous year and, where relevant, up to three years of historical information.

In line with our commitment to transparency and accountability, we have disclosed all material financial and non-financial information to build stakeholder trust and confidence. These disclosures encompass a wide array of Environmental, Social, and Governance (ESG) topics and have been independently audited by Ernst & Young Chartered Accountants to affirm reporting disclosure accuracy and alignment with applicable standards.

Organisational Structure and International Operations

MI operates solely within the domestic market with no international operations and does not have any subsidiary holding relationships. However, we maintain a strategic interest in Nuwara Eliya Hotels Company PLC, an associate company, by holding a 26.12% equity stake.

Our Target Audience

Our Annual Report serves as a comprehensive and strategic communication tool, meticulously crafted to address the informational requirements of our diverse stakeholder groups. It is primarily intended to offer current and potential investors including shareholders and other financial parties, a comprehensive assessment of our financial performance for the year under review, strategic vision, and future growth prospects.

Beyond investors, the report also seeks to engage and inform a broad range of stakeholders, including customers, employees, business partners, regulators, and the wider community. By recognising and addressing the distinct interests of these groups, we strive to foster transparency, trust, and accountability across our operations. Through proactive stakeholder engagement, we reaffirm our commitment to responsible governance, as we forge ahead to create long-term sustainable value, ultimately contributing to the socioeconomic advancement of the communities we serve.

Materiality Assessment

GRI 2-4, 2-6

Our commitment to transparency and accountability is reflected in our rigorous materiality assessment, which forms the foundation of our reporting approach. Through this process, we have carefully evaluated the economic, social, and environmental impacts of our operations to identify and prioritise key material issues. We have ensured that all significant financial and non-financial matters have been comprehensively addressed, while implementing effective measures to mitigate risks and seize opportunities. The stability and consistency of our reporting frameworks have been maintained, as there were no changes to our organisational size, structure, and ownership during the reporting period apart from our branch expansions. We have also preserved continuity in the scope, boundaries, and reporting methodology from the prior year, ensuring comparability and consistency in our reporting, facilitating stakeholder convenience. Moreover, the absence of any restatements of prior information reinforces the accuracy and reliability of the data presented, strengthening stakeholder confidence and enhancing trust in our reporting integrity.

Reporting Boundaries and Scope

GRI 2-2

In this Annual Report, we provide our stakeholders with an extensive overview of the operations of Mercantile Investments & Finance PLC, incorporating both financial and non-financial disclosures. Our financial reporting offers an in-depth analysis of our performance, while our non-financial disclosures focus on key areas such as the Company's strengths and weaknesses, and emphasise emerging opportunities and potential risks. Furthermore, we outline our comprehensive risk management strategies, detailing the proactive steps taken to identify, assess, and mitigate risks inherent in our business activities.

In addition, we present a clear and detailed governance structure, highlighting the robust frameworks and mechanisms established by the Board of Directors to ensure effective oversight, integrity, and ethical conduct throughout the organisation. This includes a rigorous reporting framework designed to provide stakeholders with the necessary information to make well-informed decisions.

Independent External Assurance

GRI 2-5

Reliability and Completeness

Our commitment to reliability and completeness is unwavering, as we ensure that all data presented is carefully obtained from highly trustworthy and verified sources. To uphold the highest standards of accuracy and transparency, this data undergoes rigorous internal reviews and is further validated through independent external assurance processes. These measures collectively reinforce the integrity of our reporting, providing stakeholders with confidence and credibility and comprehensiveness of the information we disclose.

Comparability and Consistency

We have maintained consistency throughout the entire report, ensuring that all data, metrics, and disclosures align with established frameworks and methodologies. To enhance transparency and facilitate meaningful analysis, comparative data are provided for periods ranging from one to four years, enabling stakeholders to assess performance trends and progress over time. This disciplined approach to comparability and consistency underscores our commitment to delivering reliable and coherent information, fostering informed decision-making and trust among our stakeholders.

Conciseness

Our Annual Report is designed with precision to deliver critical information in a clear, concise, and accessible manner, ensuring stakeholders can quickly grasp key insights without unnecessary complexity. Each section is thoughtfully structured to include only the most relevant details, eliminating redundancy while maintaining completeness. For those seeking deeper analysis, our website offers expanded resources, including detailed reports, datasets, and additional context. This dual approach of concise reporting paired with extensive online resources ensures that stakeholders receive the right level of information to support their decision-making, reflecting our commitment to transparency, efficiency, and engagement.

Long-Term Vision and Strategic Priorities

Our long-term vision and strategic priorities remain firmly centred on driving sustainable growth and creating enduring value for all stakeholders. Grounded in a clear understanding of our core strengths and the evolving market landscape, we have strategically aligned our initiatives to address current challenges, while seizing future opportunities. By prioritising innovation and embracing transformative trends, we are building a resilient foundation to sustain leadership in a rapidly changing environment.

Our commitment to agility and foresight empowers us to adapt swiftly, ensuring sustained competitiveness and relevance. Looking ahead, we remain steadfast in advancing our strategic priorities, fostering innovation, and delivering meaningful outcomes that align with stakeholder expectations, paving the way for a prosperous and sustainable future.

Report at a Glance

Value Creation and Preservation

Value creation and preservation form the cornerstone of our business philosophy, reflecting a deliberate and strategic effort to maximise the potential of our resources and delivering measurable outcomes for our stakeholders. Through a structured and innovative process, we ensure that both tangible and intangible benefits are realised, thoughtfully balancing trade-offs to sustain long-term value. Our distinctive value creation framework is deeply embedded within our tailored business model, which serves as the foundation for our operational excellence and strategic decision-making. A detailed discussion of this framework and its core components can be found on pages 36 to 37, where our value-driven approach is comprehensively outlined. This unwavering commitment to creating and preserving value underscores our dedication to sustainable growth and enduring stakeholder trust.

Forward-Looking Risk Approach

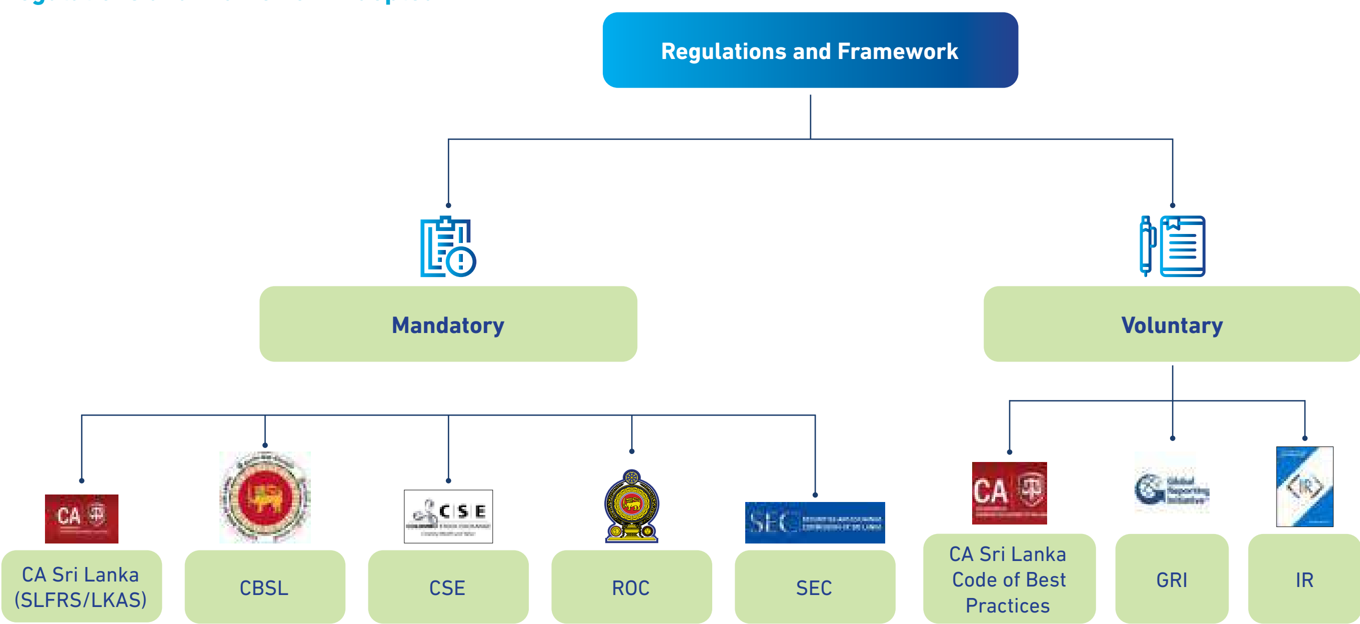
As responsible corporate stewards, we recognise the far-reaching impact of our operations across economic, societal, and environmental spheres. While striving to drive sustainable economic growth, we remain resolutely committed to mitigating potential negative externalities associated with our activities. By embedding sustainability at the core of our strategic agenda, we have aligned our lending, investment, operational, and risk management practices to support long-term value creation for all stakeholders. Simultaneously we continue to proactively reduce or eliminate any adverse societal or environmental impacts. This integrated and forward-thinking approach underpins our ambition to achieve enduring success while contributing to a more inclusive, resilient, and sustainable ecosystem, fostering growth of sustainable communities showcasing a legacy of responsible leadership for future generations.

Forward-Looking Statements

This report contains forward-looking statements pertaining to MI's financial position and operational performance. These statements are inherently subject to uncertainties, as actual outcomes may vary from current expectations due to the influence of future events, including emerging opportunities, risks, and unforeseen developments.

Reporting Regulations, Principles and Protocols

Regulations and Framework Adopted



Governing Body	Reporting Guidelines
Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	◈ The Code of Best Practices on Corporate Governance 2023 ◈ Sri Lanka Accounting Standards (LKASs/SLFRSs)
Central Bank of Sri Lanka (CBSL)	◈ 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)	◈ The Companies Act No 07 of 2007
Colombo Stock Exchange & Securities and Exchange Commission (CSE & SEC)	◈ Listing Rules
Global Reporting Initiatives (GRI)	◈ This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards - "In accordance"
International Integrated Reporting Council (IIRC)	◈ 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.

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Statement of the Board of Directors on the Integrated Annual Report

The Board acknowledges its responsibility towards ensuring the integrity of this Integrated Annual 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 Annual Report published for financial year 2024/25 provides a true and fair presentation of the Company's financial and operational performance for the financial year under review.

On behalf of the Board,

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

Shermal Jayasuriya
Finance Director

Strategic Landscape & Operational Drive

Our Journey

As Mercantile Investments proudly celebrates 60 remarkable years, we honour a legacy built on bold leadership with the solid foundation laid under the visionary leadership of late Founder Chairman George Ondaatjie, whose foundational principles of integrity, accountability, and strategic foresight remain deeply embedded in every facet of our operations. Since our humble beginnings in 1964, we have risen to become a beacon in our industry driven by purpose, fuelled by excellence, and committed to creating meaningful, lasting impact for generations to come. This milestone is more than a celebration of our longevity – it's a powerful testament to the vision, resilience, and unwavering values that have shaped our path.

Another defining chapter in our corporate journey was the listing of our company on the Colombo Stock Exchange in 2011 under the Diri Savi Board. This landmark achievement underscored our dedication to regulatory compliance, enhanced market visibility and deepened the trust of our stakeholders. Since then, we have continued to elevate our governance standards and reinforce our financial framework to support long-term growth.

As we forge ahead, we remain steadfast in our resolve to confidently tackle new challenges and spearhead sustainable innovation through our growing branch network and diversified product offerings while delivering lasting value that benefits not only our customers and partners but also our shareholders and the wider community.

Business Philosophy

At the core of our operations lies a steadfast commitment to integrity, accountability, and exemplary corporate governance. We conduct our business to the highest ethical standards, fostering transparency and responsibility in every decision we make. Our governance framework embodies these values, forming the bedrock of our sustainable and responsible growth. Reflecting this commitment, we have implemented comprehensive risk management strategies designed to anticipate, evaluate, and address potential challenges protecting the organisation from unexpected disruptions and ensuring continued resilience in our operations.

We place strong emphasis on delivering superior customer service that consistently differentiates us in the industry. Consistently anticipating and surpassing customer expectations has been fundamental to our strategy, allowing us to remain at the forefront of evolving market demands. This customer-centric philosophy is reinforced by our vibrant organisational culture, which fosters employee satisfaction, collaboration, and a shared sense of purpose. As we look to the future, we remain fully committed to serving our stakeholders with excellence, guided by an innovative, responsive and customer focused service model.

Corporate Structure

Our organisational structure is strategically designed to optimise resource efficiency while prioritising a legendary customer experience. Every element of our company is purposefully aligned to this goal, ensuring that our human, technological, and financial resources are strategically deployed for maximum impact. This streamlined structure combined with strong internal culture empowers us to provide seamless, top-tier services that consistently go beyond stakeholder expectations.

Moreover, our shareholder structure is characterised by a concentration of shares among a small number of large investors, underscoring their strong confidence in our vision, strategy, and performance. MI continues to hold a 26.12% stake in its associate, Nuwara Eliya Hotels Company PLC – also a publicly listed entity – reflecting our commitment to long-term diversification, value creation, and deeper engagement within our broader industry ecosystem. Together, these elements form a solid and adaptive framework, positioning us strongly for continued success and resilience in the years ahead.

Funding Structure

MI's capital structure is designed to support long-term growth, financial resilience, and sustainable value creation. A key pillar of our funding strategy is the steadfast support of our valued investors, whose confidence and commitment provide both stability and strategic flexibility. In addition to equity contributions, we continue to leverage customer deposits as a primary funding source, offering competitive returns while ensuring the prudent and efficient deployment of capital to drive operational performance. This dual benefit not only reinforces customer loyalty but also strengthens community-based financial inclusiveness towards societal benefit.

To further diversify our funding channels, MI strategically accesses bank financing, securitised borrowings, and debt instruments, enabling us to finance targeted lending growth, whilst managing our funding cost, maturity profiles, and statutory liquidity and capital requirements. Furthermore, installing a robust risk management framework has allowed us to proactively identify, monitor, and address risks across all funding avenues proactively. Our well-balanced and adaptive funding structure position enabled us confidently to pursue growth opportunities while upholding our steadfast commitment to financial prudence, regulatory compliance, and value-driven service excellence.

Market Presence

GRI 2-6

MI's market presence is underpinned by a dynamic and inclusive approach, serving a diverse clientele that spans individual customers, small and medium enterprises, and large corporate entities. We take pride in having swiftly amplified our market presence by expanding our branch network to all provinces to offer a diversified product portfolio, enabling us to meet the evolving needs of our growing customer base with greater reach and relevance. This broad accessibility ensures that MI remains relevant, responsive, and valuable to all layers of society, fostering greater financial inclusion and supporting economic participation throughout our operational footprint.

While MI is strongly positioned to expand its market footprint propelled by innovation, inclusivity, and a clear corporate purpose, we remain deeply anchored in contributing to Sri Lanka's socioeconomic progress, extending our efforts well beyond business growth alone.

Activities, Products, and Services

GRI 2-6

At the core of MI's operations lies an unwavering commitment to offering products and services that are thoughtfully designed around the needs of our customers. Lending and deposit products continue to serve as the cornerstone of our portfolio, while our broader suite of financial services caters to the diverse and evolving requirements of the market.

Our lending portfolio encompasses a wide array of tailored solutions including leasing, hire purchase (HP), microfinance, and term loans, providing both individuals and businesses with flexible and accessible financing options. In alignment with our forward-looking strategy, we remain dedicated to the introduction of innovative financial products focused on sustainability, reflecting our commitment to environmentally responsible financial practices.

Our product development efforts are continuously evolving to address market demands and customer preferences. One of the key areas of expansion has been in the leasing sector, particularly with the introduction of Micro Auto, which provides affordable access to vehicles for a broader demographic. Additionally, we have significantly strengthened our gold-backed lending operations, establishing a presence across the country to provide customers with secure and attractive lending avenues. In 2024 we launched a sustainable finance backed product suite, which includes financing for solar roofs, EVs, and agriculture-led equipment financing. Complementing these offerings, we continue to provide competitive fixed deposits and savings products designed to support the diverse financial goals of our customers. In line with our commitment to inclusivity, we have introduced minor savings accounts tailored specifically to encourage financial literacy and long-term savings habits among children.

Products and Services

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.

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

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.

Micro Auto
Specially design to cater small scale family vehicles and medium size business vehicles.

Sustainable Financing
Facilities granted for electric vehicles, Solar equipment and expanded for the Renewable, Irrigation, Agriculture and Socio eco-friendly business loans sectors to support green initiatives.

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 Investments

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.

Equity/Debt Investments

Equity Investments
Primarily investments in ordinary shares of listed entities.

Money market, Unit trust and other investments
Fixed-return yielding investments in short- and medium-term deposits in rated banks and financial institutions.

Insurance Support

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

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

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

Purpose
Creating meaningful value that exceeds people's expectations

Principles
- Fulfill our customer needs beyond expectations.
- Create a lasting and positive impression on 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: Recognising 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.

Corporate Philosophy and Direction

GRI 2-14, 2-22

Our corporate philosophy is anchored in the principles of sustainable development, with a strategic focus on achieving medium- and long-term growth that benefits our stakeholders, the environment, and the wider community. Our vision is unequivocal, to become a fully integrated organisation that delivers enduring value through responsible practices, sustained stakeholder trust, and unwavering ethos towards sustainable development. Sustainability is not a peripheral aspect of our operations; it is deeply embedded within our core business strategy, governance framework, and operational practices. In alignment with the United Nations Sustainable Development Goals (UN SDGs), we have deliberately integrated sustainability into our organizational objectives, structure, and business processes, reinforcing our commitment to driving responsible growth while contributing substantively to national and global sustainability agendas.

Whilst we remain firmly committed towards sustainable growth trajectory, oversight of our sustainability performance and reporting is vested in the highest governance body within the organisation, ensuring that our commitments are actionable, measurable, transparent, and subject to continuous improvement.

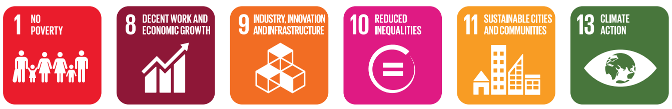
Our Sustainability Pledge

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

SUSTAINABLE DEVELOPMENT GOALS

MI Products and Services

Our portfolio of products and services is uniquely designed to deliver innovative business solutions that minimise environmental impact while creating mutual benefits for all stakeholders. By integrating sustainability into our offerings, we empower our customers to pursue their goals responsibly, fostering shared value and contributing to a more sustainable future.



MI Operations

Our continuous efforts to align our business processes and community well-being led us to serve society exceptionally.

MI corporate Social Initiatives

Recognising 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

For the year ended 31 March	Actual 2025 Rs. '000	Actual 2024 Rs. '000	Change %	Actual 2023 Rs. '000
Results for the year				
Gross Income	**11,952,001**	10,948,957	9.16	9,035,723
Interest Income	**11,643,483**	10,628,251	9.55	8,749,868
Interest Expense	**5,256,552**	6,441,603	(18.40)	6,134,824
Profit Before Tax	**1,607,332**	819,779	96.07	132,820
Provision For Taxation	**532,665**	263,966	101.79	26,767
Profit After Tax	**1,074,666**	555,813	93.35	106,053
Financial Position at the year end				
Shareholders' Funds (Stated Capital and Reserves)	**13,836,531**	12,165,068	13.74	11,016,005
Deposit from Customers	**42,775,086**	36,104,935	18.47	31,223,715
Loans & Advances, Leases & Hire Purchases (Net)	**53,072,688**	36,995,701	43.46	32,746,809
Total Assets	**70,933,978**	53,230,713	33.26	47,623,301
Investors				
Gross Dividend	**75,150**	60,120	25.00	-
Earnings per Share (Rs.)	**357.51**	184.90	93.35	35.28
Dividends per Share (Rs.)	**25.00**	20.00	25.00	-
Net Assets per Share (Rs.)	**4,603**	4,047	13.74	3,665
Ratios				
Return on Average Shareholders' Funds (%)	**8.27**	4.80	3.47	0.96
Return on Average Assets (%)	**1.73**	1.10	0.63	0.22
Interest Cover (Times)	**1.31**	1.13	16.21	1.02
Equity: Assets (%)	**19.51**	22.85	(3.34)	23.13
Debt : Equity (Times)	**3.97**	3.19	24.27	3.16
Dividend Payout Ratio (%)	**6.99**	10.82	(3.83)	-
P/E Ratio (Times)	**7.27**	14.06	(48.28)	73.70
Non-performing Loans Ratio (%)	**4.91**	9.81	(4.90)	10.74
Total Assets Growth (%)	**33.26**	11.77	21.49	1.33
Advance Growth (Net) (%)	**43.46**	12.97	30.49	(5.64)
Deposit Growth (%)	**18.47**	15.63	2.84	18.50
Operating Profit Margin (%)	**11.78**	6.10	5.68	1.26
Value Added per Employee (Rs.'000)	**7,533**	9,266	(18.70)	8,255
Statutory Ratios				
Liquid Assets (%) - Minimum required 10%	**19.82**	19.68	0.14	18.82
Core Capital Ratios (%) - Minimum required 8.5%	**15.60**	16.49	(0.89)	16.45
Total Risk Weighted Capital Ratio (%) - Minimum required 12.5%	**17.27**	17.88	(0.61)	18.02

Sustainable Performance Trajectory – FY 2024/25

Total Assets
> Rs. 70 Billion
33% YoY Growth

Loan Book
> Rs. 53 Billion
43% YoY Growth

Deposit Base
> Rs. 42 Billion
18% YoY Growth

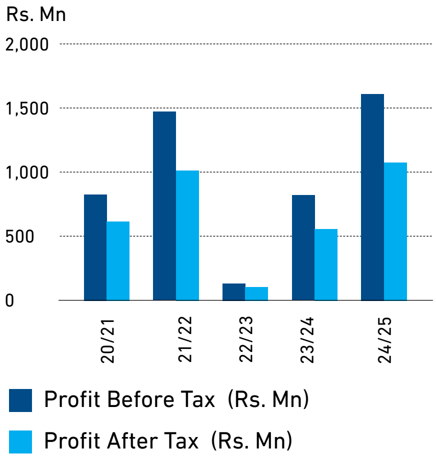
Robust Profitability Sustained

Profit After Tax Resilient
Rs. 1.07 Billion
(93% YoY growth)

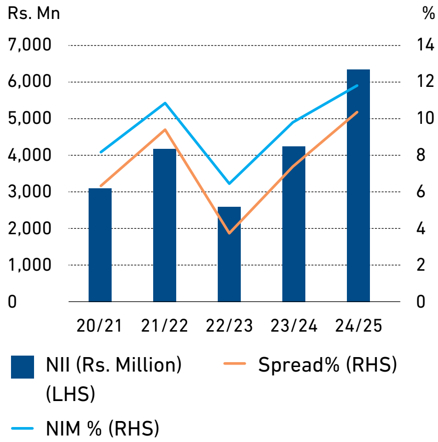
Interest Income
Rs. 11.6 Billion
(10% YoY growth)

Net Interest Margin (NIM)
11.87%
(YoY change 2.08%)

Earnings performance



NII NIM Spread

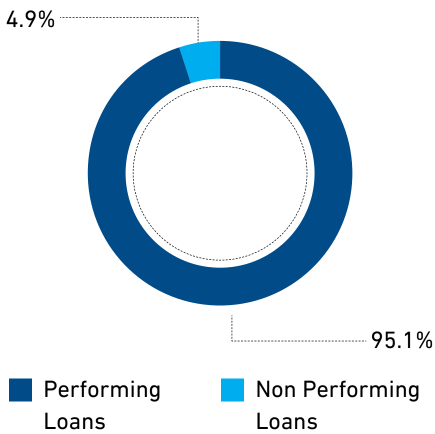


Asset Quality Excellence

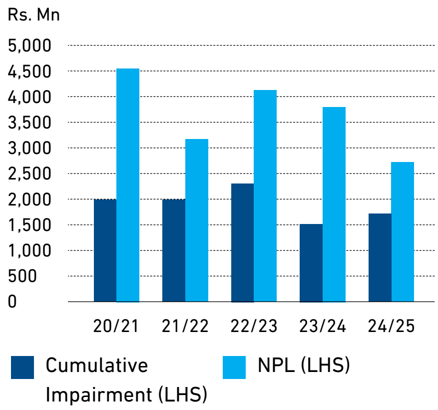
Asset Quality Strengthening

Non-Performing Loans Ratio
90 days – 4.9%

Asset Quality - FY 24/25



Cumulative Impairment and 90 day NPL



Balance Sheet Strength

Robust Capital Growth

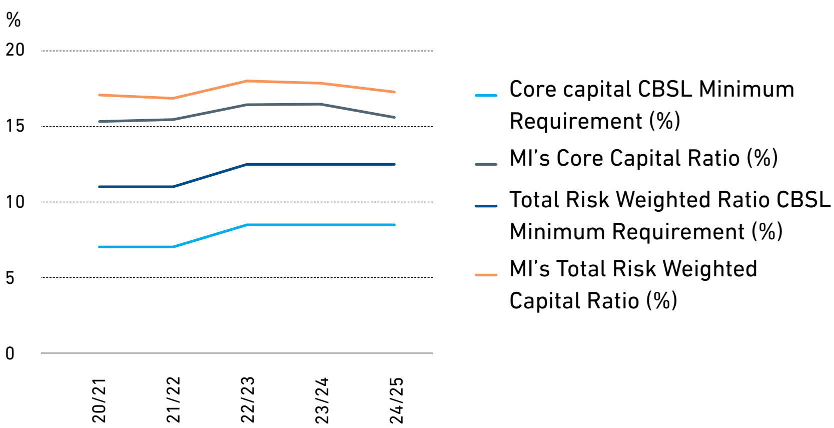
Shareholders' funds
> Rs. 13 Billion

Core Capital Ratio
15.60%
(Minimum Req 8.5%)

Total Risk Weighted Capital Ratio 17.27%
(Minimum Req 12.5%)

Sound Liquidity Buffers
19.82%
(Minimum Req 10%)

Capital Adequacy

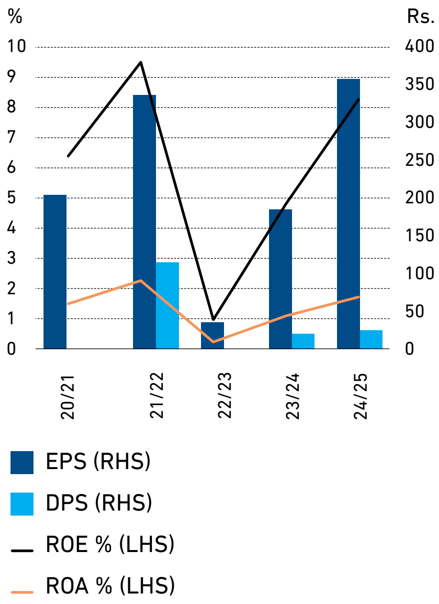


Operational Highlights

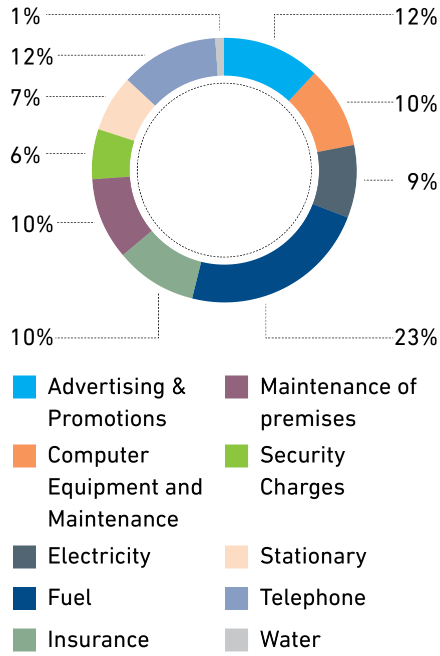
GRI Standard	For the year ended 31st March	2025	2024	Variance (%)	2023
	Alliances				
413-1	Total clientele	**> 160,000**	> 135,000	19	> 100,000
204-1	Percentage of purchases from suppliers: Head office, Colombo (%)	**51**	52	(1)	58
	Other locations of Sri Lanka (%)	**49**	48	1	42
2-27	Significant fines for product/service (Rs. '000)	**-**	-	-	-
205-2	Training on anti money laundering (Number)	**274**	51	437	156
2-27	Significant fines for violation of laws/regulations (Rs. Million)	**-**	-	-	-
	Human Strength				
2-7	Total workforce (Number)	**1,613**	1,198	35	1,097
2-7	Female Representation (%)	**30**	28	2	25
401-1	Recruitments for the year (Number)	**865**	426	103	170
202-2	Local hiring of senior managers (%)	**86**	68	18	86
401-1	Attrition rate (%)	**28**	27	1	25
401-3	Retention rate after parental leave (%)	**33**	78	(45)	44
403-2	Number of injuries	**5**	8	(38)	6
403-2	Number of lost days	**172**	328	(48)	439
404-1	Training hours per participant as an average (Hours)	**6**	11	(45)	9
404-3	Employee performance appraisal as a percentage of total workforce (%)	**51**	62	(11)	75
	Employee grievances reported and resolved (Number)	**-**	-	-	-
201-3	Employee benefit liability (Rs. '000)	**489,083**	396,405	23	337,518
406-1, 408-1, 409-1	Human rights violation	**-**	-		-
	Intellect				
	Brand Expenditure (Rs. Million)	**47**	18	161	25
	Market Share (%)	**3.4**	3.0	-	3.0
	Infrastructure				
201-1	Number of new business locations launched	**22**	8	175	1
	Investment on IT (Rs. Million)	**> 100**	> 130	6	> 123
	Investment in fixed assets (Rs. Million)	**327**	229	43	130
	Nature				
302-1	Electricity consumption (kWh)	**1,824,979**	1,612,514	13	1,274,935
303-1	Water consumption (Units '000)	**19,646**	13,297	48	13,102
306-2	Paper recycling (Kg)	**1,381**	2,913	(66)	2,174
	Significant environmental fines (Rs. '000)	**-**	-	-	-

Stakeholder Value Created

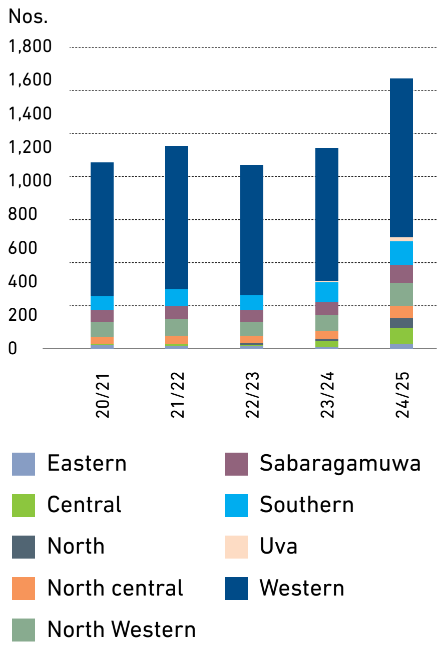
Value Delivered to Shareholders
Earnings & Dividend Ratios



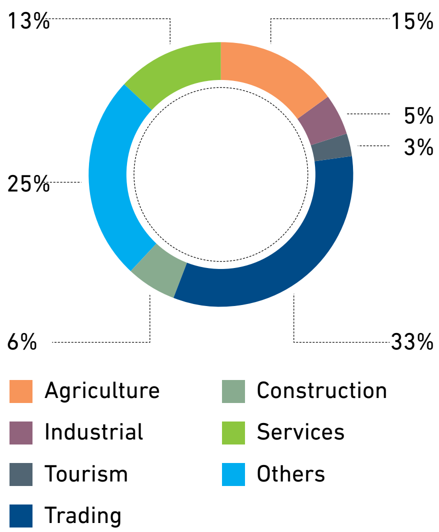
Enhance Business Partnerships
Suppliers Spending



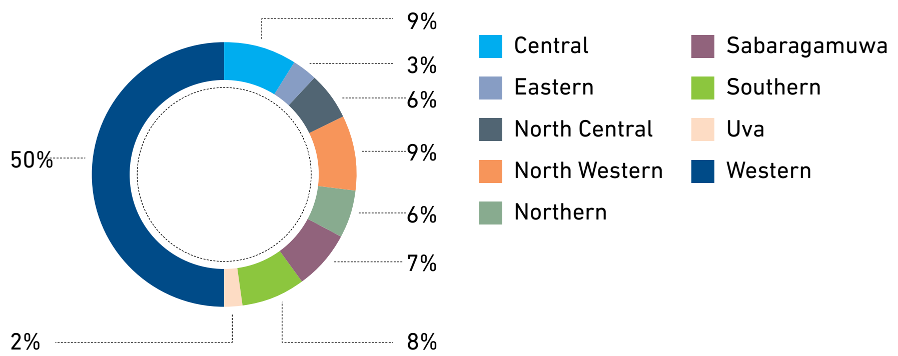
Broad Basing Workforce Talent
Staff Strength



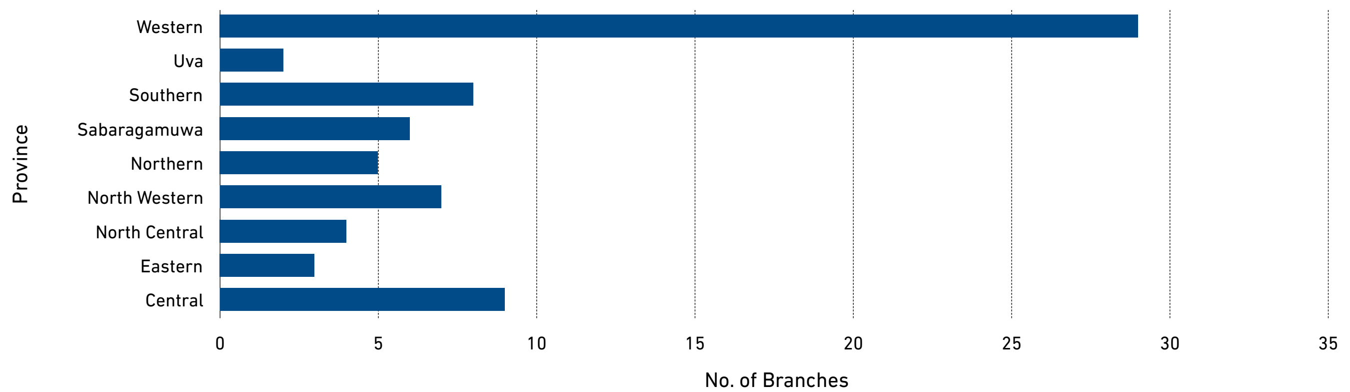
Financial Inclusion of Borrowers
Sector Wise Lending



Job Creation
Province Wise Recruitments



Business Presence and Community Impact
Geographic Branch Spread



Milestones & Highlights Captured in Brief – FY 2024/25

April 2024
Mercantile Awurudu Ganudenu

Celebrated the traditional New Year with our valued customers through the Awurudu Ganudenu event in April 2024, strengthening community bonds and cultural heritage.

June 2024
60th Anniversary Celebration

Mercantile Investments proudly marked its 60th anniversary with a commemorative stamp launch, a press conference and a special celebration, honoring six decades of trust, growth, and service excellence.

July 2024
Strategic Partnership with Eco Solar Rays

Signed a partnership agreement with Eco Solar Rays (Pvt) Ltd to promote and finance solar products, supporting sustainable energy solutions and green financing initiatives.

August 2024
Migration to Scienter System

Successfully migrated Gold Loan and Micro Finance operations to the new Scienter system, enhancing operational efficiency and digital capabilities.

September 2024
Leasing Partnership with DIMO

Partnered with DIMO to launch an exclusive leasing scheme for TATA commercial vehicles, offering customers benefits such as free registration, insurance, accident coverage and rental waivers enhancing affordability and financial protection.

October 2024
Annual Dinner Dance

Hosted the Company's Annual Dinner Dance under the vibrant theme "The Greatest Show", celebrating team spirit and shared success in a night of glamour and entertainment.

October 2024
Launch of Podiththo Savings Account

Introduced the Podiththo Children's Savings Account on World Children's Day, fostering early financial literacy and saving habits among young minds.

January 2025
Opening of 70th Branch

The Nelliady Branch was ceremonially opened as the 70th branch of Mercantile Investments in January 2025, marking continued commitment to strategic expansion and enhancing accessibility for our growing customer base.

January 2025
Gold Loan Portfolio Drive

In just four years since its launch in January 2021, our Gold Loan product has grown impressively to exceed a portfolio of LKR 5 billion, demonstrating strong customer trust and consistent business growth.

March 2025
International Women's Day Celebration

Observed International Women's Day with a series of events and initiatives that honored the contributions of women employees and promoted gender equality within the organization.

March 2025
Enhanced Shareholder Returns

Reaffirming our commitment to value creation for shareholders, the company paid 1st interim dividend of Rs. 25 per share and proposed a second interim dividend of Rs. 16.6 per share for the year ended 2024/25, in keeping to the robust financial performance recorded.

March 2025
2024/25 ends with Highest-Ever NPAT

MI ended the year with the highest Net Profit After Tax in the company's history, reaching LKR 1.07 billion. This outstanding performance underscores the success of our strategic direction, operational excellence and sustained financial discipline.

Message from the Chairman

GRI 2-22

"Proactive leadership from the Board, together with the Management, and unwavering commitment showcased from various facets that ranged from marketing teams to operational functional and back office staff right from the get-go paved the way to meet the set-forth optimistic targets for the year, keeping the Company resilient and competitively geared for the next phase, as the Company celebrated its 60th year in successful business operation on 15th June 2024."

Dear Stakeholders,

It was a year that concluded with tremendous progress for Mercantile Investments (MI) in terms of reaching our business and financial targets in leaps and bounds, riding on the positive business landscape of economic revival and capitalising on emerging opportunities to further solidify the Company's financial standing in the Finance Company sector. I am proud to place on record that MI showcased impressive financial results with robust growth in profitability, driven by noteworthy revenue, which was sustained through handsome loan book growth year-on-year, whilst ensuring anticipated core margins were maintained at optimal levels. By concurrently establishing sound credit practices and effective recovery efforts, the Company's asset quality was maintained at impeccable levels, while efforts to secure lower rated funds from both deposit mobilisation campaigns and borrowings and the continued drive to develop a cost efficient operation bolstered profitability growth this year handsomely.

Proactive leadership from the Board, together with the Management, and unwavering commitment showcased from various facets that ranged from marketing teams to operational functional and back office staff right from the get-go paved the way to meet the set-forth optimistic targets for the year, keeping the Company resilient and competitively geared for the next phase, as the Company celebrated its 60th year in successful business operation on 15th June 2024.

Stabilisation of Sri Lankan Economy

Rebounding from the 2022-led hardships, this year could be termed a year of consolidation for the Sri Lankan economy, backed by the continued support of the International Monetary Fund (IMF) for the country to turn around its default rating status to a more stable sovereign rating of CCC+. In the backdrop of a resilient economy and a more positive outlook with most macroeconomic variables staying favorable for industry growth and rejuvenation, the business community was able to operate with fewer headwinds than experienced in recent years since the post-Covid era.

This was well reflected from the recorded commendable GDP growth of 5% for the calendar year 2024, indicative of the Sri Lankan economy's steady progress towards anticipated normalcy levels.

One of the highlights was the improving foreign exchange reserve position compared to the last few years, driven by higher worker remittances, the resurgence of tourism, and reaping the benefits of imposing an effective exchange management system including import restrictions that eventually led to a modest foreign exchange reserve build up by the start of 2025. This resulted in a 10.7% appreciation in the rupee over the dollar year-on-year while the continued easing of the monetary policy – with policy rates being lowered further to one-digit levels – helped credit growth and propelled economic activity across almost all sectors with Industry, Services, and Agriculture sectors showcasing satisfactory growth and contribution to national GDP. The observed rapid decline in inflation from the astounding levels observed in the last two years eventually led to a deflation of 1.7% by December 2024, but it is predicted that this will turn around and moderate to modest inflation levels of around 5% in the next twelve months.

The fiscal consolidation efforts of the past Government, which coincided with the imposing of higher taxation policies, remained to a larger degree unchanged with Presidential Elections bringing forth a new party and a new president. However, within a short period, new policies and control measures were instilled to curb spending and drive Government revenue. A key highlight for the sector was the gradual easing of vehicle import restrictions from February 2025, coupled with a higher import duty structure.

Finance Company Sector Effects Experienced

The Non-Banking Financial Institution (NBFI) sector remained buoyant, propelled by the low interest rate market that drove rapid credit growth, whilst paving the way to enjoy sound margins in the backdrop of lowering of funding costs from reprising a relatively shorter tenor deposit base than its loan book that helped the sector to record robust Net Interest Income growth levels of 21% year-on-year.

Although finance companies continued to confront a myriad of challenges, stemming from the past years' intricacies, which included continued import restrictions on motor vehicles, the improving economic environment bolstered the registered vehicle market trade-backed financing, while there was equal demand for term-based credit, with an uptick in small ticket lending to the Micro Small and Medium Enterprises (MSME) segment.

The second half of the financial year propelled greater momentum to the sector, especially with the announcement of the gradual easing of restrictions on vehicle imports, starting with commercial type large vehicles and moving on to household level imports with varying engine capacities. The cascading effects stemming from increased economic activity and revival of varying industries across the country drove almost all lending products associated with the NBFI sector, with lease financing being the dominant. To support this growth, through the positive sentiments associated with the industry with improving overall financial standings, sector deposits grew by 14% in 2024/25. Moreover, sector asset quality levels showed a gradual improvement, with the average 90-day Non-Performing Loan (NPL) percentage dropping to 8.3%, reflecting a 6.4% reduction from the year before.

MI's Rapid Growth Momentum and Transformation Journey

The Company underwent significant transformation during the financial year to strengthen its business leadership in both its core lending and deposit mobilisation spheres, driven by the COO Laksanda Gunawardena, with staunch direction given by Managing Director Gerard Ondaatjie and the able Board. As the Company celebrated its 60th anniversary in June 2024, since its inception in 1964 under Founder Chairman late Deshabandu George Ondaatjie, it embarked on a transformation programme to strengthen its competencies in core functions and workforce capabilities.

Message from the Chairman

In parallel the Company continued with its full migration to the external Scienter technologies IT system platform to bolster a greater technology-driven operation towards service excellence and product-mix expansion that includes digital-based solutions to elevate MI's e-based services to its clientele from the next financial year.

Credit and marketing teams were strengthened to support both traditional lending services and over 64 branches that offer Gold Loan services across the country. Mercantile Investments became the fastest network growing NBFI during this year with an astounding 43% growth in branch openings year-on-year, reaching 73 fully-fledged branches offering its broad-based financial services, including deposit mobilisation in all provinces, in keeping to its three-year corporate plan. By maintaining an astounding growth over 300% in its Gold Loan book, which surpassed Rs. 6.6 billion by 31st March 2025, the Company took steps to broad-base its product mix by introducing Sustainable Finance offerings from this year, in keeping with its ESG (Environmental and Social Governance) aspirations by launching Solar Financing Services, Agriculture-based equipment Finance and EV (Electronic Vehicle)-backed lending.

During this expansion phase, to keep investment expenditure optimal and overhead costs controlled, numerous initiatives were undertaken, including unique design and space management, efficient staffing backed by technology support, and careful selection of new business locations to drive the required revenue and reach break-even levels in shorter cycles, keeping to targeted costs-to-income levels towards overall profitability. Operational changes were initiated that went hand-in-hand with the system migration and evolving business landscape towards electronic-based digital transacting, encouraging paperless internal operational practices, including digital signature authentication to eliminate paper resources and accelerate service time periods.

Robust governance practices were instilled, including the restructuring of the MI Board with additional Non-Executive Directors, to align with requirements stemming from Corporate Governance Direction No. 05 of 2021, commencing 1st July 2024 together with a strong risk management framework and a compliance culture backed by the Board's oversight through its sub-committees. A strong control environment was instilled adopting industry best practices, appropriate policy and operational guidelines, and regular review and monitoring mechanisms, established to detect and correct emerging concerns through prompt actions.

As a culmination of all these endeavours, coupled with the dedication of MI's committed workforce, the Company ended the financial year with commendable financial results, keeping with its targeted KPIs, and I am confident that this strong foundation and momentum should set the pace for the Company's planned medium-term growth trajectory laid forth in terms of revenue and profitability growth and capital expansion.

Stellar Financial Results Showcased

By driving revenue growth while maintaining asset quality at impeccable levels, the Company was able to record a stellar Net Profit Before Tax (NPBT) of Rs. 1,607 million and a Net Profit after Tax (NPAT) of Rs. 1,075 million, reflecting astounding year-on-year growth of 96% and 93% respectively, showcasing the steady upward rise in Mercantile Investments' profitability levels in the medium term.

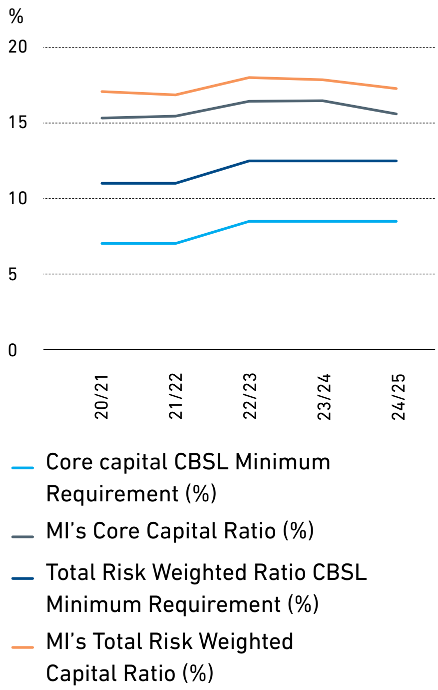
Net Interest Income growth was noteworthy up by 53%, driven by the commendable 43% growth in total loan book, while the Company recorded improved core margins in the backdrop of repricing of the shorter tenor deposit base. Accordingly, total Interest Income stood up at 10% while corresponding interest expenses declined by18% year-on-year. Nonetheless, Non-fund-based income declined by 4%, primarily due to 27 % dip in fee based income.

As a significant highlight, MI's 90-day Non-Performing Loan (NPL) ratio stood at exceptionally low levels of 4.9% showcasing the strong quality of the loan book as against the industry average NPL, which resulted in curtailing the impairment charges to Rs. 224.6 million for the FY 2024/25. In contrast, overhead costs escalated by 32%, mainly attributable to the ongoing branch expansion related expenditure, that too primarily due to the increase in personnel cost that rose by 31%, with total staff strength increasing by 35% from a year before.

Total assets crossed the Rs. 70 billion mark, reflecting a notable 33% advancement from a year before, propelled by the robust lending portfolio growth primarily driven by term-based lending, which includes gold and vehicle-backed lending up by 68%, whilst the lease book growth stood at 23%.

The Deposit base surpassed Rs. 42 billion, recording a healthy 18% growth, driven by a steady upward increase in the number of depositors, up 12% from the previous year. Through the Treasury division, to support the expanding loan book, the Company resorted to bank funding and securitised borrowings, which saw a 334% rise in total Borrowings year-on-year. Accordingly, by the balance sheet date, MI's statutory liquidity ratio position remained strong at above 19%, well above the 10% prudential regulatory requirements. MI's capital strength remained solid, with shareholder funds reaching over Rs. 13 billion, whilst recording a strong tier 1 capital ratio of 15.60% above minimum 8.5%, and a total capital ratio of 17.27%, above the 12.5% minimum as at 31st March 2025, reaffirming MI's capital strength and strong balance sheet fundamentals.

Capital Adequacy



Future Perspectives and Intricacies

The steady economic revival taking place with the country gradually coming out of the hardships witnessed during the post-Covid era augurs positively for the business community and citizens alike. The improving financial standing of the nation in terms of its foreign reserves backed by the ongoing IMF support programme and moreover the establishment of a stable government outlook since 2024, with strong and firm macroeconomic policies towards economic stability and eventual prosperity in the medium term, has already led the way for gradual GDP growth projected above 5% for 2025, with cascading positive effects to most industries, slowly but steadily reviving people's income levels and living quality.

We can envisage further improvement on the macroeconomic front, backed by a continued easing of the monetary policy to spur economic activity, further fueling credit demand through a low-rated interest rate regime. With deflation levels predicted to convert to 5% inflation levels for the current calendar year, the exchange rate is expected to stabilise at current levels despite the lifting of vehicle import restrictions, in the backdrop of improving foreign currency reserves propelled primarily by increasing tourism inflows as well as worker remittances in comparison to the past years. Moreover, the shift towards boosting local industries will remain a high priority backed by Government policy that will see gradual wealth and employment creation generated from such endeavors over time.

In terms of challenges, the fiscal policy measures instilled to bolster Government revenue will lie heavily on individuals at higher income brackets and peg back corporates in generating higher profitability levels, somewhat restricting capital accretion and business expansion plans. Ongoing conflicts internationally as well as the changing political environment-backed policy changes, especially from developed nations such as the US and China, could have impacts on the domestic market. However, these will be somewhat offset by improving global sentiment over Sri Lanka's financial standing, which could pave the way for greater Foreign Direct Investments (FDIs) to flow towards domestic projects to bolster local industries.

Amidst the strategic expansion of our branch network and the establishment of a robust operational framework, Mercantile Investments is optimally positioned to leverage the evolving economic upturn and seize emerging market opportunities with agility and foresight. With NBFI sector sentiment staying positive, propelled by the recent opening up of vehicle imports, we can envisage demand for financing to improve further as the new financial year unfolds. Demand for traditional lease financing as well as term-based lending, which includes lending to the MSME sector, is bound to remain buoyant. MI's presence in strategic hubs coupled with its technology-backed expanding product suite will enable the Company to sustain anticipated loan book growth targets in the medium term.

Cost optimisation and productivity will play an integral part in the Company's future strategy, banking on technology to drive the business operation on a leaner cost structure, from branch set-up to execution and monitoring. In the next phase towards service excellence, we hope to enhance e-based platforms by introducing e-wallets, internet banking, and convenient modes for customers to execute transactions with ease.

MI is geared to harness the evolving opportunities, utilising its strong branch network and applying strong risk management mechanisms to stay proactive and counter any headwinds in the medium term. The revised three-year corporate plan sets forth MI's medium-term aspirations and directs the Management on a sound and robust upward growth trajectory in revenue, profitability, and value creation to its wider array of stakeholders.

Extending Appreciation and Recognition

As we mark our 60th successful year in business, I would like to extend my warm wishes to those who contributed in numerous ways to enrich the Company in its upward journey. My heartfelt thanks to every individual who has lent their expertise, guidance, and stayed committed to achieving our established goals in spite of the challenging and competitive environment.

My gratitude goes out to my colleagues on the Board, who served with staunch commitment, imparting invaluable knowledge and guidance to ensure the Company stays on course to reach further success. Your focus, profound insights, and strategic guidance were invaluable in MI's steady growth trajectory.

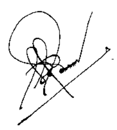
My sincere appreciation to the Managing Director, Gerard Ondaatjie, for his invaluable leadership and dedication displayed during this pivotal phase in the Company's journey to drive MI to fresh heights, in keeping with the Board's expectations.

I take this moment to especially recognise and thank all the staff, our strong MI team, for their unwavering efforts to stay focused and undeterred despite the challenges and eventually achieve the set targets, enabling the Company to conclude the year on a high note.

I also 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. As the regulator, your steadfast regulation has certainly strengthened industry resilience and paved the way for greater public confidence in the Non-Bank Financial Institutions (NBFI) sector.

Finally, I wish to extend my gratitude to all our investors, business partners, and stakeholders for keeping trust and loyalty in the Company, fostering strong bonds that have lasted for decades, despite the evolving business landscape and headwinds.

As the Chairman, I reaffirm the MI Board's commitment towards the next phase of Mercantile Investments' journey, to move on a strong upward growth trajectory that will encompass further enriching of stakeholder value, contributing to the Sri Lankan economy and societal well being in the process.



Dinuka Perera
Chairman
11th June 2025

Managing Director's Review

"The Company strongly capitalised on the country's gradual economic resurgence and improving business conditions to achieve robust financial results that reflected noteworthy growth in profitability levels."

Navigating a Resilient Recovery: Mercantile Investments and Finance PLC (MI) surged in business growth, posting robust financial results

As Mercantile Investments celebrates its 60th year of successful operations in 2024/2025 financial year, marking a significant milestone in its business journey, the Company made immense progress in driving aggressive business growth while reaffirming its strong financial standing. The Company strongly capitalised on the country's gradual economic resurgence and improving business conditions to achieve robust financial results that reflected noteworthy growth in profitability levels. Planning and execution was meticulous from the get-go, deploying an effective business strategy, which drove phenomenal branch network growth, with the right human resource distribution, that helped boost core margins, asset quality, and operational excellence.

Macroeconomic conditions were favorable, with national real GDP expanding by 5% in 2024 following two consecutive years of economic contraction, reflecting renewed economic dynamism across key sectors. This rebound was underpinned by improved macroeconomic stability. Subsequent to an early uptick driven by the VAT hike, removal of exemptions, and elevated food prices, inflation in Sri Lanka followed a broadly declining trend during 2024. Inflation, positively impacted by reductions in electricity tariffs, favorable base effects, subdued demand, lower global commodity prices, and a strengthening currency, ultimately reached deflationary territory by March 2025 with headline inflation at negative 2.6% year-on-year, bolstered by the relaxation of monetary policy, enhanced investor confidence, and increased remittance inflows.

Sri Lanka's external sector too strengthened notably in 2024, recording a current account surplus of USD 413 million for the second consecutive year, supported by a substantial increase in tourism earnings, workers' remittances, and foreign exchange inflows that enabled the Central Bank to purchase a record amount of foreign currency, boosting gross official reserves to USD 6.1 billion. Importantly, the stability of the exchange rate and continued support from multilateral institutions like the International Monetary Fund (IMF) played a crucial role in restoring economic predictability and enabling private sector activity.

In this positive backdrop, MI strategically aligned its operations to capitalise on improving consumer sentiments. The gradual recovery of domestic demand, amidst yet another year of an accommodative interest rate environment, paved the way for the Company to commendably expand its loan book by 43%, particularly within the leasing and SME lending segments, which showed marked recovery as business activity accelerated and consumers regained purchasing capacity. Deposit mobilisation too remained solid, backed by the Company's reputed heritage and increasing presence across all provinces, which ensured that the deposit base retained its growth momentum of 18% year-on-year.

In summary, FY 2024/25 was a defining year for MI in setting forth the essential building blocks to drive the next phase of the Company's journey. As it successfully navigated the country's transition from economic uncertainty to recovery, MI stayed agile and resilient in its strategic execution, delivering a solid financial performance, whilst reinforcing its commitment to responsible finance, innovation, and stakeholder value creation in a transforming financial landscape.

Expansion-driven Growth Trajectory

Throughout the year, the MI Board remained steadfast in its commitment to value creation, laying a strong foundation for sustainable business growth through targeted strategic initiatives. Accordingly, aggressive steps were taken to expand MIs business presence while invigorating MI's internal capabilities, which saw prioritisation of productivity enhancement measures, including strengthening human resources capabilities and operational efficiency, thereby aligning all business activities to deliver an efficient cost-effective service, leading to sustainable returns for our stakeholders.

Guided by a forward-thinking strategic blueprint, the MI Board set forth a revised three-year corporate plan to drive sustained revenue growth and profitability. This comprehensive blueprint was designed to not only capitalise on the broader economic recovery but also to anticipate shifts in customer preferences and the competitive landscape. Our approach was holistic, anchored in market expansion, product innovation, capacity enhancement, and the formation of value accretive partnerships designed to further strengthen MI's market position and maximise shareholder value.

As the main highlight, MI's branch network was rapidly expanded in just 12 months by integrating 22 new fully-fledged branches, bringing the Company's total footprint to 73 locations – a remarkable 43% YOY network growth – making MI as the fastest network growing finance company in the NBFI sector for the period under review.

Managing Director's Review

A cost-efficient lean branch model concept was deployed in the establishment of these new locations, ensuring operational efficiency and shorter break-even cycles whilst opening a pathway to reach key economic hubs in under-banked communities, in anticipation of future growth opportunities and competitiveness.

Amid prolonged import restrictions and an evolving credit landscape, we adopted a proactive strategy for portfolio risk diversification by expanding the product mix focus from traditional lease financing to gold-backed lending, micro auto loans and sustainable finance offerings. These initiatives were strategically aligned with our broader objective of maintaining capital stability and fostering counter-cyclical growth. The improved macroeconomic conditions including the declined interest rate environment contributed to sustained credit growth and at the same time paved the way for the declaration of funding costs, which, together with asset growth and margin optimisation, bolstered MI's net interest income and overall profitability.

To further enhance bottom-line performance, the Company took disciplined cost management initiatives, focusing on operational excellence and productivity enhancement whilst keeping customer centricity as a cornerstone of our value proposition. Nonetheless we did not compromise on investing in strengthening our workforce, which grew rapidly by 35% year-on-year.

We broad-based skills and capabilities of employees through focused learning and development programmes across all grades and concurrently continued to leverage on digital transformation initiatives to improve operational efficiency and customer engagement. Investment in technology, especially to migrate to the external Scienta Technology core IT system platform, enabled the Company to shorten transaction processing times and broad-base digital payment platforms further, while enhancing data-driven decision-making tools to ensure convenience, responsiveness, and service quality.

By exercising prudent risk management practices, including proactive recovery measures and enhanced asset quality monitoring, the Company was able to maintain sound credit discipline even as it pursued growth. Despite the rapid loan book growth, I am pleased to place on record the exceptional asset quality levels maintained, with the gross 90-day Non-Performing Loan percentage staying below 5%, when industry average stood above 8%.

The MI Board remained fully committed to instilling a robust governance structure that encompassed effective policies and practices, deploying a strong internal control environment backed with a compliance culture across all levels of the Company's hierarchy, aligned with the evolving regulatory landscape.

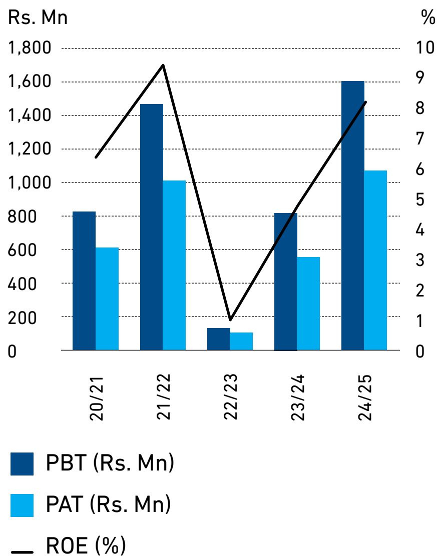
Reflecting on the year, I am confident that the structural changes implemented in our strategic approach are beginning to yield tangible outcomes. Our disciplined execution and unwavering focus on performance targets have translated into strong financial results, reaffirming our fundamental commitment towards our investors and other stakeholders, creating sustained value through prudent stewardship, strategic agility, and a forward-looking mindset.

Financial Results – A Remarkable Turnaround

Profitability, Capital, and Liquidity

Demonstrating exceptional resilience, MI successfully navigated a swift turnaround, reversing the subdued financial performance experienced in previous years. This rebound reflects the Company's enduring strength across all operational areas. Profitability saw a significant uptick, driven by strong core business revenue growth, improved margins, and steadfast asset quality. As a result, MI's Net Profit Before Tax (NPBT) surged to Rs. 1,607 million, while Net Profit After Tax (NPAT) rose noteworthy to Rs. 1,074 million, reflecting astounding year-on-year growths of 96% and 93%, respectively. As a result, shareholder funds grew by 14%, while Return on Equity (ROE) stood at 8.27% up 72% YOY.

PBT, PAT and ROE



In alignment with our commitment to shareholders value creation, a first interim dividend of Rs. 25 per share was paid and a second interim of Rs.16.6 per share has been proposed, supported by the company's robust performance.

Our strong balance sheet enabled us to maintain prudent capital buffers throughout the year. By retained majority portion of the retained profits, we ensured prudential capital adequacy ratios remained comfortably above regulatory thresholds, with Tier 1 and Tier 2 capital ratios standing at 15.60% and 17.27%, respectively. Similarly, liquidity levels too were proactively managed by sourcing funds through Deposits and Borrowings to support business expansion, consistently exceeding regulatory minimums and instilling confidence among all stakeholders.

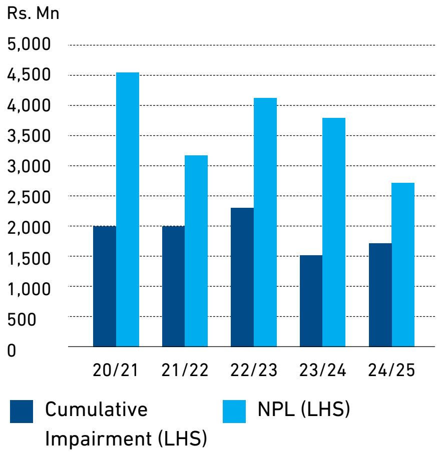
Revenue Growth, Margins, and Asset Quality

Core revenue from lending activities grew by 10%, contributing 97% to the gross revenue of Rs. 11.95 billion. This was underpinned by a robust 43% expansion in the loan portfolio, led by a 23% increase in traditional lease financing on registered motor vehicles and supplemented by a strong performance in gold-backed lending that saw the gold book growth surging up by 303% YOY. In contrast, non-fund-based income saw a modest dip to Rs. 308.5 million, contributing 2.6% to overall revenue.

Interest expenses declined by 18%, capitalising on a sharp drop in market rates and the repricing of the predominantly one year and less tenor deposit base, which grew commendably by 18% to Rs. 42.8 billion. This cost reduction contributed significantly to the improved margins. Net operating income rose impressively by 44% year on year from Rs. 4.49 billion to Rs. 6.47 billion, reinforcing top-line profitability.

Despite regulatory challenges such as the enforcing of the Financial Consumer Protection Act, our proactive recovery strategies and prompt legal enforcements, along with risk-focused decision-making, enabled a notable reduction in 90-day gross NPLs from 9.81% reported last year to a commendable 4.91%. Strategic negotiations and settlements, coupled with prompt recovery actions, helped contain impairment charges recorded in income statement to Rs. 224.6 million.

Cumulative Impairment and 90 day NPL



Overheads, Personnel Costs, and Operational Efficiency

Staying true to our pillars of 'Prudent Growth' and 'Operational Excellence,' cost optimisation remained a priority. Whilst overheads rose by 32%, primarily due to ongoing branch expansions, annual salary revisions, and increases in utility and energy costs, Cost-to-Income ratio improved to 76%, in the backdrop of relatively higher revenue generation.

Personnel costs increased by 31%, reflecting workforce expansion and performance-related payments. However, this investment remained aligned with MI's growth strategy and supported by productivity enhancing initiatives. Management remains confident of controlling future overheads, particularly with the remaining modules of the new Scienta IT platform to go live from 1 April 2025. Key digital initiatives, including the deployment of a virtual branch concept towards a leaner operation and broad-basing e-based service delivery channels, are expected to enhance operational efficiency while reducing capital outlays.

Deposit Mobilisation, Borrowings, and Asset Growth

To support our expanding lending operations, focused marketing campaigns and attractive deposit pricing drove Fixed Deposit mobilisation by 18% year-on-year. Concurrently, to support the loan book expansion, total borrowings increased by 368%% to Rs. 11.41 billion, encompassing a well-diversified mix of bank facilities and securitisations.

This sustainable aggressive funding blend supported the Company's rapid growth trajectory, with total assets increasing by 33% for the 12 months ending 31 March 2025, well above the industry average of 19%.

Rating Outlook Upgrade

In recognition of our improved fundamentals and financial strength, Fitch Ratings Lanka reaffirmed MI's National Long-Term Rating at 'BBB-(lka)' and upgraded the rating outlook from 'Rating Watch Negative' to 'Stable' on 14th August 2024.

Managing Director's Review

Nurturing Human Capital

Understanding the importance of Human Capital in driving performance, we strengthened workforce talents and capacity by focusing on training, enhancing multitasking capabilities, and deploying staff optimally. Redeployment efforts ensured alignment of talent with core business areas, while promoting a culture of adaptability and performance.

Other Highlights – Honouring 60 Years of Legacy and Leadership

As I reflect on reaching another milestone in MI's illustrious business journey, I am filled with deep pride and gratitude in Mercantile Investments celebrating it's 60 th year on 15th June 2024, since its founding in 1964. This journey is not just a testament to the Company's resilience and growth, it is a tribute to the vision and values instilled by my late father, Deshabandu George Ondaatjie, whose foresight laid the foundation for MI to prosper since its inception.

What began as a humble effort to support vehicle financing needs, backed by the trust of a few early depositors, has grown into one of Sri Lanka's most respected finance companies. My father's unwavering commitment to integrity, prudence, and placing the depositor's interest first continue to serve as the cornerstone of everything we do. His legacy is not only one of entrepreneurship but of purpose, of building a financial institution rooted in trust and service to others.

Since taking over the leadership in 2011, it has been my privilege to carry forward this legacy with a renewed vision, supported by a dedicated and talented team. Over the years, MI has expanded its footprint across the country, crossed Rs. 70.9 billion in total assets, and strengthened its capital base to Rs. 13.8 billion, all while staying true to the values that have defined our identity for six decades.

A Grand Celebration to Hail 60 Years of Legacy

To mark the 60 year historic milestone, Mercantile Investments hosted a truly grand and memorable celebration, an occasion that brought together the company's entire staff in a spirit of unity, pride, and festivity. Held at the prestigious Monarch Imperial, the event stood out as a dazzling affair, aptly termed 'The Greatest Show,' and honored MI's six decades of excellence, resilience, and shared achievement.

The occasion not only commemorated our rich heritage but also served to inspire collective pride and reinforce our shared vision for the future. It was truly a fitting tribute to a legacy built on trust, commitment, and enduring values, celebrated in the grandeur it rightfully deserves.

Strengthening Governance through Board Diversity

In further strengthening our corporate governance framework and reinforcing our strategic direction, I am pleased to welcome four esteemed professionals, who joined the Board of Mercantile Investments during the year under review as Independent Non-Executive Directors:

- Mr. Brandon Philip Morris
- Dr. Sugeeth Saranga Jasenthu Patabendige
- Mr. Graham Anthony Fredrick Marshall
- Mr. Egoda Wiyannala Vajira Arjuna Wijesinghe

The addition of these distinguished professionals marks a significant step in broadening the depth and diversity of our Board. Each brings with them a wealth of experience, deep professional insight, and proven leadership across diverse sectors, including finance, academia, corporate strategy, and regulatory compliance. Their collective expertise will continue to enhance the Board's ability to provide well-rounded strategic oversight but also ensures that MI remains aligned with both the regulatory expectations and also international standards of corporate governance standards.

A strong and independent Board is central to protecting the interests of all stakeholders, whose continued trust remains the bedrock of our operations. The appointment of these Independent Directors signals our ongoing commitment to Board objectivity, transparency, and accountability, which are essential in fostering stakeholder confidence and ensuring sound decision-making in a rapidly-evolving financial landscape.

Outlook and Future Prospects

With Sri Lanka's economy poised to grow again at around 5% in 2025, the outlook remains positive for the financial services sector. However, persistent global uncertainties – rising trade barriers, geopolitical tensions, and inflationary pressures driven by the pose risks that could impact domestic stability. Possible upward pressure to interest rates, potential currency depreciation, and continued tax and regulatory constraints may weigh on household incomes and credit demand.

In this context, Non-Banking Financial Institutions must adopt a risk-sensitive, proactive approach to portfolio and strategy management. MI is well-positioned to navigate these challenges, leveraging its strong fundamentals and digital capabilities.

On a positive note, the recovery in tourism, improved worker remittances, and rising Foreign Direct Investment will rejuvenate economic activity. The anticipated resurgence in demand for vehicle financing, spurred by the easing of import restrictions and low interest rates, offers significant growth potential for the NBFI sector.

Looking ahead, MI remains focused on strengthening its digital footprint, improving customer accessibility, and driving efficiency through a leaner, more decentralized operating model. Our growth strategy will increasingly emphasise diversification into MSME lending, agriculture, and green finance, while same time reinforcing our leadership in traditional leasing and gold-backed lending.

We aim to expand our product suite, sharpen our credit evaluation tools, and maintain robust control mechanisms that is further solidified by upholding a solid risk management framework to manage evolving risks and uncertainty. Our performance will be closely aligned to our three-year strategic plan, supported by proactive governance, prudent financial discipline, and a culture of compliance and excellence.

Words of Appreciation

As Mercantile Investments proudly marks six decades of unwavering service, stability, and stakeholder trust, I am deeply honored to reflect on the remarkable progress we have made as a company. Celebrating our 60th anniversary was not only a moment of pride, but also one of deep gratitude for the enduring commitment, loyalty, and hard work of all those who have contributed to MI's legacy.

I wish to extend my heartfelt appreciation to our Chairman and the esteemed members of the Board of Directors. Their steadfast guidance, principled leadership, and strategic insight have been invaluable in steering the Company through both opportunities and headwinds. The addition of new Independent Directors this year has further enriched our Board's diversity and vitality, strengthening our governance framework and ensuring MI remains aligned with regulatory expectations and industry best standards. Their collective wisdom has been instrumental in safeguarding the interests of all stakeholders and reinforcing depositor confidence in an evolving financial landscape.

I also wish to convey my sincere gratitude to the Governor, Deputy Governor, Director of the Non-Banking Supervision Department, and the officials of the Central Bank of Sri Lanka for their continued support and constructive engagement. Their role in fostering a sound regulatory environment and encouraging responsible growth within the sector is highly commended and essential for the resilience and sustenance of the financial system.

To our valued customers, loyal agents, and trusted business partners, thank you for your unwavering trust and confidence. Your steadfast support has been a source of inspiration and a cornerstone of our success. We remain privileged to serve you and deeply committed to your evolving needs.

To our shareholders, I extend my profound appreciation for your enduring belief in our vision and your continued investment in our journey. Your trust is a responsibility we hold with utmost care and purpose.

Above all, to our dedicated and talented team across the MI's fraternity, your resilience, adaptability, and professionalism have been the true driving force behind our achievements. It was only fitting that we celebrated our 60-year milestone together at a grand and joyous gathering, filled with unity and pride that honored your contributions in the most memorable way.

As we turn the page to a new chapter, I remain confident that Mercantile Investments is well-positioned to embrace the opportunities ahead. Backed by a strengthened leadership team, a solid capital base, and a deep-rooted culture of integrity, we are committed to delivering long-term value while staying true to the founding values that have guided us for six decades.

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 endeavors.

Gerard G. Ondaatjie
Managing Director
11th June 2025

ENGINEERING FUTURE SUCCESSES

Management Discussion and Analysis

MI's Value Creation Model in Action

GRI 2-6

MI's business model serves as the cornerstone of its foundation and pillars, strategically integrating the Company's vision, mission, and corporate objectives to facilitate the envisioned sustainable performance towards creation of stakeholder value. At its core, the model reflects a disciplined approach to resource utilisation, responsible governance, and long-term value generation. We are committed to balancing short-term financial returns with long-term resilience by aligning operational decisions with our overarching strategic intent. Our approach is underpinned by ethical business practices, transparency, and accountability, ensuring that each decision contributes meaningfully to economic stability, social inclusion, and environmental responsibility. Through this integrated approach, we actively respond to stakeholder expectations and evolving market demands, reinforcing our role as a responsible financial institution committed to creating shared value.

INPUTS

Financial
Our Capital > Rs. 13 Bn
Deposits > Rs. 42 Bn

Alliances
Customer Base – > 160,000
New Suppliers – > 10

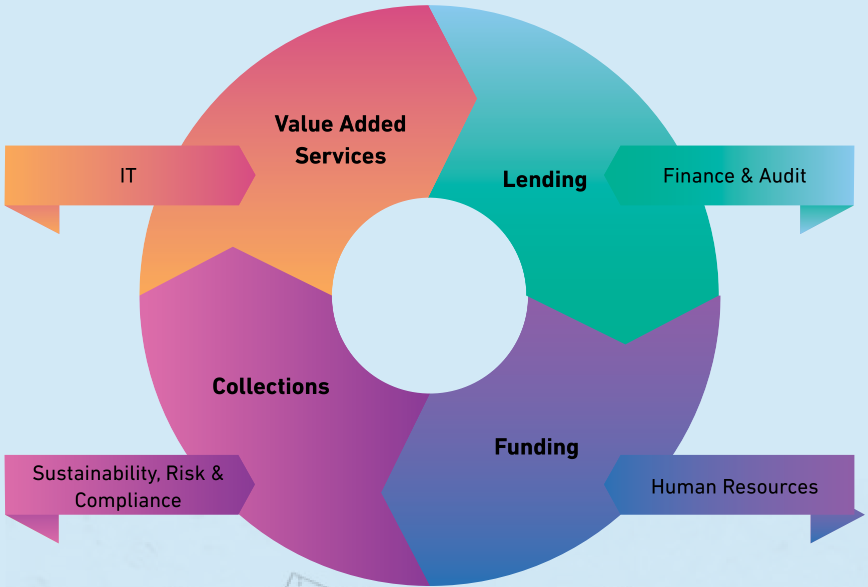
Human Strength
Workforce – 1,613
Training Hours – 25,419

Intellect
Brand Investment – Rs. 47 Mn
Industry Expertise – > 60 Years

Infrastructure
Branches – 73
New PPE Investment – Rs. 327 Mn

Nature
Water Consumption – 19,646 m3
Energy Consumption – 1,824,979 kWh

VALUE CREATION PROCESS



Our value creation framework is anchored in the strategic and cohesive deployment of six interrelated capitals. Leveraging our Financial Capital, we ensure robust investment in growth opportunities while maintaining fiscal discipline. Our Alliance Capital enables us to forge strategic partnerships that enhance our market position and competitive advantage. Through the deployment of Human Capital, we cultivate a diverse and talented workforce that drives innovation and operational efficiency. Our careful stewardship of Natural Capital reflects our commitment to environmental sustainability. Additionally, we continuously optimise our Infrastructure Capital to support scalable operations, while our Intellectual Capital comprising proprietary knowledge, systems, and processes provides the foundation for our distinctive market offerings and technological advancement. This holistic approach to capital utilisation enables us to create superior value propositions that consistently exceed stakeholder expectations in an increasingly complex global marketplace.

Detailed disclosures about the stakeholder impact assessment is made available in the 'Impact Management Report' pages 6-10

SEGMENT OUTPUTS

- Lending
- Investment
- Insurance
- Workshop

IMPACT ASSESSMENT	Stakeholders	CAPITAL OUTCOMES
Financial Capital PAT Growth Revenue Capital Adequacy	**Shareholders**	**Financial Capital** PAT Rs. 1.07 Bn Revenue > Rs. 11.95 Bn Capital Adequacy Tier I – 15.6% Tier II – 17.27%
Alliances Growth in Clientele Steady professional Relationships	**Clients**	**Alliances** New Customers > 25,000 Deposit Retention > 87%
Human Strength Enhanced Competitive Strengths Improved Productivity and Agility	**Staff**	**Human Strength** Employee Performance Appraisals 815 New Recruitments 865
Intellect Enhanced Brand Equity Customer Privacy	**Business Partners**	**Intellect** IT System Enhancements
Infrastructure Modern ICT solutions Increase Branch Presence	**Regulators**	**Infrastructure** New Branch Openings 22 Investment in PPE Rs. 4.5 Bn
Nature Energy Conservation Green Lending Policies	**Society and Environment**	**Nature** Recycling of Paper 1,380 Kg Green Lending Rs. 5.9 Bn

MI's Value Creation Model in Action

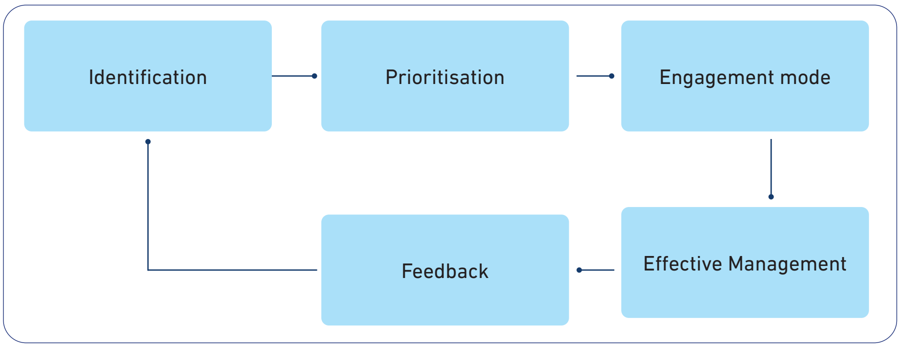
Stakeholder Engagement

GRI 2-29

At the core of our business model lies a robust stakeholder engagement framework that systematically creates sustainable value across our entire business landscape while balancing diverse interests. Our proprietary stakeholder mapping methodology employs a multidimensional analysis to identify, segment, and prioritise six critical stakeholder groups: shareholders seeking competitive returns on investment, customers demanding high-quality products and responsive service, employees seeking meaningful work and growth opportunities, regulators expecting rigorous compliance and transparency, suppliers pursuing mutually-beneficial partnerships, and societal constituents affected by our environmental and social footprint. This comprehensive approach enables us to assess and quantify stakeholder expectations through our continuous Stakeholder Impact Assessment, which informs strategic decision-making at the highest levels of the organisation and ensures resource allocation aligns with our commitment to inclusive and balanced growth.

Our stakeholder satisfaction strategy is built on a strong commitment to consistently surpass expectations in all our stakeholder engagements. We keep our stakeholders informed with adequate and latest information possible, ensuring that shareholders, customers, employees, regulators, suppliers, and societal constituents receive timely, relevant, and accurate updates that address their specific needs and concerns. We have a stakeholder identification and engagement process in ascertaining interests of all stakeholders and mapping them into different segments based on the actual and potential impact. This systematic methodology enables us to prioritise resources effectively and develop targeted engagement strategies that maximise value creation for each stakeholder group. Through continuous refinement of our stakeholder management approach, we have established a business model that not only responds to stakeholder needs but also proactively addresses them in ways that strengthen our competitive position and contribute to our long-term resilience and growth in an increasingly complex business environment.

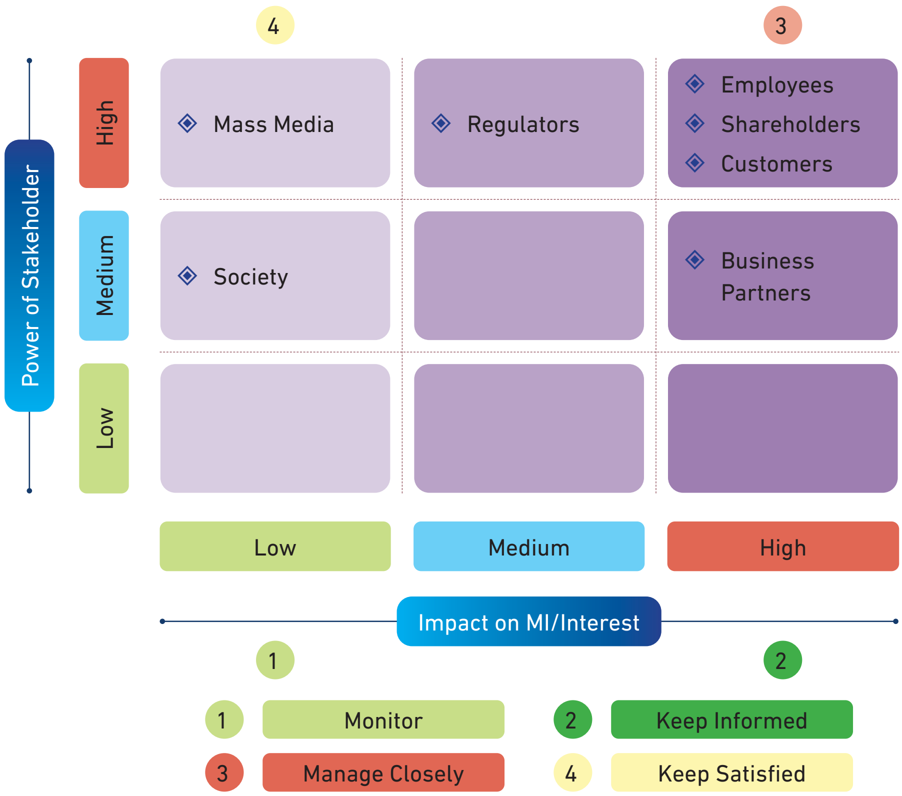
Process of Stakeholder Engagement



Management of Stakeholder Interests

Effective stakeholder management remained a strategic priority throughout the year, underpinning the organisation's commitment to transparency, accountability, and sustained value creation. By actively identifying, engaging, and responding to the interests of key stakeholders including customers, employees, investors, regulators, and the community, MI strengthened relationships and aligned its objectives with stakeholder expectations. Regular communication channels such as stakeholder gatherings, surveys, and feedback mechanisms were enhanced to ensure timely and relevant information flow. This approach enabled the business to anticipate risks, harness opportunities for collaboration, and support decision-making with a well-rounded understanding of stakeholder concerns. As part of our continuous improvement efforts, stakeholder feedback was also integrated into performance reviews and policy development, reinforcing trust and supporting long-term organisational resilience.

Stakeholder Map



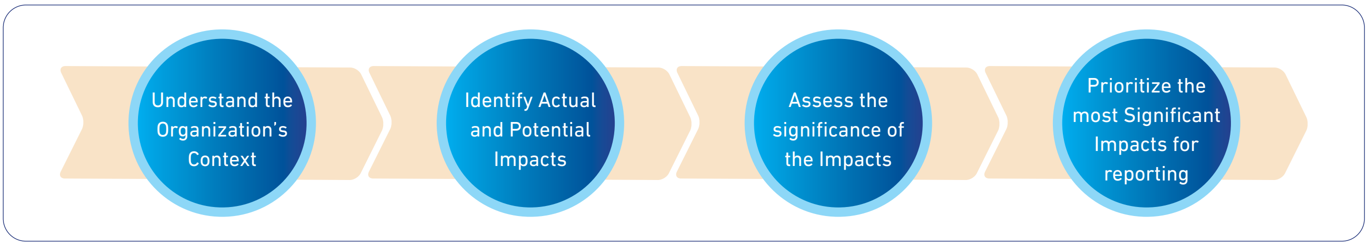
Materiality Assessment

GRI 3-1

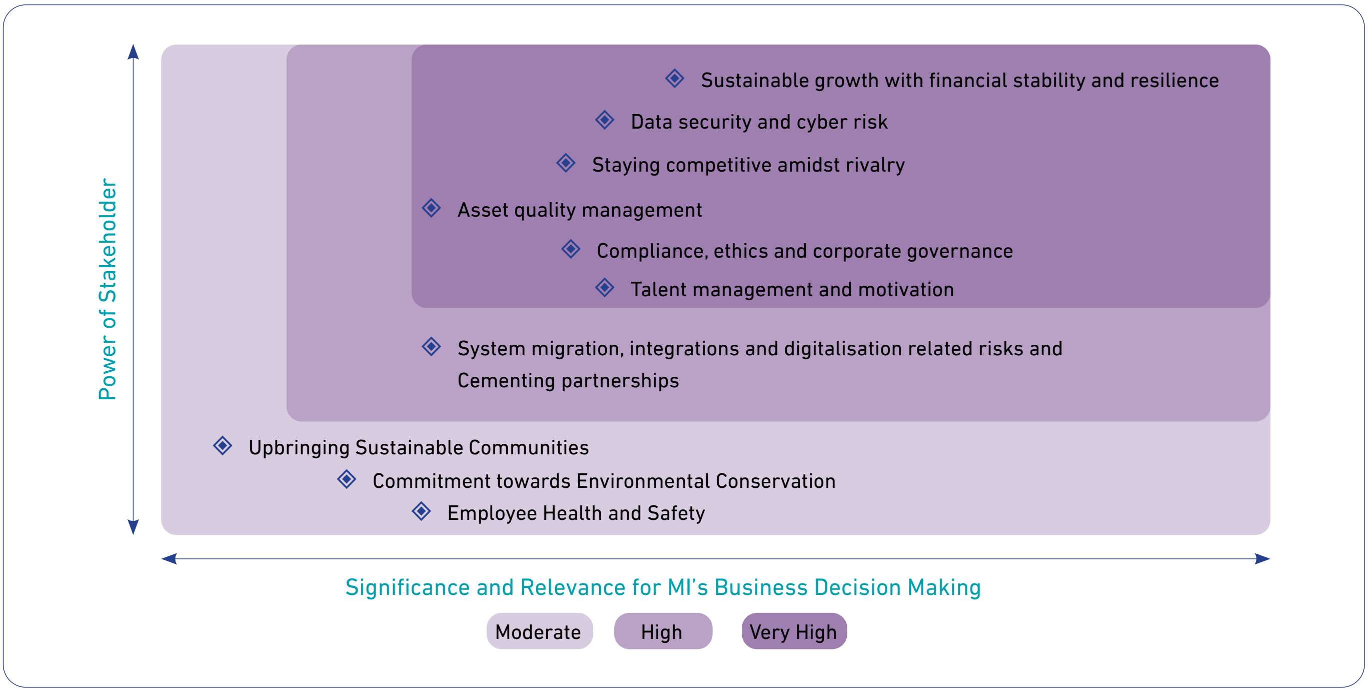
Our materiality assessment is fundamental to our sustainability strategy, providing a systematic framework to identify, prioritise, and address the Environmental, Social, and Governance (ESG) factors most relevant to our business operations and stakeholders. Through a rigorous analytical approach, we delve deep into the layers of our internal and external operational environments, engaging with diverse stakeholder groups including investors, customers, employees, suppliers, regulatory bodies, and community representatives. This comprehensive evaluation enables us to discern most critical issues that could significantly affect our organisation's ability to create, preserve, or erode economic, environmental, and social value for both our Company and its stakeholders.

Aligned with internationally-accepted frameworks such as the Global Reporting Initiative (GRI), Integrated Reporting framework (IR), and the United Nations Sustainable Development Goals (UNSDGs), our materiality assessment ensures that our sustainability initiatives and disclosures remain relevant, transparent, and forward-looking. The assessment methodology employs both quantitative and qualitative analysis techniques to evaluate the significance of each identified issue based on its potential business impact and importance to stakeholders. This strategic process not only guides MI's resource allocation and sustainability reporting in an efficient manner but also solidifies the risk management practices we deploy, innovation efforts, and long-term business strategy, ultimately supporting our commitment to creating sustainable value while addressing pressing challenges and topics of local and global importance.

Process of Materiality Assessment



Materiality Gauge Matrix



Detailed disclosures about the List of Material topics is made available in the 'Sustainable Value Creation' web content pages 9-21

MI's Value Creation Model in Action

Our Strategy

Amid the dynamic evolution of the financial services sector, MI's strategic priorities for the 2024/2025 financial year were carefully designed to harness emerging opportunities, fortify our competitive standing, and maintain operational resilience in a complex and dynamic environment. Drawing on the momentum of last year's disciplined approach, MI adeptly navigated market volatility by leveraging its strong capital foundation and robust liquidity reserves. This strategic agility enabled us to solidify our resilience while laying the groundwork for sustained, long-term growth.

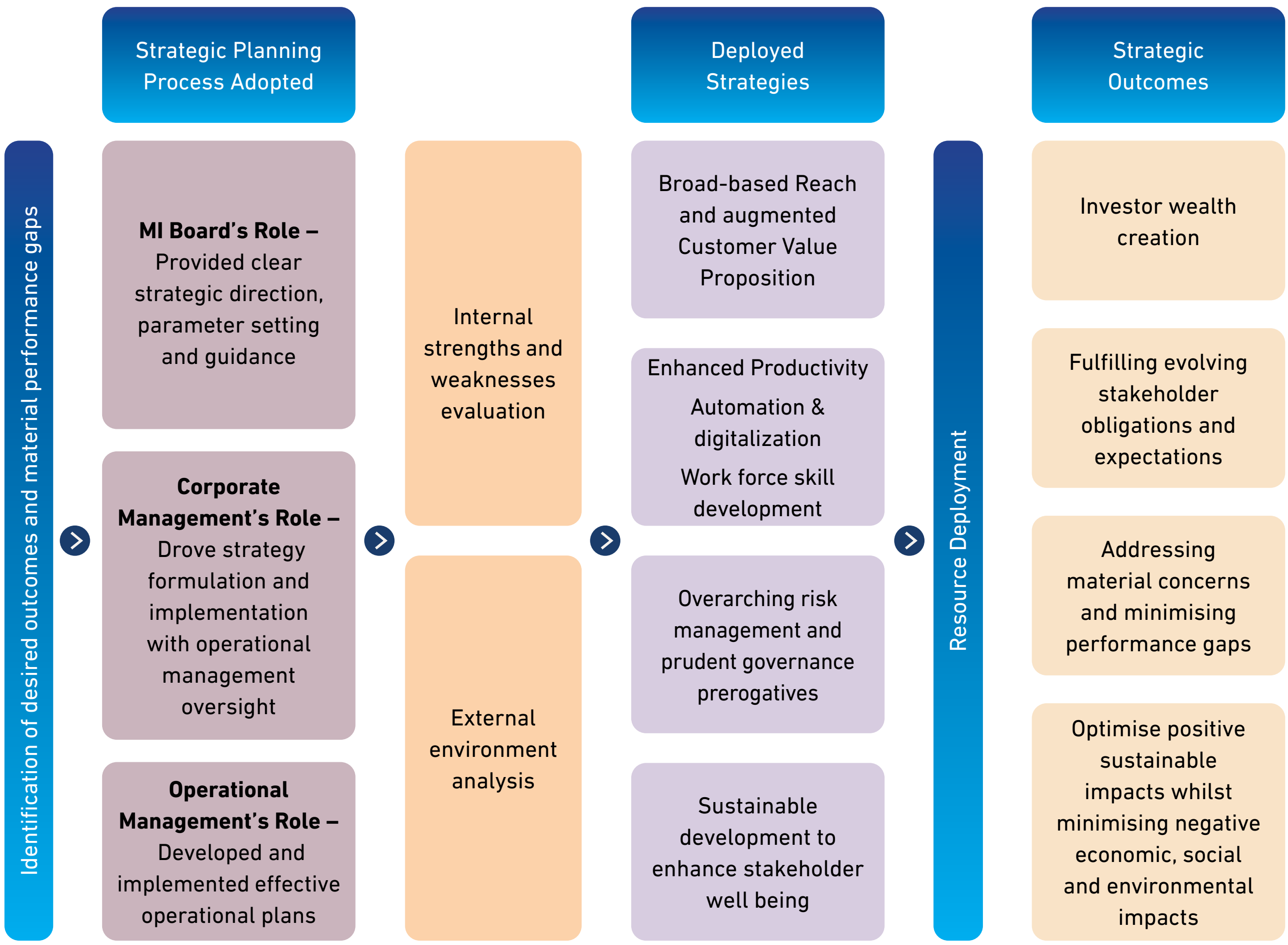
MI corporate strategy is anchored in a commitment to creating enduring value for all stakeholders, harmonizing the expectations of investors, clients, and the broader community. By capitalizing on our inherent strengths and proactively adapting to shifting market trends and client needs, MI is well-positioned to deliver sustainable value. Our rigorous annual strategy review ensures optimal resource allocation, amplifying our core competencies, mitigating vulnerabilities, and guiding strategic investments to enhance our operational ecosystem.

As the macroeconomic landscape in the non-banking financial institution (NBFI) sector strengthens with declining benchmark rates, robust credit portfolio growth, and persistent deflationary pressures from the beginning of 2024, MI strategically repositioned its operations to achieve sustained profitability. With Sri Lanka's economic recovery accelerating, evidenced by a robust 5.0% GDP expansion, MI enhanced its strategic framework, prioritizing risk-adjusted returns and capital optimization for stakeholders. Our forward-looking financial strategy for 2024/2025 is engineered to drive revenue and earnings growth by leveraging economic stabilization, capitalizing on sector-wide improvements in asset quality and liquidity metrics, and addressing evolving client demands within a dynamic financial ecosystem.

Our holistic growth strategy encompasses several key pillars: expanding into high-potential markets, enhancing client engagement through cutting-edge digital platforms, introducing innovative product offerings, and delivering exceptional, client-centric service. We have placed a strong emphasis on preserving asset quality, optimizing operational efficiency, and implementing disciplined cost management mechanisms to strengthen our financial performance. By aligning our efforts with short, medium, and long-term objectives, we ensure strategic coherence and adaptability in a dynamic market.

A cornerstone of MI's business model is our unwavering commitment to corporate responsibility, embedding sustainable practices that align with the broader interests of our stakeholders. By pursuing a purpose-driven strategy, MI continues to fulfill its role as a principled corporate leader, advancing toward ambitious goals that deliver meaningful impact.

The Strategy Formulation Path Set in Motion towards Envisaged Results



Internal Environment Review

Our Strengths	How We Leveraged
Over 60 years legacy	◈ Recorded highest ever Profit after Tax and shareholder funds through a sustainable grow trajectory, uplifting trust and confidence of our stakeholders, whilst surpassing Rs 70 billion total asset base. ◈ Our unparalleled and personalised customer service has positioned the MI brand as a trusted and enduring business partner since 1964. ◈ Leveraging the company's reputation as a top-tier brand to expand our business operations whilst attracting new and healthy customer base across the island ◈ Strengthening customer bonding and loyalty whilst maintaining solid over 85% deposit retention
Employee Proposition	◈ Possess 1,613 top skilled employees with adequate business acumen ◈ Over 25,000 hours extensive trainings offered ◈ 865 New recruitments with diverse knowledge ◈ Distribution of over Rs 2 billion towards employee benefits
Technology Integration	◈ Migration to the renowned Scienter e financials system aimed at enhancing overall productivity and operational efficiency ◈ Reinforcing our competitive position by delivering enhanced customer convenience through innovative and digital solutions
Strong Liquidity, Asset Quality & Capital Buffers	◈ Strengthening investor trust and confidence by maintaining a robust liquidity position throughout the year, whilst recording year-end liquidity ratio of 19.82% significantly exceeding the regulatory minimum requirement of 10%. ◈ Maintained "A" grade "Well Capitalized "status with strong capital adequacy ratios well above statutory minimums. ◈ Sustained strong asset quality by effectively reducing the NPL by 50%, reflecting prudent risk management and robust credit oversight practices
Network Development	◈ Expanded our market presence and reach broad basing our branch network with the addition of over 20 strategically located branches across the island, reflecting a 43% year-on-year growth
Sustainable Business Practices	◈ Advanced our sustainable financing agenda through the introduction of a diversified range of new product offerings tailored to the renewable energy, agriculture, smart irrigation, and socio-eco-friendly sectors reinforcing our commitment to inclusive and environmentally responsible growth

Focused Areas to Improve

Weaknesses Identified	Our Strategic Approach
Product dependency on Fixed deposit base	◈ Strengthened the savings portfolio by launching the 'Podiththo' minor savings product, strategically integrating it into the branch network and deploying dedicated product marketing personnel to drive outreach and engagement at the grassroots level
Managing Maturity mismatch	◈ Focused on long term bank and securitized borrowings whilst managing the funding cost ◈ Offering attractive rates for long term deposits
Functional autonomy among employees	◈ Cross functional engagement activities monitored through HR department

MI's Value Creation Model in Action

External Environment Review (PESTEEL Analysis)

Analytical Factor	Key Point	Impact to LFC	Our Approach
Political	Promising Political Leadership and Governance	The recent election of a reform-oriented government with a strong mandate for transparency and accountability has ushered in a more stable and predictable policy environment. This positive shift is bolstering investor confidence, reinforcing regulatory consistency, and creating a more enabling landscape for financial institutions to operate and grow with greater certainty.	In response to the improved political and economic stability, we have actively pursued growth through physical presence. Aggressive brand expansion demonstrates our confidence in the regulatory direction and our commitment to expanding access to financial services nationwide.
	Skill driven strategic appointments	Key government positions are now held by respected professionals with proven industry expertise. This trend indicates more informed and realistic decision-making processes, which contribute to better economic stewardship and more credible financial sector policies an encouraging sign for licensed finance companies navigating regulatory frameworks.	We already deployed a highly transparent business structure, which aligns seamlessly with the government's renewed focus on accountability and regulatory integrity. The revised 3 year strategic plan set forth competitive strategy to drive MI into the next phase.
	Easing of Vehicle Import Restrictions with Tax Implications	The government's move to ease vehicle import restrictions marks a notable increment in related credit segments such as vehicle leasing and consumer auto loans. However, the continuation of a high tax regime on imports tempers this benefit, limiting demand growth.	Strengthened strategic partnerships with importers and agents to effectively capitalize on the growing demand for unregistered vehicle financing, positioning the company to capture emerging market opportunities.
Economic	Monetary Policy Easing and Streamlining	Whilst the interest rates continued to decend throughout the year, with the introduction of a single policy rate, the Overnight Policy Rate (OPR) has simplified monetary policy signaling, allowing financial institutions to price loans and savings products more accurately.	In alignment with the evolving macroeconomic environment, we have recalibrated our product pricing models. This ensures our financial offerings remain competitive, sustainable, and responsive to both market and regulatory signals.
	Economic Recovery Driving Business Expansion	Sri Lanka's economy rebounded strongly in 2024 with a real GDP growth of 5.0% following two years of contraction. This macroeconomic recovery has created a favorable environment for business growth, credit demand, and new market opportunities for finance companies.	Capitalising emerging business opportunities, MI embarked on a journey toward steady and sustainable growth, strategically expanding market reach and diversifying its product offerings whilst recording highest ever Profit after Tax (PAT) of Rs. 1,074 million marking robust growth in loan book and deposit base.

Analytical Factor	Key Point	Impact to LFC	Our Approach
	Rupee Appreciation & Greater stability in foreign currency fluctuation	The Sri Lankan rupee appreciated by 10.7% in 2024, strengthening import affordability, particularly for vehicle and equipment financing, supporting relevant lending portfolios despite existing tax barriers.	
	Declining Inflation Creating Stability for Lending	Rapid decline in inflation from the astounding levels observed in the last two years eventually led to a deflation of 2.6% by March 2025, curbing the pressure on overhead cost escalation and easing somewhat individual's disposable income levels,	
	Rising Per Capita Income Increasing Consumer Capacity	Sri Lanka's per capita income rose in 2024, reflecting a boost in household purchasing power and disposable income. This trend supports increased demand for personal finance, savings, and investment products.	
Social	Stable Cost of Living Supporting Financial Predictability	Despite global uncertainties, the cost of living in Sri Lanka recorded only a marginal increase in 2024, as indicated by the annual average change in the Consumer Price Index (CPI).	As a long standing and responsible corporate citizen, we continued to extend our financial assistance to low income earners through our micro finance arm, Gold Operation and sustainable financing products while empowering women entrepreneurship.
	Rising Nominal Wages Enhancing Credit Affordability	Rise in income levels positively influenced borrowers' repayment capacity and broadened the scope for expanding retail credit products, including personal loans and savings instruments.	To address shifts in demographic trends and income dynamics, we expanded our branch network and strengthened our frontline staff with highly capable professionals. Whilst expanding our reach, we have broad-based our customer base by delivering a more personalized and seamless customer experience.
	Declining Population Impacting Market Potential	Sri Lanka's mid-year population declined by 0.5% in 2024. This demographic contraction could gradually reduce the size of the potential customer base for financial products, particularly in rural and aging segments, requiring companies to adapt with more targeted, customer-specific offerings.	

MI's Value Creation Model in Action

Analytical Factor	Key Point	Impact to LFC	Our Approach
Technological	Increased Exposure to Cybersecurity Risks	With greater reliance on digital platforms and online transactions, system vulnerabilities have become more pronounced, exposing financial institutions to heightened cyber threats.	To enhance system reliability and ensure compliance with evolving technological standards, we have fully migrated to an industry-accepted core operating system. This migration supports seamless integration, data security, and improved service delivery across all branches. We have set forth high-grade firewall systems and cybersecurity protocols to safeguard against increasing cyber threats and ensure robust data protection.
	Emergence of AI-Driven Business Models	The rapid advancement of artificial intelligence (AI) has introduced new possibilities for automation, customer behavior analysis, credit scoring, and fraud detection. These AI-driven models can significantly enhance operational efficiency and decision-making processes within the finance sector.	We have fully digitalized our lending disbursement process, enabling faster turnaround times and a more efficient customer experience.
	Real-Time, Remote Work Technologies	Innovations supporting remote work environments, such as cloud-based systems and real-time collaboration tools, have become more widespread.	Recognizing the critical role of technology in financial services, we invested Rs. 89 million during the year in maintaining and upgrading all computer-related infrastructure.
	Digitally Literate Consumers and Workforce Driving Transformation	The growing digital literacy among both consumers and employees presents a strong opportunity for finance companies to digitize their processes, enhancing overall service efficiency and customer satisfaction.	
Ethical	Regulatory Emphasis on Consumer Protection	Regulatory frameworks have been strengthened towards customer protection, responsible lending, and ethical debt collection, demanding for ethical and transparent business practices.	We maintain a highly transparent operational structure across all aspects of our business, ensuring that customers, regulators, and stakeholders have clear visibility into our processes.

Analytical Factor	Key Point	Impact to LFC	Our Approach
	ESG and Ethical Governance Integration	Demand for embedding Environmental, Social, and Governance (ESG) principles into business models.	Whilst embedding strategic corporate sustainability into our business model, we have ensured that our lending and operational practices are guided by principles of fairness, accountability, and aligned with the long-term well-being of our clients.
Environment	Growing Demand for Green Lending	The demand for environmentally sustainable financing continues to rise with financing for renewable energy projects, energy-efficient transportation, and environmentally responsible business practices—positioning finance companies as key enablers in the transition toward a low-carbon, sustainable economy.	As part of our commitment to environmental sustainability, we have introduced solar financing products to support the transition to renewable energy. Our green lending portfolio has reached Rs. 5.9 Bn, reinforcing our role in promoting eco-friendly investments and sustainable development
	National Commitment Through 'Clean Sri Lanka' Initiatives	"Clean Sri Lanka" project which reflect, the country's growing national commitment to environmental cleanliness has created opportunities for finance companies to participate in or fund programs that contribute to public environmental welfare and enhance their ESG credentials.	Whilst being conscious of environmental conservation, we have proactively reduced our paper usage and waste, through greater automation of internal processors.
Legal	New CBSL Guidelines and other regulatory amendments	Infusion of stream of regulatory and tax changes will have varying impacts to the business community.	Ensured MI's compliance to various regulatory requirements and made plans for adopting applicable sections in future through close monitoring and feedback. Implemented new policies and procedures and conducted training to adhere to evolving regulatory requirements and industry best practices

Detailed disclosures about the external environment review is made available in the 'Sustainable Value Creation' web content pages 25-52

MI's Value Creation Model in Action

Strategy Actioned

Overall Objectives -

	Short Term Target		Medium Term Objective			Long Term Goals	
	Net Interest Margin (NIM) > 8%	Cost to Income Ratio < 80%	Asset Quality (NPL) < 10%	Net Profit After Tax > 500 Million	Growth in Customer Base > 15%	Market Share > 3%	Asset Base > 10%
FY 24/25	11.87%	75.61%	4.91%	Rs. 1,075	18.51%	3.39%	33.26%
Past 3 Year Average	9.04%	87.20%	9.70%	Rs. 558	19.50%	2.94%	8.56%

Core Strategy 01- Augmenting and Enhancing the Customer Value Proposition

During the 2024/2025 financial year, Mercantile Investments & Finance PLC remained resolutely committed to enhancing client value, strategically tailoring its financial solutions to meet the dynamic needs and expectations of its clientele in a revitalized economic landscape. Expansion of the product portfolio occurred through scaling Gold Loan operations across the branch network by offering services in 64 locations, complemented by innovative product differentiation to strengthen market positioning. Product mix diversification was bolstered by the introduction of a "Sustainable Finance" product suit that included Solar Loans, EV backed lending and agriculture equipment funding that commensurate the 60 year celebration held on 14th June 2024. Strategic growth was propelled by the addition of 22 new branches, significantly amplifying MI's market reach and brand visibility nationwide. Targeted investments in cutting-edge technology enhanced operational efficiency, delivering seamless, client-centric solutions that drive convenience, underpin sustainable profitability, and cultivate long-term client loyalty.

KPI Achievement status

	Actual FY 24/25	Planned FY 24/25	Past FY 23/24
Portfolio Growth			
- Lending	43%	> 25%	13%
- Deposits	18%	> 15%	16%
Growth in Total Customer Base	> 160,000	>150,000	>135,000
New Branches opened/ Expansions	22	26	08

Core Strategy 02- Driving Productivity and Cost Optimisation Prerogatives

Guided by the strategic pillars of "Prudent Growth and "Operational Excellence" the 2024/2025 financial year prioritized transformative efficiency through innovative cost optimization and productivity advancements. Emphasis was placed on cultivating a streamlined, agile operational framework to navigate cost pressures, while leveraging cutting-edge technological solutions to elevate performance. To bolster workforce productivity, substantial investments were directed toward professional development and robust talent retention initiatives, complemented by the adoption of versatile, cross-functional strategies to effectively mitigate risks associated with employee turnover.

KPI Achievement status

	Actual FY 24/25	Planned FY 24/25	Past FY 23/24
Return on Assets	1.73%	> 1%	1.10%
Cost to Income Ratio	75.61%	< 80%	85%
Training Hours Per Employee	6.16 hours	> 5 hours	11 hours

Core Strategy 03- Robust risk management and governance prerogatives

In a highly volatile and complex operating landscape, robust risk management and governance remain pivotal to ensuring organizational resilience, stability, and forward-looking adaptability. In keeping to the Corporate Governance Direction, the compliance and risk function was further streamlined with the appointment of two separate officials from 1st July 2024 to effect broad-based best practices to enhance risk oversight and adopt strong compliance over core governance practices. Accordingly risk mitigation took a proactive approach adopting sophisticated techniques, encompassing comprehensive stress testing analysis, continuous monitoring, and risk appetitive recommendations to address emerging risks. Regular, multidimensional risk assessments were prioritized, with particular focus on navigating the evolving challenges of interest rate volatility and credit risk, given their significant impact on financial performance. The risk matrix and register were refined to implement more rigorous controls within the business model, safeguarding loan portfolio quality and protecting net interest margins from undue erosion. These strategic measures effectively curtailed rising credit risk, maintaining non-performing advances product wise and asset category wise managed based on respective category risk including sector risks. This enhanced net interest margins, thereby reinforcing resilience against prevailing macroeconomic headwinds.

KPI Achievement status

	Actual FY 24/25	Planned FY 24/25	Past FY 23/24
New initiatives on risk management	10	8	8
One year maturity mismatch	Rs. 0.4 Billion	Rs. < 4 Billion	Rs. 4.9 Billion
NPL ratio	4.91%	< 10%	9.81%

Core strategy 04- Upholding the aspired sustainability pledge for societal well-being

The commitment to sustainability remained resolute throughout the 2024/2025 financial year, with a steadfast focus on integrating responsible business practices to address economic volatility, community challenges, and broader Environmental, Social, and Governance (ESG) imperatives. As an established financial institution, stakeholder trust and confidence were reinforced through the adoption of sustainable strategies and the cultivation of a distinctive corporate ethos rooted in voluntary, impact-driven initiatives. Emphasis was placed on advancing financial inclusion, particularly for underserved populations, to empower communities and enhance livelihoods, thereby aligning operational objectives with long-term societal and environmental benefits.

KPI Achievement status

	Actual FY 24/25	Planned FY 24/25	Past FY 23/24
Green Lending	Rs. 5.9 Billion	Rs. > 3 Billion	Rs. 3.5 Billion

Detailed disclosures about the strategy deployed is made available in the 'Sustainable Value Creation' web content pages 53-65

MI's Value Creation Model in Action

Resource Allocation at MI

Strategic resource allocation has remained fundamental to MI's operational excellence, underscoring our dedication to sound management and long-term sustainable growth. During the year, we have strategically prioritized our resource allocation to support the expansion of our branch network and 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 responsible stewards of shareholder value, we have upheld a disciplined resource allocation strategy, carefully balancing near-term priorities with long-term sustainability, to ensure the delivery of sustained, optimal returns for our stakeholders.

Business Activities Affected		Funding	Customer Intelligence, Product Design and Innovations	Evaluation and Execution	Collections	After Sales Support	Customer Relationship Management	Support Services
Business Lines	Lending	Critical	Critical	Critical	Critical	Critical	Critical	Moderate
	Investments	Moderate	Not Significant	Critical	Moderate	Moderate	Moderate	Moderate
	Deposits Mobilisation	Moderate	Critical	Moderate	Critical	Critical	Critical	Moderate
	Other Ancillary Business	Moderate	Moderate	Moderate	Critical	Critical	Critical	Moderate
Key Resources Mobilised	Financial Wealth	Critical	Critical	Critical	Critical	Moderate	Moderate	Moderate
	Human Strength	Moderate	Critical	Critical	Critical	Moderate	Moderate	Moderate
	Alliances	Critical	Moderate	Critical	Critical	Critical	Critical	Moderate
	Infrastructure	Moderate	Moderate	Critical	Moderate	Moderate	Moderate	Moderate
	Intellect	Critical	Critical	Critical	Moderate	Not Significant	Critical	Moderate
	Nature	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate

Critical Moderate Not Significant

Capital Management Process

Capital Management process that drives Stakeholder Value

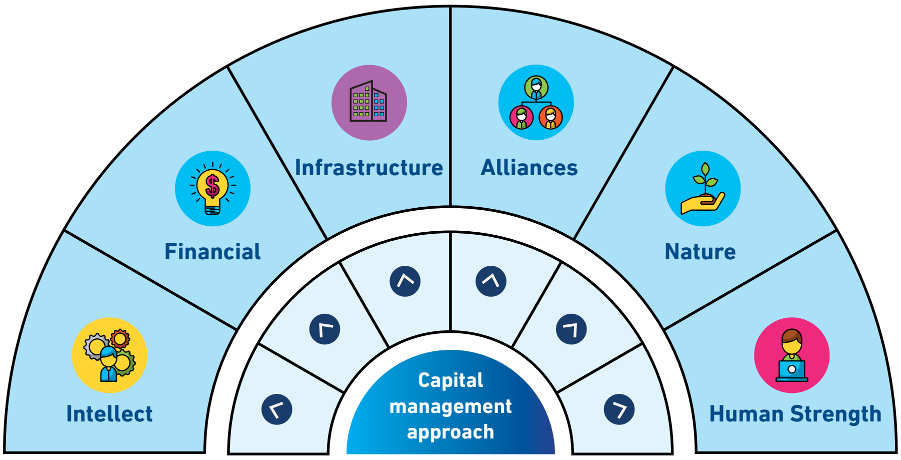
At the heart of MI's value creation strategy lies a disciplined and integrated approach to capital management ensuring prudent stewardship of the company's diverse resources. These resources, collectively referred to as Capitals, encompass both tangible and intangible assets, including financial capital, human capital, intellectual capital, natural capital, social & relationship capital, and manufactured capital.

The year 2024/25 marked a period of strategic transformation and resilience, during which MI effectively harnessed its alliances, intellectual assets, infrastructure, human talent, and natural and financial resources to drive sustainable growth. This multifaceted use of capitals enabled the organization to exceed stakeholder expectations, even in a challenging and fast-evolving industry landscape. MI's capital management framework is designed to be dynamic and responsive, recognizing that these capitals may increase, diminish, or transform depending on internal goals and external conditions. The company emphasizes careful planning to minimize risks and trade-offs, ensuring a well-balanced and sustainable approach to long-term value creation.

As part of its broader commitment to corporate sustainability, MI integrates comprehensive and strategic thinking into its governance and operations. This allows the Board and management to optimize resource allocation across the short, medium, and long term delivering consistent, resilient, and lasting returns. MI also maintains a deep sense of environmental and social responsibility. The organization actively contributes to sustainable development through its operations, partnerships, and community engagements. This ethical foundation reinforces MI's role as a responsible corporate citizen.

In an industry characterized by volatility and rapid transformation, MI's well-diversified capital base has served as a critical pillar of resilience, enabling the organization to navigate challenges with stability and agility. By leveraging these capitals, MI recorded impressive growth in profitability and asset base whilst delivering positive impacts to the broader economy, society, and environment. This achievement underscores MI's enduring commitment to investors, employees, customers, business partners, and all other stakeholders, a commitment that drives the company's growth, innovation, and sustainability.

Capital management approach



Below is a representation of a structured plan MI has a developed to bolster efficient resource utilization in its value creation strategy. It strives to identify any gaps in the allocation and management of resources and thereby ensures that the returns are maximized. This systematic process is crucial to preserve these valuable resources to future generations. It facilitates the company's growth ambitions without compromising on the positive impact on society through promoting responsible stewardship of resources.

Capital Sourcing
- Major stakeholder
- Resource management
- Credit rating
- Brand management

Capital Development and Trade offs
- Cost benefit assessment
- Resource distribution
- System developments
- Innovative solutions
- Operational excellence

Capital Preservation
- Governance, ethics & culture
- Risk management
- Statutory Audits
- Stakeholder mapping

Financial Wealth

Anchored by a resilient capital base, backed by sound asset quality, strong liquidity, and a solid regulatory capital position, our Financial Wealth stands as a catalyst for structured and transformative growth. Together, these pillars amplify the credibility and endurance of the business model, empowering MI to pursue its structured growth agenda and long-term value creation with confidence, clarity, and visionary purpose.

In a year marked by transformation and opportunity, Mercantile Investments and Finance PLC (MI) soared to new heights, achieving a record-breaking Profit After Tax (PAT) of Rs. 1.07 billion, an achievement epitomising MI's unwavering commitment towards bold vision, enduring resilience, and disciplined execution in steering purposeful growth amid Sri Lanka's economic resurgence. Propelled by a solid capital base reaching Rs. 13.83 billion and underpinned by impeccable asset quality, this performance reflects MI's strategic foresight, operational excellence, and ability to harness its core competencies towards a sustainable growth trajectory, in a highly-competitive financial landscape.

The evolving economic environment provided vital uplift for MI's structured ascent. The Average Weighted Prime Lending Rate (AWPLR) recorded a notable decline in the first half of 2024, largely driven by the Central Bank of Sri Lanka's (CBSL) accommodative monetary policy stance which stabilised market interest rates, reduced borrowing costs, and improved credit conditions across the economy. MI adeptly harnessed these tailwinds to accelerate growth and expanded its lending portfolio, improved net interest margins, and strengthened cash flow generation while maintaining rigorous cost discipline and executing prudent asset-liability strategies. These calibrated initiatives enabled MI to transcend market constraints through scalable, strategy-led operations, achieving exceptional operational efficiency and fortified financial strength. Moreover, a steadfast focus on robust risk management and a prudent proactive governance style fortified MI's balance sheet strength further in a shifting economic terrain.

Noteworthy Accomplishments

Sustainable Business Growth Trajectory

- NPAT – Rs. 1.07 Bn
- Lending portfolio growth – 43%
- Deposit base growth – 18%
- Total Assets growth – 33%
- Shareholder funds growth 14%

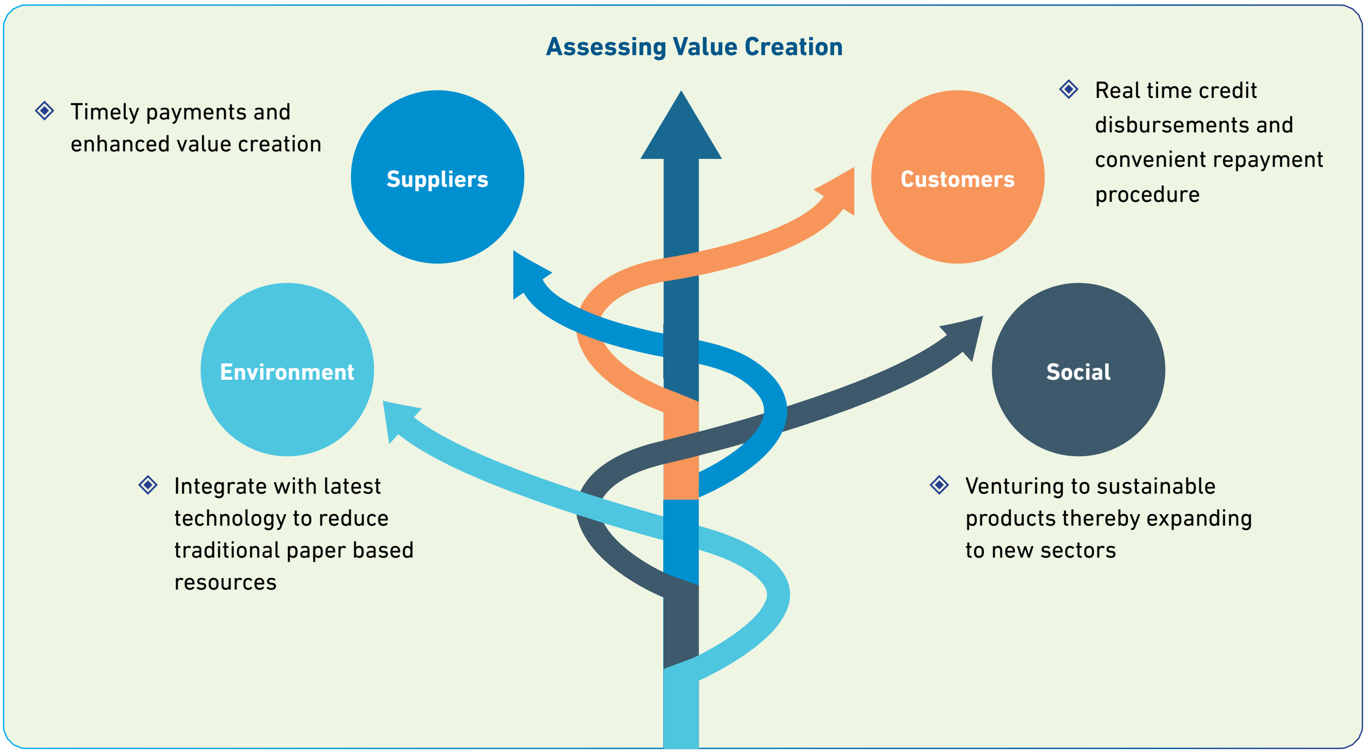
Strong Liquidity and Capital Adequacy Position

- Capital Adequacy Tier I – 15.6%
- Capital Adequacy Tier II – 17.27%
- NPL – 4.91%
- Liquidity Ratio – 19.82%

Robust Investor Returns

- Dividends Paid – Rs. 75.15 Mn
- Net Assets per Share – Rs. 4,603
- ROE – 8.27%
- EPS – Rs. 357.51

Detailed disclosures about Financial Wealth Creation is made available in our website.



Capital Interdependency with underlying Strategy

Capital	Short Term	Medium Term	Strategy Map
Alliances	Creating New business partnerships	Transparent alliance practices and lasting bonds for mutual benefits	◈ Revenue optimization with ease of access for valued clientele ◈ Adoption of emerging and trending digital facilities ◈ Reaching new heights with maximized Asset base
Human	Maximization of Monetary benefits	Strengthened employee value proposition	
Infrastructure	Wider accessibility through branch network	Digitalized payment and settlements	
Intellectual	Upgrade of new processers adopting latest technology	Financial solidity with enhanced brand image	
Nature	Reduction of waste through adoption of new financial infrastructure	Sustainable product enhancement	

Future Set forth

Short Term

Further expansion of lending and deposit base

Improvement in Yield, Spread and NIM

Medium Term

Maintain adequate capital and liquidity buffers

Improvement in Credit Rating

Asset base growth with sustainable portfolio

Long Term

Achievement of higher market share

Advancement of market capitalization

Financial Wealth

Structured for Growth, Built on Accumulated Financial Strength

MI is strategically positioned to build on this momentum and continue its journey of structured, sustainable elevation whilst focusing on expanding its leasing and gold-backed lending portfolios, diversifying non-interest income streams, and leading digital transformation efforts, in delivering long-term stakeholder value and pioneering a future of resilient, structured growth.

	2025	2024	Change
Total Assets (Rs. Mn)	**70,934**	53,231	33%
Capital Base (Rs. Mn)	**13,837**	12,165	14%
Net Lending Portfolio (Rs. Mn)	**53,073**	36,995	43%
NPAT (Rs. Mn)	**1,075**	556	93%
NPL	**4.91%**	9.81%	4.9%

Financial Management Drivers Exhibited

In a stabilising economic landscape characterised by rigorous fiscal and monetary policies with single-digit interest rates, MI remained firmly committed to steering towards structured growth, through a well-disciplined financial management strategy anchored on three core pillars, embracing a forward-looking and resilient approach. This structured discipline underscores the Company's ability to rise above market constraints, adapt swiftly to evolving conditions, and deliver enduring value to its stakeholders.

- Sustainable Revenue Growth
- Efficient Treasury Operations
- Cost Optimisation

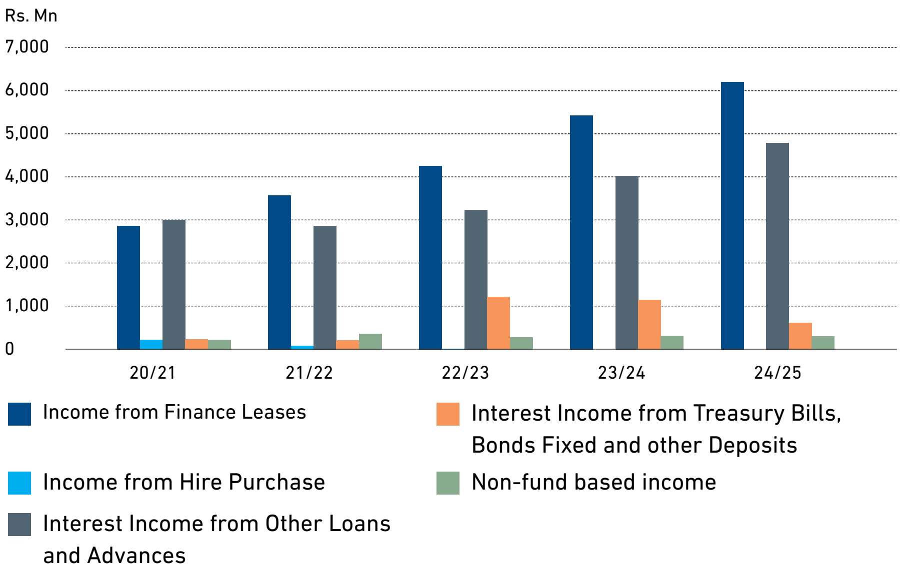
Sustainable Revenue Growth

As the economy embarked on a path of recovery and growth, we strategically expanded the branch footprint and product offerings to capitalise on evolving business opportunities, targeting sustainable revenue growth. Despite the persistent decline in interest rates, MI demonstrated strong revenue resilience, marking 9% growth in gross revenue, supported by disciplined lending expansion, improved margins, and product diversification that reflect MI's structured approach to sustainable growth and ability to consistently outperform in a competitive financial services landscape.

While credit demand remained subdued in the first half of the year, MI capitalised on improving market sentiment in the latter half by accelerating disbursements in its Gold Loan segment and rolling out targeted leasing solutions. A notable strategic development was the introduction of sustainable finance lending products, aligning the Company's portfolio with evolving ESG imperatives and positioning MI for future.

To support topline performance, MI executed the highest branch network expansion in the industry, a 43% broad basing of its branch footprint, reaching 73 strategic locations. This network growth, coupled with an omni-channel digital presence, enabled broader customer acquisition and deeper credit penetration across high potential regions. As policy rates trended downward, MI meticulously managed pricing strategies to balance affordability and profitability, prioritising high-yield, medium- to long-term products to secure repricing advantages while effectively controlling funding costs. Overall, these strategic efforts enabled us to record a remarkable milestone in the bottom line as well, underscoring MI's capacity to adapt to shifting monetary conditions, manage risk prudently, and sustain long-term value creation for stakeholders.

Revenue Performance Trajectory



Treasury Operations

In an easing monetary policy environment characterised by declining policy rates, MI effectively minimised funding costs while maintaining an impeccable liquidity profile and robust contingency funding mechanisms. Treasury operations were strategically calibrated to optimise short-term deposit mobilisation, enabling the Company to reprice deposits downward in line with falling rates. Moreover, to support the expanding loan book, the Company resorted to bank funding and securitised borrowings, whilst managing the maturity profile of assets and liabilities. This disciplined approach strengthened operational efficiency and prudent capital allocation, reinforcing MI's financial resilience and capacity for sustained value creation, whilst optimising its maturity profile.

As credit disbursements reached historically high levels during this financial year, with branch expansions and MI's growth momentum, the Treasury team effectively managed the increased funding requirements by mobilising Rs. 10.6 billion in longer-term borrowings and maintaining Rs. 2.5 billion in unutilised funding lines, sustaining a robust liquidity safety net with a liquidity ratio of 19.82%, well above the regulatory minimum of 10%. MI's strategic focus on deposit repricing and diversified funding sources allowed us to harness the benefits of declining policy rates, successfully preserving net interest margins above the threshold of 9%. Despite industry-wide challenges to maintain the optimal blend of funding to bridge the mismatches, MI's proactive funding strategy ensured a balanced asset-liability maturity profile, uplifting trust and confidence of our stakeholders.

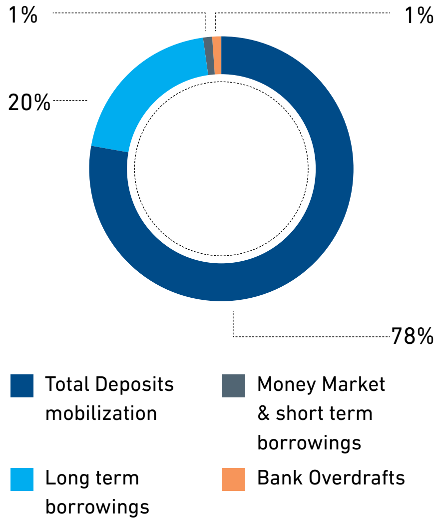
Treasury Management Priorities

Treasury Management Priorities	Target	Actual	Status
Generate sound investment yields and optimise funding costs to maintain acceptable NIMs	> 9%	11.87%	Achieved
Maintain optimum liquidity levels while bridging maturity mismatches	Strong liquidity level > Staying above minimum requirement of 10%	19.82%	Achieved
	1 year assets and liabilities mismatch < Staying below threshold level of Rs. 4 Bn across the year	Rs. 0.4 Bn.	Achieved
	Maintain a minimum contingency fund of Rs. 2 Bn.	Rs. 2.8 Bn.	Achieved

Funding Mix

We strategically maintained a balanced blend of deposits and borrowings to optimise funding costs, while carefully managing asset-liability maturity gaps to ensure financial stability and operational efficiency. The deposits business remained the primary contributor to the funding mix, accounting for 78% of total funding. During the year, we strategically raised bank and securitised borrowings, both long and short term, to 22% of the funding mix, up from 7% in the previous year, leveraging attractive capital market terms to diversify funding sources and enhance financial agility. This recalibration of the funding mix was undertaken to align with assets and liability management objectives, and support rapid lending growth. By optimising maturity profiles and strengthening financial resilience, the Company positioned itself to navigate evolving market conditions while preserving long-term value creation.

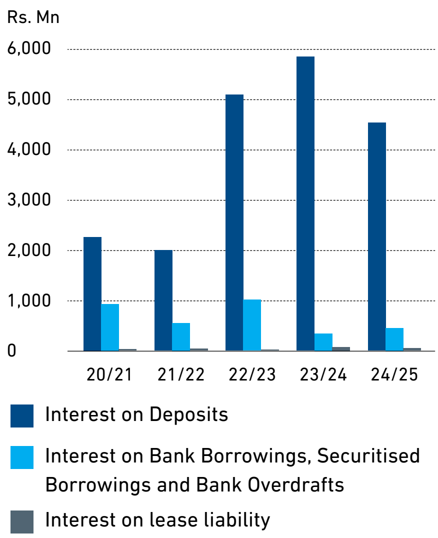
Funding Mix 2024/25



Funding Cost

MI effectively leveraged the declining interest rate environment, achieving an 18% reduction in interest expenses, despite 18% growth in total deposits and 334% growth in bank and securitized borrowings secured in the latter part of the year. The average cost of funds dropped by 4.45% in the current financial year, reflecting successful strategic reprising of fixed deposits relatively backed by the shorter tenor deposit base possessed. However, interest expenses on bank borrowings rose by 34% to Rs. 609 million, driven by a deliberate shift toward longer-term funding to enhance financial flexibility.

Interest Expenses



Financial Wealth

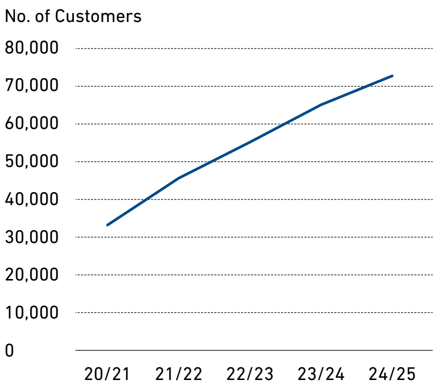
Deposit Funding

Deposit mobilization gained strong momentum, with the deposit base rising by an impressive 18% to reach Rs. 42.8 billion, outpacing the industry average. This noteworthy growth was fuelled by the strategic expansion of MI's branch network and focused marketing efforts, which not only broadened the Company's reach but also deepened customer engagement and reinforced its brand image and loyalty.

Fixed Deposits

MI's steadfast focus on mobilising Fixed Deposits, being the core deposit product, remained a cornerstone of our strategy, contributing 99% to the total deposit base. Even amidst a challenging environment of declining market interest rates, we achieved an impressive 18% growth, with Fixed Deposits rising to Rs. 42.5 billion, driven by competitive rates and enhanced service delivery across the branch network. Branch-level efforts contributed 37% to fixed deposit net growth and 38% to the overall portfolio increase, while the Head Office remained the largest contributor to growth. With the ongoing decentralisation efforts, coupled with progressive upgrades to IT infrastructure, the Company expects to further enhance customer convenience, strengthen deposit retention, and support sustainable growth in the deposit portfolio.

Number of Depositors

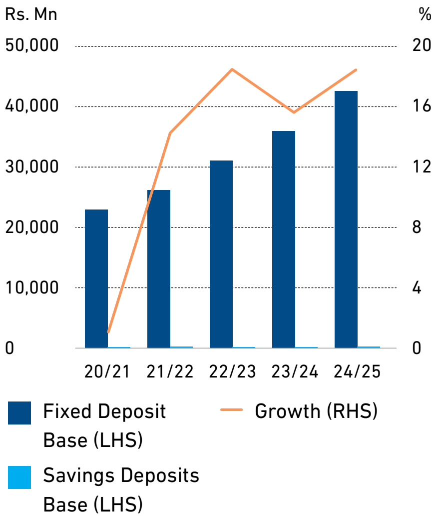


Savings Deposits

The savings base grew by 8%, from Rs. 218 million to Rs. 236 million, driven by strengthened branch-level mobilisation. A key contributor to this growth was the successful reintroduction of the minor savings product 'Podiththo,' which played a pivotal role in broadening the retail deposit portfolio. This initiative not only strengthened customer engagement at grass-root levels but also reinforced the commitment to fostering long-term savings habits across diverse demographic segments.

With a vision to further strengthen and diversify the retail deposit base, the Company is poised to launch innovative e-wallet solutions, introduce debit card services, and enhance digital banking capabilities, empowering customers with greater convenience, accessibility, and a seamless financial experience in the digital age.

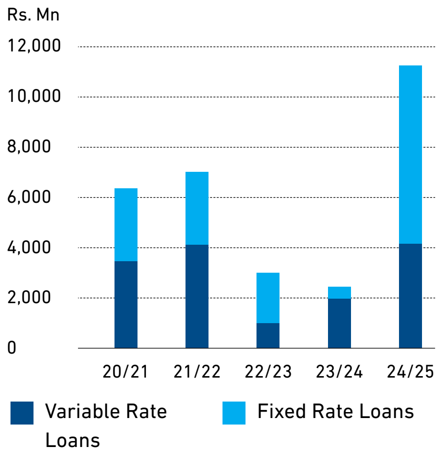
Deposit Mix and Growth



Borrowings and Debt Funding

Bank and securitised borrowings surged by 334% to Rs. 12 billion from Rs. 2.7 billion, reflecting a strategic effort to optimise the funding structure. This shift was guided by three key objectives: securing cost-effective, long-term funding to support increased lending growth; diversifying the funding base to reduce concentration risk; and improving Asset-Liability Management (ALM) by aligning funding maturities with lending tenor. Despite this growth, borrowings remain at an optimally balanced level of 22% of the total funding mix, demonstrating prudent leverage and preserving future funding flexibility. This approach enhances MI's resilience, mitigates maturity mismatches, and supports long-term stability and scalability in evolving macroeconomic conditions.

Total Borrowings Analysis (Fixed Rate Vs Variable Rate)



Cost Optimisation

In the face of persistent cost pressures, MI demonstrated robust cost discipline, placing cost optimisation at the forefront of its operations. Despite the scale of MI's operational expansion, overhead cost growth was effectively managed through streamlined processes, redundancy elimination, and disciplined resource allocation including redevelopment when excess, guided by a dedicated Cost Optimisation Committee. These efforts drove enterprise-wide accountability, leading to a gradual improvement in the cost-to-income ratio and reinforcing MI's commitment to operational excellence and ability to grow smartly, efficiently, and sustainably.

Financial Performance of FY 2024/25

Horizontal Synopsis of Income Statement

	CAGR	2025		2024		2023	
		Rs.	Y-O-Y Variance	Rs.	Y-O-Y Variance	Rs.	Y-O-Y Variance
Gross Income	10%	**11,952**	**9%**	10,949	21%	9,036	27%
Interest Income	10%	**11,643**	**10%**	10,628	21%	8,750	29%
Interest Expense	-5%	**(5,257)**	**-18%**	(6,442)	5%	(6,135)	-337%
Net Interest Income	35%	**6,387**	**53%**	4,187	60%	2,615	-37%
Fee and Commission income	7%	**93**	**22%**	76	0%	76	12%
Other Operating Income	1%	**216**	**-12%**	245	16%	210	-30%
Total Operating Income	32%	**6,695**	**49%**	4,507	55%	2,901	-36%
Impairment (Charge)/Reversal for Loan Losses	-7%	**225**	**2,740%**	(8)	-97%	276	87%
Net Operating income	27%	**6,471**	**44%**	4,499	42%	3,177	-32%
Total Operating Expenses	17%	**(4,325)**	**32%**	(3,272)	20%	(2,732)	-200%
Operating Profit Before Vat on Financial Services	69%	**2,146**	**75%**	1,227	176%	445	-77%
VAT on Financial Services	31%	**(738)**	**32%**	(560)	69%	(332)	-167%
Profit After VAT	132%	**1,408**	**111%**	668	489%	113	-92%
Share of Associate Company's Profit	118%	**199**	**31%**	152	684%	19	673%
Net Profit Before Tax	130%	**1,607**	**96%**	820	517%	133	-91%
Income Tax	171%	**(533)**	**102%**	(264)	886%	(27)	-106%
Net Profit After Tax	116%	**1,075**	**93%**	556	424%	106	-90%

Mercantile Investments and Finance PLC's performance in FY 2024/'25 highlights the strength of its structured growth strategy, with robust year-on-year improvements across all key financial indicators. Compared to the previous year, gross income rose by 9%, while net interest income surged by 53%, driven by repricing led by an 18% reduction in interest expenses. Operating profit before VAT increased by an impressive 75%, and profit after tax scored up impressively by 93%, reflecting stronger core net revenue, tighter cost controls, and improved asset quality including a reversal of impairment charges. With total operating income growing 49% year-on-year, outpacing a 32% rise in expenses, the Company's financial performance signals not only shorter horizon growth, but strategic and sustainable wealth creation acceleration.

MI made significant strides over the past year, boosting profitability, efficiency, and resilience. With this momentum, the Company is well-poised to sustain growth, enhance shareholder value, and deliver long-term stakeholder benefits through strategic focus and strong governance. The cumulative average growth rate (CAGR) for the fiscal years 2023–2025 reflects impressive financial performance, with net interest income growing at 35%, profit after VAT at 132%, and profit after tax at 116%, underscoring the Company's consistent and commendable financial achievements for the period under review.

Financial Wealth

Vertical Synopsis of Income Statement

	2025		2024	
	Rs.	**Composition**	**Rs.**	**Composition**
Gross Income	**11,952**	**100%**	10,949	100%
Interest Income	**11,643**	**97%**	10,628	97%
Interest Expense	**(5,257)**	**44%**	(6,442)	59%
Net Interest Income	**6,387**	**53%**	4,187	38%
Fee and Commission income	**93**	**1%**	76	1%
Other Operating Income	**216**	**2%**	245	2%
Total Operating Income	**6,695**	**56%**	4,507	41%
Impairment (Charge)/ Reversal for Loan Losses	**225**	**2%**	(8)	0%
Net Operating income	**6,471**	**54%**	4,499	41%
Total Operating Expenses	**(4,325)**	**36%**	(3,272)	30%
Operating Profit Before Vat on Financial Services	**2,146**	**18%**	1,227	11%
VAT on Financial Services	**(738)**	**6%**	(560)	5%
Profit After VAT	**1,408**	**12%**	668	6%
Share of Associate Company's Profit	**199**	**2%**	152	1%
Net Profit Before Tax	**1,607**	**13%**	820	7%
Income Tax	**(533)**	**4%**	(264)	2%
Net Profit After Tax	**1,075**	**9%**	556	5%

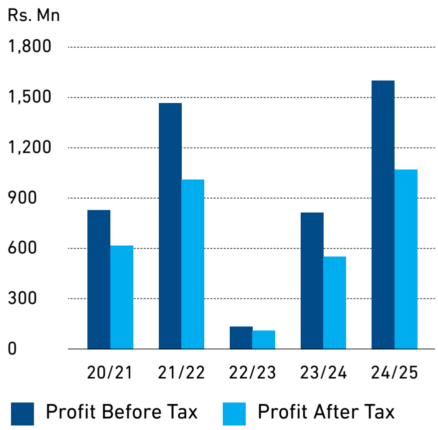
The vertical analysis underscores Mercantile Investments' disciplined financial framework, reflecting its prudent cost control and balanced strategy. Interest income remained stable at 97% of gross income, while interest expenses declined to 44%, illustrating effective financial management. As a result, net interest income composition rose to 53% of gross income, up from 38% last year, demonstrating significant margin escalation through strategic repricing gains and portfolio optimisation. Operating income represented 56% of gross income and profit after tax remained strong at 9% in relation to gross income, indicating efficient income-to-earnings conversion. This gradually improved cost and income structure reflects a business model rooted in deliberate, well-orchestrated growth, reinforcing MI's standing as a resilient and forward-focused financial institution.

Profitability on an impressive Upward Trajectory

In the 2024/'25 fiscal year, MI reached a historic pinnacle, recording it's highest-ever profitability, demonstrating the strength of the Company's strategic vision, disciplined execution, and remarkable agility in navigating a rapidly-evolving financial landscape. Driven by robust revenue expansion, strengthened margins, and a steadfast commitment to impeccable asset quality, the Company achieved remarkable Net Profit Before Tax (NPBT) of Rs. 1,607 million and a Net Profit After Tax (NPAT) of Rs. 1,075 million, reflecting impressive year-on-year growths of 96% and 93% respectively, underscoring MI's steady and inspiring ascent in profitability and its firm trajectory of sustainable success in the medium term.

Despite muted credit demand in the first half of 2024 due to economic uncertainties, the persistent decline in policy rates from mid-2024 and gradual removal of import restriction on motor vehicles during the latter part of the year spurred credit growth, driving a 43% year-on-year increase in the net loan portfolio to Rs. 53 billion from Rs. 37 billion. Fuelled by sustained growth in interest income and supported by effective management of funding costs and repricing gains, we achieved an impressive 53% increase in net interest income bolstering bottom line and delivering remarkable growth. By deploying proactive recovery strategies and prompt legal enforcements, coupled with a large long-outstanding repayment, a notable reduction was observed in the 90-day NPL ratio, which was brought down to a commendable 4.91% from 9.81% reported in the last year, and helped curtail impairment charges to Rs. 224.6 million.

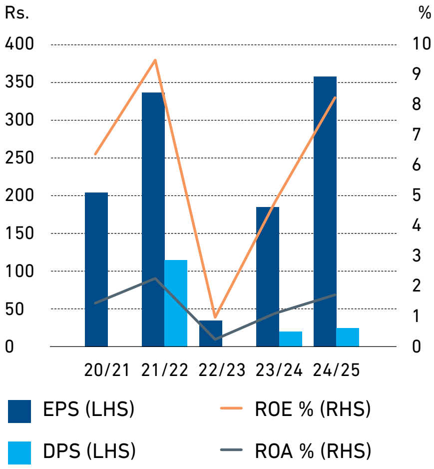
Earnings Performance



Enhanced Investor Wealth

Driven by a robust increase in post-tax profitability, the Company delivered notable improvements in key performance metrics, with the Return on Average Shareholders Funds (ROE) rose to 8.27% and Return on Average Assets (ROA) increasing from 1.1% to 1.7% for the year under review. These strengthened returns underscore the disciplined value creation strategy and reaffirm the enduring confidence and trust placed in MI by its investors. The robust growth in profitability propelled the Earnings per Share by 93%, climbing from Rs. 184.9 to Rs. 357.51, reaffirming the Company's resilience and earning potential. In light of this robust performance, the Board declared a total of Rs. 75 Mn dividend payout comprising of Rs. 25 per share. As we retained a majority of profits towards building the future growth potential, shareholder funds rose from Rs. 12.2 billion to Rs. 13.8 billion by 31 March 2025, showcasing a 14% YoY increase. (Refer 'Investor Relations' section on pages 332 to 337, on sound investor returns and capital accumulation trajectory.)

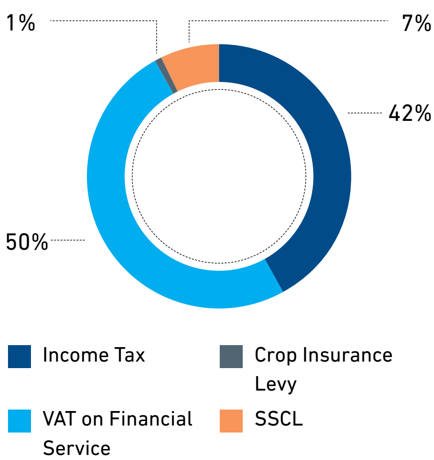
Investor Returns



Tax Impact on Profitability

With the growth in operating profits, total tax expense increased significantly by 54% to Rs. 1,281 million during the year, while the effective income tax rate increased marginally from 40% to 41%. The income tax charge rose to Rs. 532.7 million from Rs. 264 million due to increased taxable profits. VAT on Financial Services, comprising 51% of total tax expenses, grew 32% to Rs. 648 million from Rs. 492 million, in line with the Company's growing business volumes and earnings. The Crop Insurance Levy also increased by 64% aligned with the growth in profitability levels. These tax contributions underscore MI's role as a transparent and accountable corporate entity, reinforcing its commitment to national fiscal development and responsible business practices. (Refer to Financial Statements Note 15 for detailed tax disclosures.)

Tax Payments

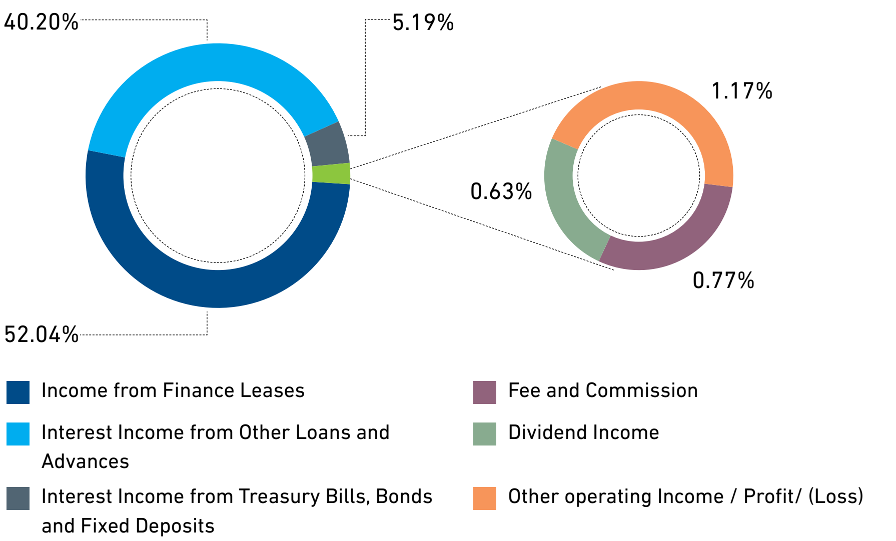


Gross Revenue Surge with Loan Book Expansion

Driven by the remarkable expansion of the lending portfolio, we achieved a notable 9% growth in gross revenue, reaching Rs. 11.9 billion, up from Rs. 10.9 billion, despite the persistent decline in interest rates. Core lending revenue surged by 16% to Rs. 11,024 million, representing a dominant 92% of gross revenue – an increase from 86% reflecting the growing strength of MI's foundational business. This performance was underpinned by a 43% expansion in the loan portfolio, driven by a robust uplift in traditional lease and vehicle financing for registered motor vehicles. Complementing this growth, the gold-backed lending segment delivered a stellar 303% year-on-year portfolio growth, reinforcing the strategic focus on high-yield, secured lending avenues. Together, these results illustrate the resilience and agility of our lending model, as we continue to unlock value across diversified asset classes and deliver sustainable growth. Conversely, non-fund-based income experienced a marginal 4% decline, settling at Rs. 308.5 million and contributing 2.6% to total revenue.

The contributions derived from investment income from Treasury activities dropped from 11% to 6%, as we consciously reduced surplus funds invested in Treasury bills and the Money Market with sustained decline in yields.

Composition of Gross Revenue (Rs. Mn)



Loan book product drivers

Lease Financing

Leasing, as MI's flagship and most trusted lending product, remained a cornerstone of core revenue – contributing 56% and registering a robust 14% year-on-year growth. This sustained performance reflects the enduring appeal and market relevance of MI's leasing solutions.

Term-Based Lending Revenue

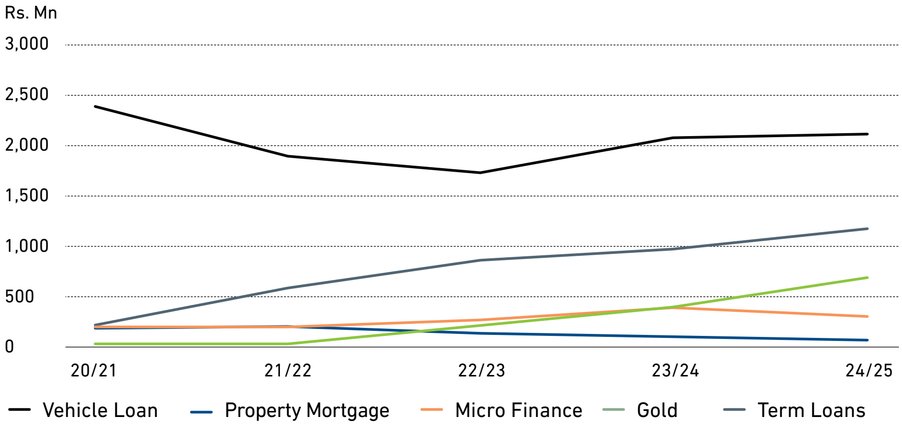
Term-based lending – comprising vehicle financing, property mortgage loans, term loans, pledged loans, and microfinance – formed a key pillar of the loans and advances portfolio, contributing 33% to core lending revenue and achieving 3% year-on-year growth. As a major driver within MI's expanding and diversified product mix, this segment continues to reinforce the strategic focus on broad-based, inclusive lending solutions.

Gold Loan – Revenue

As a key pillar of the product diversification strategy, gold-backed lending delivered an exceptional year-on-year revenue increase of 81%, reflecting both heightened market traction and the effectiveness of the targeted expansion efforts within secured, high-yield lending segments.

Financial Wealth

Loans and Advances Revenue

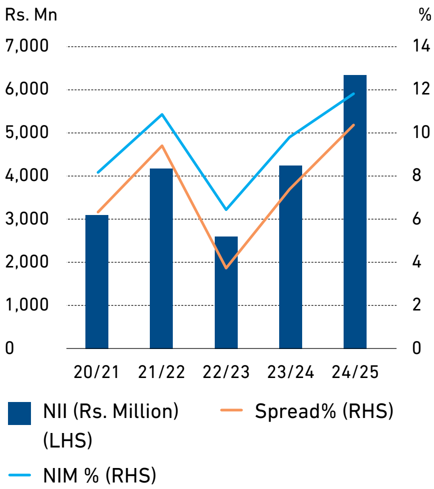


Net Interest Income (NII), Net Interest Margin (NIM), and Core Spread

Despite the continued downward pressure on interest rates, we achieved a resilient 10% growth in interest income – underscoring the strength of the lending portfolio and product mix management to improve the yields. More impressively we successfully reduced our interest expense by 18% even in the face of a 334% drastic expansion in total borrowings, as we were able to optimize the repricing gain from the shorter tenor deposits. This prudent financial management enabled us to deliver a notable 53% growth in Net Interest Income (NII), reflecting both operational efficiency and the sound execution of the funding and pricing strategies. Apart from improved lending volumes, this commendable growth in NII was bolstered by enjoying an improved Net Interest Margin (NIM) from 9.79% to 11.87% and an enhanced interest spread of 10.42% by March 2025, reaffirming the strength of the business model and the strategies we embraced, setting the tone for a resilient growth trajectory.

We remained steadfast in our commitment to enhancing core margins by strategically optimising our product mix, balancing traditional, moderate-yield offerings with high-yield lending segments. Simultaneously, we took proactive steps to reduce our cost of funding over the medium term. This dual approach not only enabled us to secure healthy interest spreads but also positioned us to confidently navigate potential market volatility with resilience and agility.

NII NIM Spread

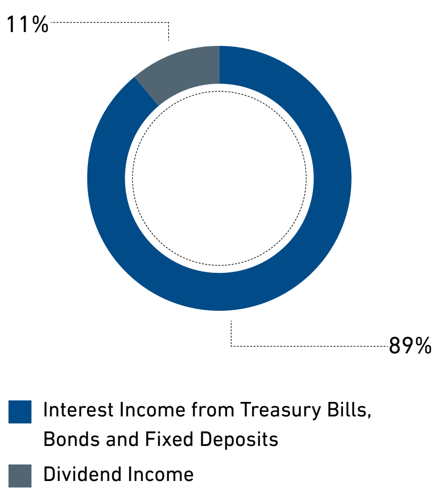


Investment Income

Investment income, primarily derived from Government securities, bank placements, unit trusts, and dividends, experienced a notable decline of 43% overall, largely due to the gradual softening of yields and strategic divestments. Despite this contraction, the segment continued to contribute 6% to gross revenue. However, dividend income surged by 112% to Rs. 75.5 million from Rs. 35.7 million, reflecting strong returns from the strategic investments held.

As the economy continued on its path of recovery and growth, improved market sentiment was reflected in the stock market, leading to a significant increase in unrealized fair value gains amounting to Rs. 631 million. This contributed to a substantial strengthening of the Other Comprehensive Income (OCI) reserve, which rose to Rs. 608 million as of 31st March 2025, compared to Rs. 80 million recorded at the beginning of the financial year.

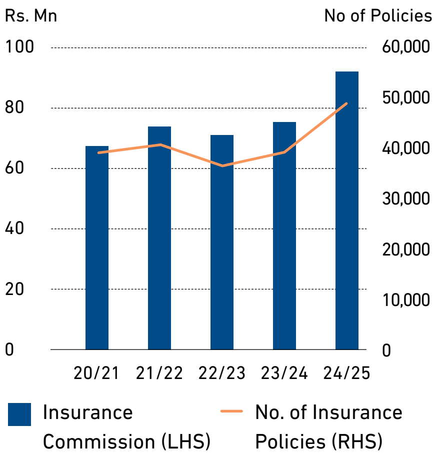
Investment Income (Rs. Mn)



Insurance Services

With the expansion of lease and vehicle financing business, Insurance referral business income increased by 22%, contributing Rs. 92.6 million to gross revenue compared with Rs. 75.7 million recorded for the previous year. Moreover, through a satisfactory track record of recovering insurance claims, which stood at Rs. 85 Mn. (Rs. 112 million for 2023/'24), we sustained sound customer retention levels, whilst attracting new clients, reinforcing MI's role as a comprehensive financial services provider.

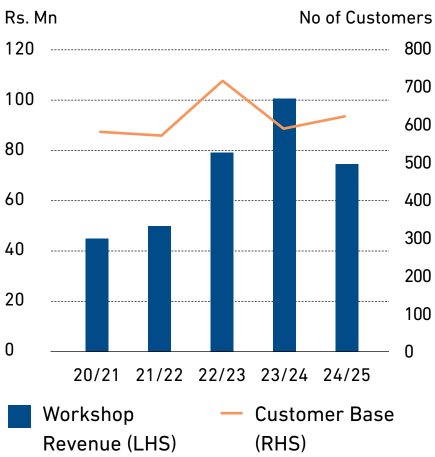
Insurance Commission Vs No. of Policies



Workshop Services

Workshop services, which operates as a strategic business unit, enhancing synergy for the core lending business by providing value added services to the customer base, generated Rs. 75 million in revenue for this financial year.

Workshop Revenue and Customer Base



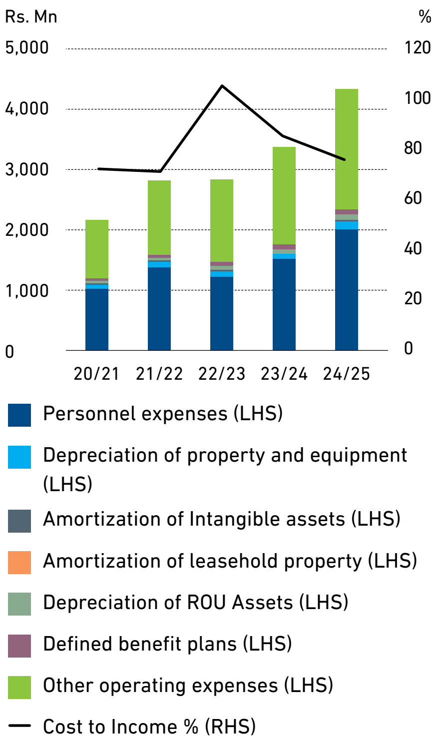
Expenditure Management

Controlled Overhead Cost Escalation

MI's commitment to disciplined expenditure management remained firmly intact in 2024/'25, despite a 43% expansion in the branch network and a 35% increase in workforce, ensuring operational efficiency was not compromised amid growth.

During the year, operating expenses escalated by 32% to Rs. 4.33 billion, up from Rs. 3.27 billion, primarily driven by the expansion of our branch network and the scaling up of Gold operations. Despite this cost escalation, we gradually improved our cost-to-income ratio from 85% to 76%, reflecting our unwavering focus on cost optimisation and productivity enhancement. This achievement underscores MI's commitment to a lean operating model and efficiency-driven growth, aimed at strengthening operating leverage and sustaining profitability across our expanding footprint.

Composition of operating Expenses Vs Cost Income Ratio



Capital Expenditure

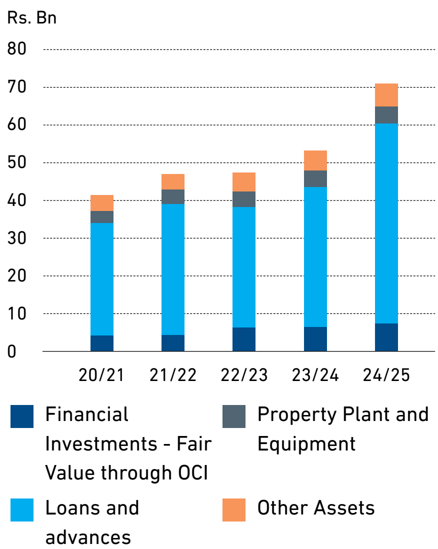
Capital investments during the period were strategically aligned with MI's core business objectives, primarily focused on expanding our physical footprint and advancing IT infrastructure and technology capabilities, positioning the organisation ahead of its planned growth trajectory. Accordingly, Rs. 259 million was allocated for branch expansion and Rs. 49 million for IT infrastructure upgrades, including migration to the core IT Scienter platform. With these investments, MI aims to position itself as a future-ready financial institution by strategically integrating advanced digital capabilities with an optimised physical presence, enabling inclusive, scalable, and sustainable growth aligned with long-term market opportunities.

Financial Position, Strength, Blend, and Efficiency

Total Assets Position

In FY 2024/'25, MI's total assets surpassed the Rs. 70 billion milestone, marking a remarkable growth of 33% year-on-year – well ahead of the industry average growth as of March 2025. This achievement was underpinned by a robust 43% expansion in the lending portfolio and targeted investments in high-yield assets, reinforcing MI's market leadership, financial strength, and strategic focus on sustainable, performance-driven growth.

Total Asset Composition



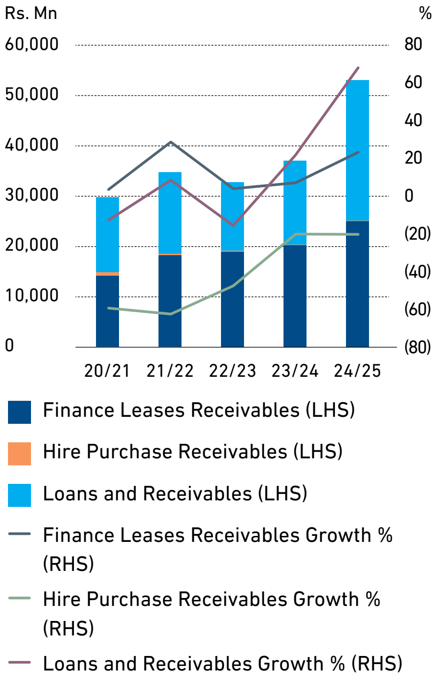
Financial Wealth

Loans and Advances

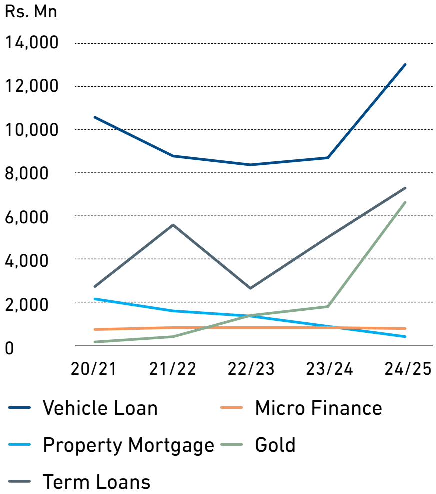
With Loans and Advances constituting 75% MI's total assets, it remained our core asset and the bedrock of our financial strength. Despite subdued credit demand that prevailed during the first half of the financial year, with the sustained decline in interest rates, coupled with the gradual easing of import restrictions on motor vehicles, revitalized lending activity across the industry, enabling us to surpass Rs. 50 billion in the loan book to reach Rs. 53 billion as at 31st March 2025.

This remarkable portfolio growth was driven by MI's primary product, lease financing, which grew by 23% to Rs. 25,061 million, while term-based lending surged by 68% to Rs. 27,931 million, led by 303% increase in Gold Loans to Rs. 6,646 Mn. This growth was supported by our expanded branch network and customer centric product offerings addressing diverse market needs, reflecting MI's commitment to financial inclusion and portfolio diversification.

Lending Portfolio vs Lending Growth



Loans and Advances - Portfolio



Asset Quality Management

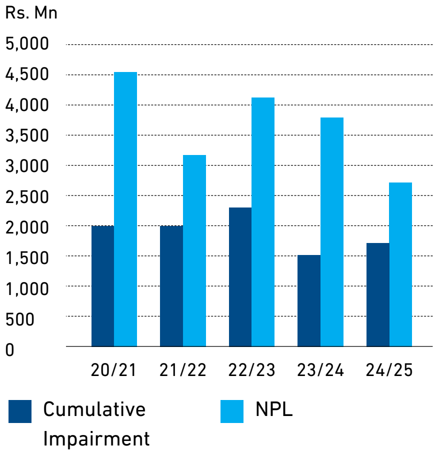
Our staunch recovery efforts, coupled with proactive risk management initiatives, enabled us to improve the 90-day NPL at 4.91% from 9.81% recorded in previous year, well below the industry average. In parallel, the absolute value of NPLs declined significantly by 29%, despite the rapid growth in lending portfolio, further supported by the settlement of a large long-outstanding exposure, reflecting strong asset quality maintained through effective resolution and recovery efforts.

Our multifaceted recovery strategy included a dedicated call centre for early arrears follow-up, targeted recovery campaigns for high-risk accounts, and legal facilitation of out-of-court settlements. The Special Recoveries Force (SRF) ensured 24/7 operational support, while our digital tender-based asset disposal platform 'Auto Transact' minimised losses on repossessed vehicles and enhanced recovery efficiency. These measures underscore our ability to scale responsibly, maintaining high asset quality through rigorous underwriting standards, early warning mechanisms, and accelerated recovery efforts.

Impairment Charges

Despite a reduction in overall Non-Performing Loan (NPL) exposure, the impairment charge for the year surged to Rs. 224.6 million, compared to Rs. 7.9 million in the previous year. This was primarily attributable to the 43% expansion of the loan book and reflects a prudent approach to risk provisioning in alignment with evolving regulatory requirements, which bolstered the provision buffer and ensured adequate coverage against potential borrower defaults. As a result, the stage 03 provision coverage ratio improved from 37% to 58%, reinforcing the resilience of MI's asset quality and its commitment to maintaining a robust and forward-looking credit risk management framework.

Cumulative Impairment and NPL

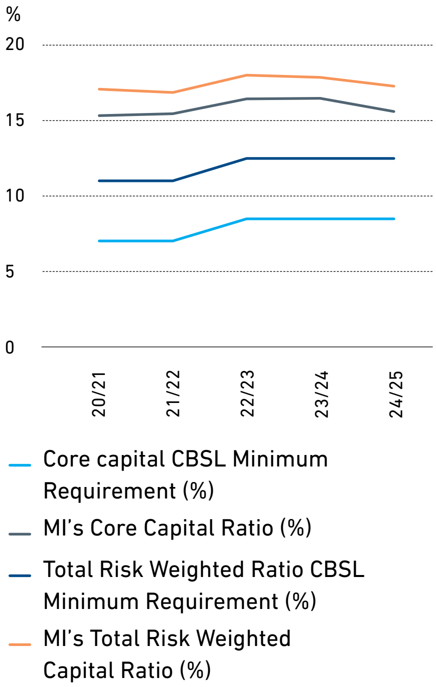


Capital Strength

Regulatory Capital

With the company continuing to maintain a strong balance sheet, It's capital strength remained solid, with shareholder funds reaching Rs. 13.8 billion, which enabled us to maintain prudent capital buffers throughout the year. Accordingly, MI maintained its 'Well Capitalised' status consistently under Basel II, with Tier 1 and total capital ratios standing at 15.6% and 17.27% respectively, exceeding regulatory minimums of 8.5% and 12.5% as at 31 March 2025, reaffirming MI's capital strength, risk absorption capacity, and readiness for future growth.

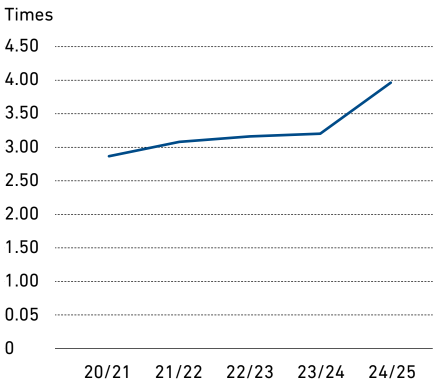
Capital Adequacy



Debt to Equity

The debt-to-equity ratio remained broadly stable at 3.97, compared to 3.2 in the previous year, despite a substantial 33% expansion in total assets. This modest uptick reflects the calibrated use of leverage to support strategic asset growth, while remaining well within industry norms and regulatory comfort thresholds. Given the business model's inherent reliance on a stable base of low-cost deposit funding to drive core lending activities, MI continues to demonstrate a disciplined capital structure and prudent balance sheet management – underscoring its commitment to financial resilience and sustainable growth.

Debt to Equity Ratio



Liquidity

Short- and Medium-Term Liquidity

Throughout the year, the Company consistently maintained robust liquidity buffers, ensuring operational stability and financial agility amid a dynamic operating environment. This prudent liquidity management approach enabled MI to effectively balance the trade-off between maintaining optimal liquidity and driving profitability. As at the reporting date, MI's liquidity ratio stood at a strong 19.82%, compared to 19.68% recorded in 2024, and significantly above the regulatory minimum requirement of 10%. This surplus liquidity position underscores the Company's proactive financial stewardship and its capacity to respond swiftly to market developments and funding needs without compromising long-term value creation. (Refer to Notes to the Financial Statements, pages 320 to 327.)

Long-Term Liquidity

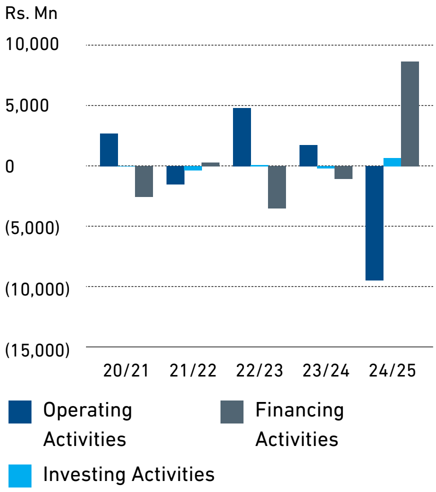
Through strategic diversification of our product portfolio and the execution of disciplined Treasury and asset-liability management practices, MI significantly reduced maturity mismatches in assets and liabilities maturing within one year to Rs. 391 Mn, compared to Rs. 4.8 billion in the previous year. By narrowing these mismatches, we not only strengthened our liquidity profile but also reinforced stakeholder confidence and investor trust in the Company's prudent financial management and long-term stability

(Refer Notes to the Financial Statements, pages 320 to 327.)

Cash Flow Position

Through proactive monitoring of the funding position, the Treasury Division effectively managed cash flows, ensuring the maintenance of healthy liquidity levels throughout the financial year. This enabled the Company to strike an optimal balance between short-term obligations and long-term funding requirements. As at 31 March 2025, total cash and cash equivalents stood at Rs. 2,720 million, compared to Rs. 2,492 million in the previous year. In addition, the Company maintained access to contingency funding lines amounting to Rs. 2.8 billion, further reinforcing its liquidity resilience.

Cashflow Analysis



Cash Flow from Operating Activities

Driven by the robust expansion in the loan book and a significant uplift in lending volumes, operating cash flow for the year reflected an outflow of Rs. 9.5 billion, compared to an inflow of Rs. 1.7 billion recorded in the previous year. This outflow was thoughtfully managed through a balanced funding mix, combining increased customer deposits with securitised and bank borrowings.

Cash Flow from Investing Activities

Cash flows from investing activities recorded a net inflow of Rs. 676 million during the year under review, primarily driven by proceeds from the sale of equity securities. This positive movement contrasts with the Rs. 188 million outflow recorded in the previous year and was achieved despite continued strategic investments in branch network expansion and enhancements to IT infrastructure

Cash Flow from Financing Activities

Cash flow from financing activities showed a net cash inflow, totaling to Rs. 8,682 million as at 31st March 2025, compared to the cash outflow of Rs. 1,089 million recorded during the previous period, mainly due to increased bank and securitised financing arrangements, aimed at supporting the accelerated growth in the lending portfolio.

Alliances

In today's dynamic and highly-competitive business landscape, we firmly believe that a company's long-term success is intrinsically tied to the strength of its social licence and the depth of the relationships it cultivates with its stakeholders. As a leading financial institution with a distinguished legacy spanning over six decades, we take great pride in the enduring partnerships we have fostered, collectively referred to as our "alliances". These strategic alliances have been pivotal in reinforcing MI's esteemed brand presence and enabled the seamless delivery of exceptional, tailored financial solutions to our diverse clientele. Beyond transactional value, these lasting relationships have empowered us to anticipate evolving stakeholder needs, respond proactively to emerging challenges, and sustain organisational resilience amid an ever-changing operating environment.

As a socially responsible corporate entity, MI remains deeply committed to fostering an inclusive and equitable future for all stakeholders. This commitment is operationalised through a collaborative growth model that prioritises the co-creation of mutually-beneficial solutions, addressing the diverse expectations of our stakeholder ecosystem while generating shared value and sustainable outcomes. Our dual focus on commercial and social alliances has provided a distinct competitive advantage, enabling us to strengthen both market positioning and community impact. As we celebrate over six decades of operations, these partnerships continue to serve as the bedrock of our sustained success, supporting our journey toward long-term, responsible growth.

Noteworthy Accomplishments

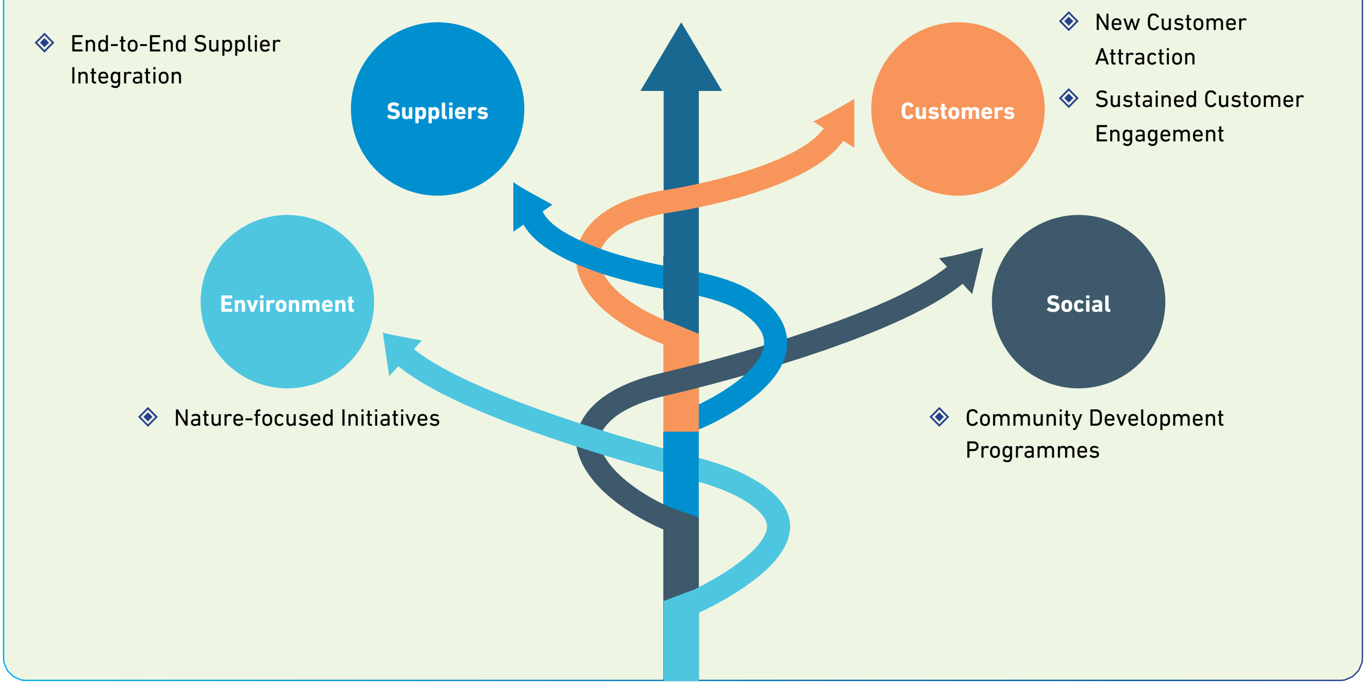
Customer Centric Growth
- Deposit Growth – 18.5%
- Newly Attracted Customers – > 25,000
- Deposit Retention – 87%
- Lending Portfolio – Rs. 53 Bn
- Expanded Branch Footprint – 73

Strategic Collaborations
- New Suppliers Onboarded – 10
- Monetary Contribution to Suppliers – Rs. 887 Mn
- New Partnerships – > 19,000

Empowering Communities
- Sustainable Products – 05
- Green-Focused Lendings – Rs. 5.9 Bn

Detailed disclosures about our Alliances is made available in our website.

Assessing Value Creation



Capital Interdependency with underlying Strategy

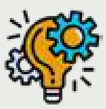
Capital	Short Term	Medium Term	Strategy Map
Financial	Higher the cost aspect with the projects	Increase the net margin with wide business acquisitions	◈ Fully satisfied customer base guides continuous business growth ◈ Moved with smart IT solutions ◈ Central approach in expanding branch network
Human	Social affection through various initiatives	Solid development in employee engagement	
Infrastructure	Transparent supplier onboarding platform	Enhanced brand image	
Intellectual	Improvement in Tacit knowledge	Efficiency in business processes	
Nature	Nature-focused initiatives	Proper waste management strategy	

Future Set forth

Short Term

Existing product development to address key market gaps

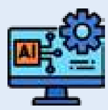
Interlink with technological advancements



Medium Term

Improve brand loyalty

New product solutions for newly emerging markets



Long Term

Fully fledged digital branch network

Advancing economic and social prosperity of individuals

Human Strength

For more than sixty years, MI's sustained success has been driven by its most vital strategic advantage: our exceptional Human Capital. From inception to industry leadership, the accomplishments of our organisation have been intrinsically tied to the talent, dedication and professional expertise of our people. We view our employees not simply as resources, but as the cornerstone of our competitive strength and operational excellence. Their collective intelligence, deep expertise, and unwavering commitment have continually guided MI through shifting market dynamics and evolving industry landscapes, securing our position as a trusted and resilient institution.

We are deeply committed to fostering a high-performance culture, supported by strategic talent acquisition and continuous professional development initiatives. This unwavering dedication ensures an environment where creativity, expertise, and collaboration converge effortlessly, strengthening our employee value proposition. Furthermore, we have implemented a pleasant framework of recognition and compensation initiatives designed to acknowledge outstanding individual and team contributions while ensuring the retention of expertise knowledge. Our unique corporate culture and forward-thinking HR strategies have been instrumental in attracting and retaining top talent and offering exceptional employee experience and aligning individual growth with our long-term vision, propelling MI to a leading position in a highly competitive market.

Noteworthy Accomplishments

Employee Development
- Training Hours – 25,419
- Employee performance Appraisals – 815
- Employee Engagement Programs – 05

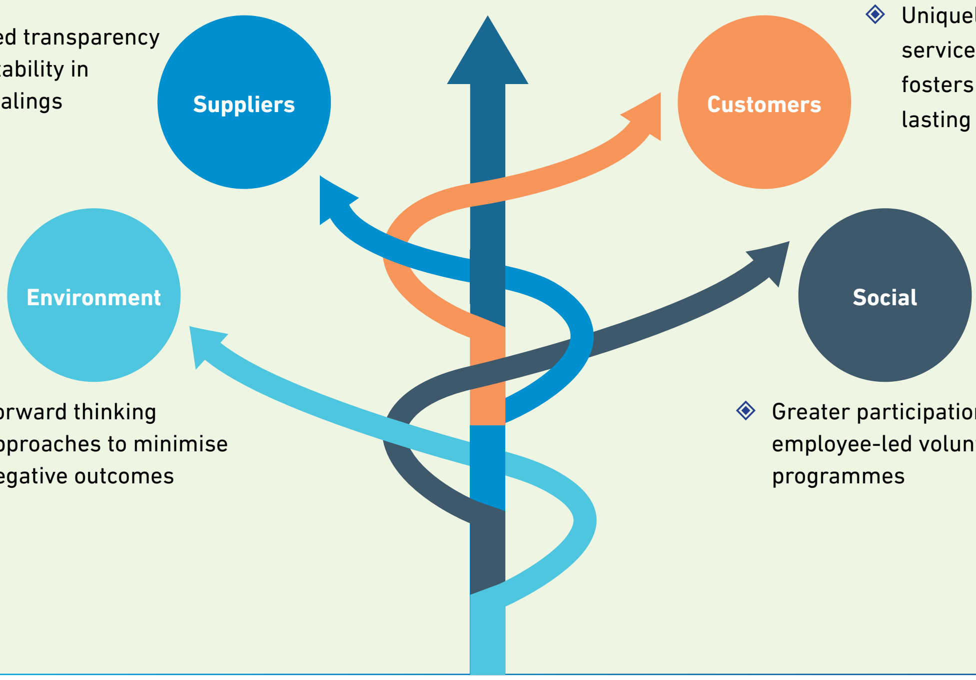
Employee Productivity
- Revenue per Employee – Rs. 741 Mn
- Net profit per Employee – Rs. 0.67 Mn
- Total Assets per Employee – Rs. 43.98 Mn

Workforce
- Total Employees – 1,613
- New Recruitments – 865
- Attrition Rate – 27.8%

Detailed disclosures about our Human Strength is made available in our website.

Assessing Value Creation

- Strengthened transparency and accountability in business dealings
- Uniquely personalised service experience that fosters deep trust and lasting relationships.



- Forward thinking approaches to minimise negative outcomes
- Greater participation in employee-led volunteer programmes

Capital Interdependency with underlying Strategy

Capital	Short Term	Medium Term	Strategy Map
Financial	Declining profit margin with high employee service cost	Reduction in cost to income ratio	◈ KPI-based digital dashboards for employee performances ◈ Promotion of overall employee wellbeing ◈ Individual performance metrics linked with overall objectives
Alliances	Exceptional customer service	Transparent and highly profitable business relationships	
Infrastructure	Efficiency improvement with innovative procedures	Market share dominance with productive employees	
Intellectual	Optimum usage of technological developments	Filling business opportunities in innovative approach	
Nature	Prioritise the CSR activities keeping	Notable reduction in waste generation	

Future Set forth

Short Term

Improve productivity with operational efficiency

Establishment of AI tool usage for the Analysis

Medium Term

KPI evaluation of workforce with efficiency metrics

Optimisation of employee value proposition

Long Term

Fully automated HR initiatives

Employer brand development

Leverage workforce capability

Intellect

Intellectual Capital represents a formidable strategic asset, encompassing our extensive repository of tacit knowledge, sophisticated operational systems, esteemed brand reputation, and multifaceted intellectual resources. As a premier finance company with over six decades of industry presence, we have cultivated an unparalleled depth of expertise that permeates every facet of our organisation. This intellectual foundation serves not merely as institutional retention but as the catalyst driving our continued market leadership and sustainable growth trajectory. The cumulative wisdom acquired through navigating diverse market conditions and industry transformations has fortified our decision-making capabilities and strategic foresight, positioning us uniquely among competitors as both pioneers and trusted advisors in our field.

Our workforce embodies the pinnacle of business acumen and practical knowledge across all operational segments, enabling us to navigate complex business landscapes with remarkable agility and foresight. Our strategic expansion of our branch network, product mix diversification, transformation of core systems, and digitisation initiatives have further enhanced our intellectual infrastructure, amplifying our capacity to generate innovative solutions that consistently deliver superior value propositions to our clients routinely surpassing conventional expectations. This harmonious integration of human expertise and technological advancement positions MI at the forefront of industry evolution, transforming accumulated knowledge into transformative business outcomes for the decades ahead. Our Intellectual Capital is not static but continuously evolving through deliberate knowledge management initiatives, specialised talent acquisition, and a corporate culture that stars intellectual curiosity and cross-functional collaboration, ensuring our competitive advantage remains both sustainable and progressive in an increasingly knowledge-driven marketplace..

Noteworthy Accomplishments

Employee Development

AML Training Participants – 274
Soft Skills Training 10,925 Hours
Investment in Training Rs. 6.2 Mn

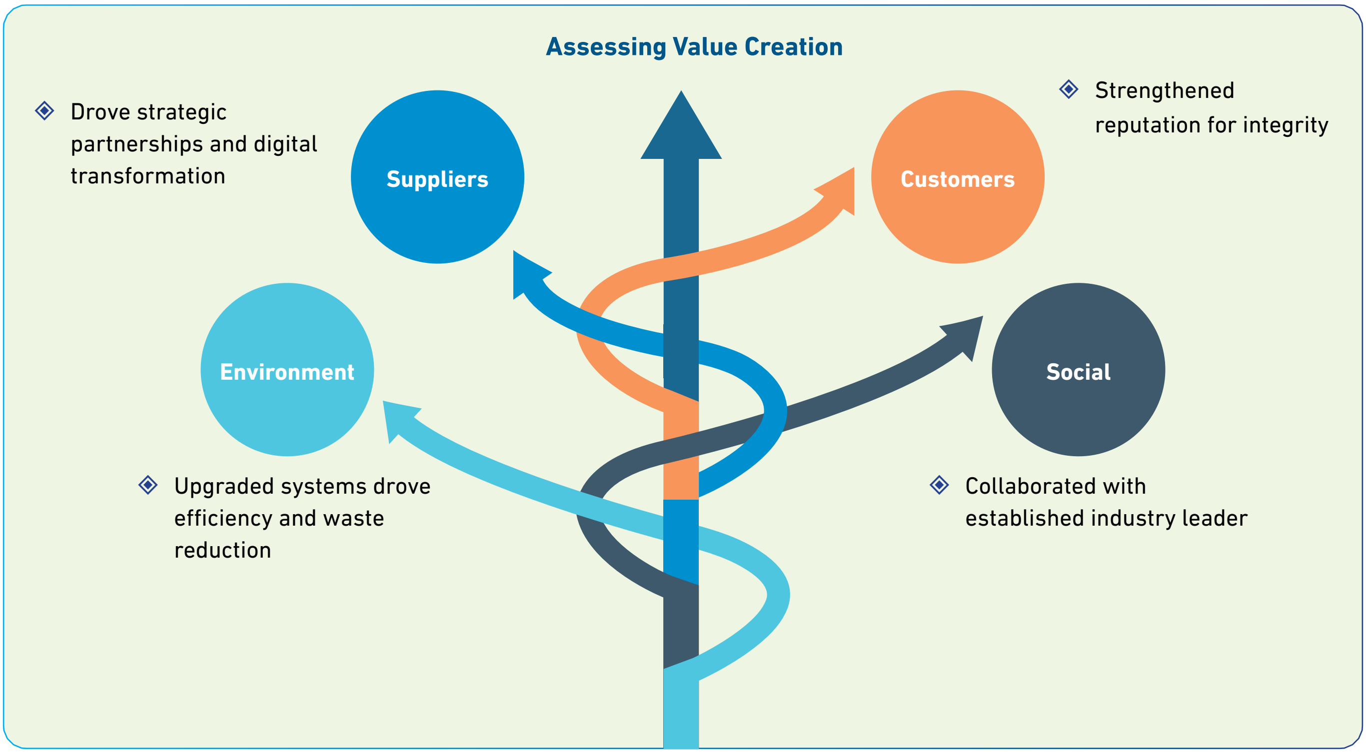
Brand Development

No New Customers – > 25,000
No of Total Customers – > 160,000
Brand Development Investment – Rs. 47 Mn
Expanded Branch Footprint – 73

Business Digitalisation

Cyber Security Awareness Sessions – 08
New Operational System
Adoption of Latest Technological Advancements

Detailed disclosures about our Intellect is made available in our website.



Capital Interdependency with underlying Strategy

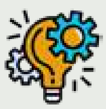
Capital	Short Term	Medium Term	Strategy Map
Financial	Escalation of Capital Expenses	Lower Cost to Income Ratio with high efficiency	◈ Drive towards wider business milestones
Human	Increase in Employee collaboration and motivation	Maximum employee retention	◈ Retention of the knowledged and talented
Infrastructure	Higher customer engagement	Brand loyalty	◈ Robotic Process Automation (RPA) business structure
Alliances	Business partner integrity	New business opportunities linked with digital drive	
Nature	Considerable reduction in paper waste	Commitment to greener future	

Future Set forth

Short Term

Skill enhancement to combat with technological advancements

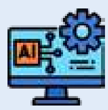
Interlink with technological advancements



Medium Term

Expansion of marketing approach with AI based assistance

Resource allocation to further strengthen cyber protection



Long Term

Deal with high tech automated customer touch points

Advancing the economic and social prosperity of individuals

Infrastructure

Our Infrastructure Capital played a pivotal role in strengthening our customer service capabilities, ensuring we remain at the forefront of delivering exceptional client experience and value creation. Our strategic initiatives towards building this capital, centered on optimizing operational efficiency and elevating service standards, have established a robust foundation that supports sustained excellence in customer engagement. By strategically aligning infrastructure investments with our overarching business objectives, we have enabled seamless service delivery while fostering a culture of continuous innovation to meet the evolving demands of the marketplace. Guided by a commitment to sustainable growth, we have developed infrastructure that not only supports immediate operational needs but also embeds resilience and adaptability to secure long-term organizational success. Looking ahead, these infrastructure enhancements will remain a key catalyst in reinforcing our competitive market position, ensuring agility and responsiveness in the face of future challenges and industry dynamics.

Complementing our customer-centric strategy, we continued to have significantly expanded our branch network through a lean operational model that prioritizes resource efficiency without compromising service quality. This year's strategic network expansion by 43% is underpinned by a focus on scalability, not only broad-based MI's reach phenomenally it also ensured that each branch is optimally designed to meet both current and future customer needs with precision. Through a disciplined approach to asset evaluation and deployment, we established a resilient infrastructure ecosystem capable of supporting long-term sustainability and growth. This framework empowers us to navigate the complexities of an evolving infrastructure landscape, positioning the organization to capitalize on emerging opportunities while proactively mitigating potential risks. Our prudent resource allocation and strategic foresight ensure we remain responsive to market shifts, enabling us to continue meeting the needs of our stakeholders with confidence and agility.

Noteworthy Accomplishments

Advancing Customer Accessibility

- New Branch Openings – 22
- New Gold Loan Service Centre's – 30
- Total Branch Footprint – 73

Developing Future Ready Infrastructure

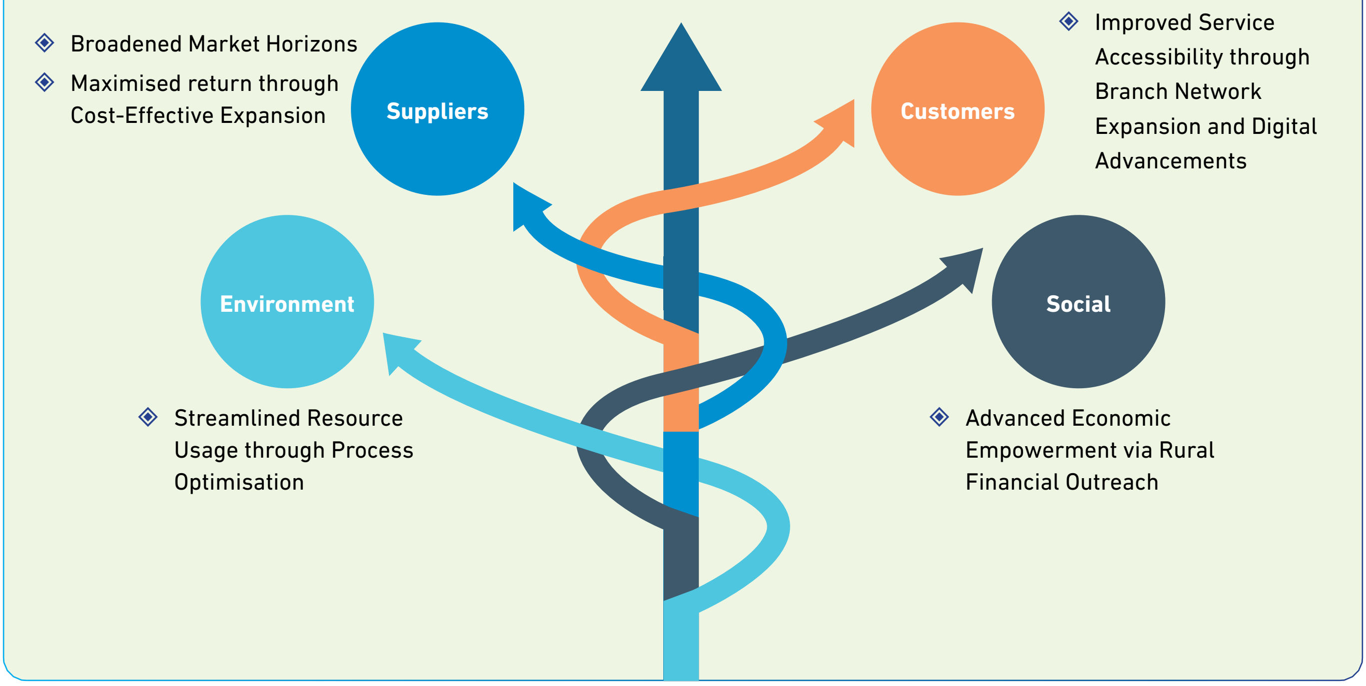
- Investment in PPE – Rs. 327 Mn
- Computer Equipment Maintenance – Rs. 89 Mn
- Office Equipment Maintenance – Rs.19 Mn
- Office Maintenance – Rs. 90 Mn

Strengthening Operational Agility

- System Developments
- New System Integrations
- Lean Branch Concept
- Latest Technology Adaptations

Detailed disclosures about our Infrastructure is made available in our website.

Assessing Value Creation



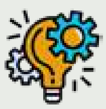
Capital Interdependency with underlying Strategy

Capital	Short Term	Medium Term	Strategy Map
Financial	Higher initial cost for developments	Reduction in service cost and increased cash flow	◈ Superior customer experience with reduced turnaround time ◈ Adoption of latest technological infrastructure ◈ Market dominance
Human	Reduction in routine tasks	Surge in employee efficiency and effectiveness	
Alliances	New business partnerships	Enhanced customer attraction and bond	
Intellectual	Higher exposure in digital drive	Increase in brand loyalty	
Nature	Notable decline in resource utilisation	Diminution in GHG emissions	

Future Set forth

Short Term

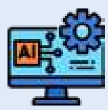
Broad based digital platforms to Enhance Customer Reach,Convenience & Experience



Medium Term

Enterprise risk management approach for system exposure

Technology driven KPI analysis



Long Term

Virtual Branches in strategic locations with automated service experience

Incorporation of AI driven concept for operations

Nature

Environmental Sustainability Commitment

At Mercantile Investments and Finance PLC, our vision of becoming a truly sustainable financial institution is firmly rooted in our responsibility toward environmental stewardship. We continue to embed sustainability into the fabric of our business operations, ensuring that environmental considerations are not merely an add-on but an integral part of our strategic decision-making process. Throughout the year, we remained committed to complying with stringent environmental standards and aligning our practices with globally recognised sustainability benchmarks. Our aim is to preserve and protect natural resources while ensuring long-term value creation for our stakeholders and society at large.

Although the nature of our business entails a relatively low direct environmental footprint, we proactively implement initiatives to minimise our indirect impact. Our environmentally conscious policies, reinforced by internal governance structures such as the Sustainability Governance Committee with Board Directors' oversight guides MI's efforts to reduce energy consumption, limit resource wastage, and promote greener operational practices. We have also taken deliberate steps to integrate the use of renewable resources and encourage responsible consumption across all business units. From refining internal workflows to adopting paperless solutions and energy efficient technologies, our commitment to minimising our ecological footprint remains unwavering. Our approach to environmental sustainability reflects our belief that financial success and ecological responsibility must go hand in hand. As we move forward, we remain dedicated to driving meaningful environmental outcomes through innovation, collaboration, and continuous improvement.

Noteworthy Accomplishments

Eco-Friendly Initiatives

- Paper recycled – 1,380.5Kg
- Strengthened Sustainable Financing portfolio
- Enhanced digitalisation and paperless transactions
- Continued process reengineering for resource efficiency

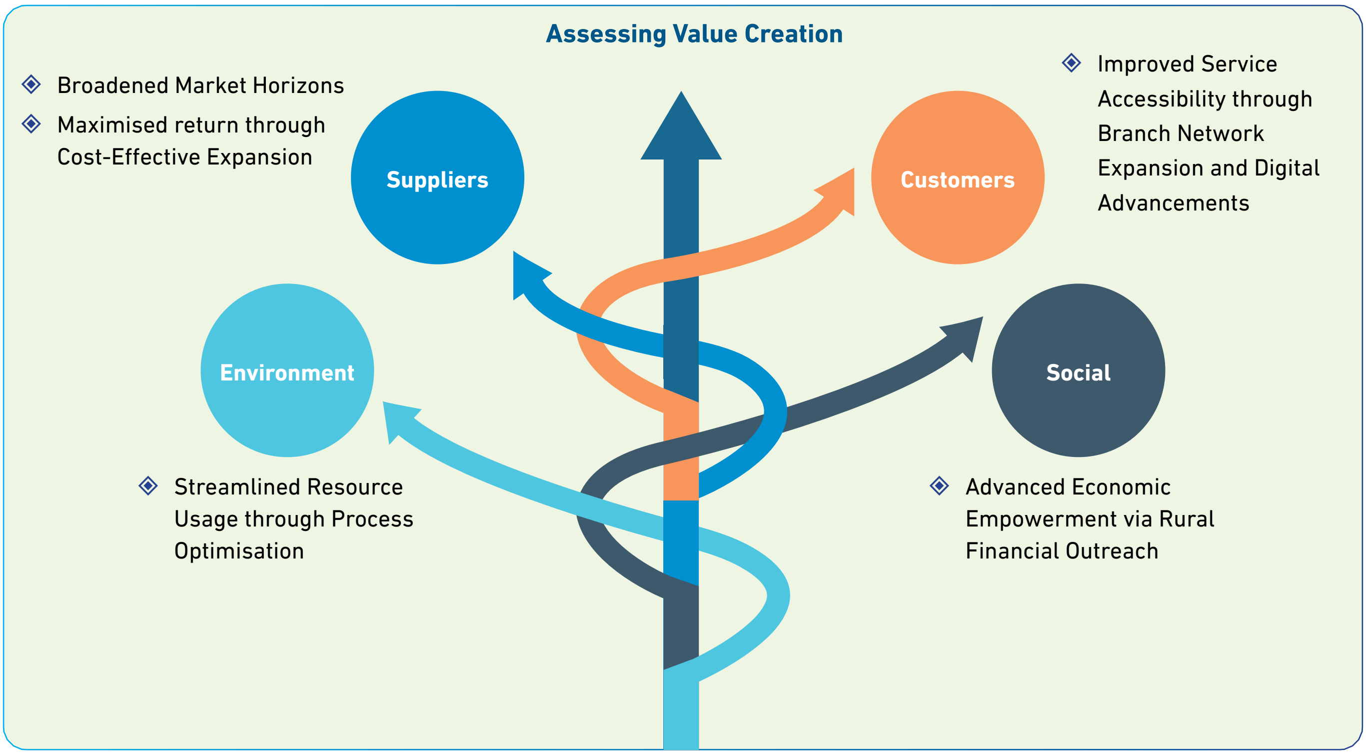
Employee Engagement

- Regular awareness sessions on sustainability and green practices
- Staff-led environmental campaigns and clean-up drives
- Strengths of the Sustainability Governance Committee appointed with past experience in the area

Strengthening Operational Agility

- Focused on reviewing and realigning environmental priorities to ensure long-term sustainability impact
- Engaged in internal planning and capacity building for future environmental initiatives
- Continued commitment to exploring meaningful partnerships for environmental stewardship

Detailed disclosures about our Nature is made available in our website.



Capital Interdependency with underlying Strategy

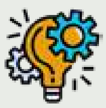
Capital	Short Term	Medium Term	Strategy Map
Financial	Manage costs during expansion	Improve cost-efficiency and invest in green initiatives	◆ Control costs while investing in green and digital solutions. ◆ Foster a culture of sustainability through people and partnerships ◆ Minimise environmental impact with smart infrastructure and operations.
Alliances	Launch paperless, eco-friendly services	Build sustainable stakeholder relationships	
Infrastructure	Implement eco-efficient branch layouts	Expand with minimal environmental impact	
Intellectual	Drive digitalisation and reduce travel	Automate to cut resource use	
Human	Surge in employee motivation and engagement	Greater organisation value proposition	

Future Set forth

Short Term

Promote small-scale branch concept

Empowering and expanding green corporate practices



Medium Term

Transfer operations to digital platform

Promote sustainable financing

Long Term

Implement fully-fledged environmental impact management system

GRI Contents Index

Category	Disclosure Number	Disclosures	Section in AR	Page Reference: Book Page	Page Reference: Web Page	Omission: Requirements omitted	Omission: Reason	Omission: Explanation
GRI 2: General Disclosure								
Organizational details	2-1	Organisational details	Corporate Information	342-347		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	8,11				
	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	Strategic Landscape & Operational Drive, Products and Services Offered, Sustainable Value Creation Process	13-15, 36-44				
			Materiality Assessment	39				
			Our value creation model		1-3			
			Alliances		13			
	2-7	Employees	Human strength		3-12			
	2-8	Workers who are not employees	Human strength		4-5			
	2-9	Governance structure and composition	Our governance framework	95-97 82-92				
	2-10	Nomination and selection of the highest governance body	Board nomination committee report	204 - 205				
	2-11	Chair of the highest governance body	Board of Directors	82-89				
	2-12	Role of the highest governance body in overseeing the management of impacts	MI compliance status with finance business act No 5 of 2021	135				
	2-13	Delegation of responsibility for managing impacts	Chairman's statement on corporate governance	93				
	2-14	Role of the highest governance body in sustainability reporting	Corporate Philosophy & Direction	17				
			The corporate management committee's role in governance	109, 135				
	2-15	Conflicts of interest	Corporate Governance Report	131, 145, 157				
	2-16	Communication of critical concerns	Our governance structure	97				

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Omission		
				Book Page	Web Page	Requirements omitted	Reason	Explanation
	2-17	Collective knowledge of the highest governance body	Board committee overview	103				
	2-18	Evaluation of the performance of the highest governance body	Board nomination committee report	204				
	2-19	Remuneration policies	Board human resources and remuneration committee report	203				
	2-20	Process to determine remuneration	Board human resources and remuneration committee report	203				
	2-21	Annual total compensation ratio					Confidentiality constraints	
	2-22	Statement on sustainable development strategy	Corporate Philosophy & Direction	17				
			Message from the Chairman	25-28				
	2-23	Policy commitments	Human Strength		36-37			
	2-24	Embedding policy commitments	Alliances		19-20			
			Human Strength		36-37			
	2-25	Processes to remediate negative impact	Overview about this Report	8				
			Human Strength		37			
			Alliances		10			
	2-26	Mechanisms for seeking advice and raising concerns	Human Strength		37			
			Alliances		10			
	2-27	Compliance with laws and regulation	Compliance	110	10			
	2-28	Membership associations	Memberships in Associations and Councils	99				
	2-29	Approach to stakeholder engagement	Stakeholder Engagement	38				
			Our value creation model		4-6			
	2-30	Collective bargaining agreements	Human Strength		37			
GRI 3 :Disclosures on Material Topics								
	3-1	Process to determine material topics	Materiality Assessment	39		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		12-17			
	201-2	Financial implications and other risks and opportunities due to climate change	Nature		20			
	201-3	Defined benefit plan obligations and other retirement plans	Notes to the Financial Statements	294				
	201-4	Financial assistance received from government	Impact Management		12			
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Human Strength		30-31			
	202-2	Proportion of senior management hired from the local community	Human Strength		16-18			
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	Infrastructure		9			
	203-2	Significant indirect economic impacts	Impact Management		21			
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	Alliances		16			
GRI 205: Anti-corruption	205-1	Operations assessed for risks related corruption	Alliances		20			
	205-2	Communication and training about anti-corruption policies and procedures	Alliances		20			
			Human Strength		21-24			
	205-3	Confirmed incidents of corruption and actions taken	Alliances		20			
GRI 207: Tax 2019	207-1	Approach to tax	Notes to the Financial Statements	256-257				
	207-2	Tax governance, control, and risk management	Notes to the Financial Statements	256-257				
	207-3	"Stakeholder engagement and management of concerns related to tax"	Notes to the Financial Statements	256-257				
	207-4	Country-by-country reporting	Notes to the Financial Statements	256-257				

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		26			
			Nature		15-16			
	301-2	Recycled input materials used	Impact Management		26			
			Nature		15-16			
	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		5-8			
			Impact Management		27-28			
	302-2	Energy consumption outside of the organization	Nature		5			
	302-3	Energy intensity	Impact Management		26-28			
	302-4	Reduction of energy consumption	Impact Management		26-28			
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Impact Management		28-29			
			Nature		9-10			
	303-2	Management of water discharge-related impacts	Impact Management		28-29			
			Nature		9-10			
	303-5	Water consumption	Impact Management		28-29			
			Nature		9			
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		17-19			
	304-2	Significant impacts of activities, products, and services on biodiversity	Nature		17-19			

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		29-30			
	306-2	Management of significant waste-related impacts	Impact Management		29-30			
			Nature		14			
	306-3	Waste generated	Nature		14-15			
	306-4	Waste diverted from disposal	Impact Management		29-30			
			Nature		14-15			
	306-5	Waste directed to disposal	Impact Management		29-30			
			Nature		14-15			
GRI 400: Social Topics								
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Human Strength		14-15, 35-36			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Strength		21-28			
	401-3	Parental leave	Human Strength		34			
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Human Strength		37-38			
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Human Strength		33			
	403-2	Hazard identification, risk assessment,and incident investigation	Human Strength		33			
	403-3	Occupational health services	Human Strength		33			
	403-4	Worker participation, consultation, and communication on occupational health and safety	Human Strength		33			
	403-5	Worker training on occupational health and safety	Human Strength		33			
	403-6	Promotion of worker health	Human Strength		33			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Strength		33			
	403-9	Work-related injuries	Human Strength		34			

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		19-20			
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Strength		21,25			
	404-3	Percentage of employees receiving regular performance and career development reviews	Human Strength		29-30			
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Human Strength		3-12			
	405-2	Ratio of basic salary and remuneration of women to men	Human Strength		12			
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Human Strength		13			
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Human Strength		38-39			
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Alliances		17-19			
			Impact Management		23			
	413-2	Operations with significant actual and potential negative impacts on local communities	Alliances		17-19			
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Alliances		9-10			
	417-2	Incidents of non-compliance concerning product and service information and labeling	Alliances		9-10			
	417-3	Incidents of non-compliance concerning marketing communications	Alliances		9-10			
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Alliances		10-11			

Independent Assurance Report on Sustainability

EY
Shape the future
with confidence

Ernst & Young
Chartered Accountants
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Fax: +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

Independent practitioner's assurance report to the Board of Directors of Mercantile Investments and Finance PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2024/25

Scope

We have been engaged by Mercantile Investments and Finance PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on Mercantile Investments and Finance PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Mercantile Investments and Finance PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Mercantile Investments and Finance PLC

In preparing the Subject Matter, Mercantile Investments and Finance PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at https://www.globalreporting.org

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Mercantile Investments and Finance PLC's responsibilities

Mercantile Investments and Finance PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Mercantile Investments and Finance PLC on 26 June 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies quality management standards, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

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.

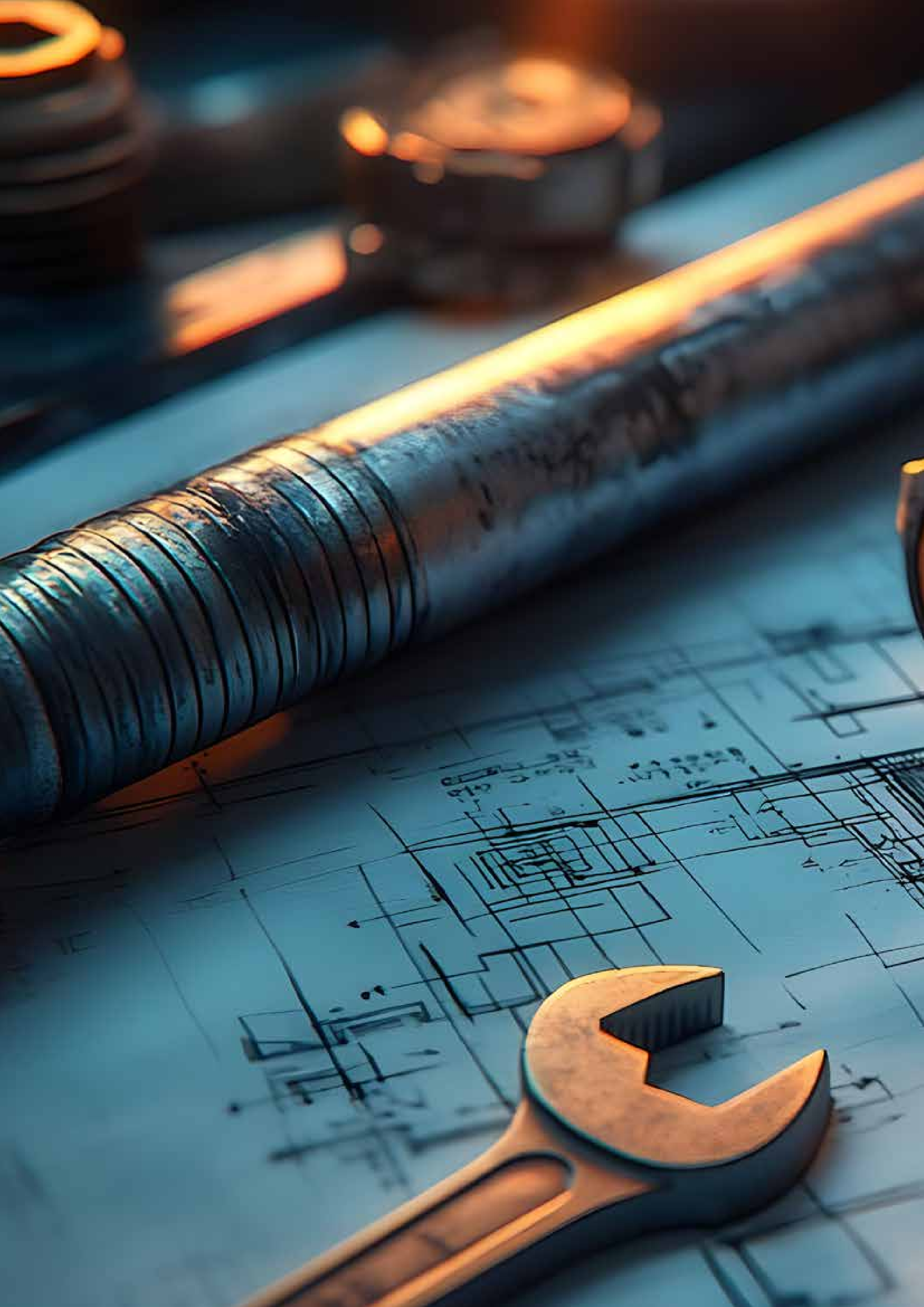
We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

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 2025, in order for it to be in accordance with the Criteria.

Ernst + Young

09 July 2025
Colombo



FOSTERING DRIVEN TEAM OF PROFESSIONALS

Stewardship

Board of Directors

GRI 2-9, 2-11

1. Mr. Dinuka Perera
Director
Chairman (Independent Non-Executive)

2. Mr. Gerard Ondaatjie
Managing Director (Executive)

3. Mr. Shermal Jayasuriya
Finance Director (Executive)

4. Ms. Angeline Ondaatjie
Director (Executive)

5. Mr. Travice Ondaatjie
Director (Executive)

6. Mr. Anil Dias
Director (Independent Non-Executive)

7. Ms. Deepthie Wickramasuriya
Director (Independent Non-Executive)

8. Mr. Kanchana Pieris
Director (Independent Non-Executive)

9. Mr. Brandon Morris
Director (Independent Non-Executive)

10. Dr. Sugeeth Patabendige
Director (Independent Non-Executive)

11. Mr. Vajira Wijesinghe
Director (Independent Non-Executive)

12. Mr. Graham Marshall
Director (Independent Non-Executive)

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
1. Pandithasundara Dinuka Dilhan Perera Director Chairman (Independent Non-Executive)	21st February 2020	30th June 2022	5 years	Related Party Transactions Review Committee Nomination and Governance Committee Board Audit Committee Human Resources and Remuneration Committee Board Integrated Risk Management Committee
2. Gerard George Ondaatjie Managing Director (Executive)	2nd December 1993	N/A	31 years	Executive Credit Committee
3. Shermal Hemaka Jayasuriya Finance Director (Executive)	05th January 2001	31st July 2023	24 years	Executive Credit Committee

Competencies: Expertise	Competencies: Sector	Competencies: Qualities	Qualifications/ Experiences	Present Directorship/Position held with Other Companies	Number of Shares held in MI as at 31st March 2025
◈ Strategic Management ◈ Financial Management ◈ Governance ◈ Treasury ◈ Auditing	◈ Information Technology ◈ Decorative, Automobile and Industrial Paints ◈ Financial services ◈ Trading	◈ Strategic Thinker ◈ Visionary ◈ Analytical ◈ Idea Generator ◈ Able to deal with ambiguity ◈ Networking	FCA, FCMA (SL), ACMA (UK), CGMA, MBA (PIM, Sri J'pura)	◈ Chief Financial Officer – Fortude (Pvt) Ltd	Nil
◈ Strategic Management ◈ Human Resource Management ◈ Financial Management ◈ Public Relation ◈ Governance ◈ Risk Management	◈ Tourism and Hotels ◈ Automobile ◈ Financial Services ◈ Trading Sector	◈ Strategic Thinker ◈ Visionary ◈ Analytical ◈ Idea Generator ◈ Able to deal with ambiguity ◈ Networking	B.Sc. (Accountancy) (Arizona State University – USA)	◈ Chairman (Non-Executive Director) 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 (Non-Executive Director) of The Nuwara Eliya Hotels Co. PLC ◈ Non-Executive 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 ◈ Member of Tourism Advisory Committee	484,615
◈ Strategic Management ◈ Recoveries ◈ Human Resource Management ◈ Financial Management ◈ Fundraising ◈ Public Relation ◈ Governance ◈ Risk Management	◈ Financial Services ◈ Insurance ◈ Manufacturing ◈ Small Businesses ◈ Trading ◈ Automobile	◈ Strategic Thinker ◈ Visionary ◈ Analytical ◈ Idea Generator ◈ Able to deal with ambiguity ◈ Networking	FCA, FCMA (UK), CGMA, FCMA (SL), MBA (Sri.J.)	◈ Non-Executive 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
4. Angeline Myrese Ondaatjie Director (Executive)	20th January 1992	30th June 2022	33 years	
5. Travice John Ondaatjie Director (Executive)	13th July 1995	31st July 2023	29 Years	
6. Anil Lasantha Naomal Dias Director (Independent Non-Executive)	26th March 2021	28th June 2024	4 years	Board Integrated Risk Management Committee Board Audit Committee Nominations & Governance Committee Related Party Transactions Review Committee Human Resources & Remuneration Committee

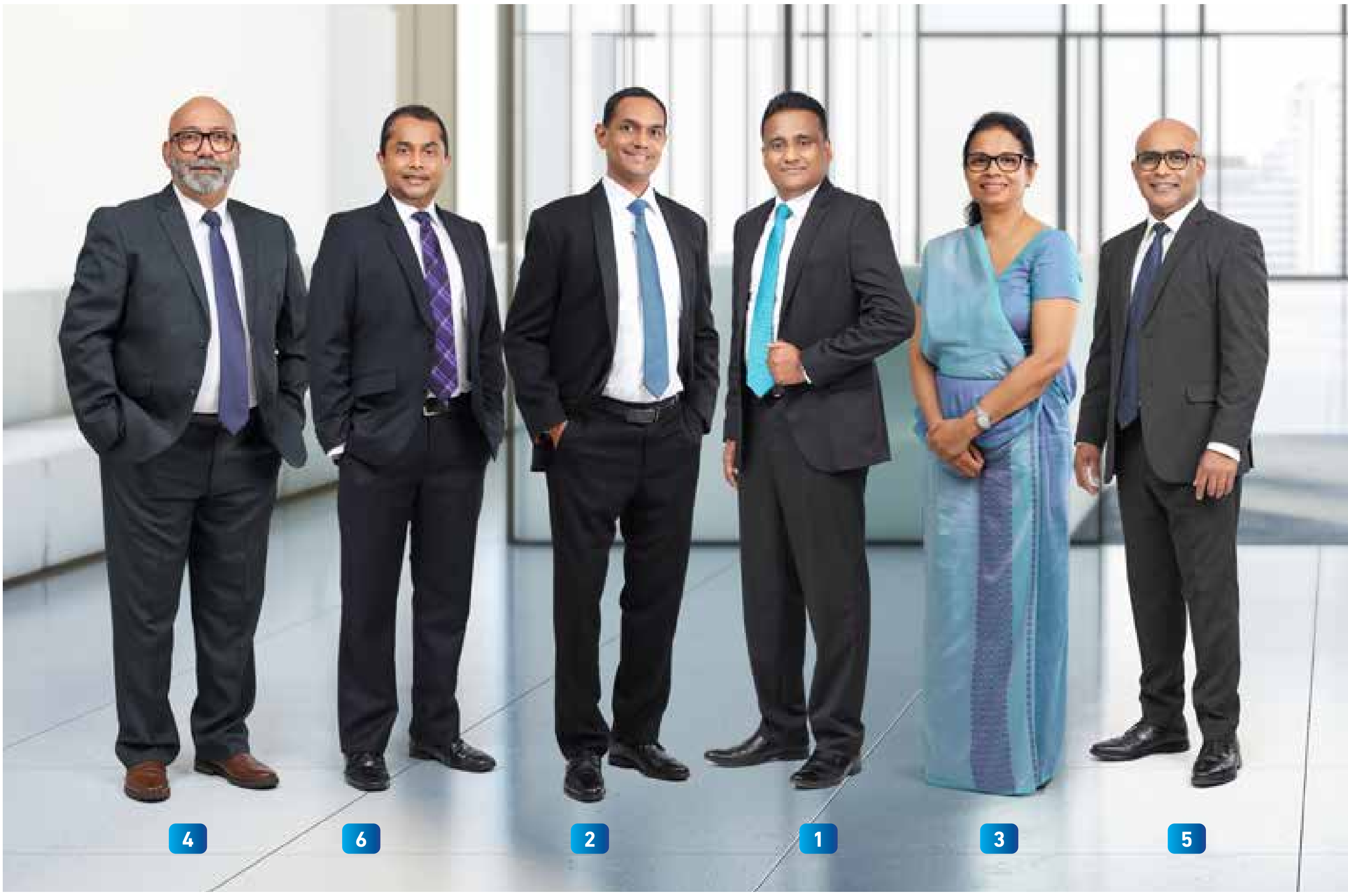
Competencies: Expertise	Competencies: Sector	Competencies: Qualities	Qualifications/ Experiences	Present Directorship/Position held with Other Companies	Number of Shares held in MI as at 31st March 2025
Strategic Management Human Resource Management Financial Management Public Relation	Tourism and Hotels Financial Services Manufacturing	Strategic Thinker Visionary Analytical Idea Generator Able to deal with ambiguity Networking	MBA (University of Texas in Austin) USA, BSc (Massachusetts Institute of Technology USA)	Chairperson (Non-Executive Director) of Tangerine Tours (Pvt) Limited, Tangerine Beach Hotels PLC , Royal Palms Beach Hotels PLC & Tangerine Vacations (Pvt) Ltd Non-Executive 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 Trustee of the Lionel Wendt Memorial Fund	484,615
Strategic Management Human Resource Management Financial Public Relation Risk Management	Tourism and Hotels Automobile Financial Services	Strategic Thinker Visionary Analytical Idea Generator Networking	BSc. (Arizona State University – USA)	Chairman (Non-Executive Director) of Nilaveli Beach Hotels (Pvt) Limited & Nilaveli Hotels (Pvt) Limited Non-Executive 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
Strategic Management Financial Management Auditing Risk Management Business process reengineering	Manufacturing Trading	Strategic Thinker Idea Generator Able to deal with ambiguity Analytical Visionary Consensus Builder	FCMA (UK), MBA (USJP)	Independent Non-Executive Director of Y-Gro (Pvt) Ltd, Dilmah Ceylon Tea Company PLC	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
7. Eranjalie Deepthie Wickramasuriya Director (Independent Non-Executive)	26th March 2021	28th June 2024	4 years	Board Audit Committee Related Party Transactions Review Committee Nominations & Governance Committee Board Integrated Risk Management Committee
8. Malwattage Kanchana Sujeewa Pieris Director (Independent Non-Executive)	05th April 2021	28th July 2021	4 years	Human Resources and Remuneration Committee
9. Brandon Philip Morris Director (Independent Non-Executive)	28th June 2024		9 months	
10. Sugeeth Suranga Jasenthu Patabendige Director (Independent Non-Executive)	28th June 2024		9 months	
11. Egoda Wiyannala Vajira Arjuna Wijesinghe Director (Independent Non-Executive)	25th July 2024		8 months	
12. Graham Anthony Fredrick Marshall Director (Independent Non-Executive)	25th July 2024		8 months	

Competencies: Expertise	Competencies: Sector	Competencies: Qualities	Qualifications/ Experiences	Present Directorship/Position held with Other Companies	Number of Shares held in MI as at 31st March 2025
◈ Business process management ◈ Auditing ◈ Risk management ◈ Financial Management ◈ Strategic Management ◈ Treasury ◈ Business counselling	◈ Financial services ◈ Trading ◈ Manufacturing ◈ Energy ◈ Plantation	◈ Strategic Thinker ◈ Idea Generator ◈ Analytical ◈ Visionary ◈ Listener	FCMA (UK), MBA (USJP)	◈ Independent Non-Executive Director of Vidullanka PLC, Vidul Plantation (Pvt) Ltd, Amana Takaful PLC, Chitrasena Vajira Dance Foundation, Pelwatte Dairy Industries Ltd, Pelwatte Foods (Pvt) Ltd	Nil
◈ Company Law ◈ Strategic Management ◈ Public Relation ◈ Intellectual Property	◈ Legal ◈ Banking and Financial services	◈ Strategic Thinker ◈ Idea Generator ◈ Visionary ◈ Analytical	Attorney-at-Law		Nil
◈ Strategic Management ◈ Public Relation ◈ Human Resource Management ◈ Business Process Management ◈ Leasing	◈ Multinational organization ◈ Trading and Non-banking Financial Sector	◈ Strategic Thinker ◈ Idea Generator ◈ Visionary ◈ Analytical	MBA (Business Administration) PGD (Marketing)	◈ Independent Non-Executive Director of Vigilant Security & Investigation Services (Pvt) Ltd & International Investigators Network Pvt Ltd	Nil
◈ Educator and Researcher ◈ Chartered Management Accountant	◈ Business Education ◈ Business Consultancy	◈ Learning Ecosystems Designer ◈ Business Strategist	PhD in Accountancy (RMIT Aus) MEcon (Col) BBA(Col), FCMA (UK), CGMA PGD in Marketing (UK) PGD in Strategic Finance (CASL)	◈ Head – Department of Marketing Management, University of Kelaniya ◈ Non-Executive Director - IDEATE Ventures (Pvt) Ltd	Nil
◈ Strategic Management ◈ Information Technology	◈ Information Technology	◈ Strategic Thinker ◈ Idea Generator ◈ Analytical	B.Sc Eng(Hons)	◈ Managing Director (Executive) of NCINGA and IFINITY, Former Chairman to the Technical Advisory Committee of Information & Communication Technology Agency of Sri Lanka (ICTA)	Nil
◈ Strategic Management ◈ Brand Marketing ◈ Public Relations ◈ Life/Business coach	◈ Decorative, Automobile and Industrial Paints. ◈ Consumer imaging ◈ Pharmaceuticals ◈ Marketing Communications	◈ Strategic Thinker ◈ Idea Generator ◈ Visionary ◈ Analytical ◈ Networking ◈ Motivator	MBA(USJ),Graduate member Institute of Chemistry SL, Royal Society of Chemistry UK/ Graduate member Chartered Institute of Marketing(UK)/ Certified Management Accounting (ANZ)	◈ Founder Director (Executive) at Incubi Digital Consortium (Pvt) Ltd ◈ Executive Director at Thompson Associates (Ceylon) (Pvt) Ltd Sri Lanka, President of Wildlife and Nature Protection Society, Board SUROL(Society for the upliftment and rehabilitation of Leprosy affected persons.	Nil

Corporate Management Team



1. Laksanda Gunawardena
Chief Operating Officer
CPM (Asia), CMA- Australia, MBA (Wales) –UK, MBA- American City University, MSc. Strategic Marketing, Dip. in Credit Management- SLICM

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

2. Deva Anthony
Chief Financial Officer / Director (Non-Board)
FCA, FCMA (UK), CGMA, FCMA (SL), ACIM

Areas of expertise and contribution:
23 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)

3. Sonali Pethiyagoda
Company Secretary
ACIS (UK), ACCS

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

4. Ravi Ekanayake
General Manager – Motor Division
Dipl. Engineering (UK)

Areas of expertise and contribution:
43 years experience in the automobile industry (in UK and Sri Lanka)

Directorships and memberships:
Director of Mercantile Fortunes (Pvt) Ltd

5. Dharshana Senarath
General Manager – Credit & Operations

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

6. Priyantha Athukorala
General Manager - Hr & Training
MBA (Wales) –UK
MLRHRM –University of Colombo
ICF Certified Transformative Coach, NLP Business Practitioner

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

7. Lahiru Dayananda
General Manager – Sales & Marketing
MBA – Anglia Ruskin University (UK)

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

8. Prasad Indika
General Manager - IT
FBCS, Dip. (NIBM)

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

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

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

10. Tharanga Deepal Peiris
General Manager – Gold Loans and Micro Finance
Dipl. Micro Finance (IBSL)

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

11. Hirantha Bandara Tennakoon
Assistant General Manager - Recoveries
MBA (UK)

Areas of expertise & contributions:
25 years experience in the Banking and Financial Service Sector

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

Areas of expertise and contribution:
13 years experience in the Financial Service sector
3 years experience in audit and assurance sector

Corporate Management Team

13. Chaturani Jayanetti
Assistant General Manager – Corporate Planning And Reporting
FCA, MBA (PIM - University of Sri Jayewardenepura), B.Sc. in Accounting (Sp.) - First Class (University of Sri Jayewardenepura)

Areas of expertise & contributions:
10 years experience in the Financial Services Sector
9 years experience in Retail and Services Sector
4 years experience in Audit & Assurance Sector

14. Hasuni Gayasha
Assistant General Manager – Finance
FCA, MBA (PIM - USJP) – Merit Pass, B.Sc. Finance (Special), USJP – First Class, LLB (Open University of Sri Lanka), AIB

Areas of expertise & contributions:
13 years experience in Financial Services sector
2 years experience in Telecommunications sector
2 years experience in the Hospitality sector
3 years experience in Audit & Assurance

15. Fasmin Ahamed
Assistant General Manager – Legal
Attorney-at-law & Notary Public
LLM (University of Colombo)

Areas of expertise & contributions:
23 years' experience in civil and commercial law
4 years in the Financial Services Sector

16. Shyamali Pemarathna
Compliance Officer
B. Com (Sp) USJP, Dip. (Compliance) IBSL, Dip. (BIRM) IBSL

Areas of expertise & contributions:
10 years of experience in the Financial Services Sector, specializing in Compliance and Risk Management

17. Ajith Sooriyaarachchi
Chief Risk Officer
MSc in Investments & Finance (UK),
PGD in Applied Statistics, University of Colombo, MA in Economics, University of Colombo, BA in Economics, University of Peradeniya, ACCA (UK)

Areas of expertise & contributions:
01 years experience in the Financial Services Sector
23 years experience in the Banking Sector

Corporate Governance Report

GRI 2-13

Chairman's Statement

In today's dynamic and rapidly evolving environment, the financial sector is navigating an increasingly complex landscape marked by intensified competition, disruptive technological innovations, shifting demographic patterns, and stringent regulatory expectations. These forces collectively present both challenges and opportunities for growth and transformation. As the pace of change accelerates, stakeholders including regulators, investors, customers, and the wider public demand greater accountability, transparency, and ethical leadership from financial institutions.

In this context, Mercantile Investments as a corporate leader remains unwavering in our commitment to upholding the highest standards of corporate integrity and responsible governance. These principles are deeply embedded in our organizational culture and guide every aspect of our decision-making. We view governance not merely as a compliance requirement, but as a strategic enabler that strengthens stakeholder trust, mitigates risk, and ensures long-term resilience and sustainability.

As Chairman of the Company, I underscore the critical importance of embedding robust corporate governance practices throughout every facet of our operations. This unwavering commitment plays a vital role in protecting stakeholder interests amidst an increasingly complex business landscape. I am also of the view that transparency, accountability, and sound governance have evolved beyond basic compliance, and in fact these critical requisites are now fundamental to the long-term success and sustainability of the enterprise, as we move beyond six decades of entrepreneurship.

Strengthening the Governance Framework towards greater resilience

Throughout the review period, the Board was instrumental in advancing the implementation of key transitional provisions under the Finance Business Act Direction No. 5 of 2021 on Corporate Governance, issued by the Central Bank of Sri Lanka (CBSL), with full adoption completed by 1st July 2024. Simultaneously, the Board concentrated efforts on complying with the requirements outlined in Section 9 of the Listing Rules on Corporate Governance, issued by the Colombo Stock Exchange (CSE), which was fully adopted by 1st October 2024. Additionally, the Company successfully met all requirements of the Code of Best Practice on Corporate Governance 2023, as issued by CA Sri Lanka.

Demonstrating our continued dedication to strengthening governance throughout the organization, we appointed four additional Independent Non-Executive Directors to the MI Board this financial year. Each brings diverse expertise that aligns with the corporate governance standards set by the Central Bank of Sri Lanka (CBSL) and the Colombo Stock Exchange (CSE). Additionally, we have restructured all Board sub-committees to ensure their composition fully complies with the governance frameworks mandated by both the CBSL and CSE.

Furthermore, in accordance with Section 9.2 of the CSE Listing Rules on Corporate Governance, we have formulated and implemented the necessary policies to ensure adherence to the prescribed governance standards. The existence of these policies has been appropriately disclosed on the Company's corporate website. These governance policies are designed to foster transparency, accountability, and integrity throughout our operations.

The Board of Directors has prioritized enhancing existing processes to align with evolving regulatory standards, thereby further embedding the principles of good governance. In addressing rising technological challenges, the Company has bolstered its cybersecurity and digital infrastructure by integrating advanced technologies and engaging with industry experts. These initiatives were undertaken in compliance with the Finance Business Act Direction No. 01 of 2022 on Technology Risk Management and Resilience, ensuring strong safeguards for data confidentiality, integrity, and system availability.

In our continued commitment to transparency, we ensured the timely and accurate dissemination of both financial and non-financial information to stakeholders. To further enhance credibility, we obtained assurance certificates for statutory financial disclosures, internal controls, sustainability practices, and GRI indicators. The publication of this Integrated Annual Report with comprehensive voluntary disclosures exceeding regulatory requirements serves as a testament to our dedication to transparency and accountability.

Looking Ahead: Governance Priorities

In an industry marked by rapid transformation and an ever-shifting economic and political landscape, we are unwavering in our commitment to uphold the strong values and standards that define our corporate culture. At the heart of our strategy is the empowerment of our people we invest in their growth to ensure they are equipped to navigate complexity, mitigate risks, and capitalize on opportunities with confidence and resilience. Simultaneously, we continue to respond swiftly and effectively to emerging regulatory requirements, particularly those focused on strengthening governance. This reflects our ongoing dedication to fostering a culture of compliance, adaptability, and operational excellence across all facets of the organization.

Declaration

I hereby affirm that both the Board of Directors and the Management team are strategically positioned and wholly committed to driving our corporate objectives forward. This dedication is reflected in our unwavering compliance with relevant regulatory and statutory obligations, alongside strict adherence to the internal policies, procedures, and ethical standards set forth in MI's Internal Code of Conduct. We continuously strive to foster a culture of integrity, transparency, and accountability across all levels of the organization. Our leadership remains focused on aligning business strategies with stakeholder expectations, managing risks responsibly, and adapting to the evolving regulatory landscape. Moreover, we actively promote compliance culture that upholds ethical decision-making and responsible corporate behavior, ensuring that our operations are sustainable, compliant, and in line with our long-term vision.

P.D.D. Perera
Chairman
11th June 2025

Corporate Governance Report

Evolution of Corporate Governance

Governance Actions during the FY 2024/25

- Four additional Independent Non-Executive Directors were appointed to the MI Board, each bringing diverse expertise
- The company's governance framework was reviewed and updated in response to the governance changes in the operating landscape
- All Board sub-committees were restructured to ensure their composition aligns with the corporate governance requirements set out by the Central Bank of Sri Lanka and the Colombo Stock Exchange
- Establishing policies in compliance with Section 9.2 of the Colombo Stock Exchange Listing Rules on Corporate Governance
- Separation of the risk and compliance units as per the new governance directive issued by the regulator by 1st July 2024
- Developing and executing a medium-term corporate plan that also incorporates risk management for newly deployed strategies.
- Full adoption of Section 9 of CSE Listing Rules on Corporate Governance, Finance Business Act No. 05 of 2021 on Corporate Governance and CA Sri Lanka Code of Best practice 2023
- Plans set for AML module kick off from 1st April 2025 with transaction monitoring and alert generation.
- All corporate depositor liabilities and statutory payments were settled on or before their respective due dates
- Key business segments completed their migration to the new external Scienter core IT system, guaranteeing strong data protection and aligning to industry tailored system environment.

Governance Roadmap Beyond 2025

- Driving digital transformation, operational efficiency, and decentralization through the full-fledged 360-degree new IT system.
- Expanded the scope of the internal audit and compliance teams to address evolving business dynamics
- Enhanced the quality, relevance, and timeliness of corporate information presented to the Board through improved MIS dashboards, informative statistics, and concise reporting.
- A fully developed periodic performance review and reward system designed to drive individual goals with better flow and alignment.
- Planned branch rationalization and concept expansion with minimal cost
- Background tasks completion towards embracing of the Data Protection Act of Sri Lanka once it becomes effective, recognizing the critical importance of safeguarding personal data in today's digital environment.

Governance Objectives

- To conduct business operations grounded in the philosophy of prudence and aligned with finance industry best practices, ensuring the protection of the company's assets, depositor investments, and stakeholder interests.
- To uphold ethical and compliant corporate behavior that minimizes reputational risk and preserves 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 (2012)

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)

Full adoption of Corporate Governance Direction by restructuring the Board, Board sub committees, compliance and risk units (2024)

Governance Framework

GRI 2-9

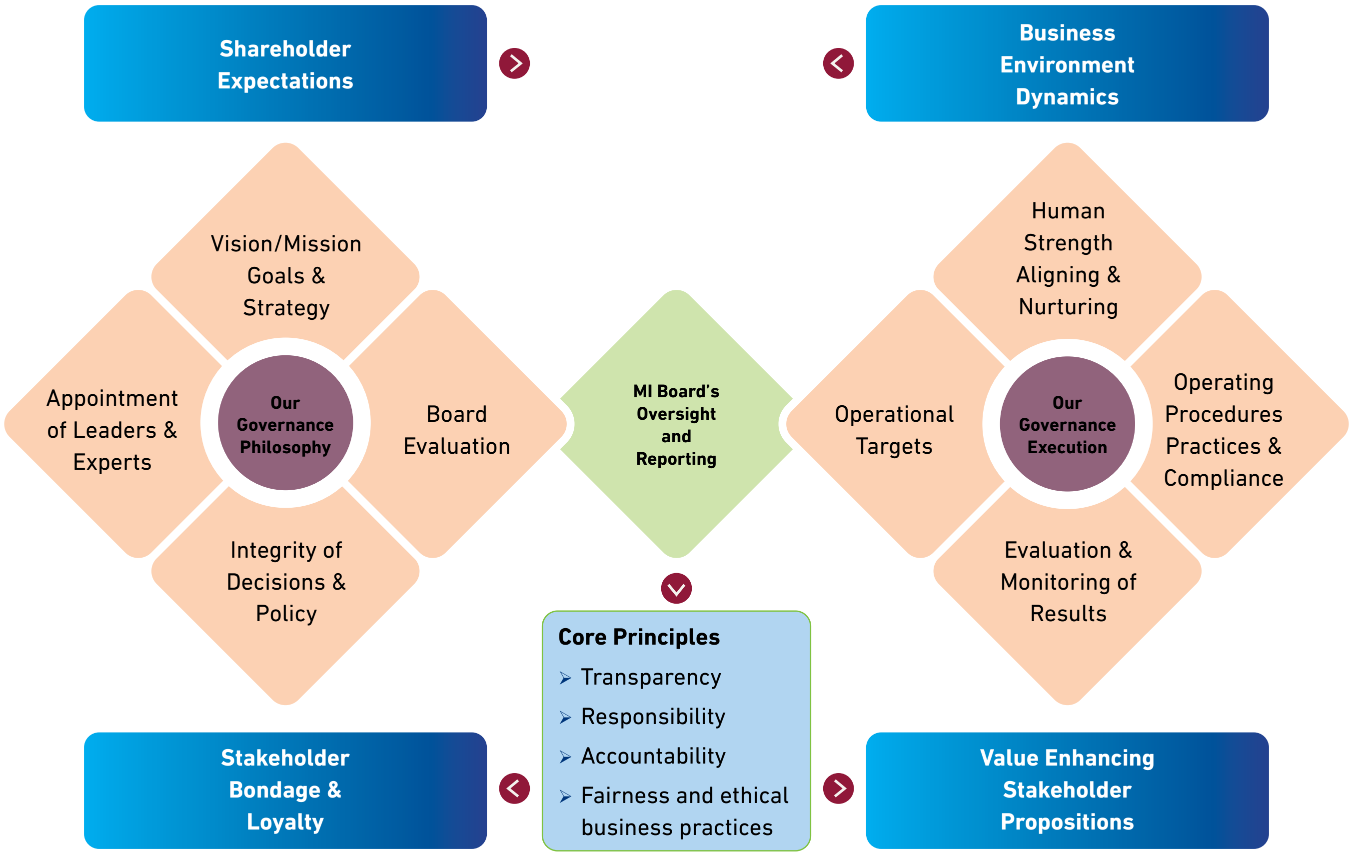
Facing heightened regulatory expectations and a more complex business environment, the company implemented a unique compliance strategy to tackle these challenges effectively. This included a comprehensive review of the 'Governance Framework,' followed by necessary modifications to comply with the latest Corporate Governance requirements issued by the Central Bank and Colombo Stock Exchange, as well as the corporate governance best practices recommended by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SECSL). In addition, MI updated its policies and procedures to ensure consistent adherence to the evolving business conditions, risks and to maintain regulatory standards throughout the organization.

Governance framework of MI is built upon the company's distinct corporate values and culture. It establishes a comprehensive set of policies and control measures designed to ensure responsible operations while complying with regulatory standards. The senior management team leads these efforts by nurturing a strong culture of compliance throughout the organization. Consequently, the Board and management remain actively involved in advancing this tailored governance framework, incorporating international best practices through ongoing reviews and continuous improvements.

Advancements in the economic, regulatory, and technological sectors have been embraced to strengthen the framework's effectiveness and, consequently, deliver superior service standards to our stakeholders. The framework undergoes regular assessments to ensure it remains responsive to changing dynamics.

Corporate Governance Report

Governance Framework in Action



◈ Vision, Mission, Goals and Strategy
Strategic planning for the short, medium, and long term is an ongoing responsibility of the Board, with regular adjustments made to align with changing industry dynamics and circumstances (Pages 16 and 17).

◈ Appointment of Leaders and Experts
Following a thorough evaluation of the skills required to achieve the company's strategic objectives, the Nominations and Governance Committee conducts a comprehensive assessment and recommends suitable candidates for Board appointments (Page 204). Once appointed, the Board proceeds to establish subcommittees, which play a critical role in overseeing various aspects of the company's governance and operations (Pages 103 to 104).

◈ Integrity of Decisions and Policy
To uphold transparency and facilitate informed decision-making, the Board and its subcommittees meet regularly to ensure open communication and knowledge sharing. During the year, expert insights and evaluations prompted revisions to several existing policies and procedures, while new ones were introduced to address emerging needs (Page 110). These enhancements have not only strengthened the internal control environment but also established a consistent framework to guide staff in alignment with the company's strategic direction.

◈ Board Evaluation
The HR and Remuneration Committee periodically assesses the adequacy and effectiveness of the Board's decisions and policies in meeting the company's strategic objectives. (Page 203)

◈ MI Board's Oversight and Reporting
Led by the Managing Director/CEO, the corporate management team serves as the bridge between the governance philosophy and its implementation. The Board oversees the execution of governance and receives regular updates on the company's operational activities. (Page 98)

◈ Operational Targets
A clear and structured strategy translates the company's vision, mission, and strategic goals into actionable outcomes. This strategy is supported by detailed operational targets, which are cascaded across all levels of the organization—from strategic business units to support departments—ensuring effective alignment and execution. (Pages 46-47)

- Human Strength Alignment and Nurture

The company promotes a thriving corporate culture by continuously investing in staff training and development, ensuring employees are equipped with current knowledge and skills. This approach aligns human capital with organizational values and drives progress toward achieving strategic goals. (Pages 64-65)

- Operating Procedures, Practices and Compliance

The company's operations are governed by Board-approved procedures that comprehensively cover all business areas, ensuring employee compliance with internal controls, corporate policies, and regulatory environment.

- Evaluation and Monitoring of Results

Company operations undergo regular evaluations, facilitating constant feedback to the Board and its subcommittees. These insights play a key role in shaping future policy revisions and refining the company's overall strategic direction. (Pages 39-40)

- Core Principles

Our corporate governance framework is grounded in principles of transparency, responsibility, accountability, and fairness, reinforced by ethical practices that promote trust, integrity, and strong stakeholder engagement.

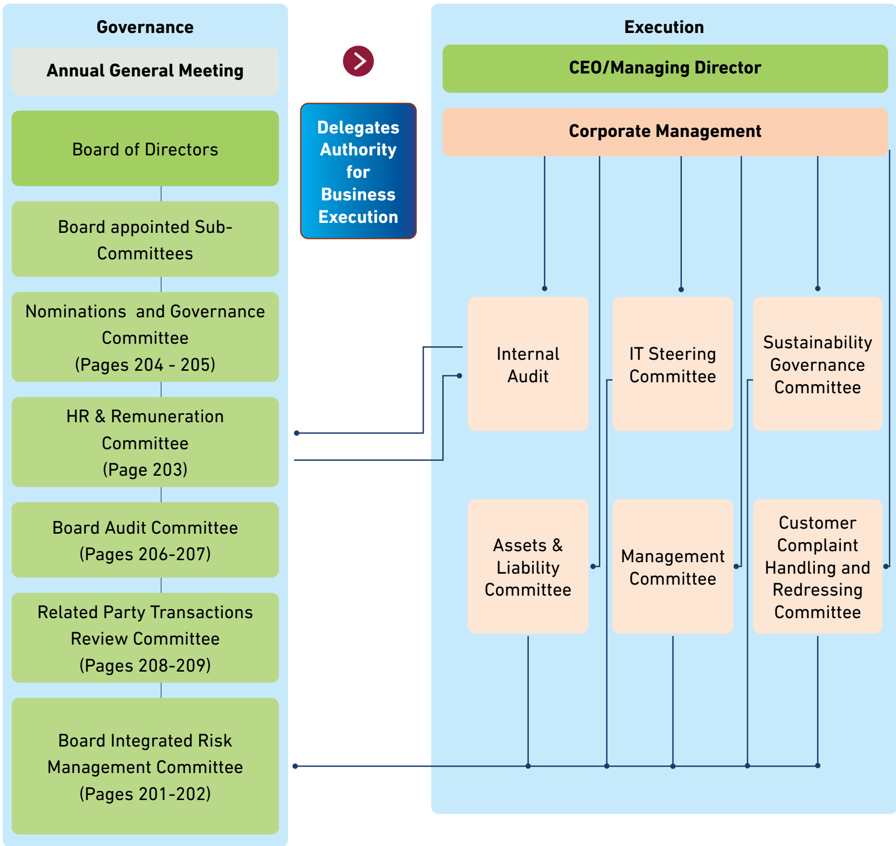
Corporate Governance Framework

GRI 2-16

The governance framework of the company outlines the distinct roles and responsibilities of the Board, its subcommittees, management, shareholders, and other stakeholders, while illustrating how these groups interrelate and collaborate.

Positioned at the highest level of the corporate hierarchy, the Board of Directors holds ultimate authority, delegating day-to-day operational duties to the corporate management team while maintaining oversight through a robust monitoring framework. Both the Board and its subcommittees are committed to fostering ethical conduct, transparency, and accountability to reinforce the governance structure.

Regular updates on progress and key issues are provided by the management team to the Board through the BIRMC and Board Audit Committee. Consistent and open communication flows between the management and the Board on all critical matters, reinforcing MI's commitment to transparency, clearly defined authority, and structured reporting within its governance system.



Effective Governance Oversight

- Internal Audit Function

Regular audits are carried out by MI's Internal Audit Division to ensure adherence to company policies and regulatory standards. Headed by a qualified chartered accountant with in-depth business insight, the division upholds the accuracy and credibility of its audit processes. Audit findings, depending on their relevance and impact, are communicated to the Board through the Board Audit Committee, accompanied by necessary recommendations, corrective actions, and improvements.

In response to a highly challenging operating environment and evolving regulatory requirements, the scope of the internal audit was broadened during the year. Based on the increasing branch operations and business dynamics, manpower of the Audit team was increased towards greater audit coverage. This expansion encompassed more thorough reviews, including system and branch audits, alongside structural changes within the division to better align the internal audit function with the company's shifting risk profile and business needs.

Corporate Governance Report

- Risk Management Function

Under the direct supervision of the Board Integrated Risk Management Committee (BIRMC), MI's Risk Management Unit operates by providing strategic recommendations to mitigate risks and enhance contingency planning through continuous oversight including stress test and other risks analytics. This proactive stance improves the company's resilience and preparedness for unforeseen business disruptions. (For a detailed overview of MI's risk management framework, refer to the Risk Management Report on pages 173-200.)

Compliance Function

The Compliance Officer oversees all divisions and business units to ensure compliance with applicable regulatory requirements. Division and branch heads are regularly updated on regulatory changes, developments, or enhancements through structured training programs and formal communication channels.

The Compliance Unit is tasked with regularly reporting to the Board via the BIRMC on the company's adherence to critical regulatory requirements. In the year under review, comprehensive gap analyses were carried out to assess compliance with key directives, and the findings were shared with the Board for further action. AML oversight was improved by the kick off of a fully-fledged AML system from next financial year.

Governance Oversight by the Board

- A primary responsibility of the MI Board is to steer business growth by approving the company's overarching strategy and overseeing its implementation, guided by clear, measurable objectives set for a three-year period. This strategic plan is reviewed annually to maintain its relevance and adaptability to evolving circumstances.

  The medium-term strategic plan for FY 2025/26 to 2027/28 was approved in March 2025, integrating environmental and social considerations to support the company's sustainability objectives and contribute positively to broader societal well-being.
- The Board holds responsibility for setting comprehensive risk management policies across the organization. The Board Integrated Risk Management Committee (BIRMC) oversees the evaluation of the risk management framework's effectiveness and conducts regular reviews of the Risk Appetite Statement (RAS). Significant issues are escalated to the Board without delay, in addition to the standard once in two months reporting cycle, to ensure timely decision-making.
- The Board conducts an annual self-assessment, where each Director completes a comprehensive checklist. This evaluation also considers the extent to which economic, social, and environmental factors have been integrated into the Board's decision-making processes, ensuring alignment with broader sustainability goals.
- MI is deeply rooted in a strong corporate culture and core values that emphasize ethical, responsible, and professional conduct. The Board reinforces these principles through a well-defined Code of Conduct and proactive management of conflicts of interest, setting the tone for the organization's corporate values.
- Developing succession plans across the organization, with an emphasis on Key Management Personnel (KMPs), falls under the Board's critical responsibilities. To maintain a strong leadership pipeline, the performance of KMPs is evaluated bi-annually, ensuring the organization retains the optimal mix of skills and expertise needed to drive MI toward its strategic goals.
- To further embed these values, the Board has adopted a communication policy that encourages open, transparent dialogue both formal and informal among stakeholders, supporting the development of a resilient and positive corporate culture. Additionally, the Board actively promotes sustainable financing by integrating Environmental, Social, and Governance (ESG) principles into the company's strategic decision-making and overall business approach.
- The Board operates with a strong sense of responsibility, exercising due care, prudence, and integrity in all actions. Recognizing the potential civil and criminal liabilities that may result from any lapse in fulfilling its duties, the company remains firmly committed to safeguarding the interests of its depositors, shareholders, and other stakeholders, and ensuring full compliance with its obligations.

Board Oversight of Environmental and Social Responsibilities

Despite the numerous economic challenges confronting the country, the Board remained committed to sustainable business practices through strategic decisions concerning internal processes, resource management, and policy formulation. During the financial year under review, MI continuously improved its support services particularly through the call center ensured the availability of convenient digital payment options such as the payment gateway, and broadened its geographic presence.

Sustainability remained a key focus for the Board, which actively engaged both the corporate management team and the Sustainability Governance Committee to drive value creation across economic, social, and environmental aspects.
The Board assumed responsibility for monitoring sustainability goals and initiatives and gave its approval for the Sustainability Report of the year.

Chairman's Role

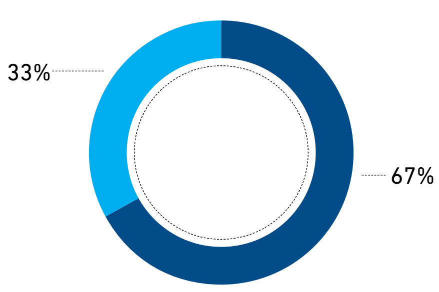
Guided by MI's strategic goals to deliver value to all stakeholders, the Chairman led the Board with clear direction. In his capacity as an Independent Non-Executive Director and a seasoned finance professional, he ensures objective oversight of the Board's activities. (Further details on the Chairman's role, duties, and responsibilities can be found on page 117 of this Annual Report).

Our Board Dynamics

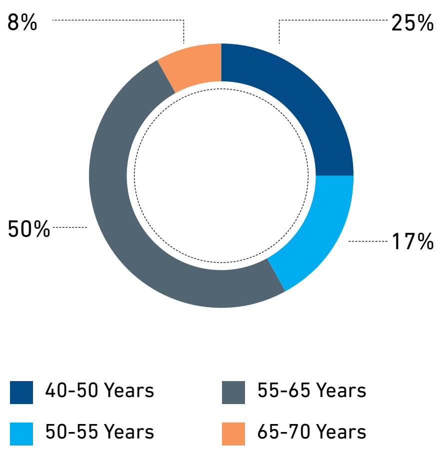
Diversity, Skills and Composition

Our Board consists of twelve Directors who bring a well-balanced mix of skills and experience, with representation from both genders. These members possess extensive expertise across banking and finance, leisure, accounting sectors, IT, leasing, Digital Marketing.

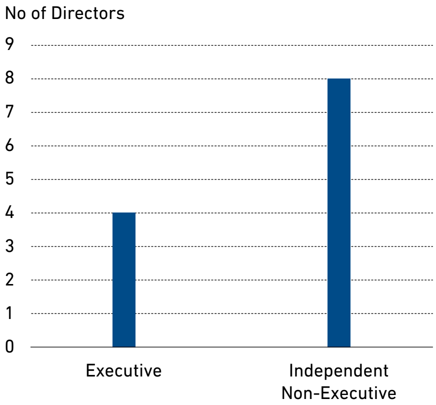
Length of Service



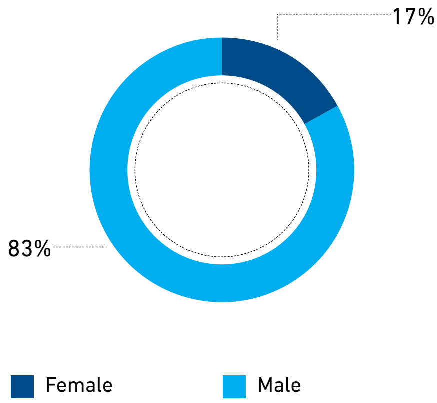
Age Composition



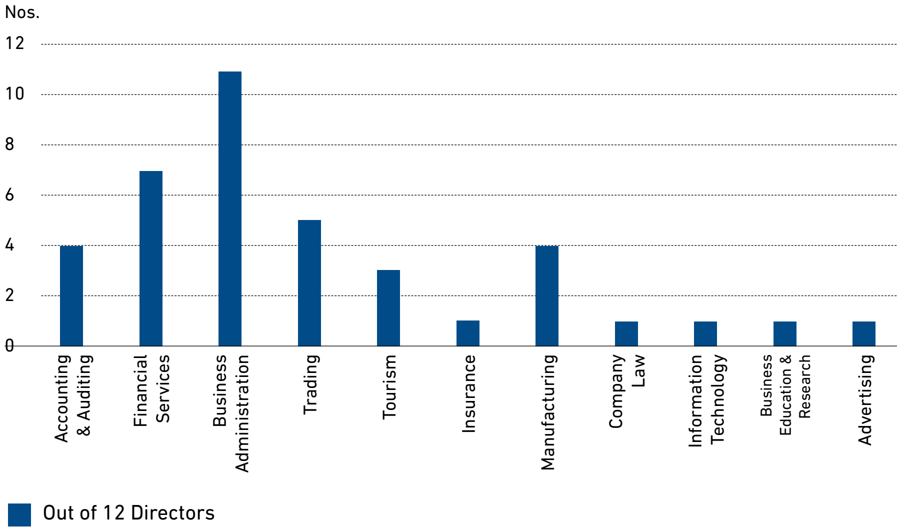
Director Category



Gender Composition



Professional Background and Experience



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 follow a predetermined calendar and fixed schedule, focusing on key matters requiring the Board's review and approval. These meetings were conducted monthly to carefully assess the Company's business performance, make strategic decisions and close oversight of ongoing and planned activities.

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 promptly.
- Directors were allowed to include significant matters in the agenda and were granted the option of seeking the services of an external consultant for expert advice and support on any matter deemed vital to decision-making.

Before the Meeting

- Regular management level 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.

Key Highlights of the Board's Special Reports taken up during the Annual Work Cycle FY 2024/25

2024 April
- Financial Consumer Accessibility Policy
- POS Mobile App for Micro Finance
- Introduction of Sola Lease (MI Sola)

2024 May
- Audited Financial Statements FY 2023/24
- Gap Analysis to review the effectiveness of Corporate Governance Framework
- Future 6 month's cash flow forecast

2024 June
- Amendment to the Credit Policy
- Purchases/Disposals of Fixed Assets
- Amendment to the Credit Policy

2024 July
- Status update of implementation of Supervisory Concerns
- Management Accounts
- Top 25 Borrowers

2024 August
- Purchases/Disposals of Fixed Assets
- Top 25 Borrowers
- Management Accounts

2024 September
- Internal Audit Charter
- Information Security Policy
- Management Accounts

2024 October
- Staff Code of Conduct
- Impairment Policy Manual
- Business Continuity Plan – IT

2024 November
- Investment Policy
- Liquidity Policy
- Branch Opening Plan for 2024/2026

2024 December
- New product development policy
- Competitor Analysis
- Top 25 Borrowers

2025 January
- Business continuity Policy and Disaster Recovery Policy
- KRP Succession Plan
- Credit Policy Manual

2025 February
- Organization Chart
- Future 6 month's cash flow forecast
- Purchases of Fixed Assets
- Management Accounts

2025 March
- Risk Appetite statement and key risk indicators
- Risk Management Policy
- Strategic Plan Update –FY 2024/2025-2027/28

Corporate Governance Report

Engagement Between the Board and Shareholders

Shareholders
- At the Annual General Meeting
- Direct e-mailing
- By appointment
- Feedback form of the Annual Report

Employees
- Open door Policy
- Staff meetings
- Weekly corporate review meetings

Customers
- Accessible via heads of divisions

Communities and Other Stakeholders
- Board's oversight through the SGC engaged with communities
- Accessible via heads of divisions

Independent Selection of Board Members

An assessment of the Board's skills, capabilities, and experience was conducted to gauge its readiness to address complex market challenges. Over time, the company has been guided by a well-rounded team of seasoned professionals whose diverse expertise and backgrounds have been instrumental in achieving strong performance.

The Nominations and Governance Committee recommends new Board Members after a comprehensive assessment of their profiles, professional qualifications, and expertise. (Information pertaining to the Nominations and Governance Committee is given on pages 204-205).

Responsibilities of the Board Subcommittees

To strengthen oversight of key business functions, the Board delegates authority to its subcommittees. The main focus areas of these Board-appointed subcommittees include:

- 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.

GRI 2-17

Board Committee's Overview

Composition for the FY 2024/25

Board Audit Committee	HR and Remuneration Committee	Board Integrated Risk Management Committee	Board Nominations and Governance Committee	Board Related Party Transactions Review Committee
E D Wickramasuriya (C)	A L N Dias (C)	A L N. Dias (C)	E D Wickramasuriya (C)	A L N Dias (C)
P D D Perera (M)	P D D Perera (M)	*P D D Perera (M)	P D D Perera (M)	P D D Perera (M)
A L N Dias (M)	M K S Pieris (M)	*E D Wickramasuriya (M)	A L N Dias (M)	E D Wickramasuriya (M)
S. Pethiyagoda	S. Pethiyagoda	A.K. Sooriyaarachchi	S. Pethiyagoda	S. Pethiyagoda

● Independent Directors ● Secretary

Key roles and responsibilities

Board Audit Committee

- Provide recommendations regarding the appointment of external auditors, including their tenure, audit fees, and any matters related to their resignation or dismissal.
- Ensure the implementation of Central Bank guidelines issued to auditors from time to time, as well as the application of relevant accounting standards.
- Review and monitor the external auditor's independence, objectivity, and the overall effectiveness of the audit process
- Review the Company's key financial information to ensure the integrity of annual and interim financial statements and disclosures, with a focus on major judgmental areas, changes in accounting policies, significant audit adjustments, going concern assumptions, and compliance with relevant accounting standards and legal requirements.
- Reviewing the scope of work and engaging with External Auditors and Corporate Management to identify and resolve concerns.

HR and Remuneration Committee

- Determine the remuneration levels of both Executive and Non-Executive Directors
- Formulate and regularly update the Company's remuneration strategy and policies in a timely manner.
- Engage with stakeholders, when necessary, to gather input on remuneration-related matters.
- Monitoring the implementation and effectiveness of such policies.

Board Integrated Risk Management Committee

- Assess all material risks i.e. credit, market, liquidity, operational, strategic, IT and information security risk of the Company at least 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.
- Develop risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the strategic business objectives.
- Review at least annually, the Company's overall risk governance structure including Risk Appetite Statement (RAS), and the risk management policy & procedure
- Review the adequacy and effectiveness of all management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee
- Submit a risk assessment report to the Board meeting following the BIRMC meeting seeking the Board's view, concurrence and/or specific directions
- Oversee and review the outcomes of stress testing of the risk portfolio, including both scenario analysis and sensitivity analysis for the capital adequacy assessment process and liquidity adequacy assessment process
- 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.

Board Nominations and Governance Committee

- Establish and maintain a formal and transparent procedure to select and appoint/re-appoint Directors and Senior Management in order to fulfil leadership needs of the Company.
- 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 Senior Management.
- Develop succession plan for Board of Directors and Key Management Personnel of the company
- Review and recommend the overall corporate governance framework of the company taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.
- Ensure balance of skill, knowledge and experience of members forming the Board and the key management, and ensure that the members are fit and proper persons to hold the position as required by statutes.

Board Related Party Transactions Review Committee

- 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.

Corporate Governance Report

Key actions performed during the FY 2024/25

Board Audit Committee

- The Committee reviewed and made recommendation on the quality of disclosures and other matters relating to the interim and annual financial statements with both the Management and the External Auditors prior to their release for publication.
- The Committee obtained written assurance from the External Auditors affirming their independence throughout the audit engagement, in accordance with all relevant professional and regulatory requirements.
- The Committee reviewed both audit and non-audit services provided by the External Auditors, ensuring a clear separation between services requiring an independent audit opinion and those of an advisory nature.
- The Committee recommended a revised policy on the engagement of the External Auditor for audit and non-audit services for Board approval
- The Audit Committee regularly reviewed internal audit reports, monitored the implementation of recommendations, and followed up with Management on significant audit findings.
- The Committee assessed the adequacy of resources allocated to the Internal Audit Department and reviewed the performance appraisal of the Head of Internal Audit to ensure Continued effectiveness.
- The committee assessed the adequacy of information system controls based on internal and external audit reports, ensuring that identified issues were appropriately addressed by management.

HR and Remuneration Committee

- 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.

Board Integrated Risk Management Committee

- Reviewed the overall credit risk exposure on a regular basis, using appropriate risk indicators, assessing mitigation strategies, and making recommendations to strengthen the Company's risk management framework.
- Credit Risk Management Framework was reviewed and strengthened in line with Finance Business Act (Credit Risk Management) Direction No. 02 of 2024 and recommended for the approval of the Board.
- Reviewed the Risk Appetite Statement and recommended the addition of new criteria and the revision of existing limits to ensure that the Company operates within prudent risk tolerance limits.
- Reviewed the results of stress testing performed by the Risk division to ensure that adequate capital buffers are maintained to absorb unexpected shocks to Core Capital and Capital Adequacy.
- Reviewed the stress testing results on liquidity risk to assess the adequacy of liquidity reserves under stressed scenarios.
- Asset and Liability Management and Liquidity Risk Management Frameworks was reviewed and recommended for approval by the Board.
- Existing Risk Management policy was reviewed strengthening the operational Risk Management aspects.
- Monitored the implementation of new rules and regulations issued by regulatory authorities.
- Assessed the Company's compliance with applicable laws, regulations, regulatory guidelines, CBSL Directions, and internal policies across all areas of business operations.

Board Nominations and Governance Committee

- Restructure the committee in line with Section 9.0 of the Listing Rules of the Colombo Stock Exchange (CSE) and rename it as the "Nominations and Governance Committee"
- The committee evaluated the appointment of new Directors to the Board of Directors in terms of section 9.11.5 of the listing rules of Colombo Stock exchange and the section 10.4 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.
- Performance evaluation of the Board of Directors including the Managing Director/CEO for the FY 2024/25 was conducted.
- Assessment of Fitness and Propriety of Directors and the Managing Director/CEO in accordance with the Finance Business Act (Corporate Governance) Direction No. 6 of 2021.
- The Committee obtained declarations from all the Independent Non-Executive Directors through a prescribed format confirming their status of independence in terms of Listing Rules of the Colombo Stock Exchange and satisfied that all directors are meeting independency criteria defined in the section 9.7.3 of the CSE Listing rules.

Board Related Party Transactions Review Committee

- In compliance with Direction No. 12.1(b) of FBA Direction No. 5 of 2021, the Committee has reviewed and recommended all Related Party Transactions requiring its prior review and recommendation.
- Conducted quarterly reviews of all recurrent and non-recurrent related party transactions entered into by the Company. These reviews confirmed that all such transactions were carried out on an arm's length basis and without any preferential treatment.
- Provided the Board of Directors with quarterly updates on the Company's related party transactions.

Attendance Matrix of the Board and Board Sub-committees

Name of the Director	Directorship Status	Attendance											
		Board		Board Integrated Risk Management Committee (BIRMC)		Board Audit Committee(BAC)		Human Resources and Remuneration Committee (HRRC)		Nomination and Governance Committee (NGC)		Related Party Transactions Review Committee (RPTRC)	
		Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance
Mr.P D D Perera (i)	Independent Non Executive	C	12/12	M	4/5	M	10/10			M	7/7	M	4/4
Mr.G G Ondaatjie (ii)	Executive/ Managing Director	M	12/12	M	1/1					M	3/3		
Mr. S H Jayasuriya (iii)	Executive	M	12/12	M	1/1							M	1/1
Ms. A M Ondaatjie	Executive	M	12/12										
Mr. T J Ondaatjie	Executive	M	12/12										
Mr. A L N Dias (iv)	Independent Non Executive	M	12/12	C	6/6	M	10/10	C	1/1	M	7/7	C	4/4
Mrs. E D Wickramasuriya (v)	Independent Non Executive	M	12/12	M	5/5	C	10/10	M	1/1	C	7/7	M	4/4
Mr.M K S Pieris	Independent Non Executive	M	11/12					M	1/1				
Dr. S S J Patabendige (vi)	Independent Non Executive	M	9/9										
Mr. B P Morris (vi)	Independent Non Executive	M	9/9										
Mr. G A F Marshall (vii)	Independent Non Executive	M	8/8										
Mr. E W V A Wijesinghe (vii)	Independent Non Executive	M	8/8										

C - Chairman of the Board/Committee M - Member of the Board/Committee

(i) Mr. P D D Perera served as Chairman of the BAC and RPTRC until 28th June 2024. Following the reconstitution of the Board sub-committees on the same date, he was appointed as a member of both committees and also appointed as a member of the BIRMC.

(ii) Mr. G G Ondaatjie served as a member of the BIRMC and NGC until 28th June 2024 and stepped down from both committees following their reconstitution.

(iii) Mr. S H Jayasuriya served as a member of BIRMC and RPTRC untill 28th June 2024 and nd stepped down from both committees following their reconstitution.

(iv) Mr. A L N Dias appointted as the Chairman of RPTRC w.e.f. 28th June 2024 following the reconstitution of the Board sub committees.

(v) Mrs. E D Wickramasuriya appointted as the Chairman of BAC and as a member of BIRMC w.e.f. 28th June 2024 following the reconstitution of the Board sub committees.

(vi) Dr. S S J Patabendige and Mr. B P Morris (vi) appointted to the Board on 28th June 2024

(vii)Mr. G A F Marshall and Mr. E W V A Wijesinghe appoinnted to the Board on 25th July 2024

Corporate Governance Report

Management Committee's Overview

	Executive Committee	Assets & Liability Committee (ALCO)	Sustainability Governance Committee	IT Steering Committee
Key Responsibilities	◆ Review 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	◆ 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	◆ 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	◆ 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.
Actions during FY 2024/25	◆ 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.	◆ With the volatilities prevailed in policy rates, ALCO monitored interest rate trends and advised the Treasury division on repricing 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.	◆ Implemented GHG emissions accounting and verification in line with ISO 14064-1:2018 to ensure accurate measurement, reporting, and transparency of our carbon footprint as part of our commitment to climate accountability. ◆ Embedded sustainability into CSR initiatives by supporting community-based projects focused on environmental conservation, climate resilience, renewable energy adoption, and carbon footprint reduction—amplifying our impact beyond core business operations. ◆ 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.	◆ Reviewed and rectified the post implementation issues of Scienter system. ◆ 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.

Head Office Credit Committee

- 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.

New Product Development Committee

- Idea gathering from the staff members
- Collect market information
- Obtain clearance from Legal, IT, Audit, Credit Risk, Compliance when developing new product & services
- Obtain COO approval for new product and services

Customer Complaints Handling Committee

- 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 time frame for Resolving Financial Consumer Complaints

Head Office Credit Committee:

- 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.

New Product Development Committee:

- To mark the company's 60th anniversary, 'Empowher', a finance lease product exclusively for women, was introduced—empowering female customers with a tailor-made financial solution
- Recognizing the increasing demand for sustainable energy solutions and the rising cost of electricity, 'Mercantile Solar Plus Loans' was launched to support customers looking to invest in solar power systems
- In line with our commitment to innovation and sustainability, a dedicated finance lease for electric two-wheelers was introduced, marking a strategic step toward green mobility
- Additionally, a hybrid leasing product, branded as 'Lease Draft', was added to our product portfolio to remain competitive and in line with evolving industry trends

Customer Complaints Handling Committee:

- 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

Corporate Governance Report

Governance Outlook: Beyond 2025

Effective governance has been fundamental to establishing our credibility and stability as a financial institution. This reflects the pivotal role of sound governance in cultivating a resilient and purpose-driven corporate culture an essential hallmark of well-governed institutions. Over the past decade, we have navigated significant transformation, embedding sustainability at the core of our strategy while consistently delivering on our long-term goals.

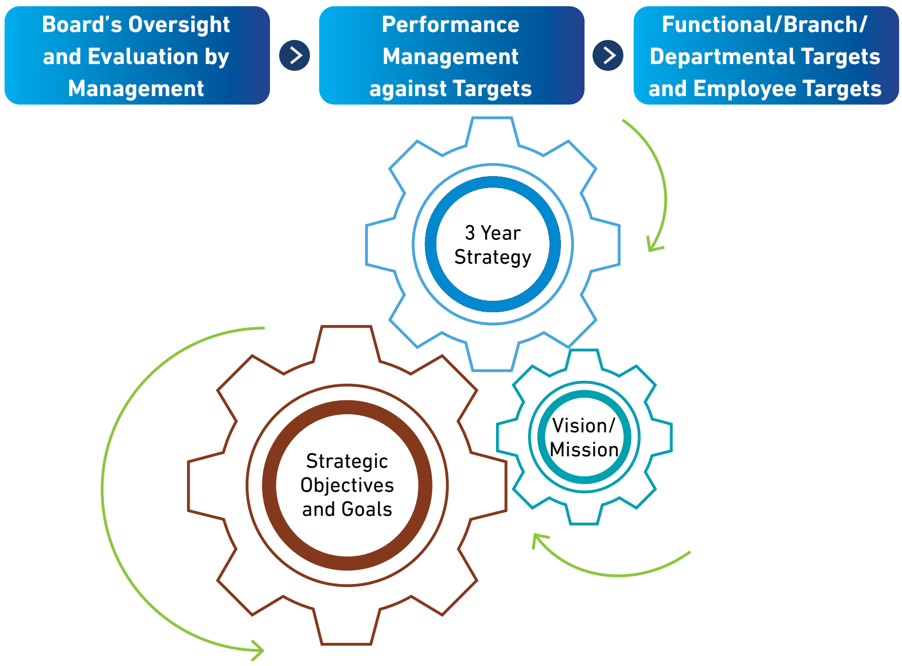
In response to evolving regulatory requirements, we plan to undertake a comprehensive review of our Board-approved Remuneration Policy to ensure full alignment with the guidelines on remuneration policies and disclosure obligations issued by the Central Bank of Sri Lanka (CBSL) under the Finance Business Act (Corporate Governance) Direction No. 05 of 2021. These guidelines, which come into effect from the 2025/26 financial year, set out clear expectations for transparency, fairness, and alignment of remuneration practices with prudent risk management. The updated policy will reflect our continued commitment to sound governance, accountability, and regulatory compliance. Under the oversight of the CISO, the full implementation of security controls including the Security Operation Center (SOC) to be implemented to align with the Technology Risk Management and Resilience Direction No. 01 of 2022.

Furthermore, we have already initiated proactive measures to ensure full compliance with the Finance Business Act (Operational Risk Management Framework) Direction No. 4 of 2024. This framework will be effective by 1st January 2026, for LFCs with an asset base of LKR 100 Bn and above. we have proactively commenced internal assessments, gap analyses, and the development of robust controls to strengthen our operational risk resilience. Recognizing that operational risk encompasses a broad range of exposures from process failures and system disruptions to external threats and human error we are committed to establishing a structured approach to identify, assess, monitor, and mitigate such risks. These efforts reflect our dedication to safeguarding the institution's stability and ensuring long-term regulatory compliance.

In addition, the company is committed to fully implementing the Data Protection Act of Sri Lanka once it becomes effective, recognizing the critical importance of safeguarding personal data in today's digital environment. We intend to establish robust policies and procedures to ensure compliance with the Act's requirements, including securing personal information, promoting transparency in data handling, and respecting individuals' privacy rights. By proactively adopting these measures, the company aims to build trust with customers, employees, and stakeholders while minimizing risks associated with data breaches and unauthorized access. This forward-looking approach reflects our dedication to ethical data management and aligns with international best practices in data protection.

Strategic Planning Process Embraced

Our forthcoming strategic direction in the medium term is detailed out in the Board-approved Medium-Term Strategic Plan for FY 2025/26 – 2027/28, which sets the framework for navigating future challenges and opportunities. The plan includes precautionary action for extreme economic and social conditions and master plans for operational changes required to counter volatile yet reviving market conditions.



Managing Director's Role

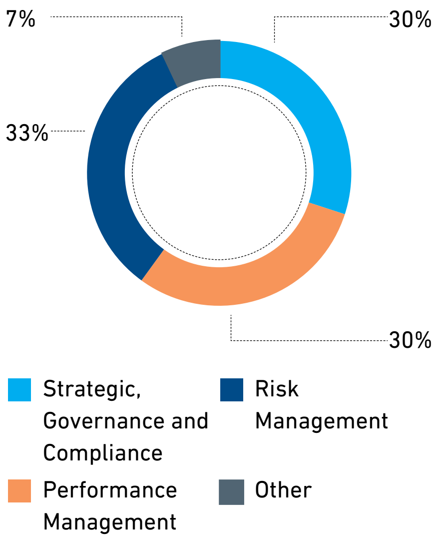
The authority to direct the detailed planning and development of the corporate plan rests with the Managing Director, who also serve as the CEO. He is responsible for steering the company's overall efforts in strict compliance with external regulations and internal policies. Additionally, he ensures that the entire workforce and all operational activities are fully aligned with the company's established long- and medium-term strategic priorities, thereby driving sustainable growth and organizational success.

The Corporate Management Committee's Role in Governance

GRI 2-14

- In addition to the Board subcommittees, the company has established several committees dedicated to overseeing risks related to day-to-day operational activities. These include the Head Office Credit Committee, IT Steering Committee, Asset and Liability Committee, Sustainability Governance Committee, and the Customer Complaints Handling and Redressing Committee. Led by the Managing Director in collaboration with senior management, these committees work together to uphold robust risk controls and provide comprehensive oversight across all key business areas.
- The Management Committee holds the responsibility of enhancing value creation for shareholders while embracing sustainable business practices. To achieve this, the Corporate Management Committee collaborates closely with the Sustainability Governance Committee (SGC), ensuring that the company meets its broader obligations to all stakeholders and integrates sustainability into its core business strategy.
- At the core of our success in meeting stakeholder expectations is our dedicated and talented workforce. Our workforce of over 1,500 employees is effectively managed by the Corporate Management Committee, which delegates authority to the respective Directors, General Managers, Assistant General Managers, and Managers. Corporate Management conducts regular performance appraisals to evaluate staff against key operational targets established at the beginning of each financial year, ensuring continuous development and alignment with the company's goals.

Corporate Management Meeting Focus



Employee Training on Regulatory Compliance and Institutional Knowledge Enhancement

New members of MI's team begin their journey with a comprehensive induction program that familiarizes them with the company's history, applicable regulations, workplace etiquette, and performance standards. After completing the induction, they undergo detailed training designed specifically for their individual roles and responsibilities. To support ongoing professional development and adaptability, regular training sessions are held to keep MI's workforce informed of the latest industry trends and regulatory changes.

At the beginning of the FY 2024/25, all branch heads were thoroughly informed about the company's overarching business objectives detailed in the Medium-Term Strategic Plan, along with explicit expectations concerning their responsibility in promoting growth. Additionally, respective Heads of Divisions and Legal department and the Compliance unit conducted separate branch-level training sessions to provide updates on new regulatory guidelines, branch key performance indicators, and anti-money laundering measures, ensuring that branch leadership remains well-informed and equipped to meet compliance and performance standards.

Performance Evaluation, Rewards and Recognition

- The HR & Remuneration Committee annually evaluated the performance of the Executive Directors and Senior Management with due consideration to their roles and responsibilities.
- The HR & 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 established in alignment with the company's objectives and strategic plan. Staff performance was regularly appraised against these predetermined targets, and rewards were allocated accordingly to recognize and motivate achievements.

Compliance

GRI 2-14

As a trustworthy financial services provider, MI remains committed to complying fully with all regulatory requirements while striving to achieve its objectives and meet stakeholder expectations. During the financial year, the company made all statutory payments to the government, regulatory bodies, and employees in a timely manner.

The Board of Directors upheld a strong and sound governance framework throughout the organization, ensuring strict adherence to external laws and regulations as well as internal policies and procedures. No material breaches were identified during the FY 2024/25 that required separate disclosure.

Corporate Governance Report

Key Internal Policies and Controls	Policy Reviewed/ Newly Issued During FY 2024/25
Remuneration Policy	√
Procedure to seek Independent Professional Advice	√
Areas of Authority and Key Responsibilities of the Board	√
Schedule of Matters specifically reserved for the board decision	√
Policy on orderly succession for the appointments to the Board	√
Governance Framework Policy	√
Maintaining minutes by the Company Secretary and the process for the directors to inspect such minutes.	√
Procedure for Directors to have access to advice of the Company Secretary in relation to Board Procedures, Rules, Directions and Regulations	√
Procedure for holding Virtual Board Meetings	√
Conflict of Interest Policy	√
Corporate Governance Framework	√
AML Policy	√
Compliance Policy	√
Corporate Governance Framework	√
Risk Appetite Statement	√
Risk Management Policy	√
Credit Risk Management Policy	√

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

To demonstrate MI's commitment to compliance with regulations and adherence to best practices in corporate governance, three separate disclosures have been provided in the form of detailed statements given in ensuing pages.

Part one from pages 111-134 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.

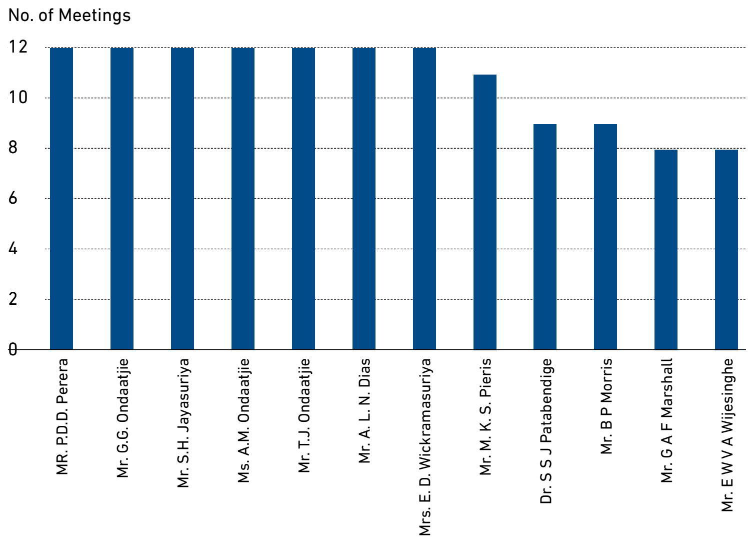
Part two from pages 135-163 provides disclosures on the Company's level of compliance with the Directions issued on Corporate Governance to Finance Companies by the Central Bank of Sri Lanka, under Direction No. 05 of 2021.

Part three from pages 164-171 provides disclosures on the Company's level of compliance with section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance.

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	The Company's leadership is entrusted to a Board of Directors comprising seasoned professionals with a wide range of skills and expertise, ensuring strong and effective governance. The Board plays a pivotal role in guiding the Company toward its strategic objectives by establishing a clear roadmap for future growth, ensuring robust strategic planning, and maintaining effective oversight under sound corporate governance principles. Detailed profiles of the Board members, highlighting their qualifications, competencies, and professional experience, are available on pages 82-89. MI's Board is chaired by an Independent Non-Executive Director and is supported by an Executive Managing Director, with representation from both Executive and Non-Executive Directors. This composition ensures a healthy balance of independence and executive insight. During the year under review, four new appointments were made to the Board, to comply with the Corporate Governance Direction Section 3 on Composition of the Board.
Board meetings	Code – A. 1.1	Adopted	During the financial year 2024/25, the MI Board convened twelve times on a monthly basis to assess performance and make informed decisions for the sound management of the Company. The Company Secretary ensured that all Directors received formal meeting notices along with the agenda at least seven days in advance.

Attendance at Board Meetings



Board responsibilities	Code – A. 1.2	Adopted	The Board of Directors, committed to ensuring the efficient utilization of the Company's resources in achieving its corporate objectives, fulfills its responsibilities by establishing the overall strategy and defining the risk appetite for governing the Company's affairs. The Board also reviews and approves capital and operating plans submitted by Management to ensure alignment with the established strategic objectives (Refer to Board-approved strategies on pages 46-47). Through ongoing meetings that encompass reviews of financial and non-financial performance, critical business matters, and the annual strategy review process, the Board diligently discharges its duties.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Formulation and implementation of a sound business strategy			The revised Medium-Term Strategic Plan for FY 2024/25 to 2026/27, approved by the Board 26th March 2024, served as the principal guiding framework for governing business activities throughout the financial period. In line with MI's top-down hierarchical approach, the Board ensured that corporate objectives, goals, values, and strategies were clearly communicated to the Corporate Management and all key officers for effective implementation of the planned strategies. The Board regularly reviewed the progress of business strategy execution and monitored compliance against annual targets. MI's actual financial performance highlights, compared to the key performance targets set for the financial year 2024/25, are disclosed in the Financial Highlights section on page 18. On 31st March 2025, the revised next 3 year plan for 2025/26 to 2027/28 was Board approved and communicated to corporate management for action.
Appointing the Chair and the Senior Independent Director if relevant			N/A
The CEO and Management team possess the skills, experience, and knowledge to implement strategy			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. Brief biographical particulars of each member of the Corporate Management team are provided on pages 90-92.
Adoption of an effective CEO and Senior Management succession plan			A comprehensive succession plan for the MD/CEO, Executive Directors, and Key Management Personnel was approved by the Board in January 2025 to ensure seamless business continuity. At MI, succession planning for Key Managerial Positions (KMP) primarily emphasizes internal development and grooming, thereby creating a strong pool of qualified candidates within the Company for future replacements.
Approving budgets and major capital expenditure			The Board holds the responsibility of diligently evaluating and making key financial decisions concerning funding, pricing, liquidity, and capital expenditures, alongside reviewing and approving the annual budgets. For the concluded financial year 2024/25, the Board endorsed the medium-term Strategic Plan, which provided the basis for formulating the budget, including allocations for capital expenditures.
Determining the matters expressly reserved to the Board and those delegated to the Management including limits of authority and financial delegation			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. The Board has delegated authority for specific functions to Corporate Management, each led by Executive Directors or Senior Heads of Divisions (refer to the list of company policy documents on page 110). Such delegated powers are governed by corporate policies, procedures, and any additional directives issued by the Board from time to time.

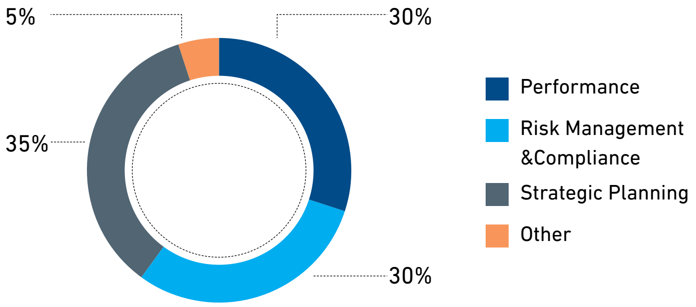
Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
◈ Effective systems to secure integrity of information, internal controls, cyber security , business continuity and risk management			MI Board is responsible for managing risks of the Company's finance business, and thus the Board Integrated Risk Management Committee and an Audit Committee was established in order to have close oversight over risky activities and to obtain feedback on the effectiveness of risk management practices and internal control mechanisms regularly. 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. 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. 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: ◈ Risk Management Report on pages 173-200 ◈ Board IRMC Report on pages 201-202 ◈ Board Audit Committee Report on pages 206-207 ◈ Directors' Statement on Internal Control on pages 225-226 ◈ Auditor's Assurance Report on adequacy of internal control on financial reporting on page 227 ◈ Integrity of management information and its privacy on page 136
◈ 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			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.
◈ Compliance with laws, regulations, and ethical standards			The Board has established a robust compliance framework within the Company, overseen by a qualified Compliance Officer. The Compliance Officer provides monthly reports to the Board, highlighting key compliance matters that require the Board's attention. 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.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
◈ All stakeholder interests are considered in corporate decisions			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. Refer Stakeholder Engagement and Impact (pages 38-39) and Alliances (pages 62-63).
◈ Sustainable business development in corporate strategy, decisions, and activities and adopting 'Integrated Reporting'			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. 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 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 36 highlight the sustainable value generated through the Company's business process.
◈ Ensuring the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations			The Board and the Board Audit Committee conducted an annual review of MI's accounting policies to ensure alignment with the latest regulatory requirements, evolving international and local accounting standards, and industry best practices. This review also considered the company's changing business needs. MI places strong emphasis on compliance with the Finance Business Act, Anti-Money Laundering regulations, Listing Rules, and all other relevant regulations applicable to the Licensed Finance Company (LFC) sector. Refer 'Independent Auditors' Report on pages 228-230, 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 pages 225-226.
◈ Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans, and related risks			Regular reviews were conducted by the Managing Director, Executive Directors, and the Corporate Management Team to monitor progress toward the company's corporate objectives. The impact of volatile economic conditions and associated risks were carefully assessed and incorporated into strategic budgets, plans, and risk management frameworks. 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 50-61).

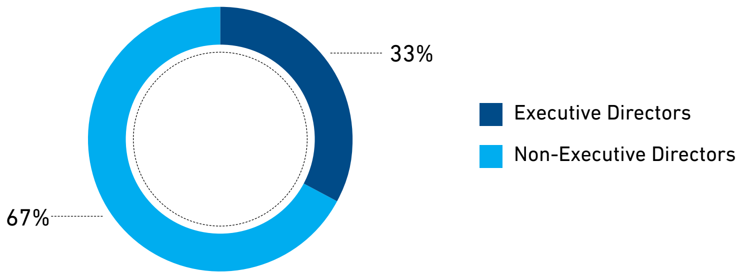
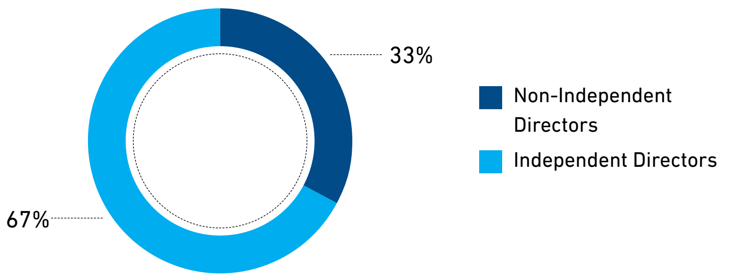
Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
◈ Process of corporate reporting on annual and quarterly basis or more regularly			Meeting regulatory deadlines, the Company published interim financial accounts on a quarterly basis. Moreover, the annual reports are published for investors and other stakeholders who are interested of the Company and also updated Financial Statements on CSE website, complying regulatory requirements. More importantly, the Company prepares monthly financial reports and circulated among the Board to facilitate effective decision making.
◈ Fulfilling other Board functions are vital given the scale, nature, and complexity of the organisation			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. Key Policy Document Updated (Refer Page 110).
Compliance with laws and access to independent professional advice	Code – A. 1.3	Adopted	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 220 by the Directors. The Board of Directors has full access to all relevant information and may seek independent professional advice, if necessary, at the Company's expense. This ensures that the Directors' decisions are well-informed, objective, and supported by expert opinions.
Company Secretary	Code – A. 1.4	Adopted	All Directors have access to the Board Secretary, Mrs. Pethiyagoda, who is a qualified Chartered Secretary with over 28 years of experience in the 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.
Independent judgement	Code – A. 1.5	Adopted	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. The Directors have ample time to review Board papers and other circulated information prior to a meeting. 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. 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.

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	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 majority of the meetings and have devoted their time adequately. Information pertaining to Directors' participation levels at Board meetings and Board sub-committee meetings are given on page 105. Board Meeting Discussion Composition 
One-third of Directors can call for resolution to be presented to the Board	Code – A. 1.7	Adopted	No such resolution was called to be the Board during the financial year 2024/25.
Training needs of Directors	Code – A. 1.8	Adopted	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. 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.
A.2 Chairman and Chief Executive Officer	Principle – A.2	Adopted	In accordance with best practices, the roles of the Chairman and CEO/MD are distinct to prevent any individual from having unchecked decision-making power. A clear separation of responsibilities exists at the top level, distinguishing the leadership of the Board from the executive management of MI's business. The Chairman serves as an Independent Non-Executive Director, while the Managing Director is granted executive authority to oversee business operations.
Division of responsibility between the Chairperson and MD/CEO	Code – A. 2.1	Adopted	The Chairman leads and guides the Board to effectively discharge Board's responsibilities and the Managing Director (MD) Gerard Ondaatjie leads the Company's business operation effectively with the assistance of the Board and the Management Team. As part of his role, Mr. Ondaatjie 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.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
A.3 Chairman's Role	Principle – A.3	Adopted	The Chairman of the Board, Dinuka Perera, is a Non-Executive Independent Director who continued to demonstrate leadership to the Board by discharging Board functions effectively and in a methodical manner.
Chairperson's role in conducting Board proceedings	Code – A. 3.1	Adopted	Having financial experience, 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 the MI Directors. Mr. Perera was responsible for: ◈ 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 an effective contribution, 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 that 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	The Board comprises qualified Directors with expertise in finance and accountancy, bringing essential financial acumen to the company. Shermal Jayasuriya, the Finance Director and a seasoned financial professional, has been advising the Board on financial matters since 2001. Each Director at MI contributes a diverse set of skills and experience, including accounting and auditing, financial services and insurance, business administration, engineering, recoveries, legal, and human resources. Refer Directors' profiles on pages 82-89.
A.5 Board Balance	Principle – A.5	Adopted	As per Finance Companies Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka, the MI Board keeps adherence to 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.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Presence of Non-Executive Directors	Code – A. 5.1	Adopted	Eight out of twelve 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. **Executive Vs. Non-Executive Directors** 
Independent Directors	Code – A. 5.2	Adopted	All the Non-Executive Directors at MI's Board are independent as at 31st March 2025. **Independent Vs. Non- Independent Directors** 
Criteria for evaluating the independence of Non-Executive Directors	Code – A. 5.3	Adopted	All eight 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 2024/25.
Signed Independence Declaration by the Non-Executive Directors	Code – A. 5.4	Adopted	During the FY 2024/25, each Non-Executive Director of the Company has made written submissions as to their independence as per CSE listing rules.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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 said Directors 'Independent' as at 31st March 2025. 1. Mr. P.D.D. Perera 2. Mr. A.L.N. Dias 3. Mrs. E.D. Wickramasuriya 4. Mr. M.K.S. Pieris 5. Mr. B.P Morris 6. Dr. S.S.J.Patabendige 7. Mr. G. A. F. Marshall 8. Mr. E. W. V. A. Wijesinghe
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 2024/25.
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 2024/25.
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 receives timely and relevant information, presented in a clear and comprehensive manner, enabling them to effectively fulfill their responsibilities. Both financial and non-financial data are thoroughly analyzed and provided to the Board to support accurate and informed decision-making.
Information to the Board by Management	Code – A. 6.1	Adopted	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. 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.
Adequate time for effective Board meetings	Code – A. 6.2	Adopted	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.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
A.7. Appointments to the Board	Principle – A.7	Adopted	MI has established a Nominations and Governance Committee 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.
Nomination Committee	Code – A. 7.1	Adopted	The Nominations and Governance 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. Refer Board Committee table on pages 103-105 which provides the Nominations and Governance Committee's composition, attendance at Committee meetings and the formal process that the Committee will adopt for future appointments. The Nominations and Governance Committee Report for the financial period 2024/25 is given on pages 204-205.
Assessment of Board Composition by the Nomination Committee	Code – A. 7.2	Adopted	The committee continuously reviews the Board's structure, size, composition, skills, and knowledge to ensure that the collective expertise aligns with the Company's strategic needs and key risk exposures. The outcomes of these assessments guide future Director appointments. Additionally, a process is in place to confirm that proposed Board candidates meet the fit and proper criteria. 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.
Succession plan for the chief executive officer and for all key management personnel	Code – A.7.3	Adopted	Refer Board responsibilities section (A. 1.2) of this code
Disclosure of new Director appointments to shareholders	Code – A.7.4	Adopted	Appointments of a new Director are 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).
Annual report disclosure regarding the work of the Nominations Committee	Code – A.7.5	Adopted	Refer Nominations and Governance Committee report on pages 204-205
Terms of reference for nomination committees	Code – A.7.6	Adopted	Terms of reference for Nominations and Governance committee has been reviewed and approved by the Board in February 2024.
A.8 Re-election	Principle – A.8 A.8.1 A.8.2	Adopted	The Nominations and Governance Committee provides recommendations on Directors who are retiring by rotation for shareholder approval at the AGM. 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. The following Directors retire by rotation in the financial year 2024/25 and are eligible for reappointment: ◈ Mr. M K S Pieris ◈ Mr. P D D Perera
Resignation of Directors	Code – A. 8.3	Adopted	No Board member resigned during FY 2024/25 .

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
A.9 Appraisal of Board Performance	Principle – A.9	Adopted	The Board conducts periodic self-appraisals to ensure the effective discharge of its responsibilities. This performance review is carried out against pre-established criteria to ensure compliance with the applicable code. The structured self-assessment process encourages all Directors to actively engage and contribute to key business areas, including meeting shareholders' expectations, maintaining strategic focus, monitoring financial performance, adhering to regulatory requirements, upholding corporate governance standards, and addressing other critical matters during the financial year under review.
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 2024/25. 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 Nominations and Governance 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	The Chairman and the Company Secretary provided full support and led the MI Board's self-assessment process. Input was gathered from all Directors regarding the performance of the Board and its committees through comprehensive evaluation forms completed individually. The Company Secretary compiled the results, and the findings were subsequently presented to the Board for review. Based on the report, the Nominations and Governance Committee is expected to consider future needs to strengthen Board resources and make recommendations promptly.
A.10 Disclosure of information on Directors	Principle – A. 10	Adopted	The disclosure of information pertaining to all MI Directors is made available to the shareholders through the Annual Report.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Director information	Code – A. 10.1	Adopted	The following information pertaining to Directors is provided in the Annual Report: **Information** / **Pages** Brief Profile with Qualification, Experience, and Expertise – 82-89 Composition of the Board Sub-Committees – 103-105 Directors' Interest in Transactions – 221-222 Directors' Shareholdings – 334 Directors' Remuneration – 253 Directors' Attendance at Board Meetings – 105 Directors' Attendance at Sub-Committee Meetings – 105
A. 11 Appraisal of the Chief Executive Officer	Principle – A. 11	Adopted	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 HR and Remuneration Committee through a formal evaluation process.
Targets for the Managing Director	Code – A. 11.1	Adopted	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. 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.
Evaluation of MD's Performance	Code – A. 11.2	Adopted	At the end of each financial year, the performance of the Managing Director is evaluated by the Board Chairman and the HR and Remuneration Committee, taking into account the Company's overall results and assessing actual outcomes against the financial and non-financial targets established at the start of the year.
B. Directors' Remuneration	Principle – B.1	Adopted	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. In keeping to specific terms of reference, the Board has established a HR and Remuneration Committee authorised to evaluate, assess, decide and recommend, to the Board, the Executive Directors' remuneration. Refer the HR and Remuneration Committee Report on page 203.
B.2 The level and makeup of remuneration structure	Principle – B.2	Adopted	MI's remuneration levels for both Executive and Non-Executive Directors are competitive enough to attract and retain the talent required to successfully manage the Company. A portion of the Executive Directors' remuneration is performance-linked, aligning rewards with individual achievements. 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.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Remuneration committee to make recommendations to the board on the company's framework of remunerating	Code – B.2.1	Adopted	In keeping to specific terms of reference, the Board has established a HR and 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. 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
Composition of the Remuneration committee	Code – B.2.2	Adopted	Refer page 203 for the composition of the HR and Remuneration Committee
Remuneration Committee's access to Managing Director and professional advice	Code – B.2.3	Adopted	Given the composition of the HR and Remuneration Committee, the Chairman of the Company who is a Committee member provides valuable input. Additionally, the Managing Director's views are sought when determining the remuneration of other Executive Directors. The HR and Remuneration Committee was not required to seek external professional advice to expedite its duties for the FY 2024/25.
Managing Director's remuneration	Code – B.2.4	Adopted	The HR and Remuneration Committee ensures that the remuneration packages offered to Executive Directors, including the Managing Director, are competitive with market expectations and sufficient to attract and retain high-caliber Directors essential for achieving the Company's goals. Additionally, the Committee aligns Executive Director remuneration with MI's overall 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 HR and 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 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 were no executive share option schemes offered to any Director during the financial year 2024/25.
Deciding Executive Director remuneration	Code – B. 2.10	Adopted	In deciding remuneration of Executive Directors, the HR and 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.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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 2024/25.
Level of remuneration of Non-Executive Directors	Code – B. 2.13	Adopted	Non-Executive Directors receive fees for attending main Board meetings and Board sub-committee meetings, reflecting the time commitments and responsibilities associated with 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 2024/25.
Listing chairman and members of the remuneration Committee in the annual report	Code – B. 2.15	Adopted	Refer HR and Remuneration Committee report on page 203
Terms of reference for remuneration committee	Code – B. 2.15	Adopted	Refer HR and Remuneration Committee report on page 203
B.3 Disclosure of Remuneration	Principle – B.3	Adopted	The MI Remuneration Policy is fair, competitive, and reflects the performance of the business. A statement on MI's Remuneration Policy is provided on page 203 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.
Names of members in the Remuneration Committee and remuneration paid to Directors	Code – B. 3.1	Adopted	Details of the HR and Remuneration Committee composition with meetings held and participation status of members is provided on page 105. Details relating to remuneration paid to Executive and Non-Executive Directors in aggregate is disclosed in Financial Statement notes under 'Related Party Disclosure' on pages 300-301.
Aggregate remuneration of the senior management personnel	Code – B. 3.2	Adopted	Details relating to aggregate of remuneration paid to Key Management Personnel is disclosed on page 162
C. Relations with shareholders C.1 Constructive use of AGM	Principle – C.1	Adopted	The Board recognizes the importance of maintaining a positive and constructive relationship with shareholders, who are the primary stakeholders of the Company. MI's policy actively encourages shareholder participation at Annual General Meetings, providing them the opportunity to express their views and offer recommendations. To facilitate this, meeting notices along with a comprehensive annual report is sent to shareholders within the prescribed timeframes. (Refer page 348 for further details.)
Notice of the AGM and related papers	C.1.1	Adopted	To enhance stewardship and transparency of MI's activities and performance, and in compliance with the Companies Act No. 07 of 2007, the Company Secretary ensures that the Annual Report, including Financial Statements and the notice of meeting, is sent to shareholders at least 15 working days prior to the Annual General Meeting (AGM). The Annual Report for FY 2023/24 was submitted to the Colombo Stock Exchange (CSE) on 5th June 2024 and simultaneously released to all shareholders, providing them ample opportunity to review the Company's progress in advance, and to raise questions or offer feedback during the AGM.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Separate resolutions for each separate issue	Code – C. 1.2	Adopted	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.
Level of proxies at AGMs	Code – C. 1.3	Adopted	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.
Availability of all Board sub-committee Chairmen at the AGM	Code – C. 1.4	Adopted	At the AGM held for the previous financial year 2023/24, the Chairpersons of all the Board sub-committees were presented to answer any questions raised by the shareholders.
Voting procedures at General Meetings	Code – C. 1.5	Adopted	The Notice of Meeting for the FY 2024/25 AGM, which includes the procedures governing voting, will be sent to shareholders at least 15 working days prior to the AGM date.
C.2 Communication with shareholders	Principle – C.2	Adopted	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 though direct interaction or various corporate communication channels as given on page 38. 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. Page 163 provides additional disclosure on the shareholder communication process with the Company.
Channel to reach all shareholders of the Company	Code – C. 2.1	Adopted	There is clear and prompt communication with shareholders regarding their shareholdings and other business matters. The Annual Report and AGM are considered the primary channels of communication. In accordance with the revised Communication Policy, financial information—including Annual Reports and interim reports—are made accessible to shareholders via the CSE website or sent directly by mail. All shareholders are encouraged to attend both the Annual General Meeting and any extraordinary general meetings.
Policy and methodology for communication with shareholders	Code – C. 2.2 & C. 2.3	Adopted	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.
Disclosure of contact person for shareholders	Code – C. 2.4	Adopted	The Communication policy clearly specified the authorized individuals who are responsible for communication with different stakeholders. 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.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Process to raise awareness of major issues and concerns of shareholders	Code – C. 2.5	Adopted	According to the Communication Policy documents, the shareholders were made aware of any key major issues and concerns which impact them. 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.
Person to contact in relation to shareholder matters	Code – C. 2.6	Adopted	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.
The process in responding to shareholder matters	Code – C. 2.7	Adopted	Refer comment on Principle C.2.5 above.
C.3 Major and material transactions	Principle – C.3	Adopted	The MI Board has established a process to identify and disclose any material transactions that could alter or affect the Company's net asset position. This disclosure will be enforced as necessary through the Audited Financial Statements, interim publications, or announcements made to the Colombo Stock Exchange. To strengthen transparency and oversight in this area, MI's Board has also formed a Related Party Transaction Review Committee. This committee is tasked with consolidating efforts to capture and disclose vital market information through formal channels.
Disclosure of material facts on major transactions	Code – C. 3.1 & C.3.2	Adopted	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.
Disclosure of requirements and shareholder approval by special resolution as required by SEC and CSE	Code – C. 3.3	Adopted	As per the comment provided in above C.3, C.3.1 & C.3.2, MI did not engage in any Material Related Party Transactions in the year under review and therefore there was no necessity for a special resolution or disclosure.
D. Accountability and Audit D.1 Financial Reporting and Annual Reporting	Principle – D.1	Adopted	MI has published a comprehensive Annual Report together with additional disclosure in the corporate website, which includes audited financial statements and extensive financial and non-financial management commentary. The integrated annual report provides stakeholders with a balanced, complete, and understandable assessment of MI's business performance, financial position, risk management practices, governance, and future prospects.
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 2025, 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 2024/25, 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.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Balanced and understandable assessment of the Company	Code – D. 1.2	Adopted	MI's Board has committed to providing stakeholders with a fair and transparent overview of the Company's performance by presenting an impartial assessment that covers both favorable and adverse outcomes. This is detailed in the Annual Report for the year under review (see pages 213-220). 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 224)
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 213-220).
Directors' and Auditors' responsibility statement	Code – D. 1.5	Adopted	The Statement of Directors' Responsibilities is given on page 223, while Auditors' Responsibility clearly specified in the Auditors' Report of the Financial Statements issued by Messrs Ernst & Young, Chartered Accountants, is given on pages 228-230. The responsibility of Directors over internal controls is given in the Directors' Statement on Internal Controls disclosed in pages 225-226. In keeping to this section, the statement on Internal Controls issued by the Board complies with content of Annexure I of the Code.
Management Discussion and Analysis	Code – D. 1.6	Adopted	'Management Discussion and Analysis' given on pages 36-71 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, strategy, financial results 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 2024/25 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	MI has implemented a Related Party Transaction (RPT) policy that clearly defines the categories of persons considered as 'related parties.' In line with this policy, self-declarations obtained from each Director to identify individuals who fall within the scope of related parties. The Board has taken proactive measures to prevent any conflicts of interest arising from transactions with related parties. Furthermore, the Board ensures that all financial transactions between the Company and related parties are conducted at arm's length and within the ordinary course of business. To enhance this process, the Board voluntarily established a Related Party Transactions Review Committee in 2015, aligning with the best practices recommended by the CA Sri Lanka 2023 Corporate Governance Code. (Refer Related Party Transactions Review Committee Report, given on pages 208-209 for detailed committee information and the Financial Statements, given on pages300-303 for details on related party transactions during FY 2024/25).
D.2 Risk management and maintaining a sound system of internal controls	Principle – D.2	Adopted	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.
Reviewing effectiveness of risk management and internal control system	Code – D. 2.1	Adopted	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 Board Audit Committee. The Board 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. Directors' Statement on Internal Control over Financial Reporting on pages 225-226 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. The Board Integrated Risk Management Committee (BIRMC) under the chairmanship of Anil Dias, an Independent Non-executive Director worked simultaneously, in line with its objectives, continuing 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 BIRMC Report on pages 201-202 provides further information in this regard.
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	A clear assessment of the Company's risks and the process of risk identification, measurement, and controls are given on pages 173-200 in the Risk Management Report.
The board should establish a risk committee to oversee risk management.	Code – D. 2.1.3 & D. 2.1.4	Adopted	The Board has established a separate risk Management committee in keeping to this section. Refer BIRMC report on pages 201-202

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Composition of the risk committee	Code – D. 2.1.5	Adopted	Refer the composition of BIRMC on page 201
Risk committee should have a written term of reference	Code – D. 2.1.6	Adopted	The BIRMC at MI operates with written term of reference and it clearly elaborates its authority and duties. Refer the BIRMC report on pages 201-202.
The annual report should contain a report of the risk committee	Code – D. 2.1.7	Adopted	Refer the BIRMC report on pages 201-202.
Applicable laws and regulations in determining the composition, scope, roles and responsibilities of the risk committee.	Code – D. 2.1.8	Adopted	BIRMC composition scope, roles and responsibilities are in line with the CSE and CBSL requirements.
Internal controls are designed, implemented and monitored, to provide reasonable assurance of the achievement of an entity's objectives	Code – D. 2.2	Adopted	The Company's senior management team, on behalf of the Board, is responsible for designing, implementing, and monitoring internal control systems to provide reasonable assurance in achieving the entity's objectives. To support this, continuous and ongoing reviews are conducted as part of the second and third lines of defence. These reviews, primarily carried out by Board Sub-committees especially the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC) assess the adequacy and integrity of the internal control systems. Relevant recommendations are then submitted to the Board as necessary.
The Board's review of the effectiveness of the internal control systems	Code – D. 2.2.1	Adopted	Refer pages 225-226 for the Board's report on the internal control of the company
Internal Audit function	Code – D. 2.2.2	Adopted	The Internal Audit function is performed by the Company's Internal Audit Department, led by a Chartered Accountant. The Head of Internal Audit ensures that audits conducted at the Head Office and branches remain independent and focus on operations and processes with higher risk exposure. Centrally located, MI's Internal Audit division provides independent and objective assurance regarding the adequacy of the design and effectiveness of internal controls and governance processes throughout the Company.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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	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 the Internal Control issues and risk management measures identified by the Internal Audit Division and evaluate the adequacy and effectiveness of risk management and internal control system of the Company. Systems and procedures have been established to identify, control, and report the major risks facing MI, including credit risk, market risk, liquidity risk, and other risks such as reputational risk. The Board Audit Committee, supported by the Board Integrated Risk Management Committee and the Compliance Officer, continuously reviews the effectiveness of the risk management framework and internal controls deployed by the organization. Any deficiencies or concerns are promptly reported to the Board along with appropriate recommendations to ensure the ongoing soundness of the risk management process and internal controls and managed to report any deficiencies and matters to the Board with recommendations.
Statement of Internal Control	Code – D. 2.2.4	Adopted	The Board Statement on Internal Controls given on pages 225-226 complies with the contents in schedule L of the Code. Some of the salient aspects highlighted therein are: 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 ◈ 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
D.3 Audit Committee – A Committee to review financial reporting aspects, internal controls and maintaining relationships with Company Auditors	Principle – D.3	Adopted	The Board Audit Committee assists the Board of Directors in overseeing financial reporting, internal controls, risk management, and audit functions—both internal and external. MI's Board Audit Committee provides guidance to the Board on selecting and applying accounting policies, determining the structure and content of corporate reporting, implementing internal control and risk management principles, and maintaining an effective relationship with the Company's Auditor.
Audit Committee composition	Code – D. 3.1	Adopted	The Board 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 page 206.
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 Board Audit Committee Report on pages 206-207.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Disclosures of the Audit Committee	Code – D. 3.3	Adopted	To obtain information regarding the composition, objectives, and duties of the Board Audit Committee, refer Part 2 (Finance Companies corporate governance Direction No.5 of 2021) of this supplement on pages 135-163. The names of Directors forming the Board Audit Committee and their participation level at meetings are disclosed on page 105. Report of the Board Audit Committee is given on pages 206-207. 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 Board Integrated Risk Management Committee (BIRMC)
Composition of the committee	Code – D. 4.1	Adopted	Refer the composition of the BIRMC on page 201
Terms of reference of the committee	Code – D. 4.2	Adopted	The BIRMC operates within clearly-defined Board-approved Terms of Reference Refer BIRMC report given on pages 201-202.
Number of meetings per year and secretary to the committee	Code – D. 4.3	Adopted	During the financial year under review, the committee held six meetings and from 1st July 2024 BIRMC meetings were held once in two months in compliance with the Corporate Governance Direction. Chief Risk Officer, Ajith Sooriyaacrachchi, who heads the risk unit and reports directly to BIRMC 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 201-202 for BIRMC report
D.5 Related Party Transaction Committee GRI 2-15	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.
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: ◈ Related parties include Key Management Personnel (KMP), refer pages 300-303 ◈ Directors' Interest in Contract, refer pages 221-222 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 and work of the Related Party Transactions Review Committee for the financial year 2024/25 are set out in the Committee Report on pages 208-209.
Terms of reference of Related Party Transaction Review Committee	D.5.3	Adopted	The Related Party Transaction Review Committee operated under clearly defined terms of reference during the financial year 2024/25. The updated terms of reference, along with the Related Party Transaction Review Policy approved by the Board, govern all future activities of the Committee, incorporating 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 incorporated to this policy takes into account the impact that employee actions may have on a wide range of stakeholders and on the overall reputation of the organization.

Corporate Governance Report

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Compliance with requirements on business conduct and ethics	Code – D. 6.1	Adopted	HR Policy on Business Conduct and Ethics, applicable to both Directors and employees at MI, is incorporated into a 'Human Resource Handbook', which is issued to all Directors and employees of the Company. 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 220 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 126.
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 Key Management Personnel (KMPs) to the Colombo Stock Exchange (CSE) in accordance with the CSE Listing Rules. She monitors changes in the share register and promptly reports any share transactions to the CSE in compliance with these requirements.
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 on page 131
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 93.
D.7 Corporate Governance Disclosure	Principle – D.7	Adopted	The MI Board of Directors remains committed to enhancing their efficiency, adapting to changing circumstances in the business world, and implementing relevant adjustments to raise the bar on governance practices.
Disclosure on Corporate Governance	Code – D. 7.1	Adopted	The Corporate Governance report from pages 93-172 sets out the manner in and the extent to which the Company has complied with the Code.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Section 2 – Shareholders: E. Institutional Investors			
E.1 Shareholder Voting	Principle – E.1	Adopted	MI's shareholder base consists of a limited number of investors, with institutional shareholders forming the majority. The Company achieved listing status on the Colombo Stock Exchange's Diri Savi Board in 2011. The Company is currently categorized under the Second Board of the Colombo Stock Exchange since 15th November 2019. MI actively encourages all shareholders to participate in 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 F.1 Individual shareholders	Principle – F.1	Adopted	Individual shareholders are encouraged to conduct their own research or seek professional advice before making investment or divestment decisions. MI's Annual Report offers comprehensive data to support in-depth analysis by potential investors. Additionally, MI publishes its quarterly financial statements on the Colombo Stock Exchange (CSE) website, enabling retail investors to continuously assess the Company's performance.
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	Recent global incidents of cyber-attacks targeting the finance industry has underscored the urgent need for financial institutions to enhance their security frameworks and remain agile in responding to evolving cybersecurity threats. Recognizing this, MI has identified cybersecurity as a critical emerging risk category and has integrated its requirements into the Company's overall operational risk profile. The IT Department has allocated dedicated resources and implemented targeted strategies to effectively manage and mitigate cybersecurity risks. The appointment of a CISO and set up of a SOC and other security enhancements will be carried out in 2025.
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 22 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 to discuss IT-related potential and emerging risks at local and global level within the FY 2024/25. The IT Steering Committee reports to the Board on any cyber security-related threats or potential risks through the BIRMC.

Corporate Governance Report

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 carried out by an independent service provider to evaluate the adequacy of the Company's cybersecurity controls and ensure alignment with required technological advancements. Furthermore, the annual internal audit plan has placed significant emphasis on the importance of conducting a comprehensive 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 173-200.
H. Sustainability: ESG Risks and Opportunities	Principle – H.1, H.2, H.3, H.4, H.5	Adopted	The Board considers Sustainability/ESG-related risks and opportunities in the company's business model, short-and medium-term planning and in its 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 instilled integrated sustainability/ESG related policies and practices into company's strategy, business model, governance and risk management. The published Annual Report contains comprehensive 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. ◈ MI's vision, objectives, and principles embraced towards sustainability on pages 16-17 ◈ Stakeholder Engagement and Material Matters on pages 38-39 ◈ Business model that prescribes MI's sustainable value creation process given on pages 36 ◈ Management Discussion and Analysis on pages 36-71 ◈ Governance and Risk Management on pages 93-200 MI's annual performance and progress for FY 2024/25 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, social and environmental impacts, on pages 72-77, covering the requirements of this section.
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	Adopted	All governance-related policies required to be established have been duly implemented by the Company. The existence of these policies, along with details regarding their implementation, has been disclosed and made available on the Company's website.
I.2 Formal policy governing matters relating to the Board of directors	Principle – I.2	Adopted	As of 31st March 2025, the requirements of this section have been addressed through a range of policies and procedures, including the Schedule of Matters Specifically Reserved for the Board to make Decisions, the Board Charter, the Governance Framework, and the Articles of Association.

Mercantile Investments and Finance PLC's Compliance Status with Finance Business Act Directions No. 05 of 2021 (Corporate Governance)

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	On 31st March 2024, the Board reviewed and granted approval for the medium term Strategic Plan, which outlines the company's direction for the three-year period spanning FY 2024/25 to FY 2026/27, which was the applicable plan to review the progress for the year under review. MI Board also approved the revised 3 years corporate plan for the FY 2025/26 to 2027/28 on 31st March 2025.
b) & c)	Approving and implementing the company's Governance Framework and assessing the effectiveness of the same on periodical basis.	The Board of MI conducts regular evaluations to assess the effectiveness of its governance practices. In alignment with the provisions set out in Section 2.1 of the relevant direction, the Board undertook a comprehensive review and formally approved the revised Governance Framework in March 2025.
d)	Appointing the Chairperson and the Chief Executive Officer (CEO)	The roles of MI's Chairman and Chief Executive Officer (Managing Director) are clearly distinguished and functionally independent, with the Board having explicitly defined and approved their respective duties and responsibilities in accordance with Sections 6.4 and 6.5 of the applicable 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.	A company-wide Code of Conduct and Ethics, aligned with MI's strategic direction and corporate values, has been formally established for all employees. These corporate values have been effectively communicated to staff by sharing the code on the MI intranet and through HR sessions and staff development programs, providing clear guidance on expected behaviors. Additionally, conflicts of interest are managed through a Board-approved conflict of interest policy.
c)	Promoting sustainable finance through appropriate environmental, social and governance (ESG) considerations	MI has developed Policy on sustainable finance activities, which was approved by the Board in March 2024, aligning with the Sri Lanka Sustainability Finance Roadmap. This policy aims to integrate Environmental, Social, and Governance (ESG) criteria into internal decision-making processes related to lending, investment, and financing, thereby promoting sustainable practices among MI's clients and business partners. Furthermore, appropriate resource allocations have been made for financially inclusive products aimed at social empowerment within the development of the Company's Medium-Term Strategic Plan. In this context, the Board ensures that the Company's initiatives consistently support sustainable growth and the creation of long-term value.
d)	Approving the policy of communication with all stakeholders	MI has in place a Board-approved Communication Policy, which is subject to review every three years or earlier if deemed necessary. The most recent review and approval by the Board of Directors took place in March 2025. The Annual General Meeting (AGM) is conducted with the participation of Directors, Shareholders, and other interested parties, providing a platform for effective dialogue between shareholders and the Board on key issues that are relevant and important to the general membership.

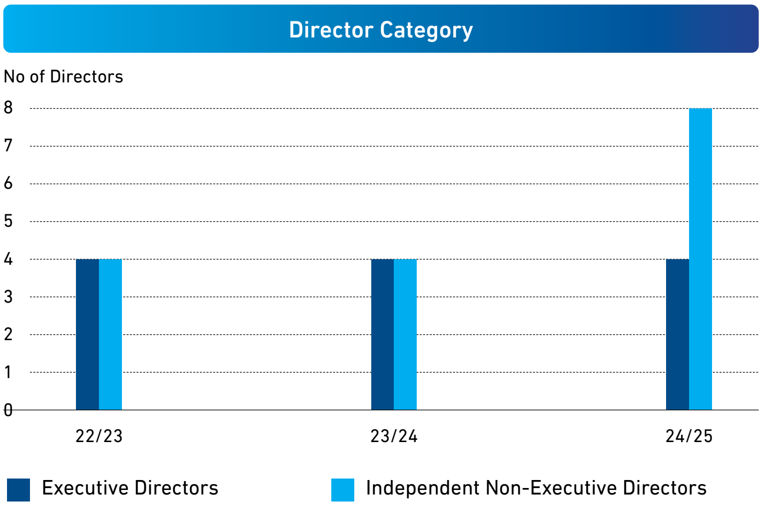
Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
1.4	Risk Appetites, Risk Management and Internal Controls	
a)	Establishing and reviewing the Risk Appetite Statement (RAS)	Aligned with MI's three-year Strategic Plan and prevailing industry standards, the Risk Appetite Limits for key risks associated with MI's operations were set and approved by the BIRMC at the meeting held on 28th February 2025 and approved by the Board on 31st March 2025. The Board reviews this statement annually.
b)	Prudent systems on managing risks	Under the supervision of functional heads, robust policies and procedures with built-in checks and balances have been implemented, and are continuously reviewed through audit processes and the guidance of the Compliance and Legal departments. Assets and Liabilities Management Committee (ALCO), Executive management Committee (EXCO) and the Board Integrated Risk Management Committee (BIRMC) 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 BIRMC met once in every two months or earlier if required. Minutes and reports of said committees are tabled at Board Meetings for Directors' review and further action. Board Integrated Risk Management Committee Report on pages 201-202 provide further insights in this regard.
c)	Internal Control System and Management Information System	The adequacy and integrity of the Internal Control system and the Management Information Systems are subject to continuous and ongoing evaluation by Board sub-committees, particularly the Board Audit Committee (BAC). Where necessary, appropriate recommendations are submitted to the Board of Directors for consideration and action. The Board 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.
d)	Business continuity and disaster recovery	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.
1.5	Board Commitment and Competency	
a)	Devoting sufficient time on dealing with the matters relating to affairs of the company	The Board of Directors of MI dedicates adequate time and attention to fulfilling their duties and responsibilities as stewards of the Company. In addition to participating in Board meetings, each Director actively attends the meetings of the respective sub-committees to which they belong, making meaningful contributions to the decision-making process. Details regarding the Directors' attendance at Board meetings and Board sub-committee meetings are presented on page 105. Refer the Composition of MI's Board Meeting Discussion Areas available on page 116 (Code A 1.6- CA Sri Lanka Code of Best Practice on Corporate Governance)
b)	Possessing necessary qualifications, adequate skills, knowledge, and experience by the Board	Board members possess adequate experience, qualifications, skills and knowledge in the relevant fields. Pages 82-89 provide brief profiles of MI's Directors, outlining their qualifications, experience and the positions they hold in other institutions.

Section Reference	Requirement of the Direction	Extent of Adoption
c)	Regularly reviewing and agreeing the training and development needs of all members of the Board	All Directors of MI acknowledge the importance of continuous training and remain committed to ongoing professional development, which has enhanced their ability to effectively discharge their duties and responsibilities. During the year under review, all Directors regularly updated themselves on evolving Non-Banking Finance Sector operations and regulatory aspects. 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.
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.	Refer the commentary given on section A 9.2 on page 121 of CA Sri Lanka Code of Best Practice on Corporate Governance in this Annual Report, in compliance to this section.
e)	Obtaining external independent professional advice to the Board of Directors	The Directors are permitted to seek independent professional advice, at the Company's expense, in the discharge of their duties. A formal procedure is established for this purpose, and such requests are coordinated through the Company Secretary as and when required. The procedure was last reviewed and approved by the Board in April 2024.
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	The Board has identified and designated Senior Management who are in a position to significantly influence policy, direct activities and exercise control over business operations and Risk Management
b)	Areas of authority and key responsibilities for the senior management	Senior Management carry out their duties and responsibilities according to the authority delegated to them by the Board 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.
c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge	The recruitment of Senior Management is carried out by the Executive Directors, under the supervision of the Managing Director, in accordance with authority delegated by the Board and through a streamlined selection process. Additionally, each and every key management personnel who are senior member of corporate Management team who are appointed are based on the approval given by the regulator on Fit and Proper criteria. Refer summary Senior Management related brief on pages 90-92, with their qualification and experience gained.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
d)	Ensuring an appropriate oversight of the affairs of the company by Senior Management.	The Executive Directors conduct regular reviews of business performance and critical operational areas during departmental and monthly management meetings. Additionally, significant matters are presented by various Board sub-committees, which have been appointed by the Board to provide oversight and monitor strategic issues and functional aspects of the business. 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. 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.
e)	Availability of an appropriate Succession Plan for senior management	A Board-approved Succession Plan is in place (Last reviewed by the Board in January 2025) 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.
f)	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives	Beyond formal Board meetings, the Board of Directors maintains continuous communication among its members on key strategic matters. Additionally, to evaluate and ensure alignment of performance with strategic objectives, the Executive Directors regularly engage with Line Managers and Corporate Managers to make informed strategic and operational decisions. 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.
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.	During the year under review, the Company acted responsibly by duly considering the interests and obligations owed to depositors, shareholders, and other stakeholders. This was particularly demonstrated through the prudent management of its strong capital and liquidity buffers, which were maintained well above the minimum regulatory requirements. Further, adoptions of provisions of this directive and CSE issued Corporate Governance rules as 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. Additionally, the Company is in the process of fully adopting the Gazette issued on Financial Consumer Protection Regulations by the Central Bank in 2023. A comprehensive policy supported by due key fact documents, complaint handling and other best practices are being streamlined in adherence to the regulations.

Section Reference	Requirement of the Direction	Extent of Adoption
b)	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards	The Compliance Officer and Company Secretary regularly update Board members on developments in the regulatory environment. To enhance understanding of regulatory requirements and key challenges, ongoing discussions, training sessions, and seminars are organized for Directors and Senior Management.
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 135 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 136 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 twelve (12) Directors in keeping with the provisions of this section. 

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	Non-executive Directors serving on the Board have not served on the Board for more than nine years.

Name of Director	Directorship Status	Number of years in position as at 31st March 2025
Mr. P.D.D. Perera	Independent Non-Executive Director	5 Years and 1 month completed.
Mr. A.L.N. Dias	Independent Non-Executive Director	4 Years completed
Ms. E.D. Wickramasuriya	Independent Non-Executive Director	4 Years completed
Mr. M. K.S. Pieris	Independent Non-Executive Director	4 Years and 2 months completed
Mr. B.P Morris	Independent Non-Executive Director	9 months completed
Dr. S. S. J. Patabendige	Independent Non-Executive Director	9 months completed
Mr. G. A. F. Marshall	Independent Non-Executive Director	8 months completed
Mr. E. W. V. A. Wijesinghe	Independent Non-Executive Director	8 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	During the year under review, four (4) Directors served as the Executive Directors of the company out of the total Board membership of twelve (12) Directors.
b)	Existing Executive Directors who holds more than 10% the voting rights of the company with a contract of employment and functional reporting line	Although three (3) Executive Directors of the Company held more than 10% of the voting rights as of 31st March 2025, each maintains clearly defined functional reporting lines in accordance with the Company's organizational structure and their respective employment contracts.
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 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 February 2025, all Executive Directors of the Company have been assigned clearly defined functional reporting lines.
e)	The Executive Directors are required to report to the Board through CEO/MD	The Managing Director/Chief Executive Officer (MD/CEO) reports directly to the Board. As per the Board-approved Organizational Structure, the remaining three Executive Directors report to the Board 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 2025, none of the Executive Directors at MI held Executive Directorships or Senior Management positions in any other entity/s.

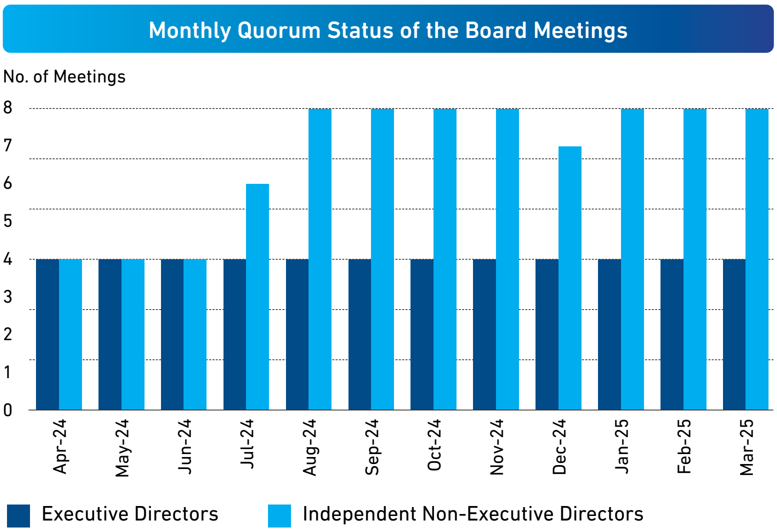
Section Reference	Requirement of the Direction	Extent of Adoption
3.6	Non-Executive Directors	
a)	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct	All Non-Executive Directors at MI are selected objectively based on their qualification and experience in their respective fields. Pages 82-89 provide brief profiles of the Non-Executive Directors, outlining their qualifications and experience and the positions they hold in other institutions. In addition to their roles at MI, the respective Directors occupy senior positions in other organizations and attend MI Board meetings, sub-committee meetings, and special sessions as necessary.
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.
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 Eight (8) Independent Non-Executive Directors as against a total of twelve (12) 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 82-89 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	All Non-Executive Independent Directors submitted declarations affirming their eligibility to be designated as 'independent' in accordance with the criteria set forth 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	Not applicable for the year under review.
b)	Non- Independent director appointed as an independent Director prior to expiration of the cooling off period of one year	Not applicable for 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.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
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	Accordingly as given in the Board profiles on pages 82-89 detailing Directorships held by each Director on the Board of Mercantile Investments in other companies as at 31 March 2025, 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.
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	All Board appointments are subject to recommendation by the Nominations and Governance Committee. For further information on the composition, responsibilities, and related matters of the Nominations and Governance Committee, as well as Board appointment procedures, please refer to Section A.7 on page 120 of the CA Sri Lanka Code. In addition, there is a formal procedure in place at MI for orderly succession of appointments to the Board. Four new Directors joined MI Board in the year under review, while no Director resignations recorded. Further, a Board approved succession plan is in place for the appointments of Senior Management. 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.
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 135 of this direction.
6.2 & 6.3	The chairperson shall be an independent director, subject to section 6.3	MI's Chairman is an Independent Non-Executive Director. No material relationship including financial, business or family exists between the Chairman P.D.D. Perera and the Managing Director/Chief Executive Officer Gerard Ondaatjie. A declaration has been obtained to this effect from the Chairman and Directors. However, Executive Directors Gerard Ondaatjie, Angeline Ondaatjie and Travice Ondaatjie are members of the same family.

Section Reference	Requirement of the Direction	Extent of Adoption
6.4	Responsibilities of the Chairperson	
(a to j)	Role of the Chairman	Chairman of MI performs following roles and responsibilities on behalf of the Board; a) Providing leadership to the Board b) Maintaining and ensuring a balance of power between executive and non- executive directors c) Securing effective participation of both executive and non-executive directors d) Ensuring the Board works effectively and discharges its responsibilities e) Ensuring all key issues are discussed by the Board in a timely manner f) Implementing decisions/directions of the regulator. g) 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 h) Not engaging in activities involving direct supervision of senior management or any other day to day operational activities. i) Ensuring appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board j) Making Annual assessment on the Performance and the contribution during the past 12 months of the Board and of the MD/CEO Further detail on the role of the Independent Non-executive Chairman is given in the section A2 and A3 to the checklist relating to the CA Sri Lanka Code of best practice on pages 116-117.
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	Managing Director 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; 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.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
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	Twelve (12) Board meetings were held for the financial period 2024/25. Refer section A.1.1 of the CA Sri Lanka code given on page 111 for detailed disclosure in this regard. 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.
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	Under the Chairman's guidance, the Company Secretary prepared the agenda, incorporating proposals from all Directors. Every Director is given an equal chance to contribute proposals related to all significant business matters.
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.
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 2024/25, the required quorum has been maintained at all Board Meetings. 
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	In keeping to this section, the Chairman held meetings with Non-Executive Directors without the presence of the Executive Directors twice during the financial year 2024/25.

Section Reference	Requirement of the Direction	Extent of Adoption
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 remains vigilant in ensuring that Directors disclose any conflicts of interest when they arise. In such cases, the Director concerned is expected to abstain from voting and refrain from expressing opinions on the matter. The company has established a conflict of interest management policy in this regard which was reviewed and approved by the Board on 26th February 2025.
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 2024/25. 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 105.
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 and when the need arises and same was reviewed in March 2025.
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 34 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 2024/25 and she was readily accessible to all Directors who require her advice and services. Mrs. Pethiyagoda has over 28 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.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
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 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 Delegation of Authority (DA) levels pertaining to key functions such as approving credit facilities, authorizing deposits, and signing payment cheques.
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 Resources and Remuneration Committee, Nominations and Governance Committee and Related Party Transaction Review Committee (RPTRC). Refer the detail committee reports on pages 201-209.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate Delegation of Authority to assist in Board decisions	To support the Board-level subcommittees, MI's Board has established Senior Management committees endowed with appropriate authority limits to effectively execute their respective responsibilities. Pages 106-107 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 certain responsibilities to its sub-committees and the Corporate Management while retaining comprehensive oversight of the Company's affairs to effectively discharge its governance obligations. It periodically reviews the scope and limits of delegated authorities, with particular emphasis on credit approval limits and other authorities assigned to Board sub-committees. Additionally, the Board has authorized Directors and designated signatories to approve payments and execute key binding documents, while restricting delegation for select critical 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)

Section Reference	Requirement of the Direction	Extent of Adoption
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.	All required Board subcommittees have been established and adopted at MI. Refer pages 201-209 for Board subcommittee reports. During the year under review (from 1st July 2024), the Board Integrated Risk Management Committee (BIRMC) convened meetings once every two months. The Terms of Reference (TOR) of BIRMC were amended and submitted to the Board in July 2024 to ensure compliance with the relevant Direction.
b)	Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties	Each subcommittee at MI operates under Board-approved written Terms of Reference (TORs) that clearly define their scope, authority, and responsibilities. These TORs are subject to periodic review and amendment, as stipulated within the respective committee's guidelines.
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 201-209 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 responsible for secretarial functions, operating under the direct supervision of the respective subcommittee chairman or chairperson. (Refer to the Board subcommittee reports on pages 201-209 for details on the appointed secretaries.)
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 reports on pages 201 to 209
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	The Board of Directors renamed and re-constituted their sub-committees on 28th June 2024, adhering to the CSE and Corporate Governance Direction requirements.
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 Board Audit Committee, Mrs. E D Wickramasuriya, is an Independent Non-Executive Director. She is a Fellow Chartered Management Accountant (FCMA) of the Chartered Institute of Management Accountants (UK) and holds a Masters in Business Administration from Postgraduate Institute of Management, University of Sri Jayewardenepura (MBA). She has a wealth of experience in the field of audit, financial management, Treasury and risk management which enables her 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.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
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.
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 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 iii) Audit partner of the company shall not be a substantial shareholder, director, senior management or employee of any finance company. 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. vi) The BAC shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit.	i) The Board Audit Committee (BAC) recommended the re-appointment of Ernst & Young, Chartered Accountants, as the External Auditor for the financial year 2024/25. Furthermore, the BAC approved the audit fee for the same financial year. ii) This is the 8th consecutive undertaking of External Auditors within the given timespan of ten (10) undertakings. Current audit partner has been engaged with the audit from the financial year 2022/23. iii) & iv) MI's Board Audit Committee (BAC) monitored and reviewed the External Auditor's independence, objectivity, and the overall effectiveness of the audit process, with particular emphasis on compliance with professional and regulatory requirements specific to the Licensed Finance Company (LFC) sector. In line with these requirements, the External Auditors, Ernst & Young, Chartered Accountants, submitted their annual declaration of independence to the Audit Committee on 27th February 2025 for the financial year 2024/25. 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 2024/25, tax advisory services have been obtained from Ernst & Young, Chartered Accountants. vi) Prior to the commencement of the audit, the Committee finalized the nature and scope of the audit in consultation with the Audit Partner. Areas requiring special attention, along with the auditors' recommendations, were incorporated into the discussions and reflected in the audit plan. 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. viii) During the financial period, the Committee met with the External Auditors twice in the absence of Corporate Management to discuss issues arising from the Management Letter issued for the previous audit period, as well as other relevant matters. Ix) The Committee reviewed the FY 2023/24 Management Letter issued by the External Auditors together with Management responses at the BAC meeting held on 23rd September 2024 (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.

Section Reference	Requirement of the Direction	Extent of Adoption
	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. 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. 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.	
e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	A comprehensive review of the effectiveness of MI's internal control system was conducted by the company's Internal Audit Division through the annual internal audit programme. The audit programme implemented during the concluded financial year was re-adopted for the financial year 2025/26, with necessary updates, and was approved by the Board Audit Committee (BAC) on 28th March 2025.
f)	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.	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.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
g)	Internal Audit Function i) The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) 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. iii) The BAC shall take the following steps with regard to the internal audit function of the company; iv) 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 v) 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 vi) Assess the performance of the head and senior staff members of the internal audit department vii) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care viii) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies. ix) Examine the major findings of internal investigations and management's responses thereto.	i) MI has established an in house Internal Audit Function with clear reporting hierarchy to the BAC. ii) The Board-approved Internal Audit Charter provides a clear mandate and authority for the Internal Audit Division to carry out its duties independently, with accountability to the Board Audit Committee (BAC). The BAC thoroughly reviews the risk-based internal audit plan and its scope, ensuring that the internal audit function remains independent from the activities it audits and performs its duties with due professional care. iii) I.The Committee was submitted with the annual audit program by the Internal Audit Division of the Company for the financial year 2025/26. 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. The Committee convened to review comprehensive audit and spot review reports in the presence of the audit team. When necessary, Corporate Management was invited to provide their observations at meeting, addressing audit observations effectively to ensure that corrective actions were promptly implemented. iii) II.The Audit Committee reviewed the findings of the Internal Audit team for the financial year 2024/25 which included the evaluations made by the Internal Audit Department on the adequacy of the Company's internal controls and compliances. The committee met seven 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. iii) III. The committee conducted the annual performance evaluation of the Head of the Internal Audit Department. Annual bonuses and salary increments for the department were determined through a formal performance management process, which emphasizes the quality of audit findings and the timely completion of audits as key performance objectives. 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. iii) V.MI's Annual Internal Audit Plan of 2025/26 which was affirmed by the BAC on 28th March 2025 has due provisions to carry out periodic reviews on compliance function and regulatory reporting in keeping to this section. 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 2024/25.

Section Reference	Requirement of the Direction	Extent of Adoption
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 provided by management.
i)	Meetings of the Committee 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 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 iii) BAC shall meet at least twice a year with the external auditors without any other directors/senior management/ employees being present	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. 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 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.
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.	MI's BIRMC consists of three Independent Non-Executive Directors with expertise in banking, finance, and risk management. One of these Independent Non-Executive Director Anil Dias has been appointed as the Chairman of the Committee. Managing Director, COO, CRO, CFO and the Compliance Officer attend the meetings as the invitees to the committee. 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.
b)	The secretary to the committee may preferably be the CRO.	As at the reporting date, the Head of Risk bears the position of secretary to the BIRMC.
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.	The BIRMC reviewed risk reports submitted by the Risk Unit every two months. Whenever the reported risks exceeded the established tolerance levels, the Committee took prompt corrective actions during the year to mitigate the potential adverse impacts of those specific risks. Refer the Board Committee overview on pages 103 to 104 and Risk Management Report on pages 173 to 200 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 2024/25.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
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 2024/25.
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 201-202 for the scope of the Committee, a wider explanation on the Company's Risk Management Framework and its activities during the financial year 2024/25.
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 136 of this direction.
h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	With the separation of the two roles from 1st July 2024, two separate officers were recruited and their annual assessments will be conducted in accordance with this section within the one year review period.
i)	Compliance Function 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. 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. 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. iv) The BIRMC shall ensure responsibilities of the compliance officer	i) The Company has established a dedicated compliance function responsible for assessing, monitoring, and reporting on adherence to applicable laws, regulations, and regulatory guidelines. This function is led by a qualified and experienced senior manager who reports directly to the Board Integrated Risk Management Committee (BIRMC) regarding the Company's compliance with legal requirements, regulatory directions, rules, guidelines, and internal control frameworks. ii) A dedicated compliance officer has been appointed in the senior managerial cadre who is independent from day-to-day management, who carries out the compliance function and report to the BIRMC directly. iii) N/A iv) Roles and responsibilities of the company's compliance officer have been clearly defined in the company's Board approved compliance policy.

Section Reference	Requirement of the Direction	Extent of Adoption
j)	Risk Management Function i) BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the company	i) A dedicated Risk Unit has been established, reporting directly to the Board Integrated Risk Management Committee (BIRMC), tasked with assessing and recommending solutions for various risks—including credit, market, liquidity, operational, and strategic—using appropriate risk indicators. The Chief of Risk Officer submits risk reports bi-monthly, with any instances of risks exceeding predefined tolerance levels explicitly highlighted in the reports provided to the BIRMC.
	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	ii) An independent separate Risk Management Department has been established and a dedicated CRO, in keeping to this section.
	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.	iii) The BIRMC reviewed the amendments made to MI's Risk Management Policy (Liquidity Risk and Credit Risk management) and RAS in the year 2024/25 and Board approved same in the year under review.
	iv) The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management Framework	iv) MI's Integrated Risk management framework is laid down in the company's Internal Risk Management policy and amended in 2024.
	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	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.
	vi) The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis	vi) As per the company's updated Risk Register, key risk concerns are submitted and discussed at BIRMC on quarterly basis.
	vii) The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	Vii) In accordance with the Company's Internal Risk Policy, the BIRMC circulates an 'activity report' to the Board within seven days following each meeting. This report provides a summary of the key risks identified during the period and outlines the risk mitigation actions proposed by the Committee for the Board's consideration.
10.4	Nominations Committee	
a)	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.	The Board-established Nominations and Governance Committee comprises three Independent Non-Executive Directors. One Non-Executive Director has been appointed as the committee Chairman. Refer the Nominations and Governance Committee report on pages 204-205

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
b)	Secretary to the Nominations Committee may preferably be the company secretary.	During the financial year under review, Mrs. S. Pethiyagoda (Company Secretary) continued to serve as the secretary to the Nominations and Governance Committee.
c)	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	MI's Director appointments to the Board are governed by a policy ensuring orderly succession for Board appointments. 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.
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 2025, 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 comprehensive evaluation and rigorous screening process, the Nominations and Governance Committee recommends eligible candidates for appointment to the MI Board. Based on these recommendations, the Board makes final decisions on appointments and re-elections 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 and Governance 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 and Governance Committee undertakes 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. Additionally, a process is in place to ensure that proposed appointees satisfy the fit and proper requirements. Based on these recommendations, the Board makes final decisions on appointments 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 MI Board, the 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 the Colombo Stock Exchange.

Section Reference	Requirement of the Direction	Extent of Adoption
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 and Governance Committee provides recommendations on Directors who are retiring by rotation for shareholder approval at the AGM. When providing recommendations, the Nominations and Governance 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 2024/25 and are eligible for re-election; ◈ Mr. M K S Pieris ◈ Mr. P D D Perera The Nominations and Governance Committee also recommended the re-appointment of following Directors who were appointed during the financial year by the shareholders. ◈ Mr. B P Morris ◈ Dr. S S J Patabendige ◈ Mr. G A F Marshall ◈ Mr.E W V A Wijesinghe
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. There were four new appointments/ additions to the MI's Board during the financial year under review.
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.	Ms E D Wickramasuriya , Mr. P D D Perera and Mr. A L N Dias, members of the committee did not participate in the process of recommendation for their re-appointment.
10.5	Human Resource (HR) 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.	The Committee is chaired by Mr. A. L. N. Dias who is an Independent Director and all members of the committee are Non – Executive Independent Directors.
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.	The Company's remuneration policy is designed to support retention by linking bonuses, salary increments, and career advancement opportunities to annual performance evaluations based on individual targets and goals. 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 HR and Remuneration Committee ensured the alignment of Executive Director remunerations with MI's business strategy. The Board as a whole determines the remuneration of Non-Executive Directors, including those serving on the HR & Remuneration and Nominations & Governance Committees. Non-Executive Directors receive fees for attending Board and Board Committee meetings; these fees are neither performance-related nor pensionable.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
d)	There shall be a formal and transparent procedure in developing the remuneration policy.	In formulating the Company's remuneration policy, the Committee took into account prevailing compensation benchmarks within the industry. This market-aligned approach is intended to attract, motivate, and retain high-caliber talent, while incorporating both performance and risk considerations. As a result, the remuneration packages offered to Executive Directors and Senior Management remain competitive, effectively aligning rewards with the Company's strategic priorities 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.	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. MI's detailed Remuneration policy was last reviewed and approved by the Board on 31st January 2025.
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) on page 156 of this direction.
g)	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	The company is currently finalizing the performance evaluations for Senior Management (excluding Chief Risk Officer, Chief Internal Auditor and the Compliance Officer) for FY 2024/25. Upon completion, these evaluations will be submitted to the HR and Remuneration Committee for review in June 2025.
h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	In accordance with the Board-approved Terms of Reference (TOR) of the Committee, only designated Committee members are entitled to attend meetings. However, other Board members and members of the senior management team may be invited to attend all or part of a meeting, as deemed appropriate by the Committee. In line with these provisions, no Director participated in discussions related to the determination of 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 128.

Section Reference	Requirement of the Direction	Extent of Adoption
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; ◈ Risk Management Report on pages 173-200 ◈ Board IRMC Report on pages 201-202 ◈ Board Audit Committee Report on pages 206-207 ◈ Directors' Statement on Internal Control on pages 225-226 ◈ Auditor's Assurance Report on adequacy of internal control on financial reporting on page 227 ◈ Integrity of management information and its privacy on page 136
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	The Company has instituted clear organizational procedures, duly approved by the Board of Directors, which have been formally disseminated across all departments to ensure uniform compliance by employees. Adherence to these procedures is monitored through regular performance evaluations conducted under the established performance management framework, while periodic audits reinforce compliance and accountability with respect to internal control mechanisms.
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 Related Party Transaction Review Committee during the FY 2024/25; ◈ Mr. A L N Dias - Independent Non-Executive Director (Chairman of the committee) ◈ Mr. P D D Perera- Independent Non-Executive Director ◈ Mrs. E D Wickramasuriya- Independent Non-Executive Director
b)	All related party transactions shall be prior reviewed and recommended by the RPTRC	All related party transactions carried out during the FY 2024/25 were prior reviewed and approved add by the RPTRC as per the amended Related Party Transaction Review policy which was approved by the Board in February 2024.
c)	The business transactions with a related party that are covered in this Direction shall be following; 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.	Particulars relating to Related Party Transactions have been disclosed in the Notes to the Financial Statements. Further, pages 221-222 disclose information relating to Directors' Interests in Contracts. All Related Party Transactions undertaken during the year were conducted on an arm's length basis, in accordance with the provisions of the applicable regulations. The Related Party Transactions Review Committee (RPTRC) reviewed each transaction to ensure compliance with arm's length principles and to uphold transparency and fairness in dealings with related parties

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
12.2	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. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. 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). 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.	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. 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. Further, the company maintains a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.
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 engaged in any transactions that would confer more favorable terms or treatment to a related party than those extended to an unrelated third party under similar circumstances. 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.

Section Reference	Requirement of the Direction	Extent of Adoption
b)	The Board of the company shall; 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
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

Section Reference	Requirement of the Direction	Extent of Adoption
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 132.
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 132.
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 are embedded within the Board-approved Human Resource Management Policy. The policy provides a structured mechanism through which employees may confidentially report any suspected violations of laws, regulations, or unethical conduct via designated whistle-blower channels. These reports are reviewed by the Audit Committee, which takes appropriate action where necessary. The policy outlines a clear investigation process, ensuring all reported incidents are addressed with due diligence while maintaining the confidentiality of the whistle-blower and safeguarding them from any form of retaliation or discrimination. The Whistle-blowing procedure was last reviewed by the BAC in March 2025.
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 145 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 Managing Potential Conflicts of Interest with Related Parties was initially approved by the Board on 25th August 2023 and subsequently reviewed and re-approved on 26th February 2025.

Section Reference	Requirement of the Direction	Extent of Adoption
16	Disclosures	
16.1	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. The Board shall ensure that at least following disclosures are made in the Annual Report of the company; 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	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. Annual and bi-annual financial statements were published in all three languages and conform to the regulatory interim publication format and the applicable accounting standards. **i) Responsibility of the Board in preparation and presentation of financial statements** The Statement on Director's Responsibility given on page 223 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. **ii) Chairperson, CEO and Board related disclosures** Director information including their names and profiles are given on pages 82 to 89 while their transaction details are disclosed under the Directors' Interest in Contracts on pages 221-222 and in Related Party Disclosures in the Notes to the Financial Statements on pages 300 to 303. Attendance of Board Meetings and Sub-Committee meetings are given on page 105. **iii) Method of appraisal of the Board and its sub committees** 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 121) of CA Sri Lanka Code of Best Practice in this Annual Report. **iv) Remuneration paid to Directors and Senior Management** Refer the section B.3 on "Disclosure of Remuneration" given in CA Sri Lanka Code of Best Practice on page 124. Further, details of Director and Senior management remuneration in aggregate are disclosed on page 162. **v) Relationship between chairman and MD/CEO and the relationships among the members of the Board** There are no financial, family, business, or other material/relevant relationships between the Chairman and the Managing Director/CEO of the Company. However, Executive Directors Gerard Ondaatjie, Angeline Ondaatjie, and Travice Ondaatjie are members of the same family.There are also no financial, family, business, or other material/relevant relationships between the Independent Non-Executive Directors and either Shermal Jayasuriya (Executive Director) or the above-mentioned Executive Directors. **Net accommodation granted to related parties** 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;

Section Reference	Requirement of the Direction	Extent of Adoption

Category of Related Party	Net Accommodation granted (Rs. 000)	Net Accommodation Outstanding as of 31 March 2025 (Rs. 000)	% Against Company's core capital
Senior management including Executive Directors	8,607	7,714	Less than 1%
Associate company	Nil	Nil	N/A
Other related companies	4,160	5,515	Less than 1%

Aggregate value of transaction with senior management

The aggregated value of remuneration paid and transactions carried out by the Senior Management and their close family members during financial year 2024/25 are discussed below;

Transaction type	Amount (Rs. 000)
Accommodations granted	8,607
Deposits made	18,662
Remuneration paid	393,576
Borrowing	340,000

vi) Board appointed committees

Details of the Chairperson and members of the Board committees and attendance at such meetings have been disclosed in page 105 of this annual report.

vii) Group Structure

The Corporate Structure of the Company is stated on page 172. (Refer QR Code).

viii) Annual report of the Board of Directors

The report, which contains the following declarations by the Board, is provided on pages 219 to 220 of this Annual Report.

- 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

ix) Statement on Internal Control

A report by the Board on the MI's internal control mechanism is given on pages 225 to 226 in this Annual Report.

The external auditor's assurance statement

Independent Assurance Report on the Directors' Statement on Internal Control is disclosed on page 227 in this Annual Report.

Section Reference	Requirement of the Direction	Extent of Adoption
		Report on compliance with prudential requirements, regulations, laws and internal controls The Annual Report of the Board of Directors signed by the Directors given on pages 213-220 gives a collective confirmation on MI's compliance status with applicable laws and regulations. **A statement of the regulatory and supervisory concerns on lapses** No public disclosures were instructed by the regulator in relation to regulatory lapses or supervisory concerns. x) External auditor's assurance statement of the compliance with the Corporate Governance Direction. 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 2024/25. xi) Business conduct and ethics for directors, senior management and employees Refer the commentary given in section D 6.1 of CA Sri Lanka Code of Best Practice on Corporate Governance given on page 132 of this Annual Report. **Chairperson's declaration on governance** Refer chairman's Statement on Corporate Governance on page93 given in this Annual Report. xii) Management Report 'Management Discussion and Analysis' given on pages 36 to 71 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. xiii)Policy and methodology for communication with shareholders A Board-approved Communication Policy is in place, encompassing all stakeholder groups including depositors, creditors, shareholders, and borrowers. The Board of Directors, officers, and employees adhere to this policy to ensure effective, transparent communication in the best interests of all stakeholders. Communication with shareholders is primarily facilitated by the Company Secretary through the Annual Report, Quarterly Reports, and formal notices issued to shareholders. Further information on shareholder communication is provided under the Corporate Governance section of this Annual Report. Feedback form at the end of the Annual Report can be used by Shareholders to communicate with MI Board & the Management.

Mercantile Investments and Finance PLC's Compliance Status with Colombo Stock Exchange (CSE) Listing Rules - Section 9 (Corporate Governance)

Listing Rules Section 9 - Corporate Governance

Section Reference	Requirement of the Direction	Extent of Adoption
9.1	Corporate Governance Rules	
9.1.1 9.1.2 9.1.3	Extent of compliance with the Corporate Governance Rules	The Company's level of compliance with Section 9 of the Corporate Governance Listing Rules issued by the Colombo Stock Exchange (CSE) is disclosed in this section of the checklist.
9.2	Policies	
9.2.1	Availability of Policies	All the applicable policies have been established by MI in line with this rule, and the existence of the required policies has been disclosed on the company website.
9.2.2	Waivers and Exemptions	At present, no waivers or exemptions have been granted from compliance with the Internal Code of Business Conduct and Ethics.
9.2.3	Disclosures in the Annual Report	Refer section 9.2.1 above.
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.
9.3	Board Committees	
9.3.1	Establishment of Board Committees	The Nominations and Governance Committee, Human Resources and Remuneration Committee, Board Audit Committee, Board Integrated Risk Management Committee and Related Party Transactions Review Committee are established at MI, compliance to this section.
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 composition of all Committees complies with the revised CSE Listing Rules. Each Sub-Committee operates under its own Terms of Reference and is supported by a designated Secretary who, under the supervision of the respective Chairperson, is responsible for organizing meetings, maintaining minutes, and keeping relevant records. The Chairperson of each Sub-Committee is accountable for its effective functioning and provides periodic reports to the Board, highlighting key matters requiring the Board's attention. The Terms of Reference or Charters of each Committee are reviewed regularly to ensure continued relevance and effectiveness.
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.	In line with the requirements of Rule 9.3.1, MI's Chairman does not hold the position of Chairperson in any of the Committees specified under this rule.
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.
9.4.2	Communication and relation with Shareholders and Investors	The Company has implemented a Communication Policy, approved by the Board, which meets the requirements outlined in this rule
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 addressed through a set of established policies and procedures, including the Schedule of Matters Specifically Reserved for Board Decisions, the Board Charter, the Governance Framework, and the Articles of Association.
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.	The Board-approved policy on matters relating to the Board of Directors incorporates all requirements outlined in Section 9.5.1 above.

Section Reference	Requirement of the Direction	Extent of Adoption
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 of MI is an Independent Non-Executive Director. The roles of Chairman and Chief Executive Officer are held by separate individuals.
9.6.2	Disclosure of Non-Compliances the rule 9.6.1	Not applicable
9.6.3	Appointment of Senior Independent Director (SID)	Not applicable
9.6.4	Disclosure of Non-Compliances in the Annual Report with regard to Senior Independent Director (SID)	Not applicable
9.7	Fitness of Directors and CEOs	
9.7.1/9.7.2	Appointment of Fit and Proper Persons	The MI Board has established a formal and transparent process for the succession planning and appointment of Directors. The Nominations and Governance Committee is responsible for evaluating, shortlisting, and recommending suitable candidates to the Board for approval. Prior to initiating the search process, the required qualifications, experience, and attributes of potential appointees are clearly defined, taking into account the Board's existing collective expertise, diversity, and alignment with the Company's strategic direction and any identified gaps. Following the Board's selection, the proposed appointments are submitted to the Director of the Non-Bank Supervision Department of the Central Bank of Sri Lanka for approval as "fit and proper" individuals. All appointments are also duly disclosed to the Colombo Stock Exchange (CSE) in accordance with regulatory requirements.
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 and CEO.
9.7.4	Annual Declarations from Directors and CEO	Annual declarations from Directors confirming that each of them have continuously satisfied the fit and proper assessment were obtained for this financial year under review.
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	In terms of this section, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.
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 twelve (12) Directors as at 31 March 2025.
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 in compliance with the requirement for the minimum number of Independent Directors. As at the end of the financial year under review, the Board of Directors comprised eight (8) Independent Directors.
9.8.3/9.8.4	Criteria for determining Independence	All the Independent Directors of the company fulfilled the criteria defining independence under Section 9.8.3 of this rule.
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.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
9.9	Alternate Directors	
9.9	Appointment of Alternate Directors	No Alternate Directors were appointed during the year under review. However, the Articles of Association of the Company contain provisions that allow for the appointment of Alternate Directors, if necessary.
9.10	Disclosures relating to Directors	
9.10.1	Policy on the maximum number of Directorships	In accordance with Section 3.11 of the Finance Business Act Direction No. 5 of 2021, a Director of the Company shall not hold office as a Director or in any equivalent position (including Alternate Directorships) in more than twenty (20) companies, societies, or bodies, including subsidiaries and associates of the Company and none of the directors hold more than 20 directorships during the year under review.
9.10.2	The company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement	During the period under review, there were four (4) appointments to the Board of MI, each of which was immediately announced to the market.
9.10.3	The company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees.	Announcements regarding changes to the composition of Board Committees during the year were made to the CSE as required.
9.10.4	Disclosures in relation to the Directors in the Annual Report	Refer pages 82 to 89 for the profiles of Directors. Refer page 105 for the Board meeting attendance, Board committee meeting composition and attendance. Refer pages 82 to 89 for Directorships in other companies.
9.11	Board Nominations and Governance Committee	
9.11.1	The company shall have a Nominations and Governance Committee	The company's "Nominations Committee" was renamed as "Nominations and Governance Committee" during the year as per the requirement of this section.
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 are subject to the recommendation of the Company's Nominations and Governance Committee. Additionally, MI has established a formal procedure to ensure the orderly succession of Board appointments. For further details, please refer to the Nominations and Governance Committee Report on pages 204 to 205.
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 and Governance Committee on pages 204 to 205
9.11.4	Composition of the Nominations and Governance Committee	
1	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.	Refer Report of the Board Nominations and Governance Committee on pages 204-205
2	An Independent Director shall be appointed as the Chairperson of the committee	
3	The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report	
9.11.5	The functions of the Nominations and Governance Committee	Refer Report of the Board Nominations and Governance Committee on pages 204 to 205

Section Reference	Requirement of the Direction	Extent of Adoption
9.11.6	Contents of the Board Nominations and Governance Committee Report ◈ Names of Chairperson and members with nature of directorship ◈ 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 and Governance Committee on pages 204 to 205.
9.12	Remuneration Committee	
9.12.2	The company shall have a Remuneration Committee	The HR and Remuneration committee is in place.
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.	The HR and Remuneration Committee ensures that the remuneration packages offered to Executive Directors, including the Managing Director, are competitive with market standards and sufficient to retain high-caliber individuals essential for achieving the Company's objectives. Additionally, the Committee ensures that Executive Director remuneration is aligned with MI's overall business strategy. The Company's detailed Remuneration Policy was last reviewed and approved by the Board on 31st January 2025.
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.	The Board collectively determines the remuneration of Non-Executive Directors, including those serving on the Remuneration and Nominations & Governance Committees. Non-Executive Directors receive fees for their attendance at meetings of the main Board and its Committees. These fees are fixed and are neither performance-based nor pensionable.
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 HR and Remuneration Committee on page 203.

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
9.12.6	Composition of the Remuneration Committee	
	1) The members of the Remuneration Committee shall;	Refer Report of the HR and Remuneration Committee on page 203.
	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) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors	Refer Report of the HR and Remuneration Committee on page 203.
9.12.7	The functions of the Remuneration Committee	Refer Report of the HR and Remuneration Committee on page 203.
9.12.8	Disclosure in Remuneration Committee Report	Common comment for 9.12.8 1st two points Report of the HR and Remuneration Committee on page 203.
	◈ Names of Chairperson and members with nature of directorship	
	◈ Statement regarding the Remuneration Policy	
	◈ The aggregate remuneration of the Executive and Non-Executive Directors.	Details of Director remuneration in aggregate is disclosed on page 253.
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.
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 206-207.
9.13.3	1) The members of the Audit Committee shall;	Refer Report of the BAC on pages 206-207.
	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.	
	2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	
	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.	Refer Report of the BAC on pages 206-207.
	4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	

Section Reference	Requirement of the Direction	Extent of Adoption
	5) 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.	
	6) 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.	
9.13.4	The functions of the Audit Committee	Refer Report of the BAC on pages 206-207.
9.13.5	Disclosures in the Annual Report	Refer Report of the BAC on pages 206-207.
	The company shall prepare an Audit Committee Report which shall be included in the Annual Report	
	The Audit Committee Report shall contain disclosures set out in Section 9.13.5 (2)	
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 pages 208-209.
9.14.2	Composition of the Related Party Transactions Review Committee	The BRPTRC of the company comprises of three (3) Independent Directors. The Chairman of the BRPTRC is an Independent Director.
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 pages 208-209.
9.14.4	General Requirements	
	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.	Refer the Report of the BRPTRC on pages 208-209.
	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.	

Corporate Governance Report

Section Reference	Requirement of the Direction	Extent of Adoption
	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:	Refer the Report of the BRPTRC on pages 208-209.
	(a) be present while the matter is being considered at the meeting; and,	
	(b) vote on the matter	
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Refer the Report of the BRPTRC on pages 208-209.
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 Company's Related Party Transaction Policy requires obtaining shareholder approval through a Special Resolution for both non-recurrent and recurrent related party transactions as outlined in this section. During the financial year, there were no related party transactions that necessitated shareholder approval in accordance with Section 9.14.6.
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.
9.14.8 (1)	Disclosures in the Annual Report	There were no such Related Party Transactions during the year under review.
	Non-recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)	
9.14.8 (2)	Disclosures in the Annual Report	Refer Note 50.5 on Page 303 to the Financial Statements on "Related Party Disclosure".
	Recurrent Related Party Transactions exceeding 10% of the gross revenue/income (in the specified format)	
9.14.8 (3)	Disclosures in Related Party Transactions Review Committee Report	Refer the Report of the BRPTRC on pages 208-209.
	◈ 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	

Section Reference	Requirement of the Direction	Extent of Adoption
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 218.
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.
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 219-220.
	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 particular emphasis on CBSL directions, is regularly reported to the Board by the Compliance Officer.

Submission of Central Bank of Sri Lanka Web Returns

The Company submitted all required CBSL web returns on or before their respective due dates. The related information table has been uploaded to the company's website under the Corporate Governance section. (Refer to the 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 11th June 2025.

S. Pethiyagoda
Company Secretary

S Pemarathna
Compliance Officer

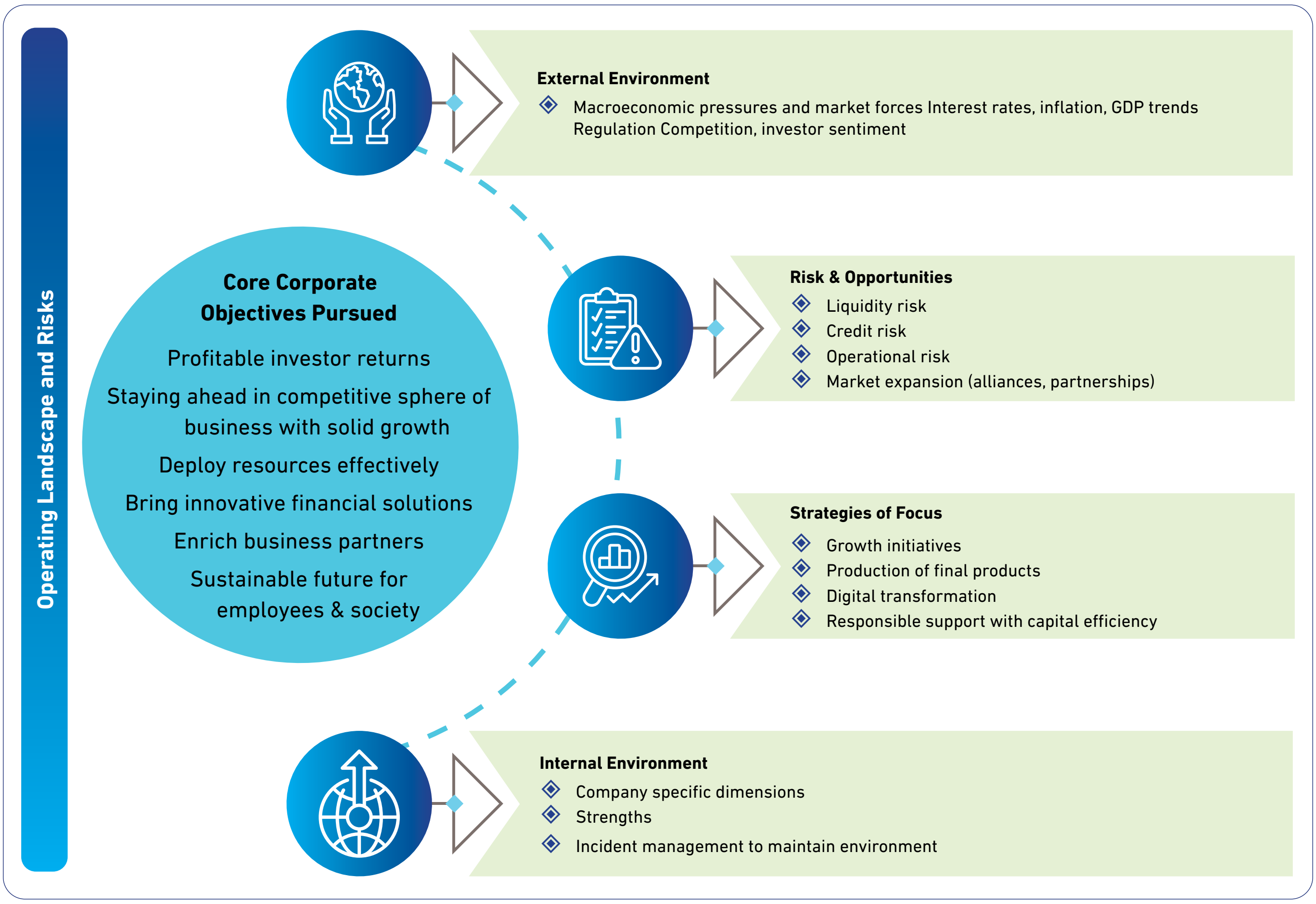
P.D.D. Perera
Board Chairman

Colombo
11th June 2025

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

Risk Management Report

Operated Landscape



Overview

During the financial year under review, the Sri Lankan economy showed strong signs of stabilization, recovering from the aftermath of the 2022 sovereign debt default. The year 2024 marked a significant turnaround, supported by IMF-backed reforms, fiscal consolidation, monetary easing, and increased investor confidence. These macro-level developments had a direct impact on financial sector stability, credit risk dynamics, and interest rate movements all critical from a risk management perspective.

Economic Highlights and Risk Management Implications

Macroeconomic Recovery and GDP Growth

i. Real GDP grew by 5.0% in 2024, rebounding from a contraction of 2.3% in 2023 and 7.3% in 2022, reflecting broad- based growth across industries.

ii. Risk Implication: Improved economic activity supported credit quality and reduced borrower defaults, though uneven recovery across sectors requires close monitoring.

IMF Programme and Debt Restructuring

i. The IMF Extended Fund Facility (EFF) helped restore external financing, stabilize reserves (rising to USD 6.1 billion by end-2024), and anchor fiscal reforms.

ii. Risk Implication: Reduced sovereign risk and improved investor sentiment, though full benefits hinged on sustained reform implementation.

Inflation and Monetary Easing

i. Inflation dropped sharply from 57.2% (y-o-y) in 2022 to 1.7% at end 2024, with average inflation at 1.2% for the year.

ii. Risk Implication: Disinflation lowered interest rate risks and eased pressure on funding costs, supporting more predictable pricing and ALCO strategies.

Risk Management Report

Exchange Rate Stability

i. The Sri Lankan rupee appreciated from Rs. 300.4/USD at end-March 2024 to Rs. 296.3/USD by end-2025, though pressures increased later in the year due to import growth and debt repayments.
ii. Risk Implication: FX risk reduced temporarily but remains sensitive to external sector dynamics; hedging policies and stress testing remains crucial.

Improvement in Asset Quality

i. NBFI sector NPL ratio declined from 14.7% (March 2024) to 8.3% (March 2025), supported by rising credit demand and lower borrowing costs.
ii. Risk Implication: Credit risk moderated, though pockets of sectoral stress remained (e.g., construction, export-oriented businesses).

Sector Profitability and Interest Margin Dynamics

i. Sector Net interest income improved due to sharp deposit rate declines, while lending rates showed downward rigidity.
ii. Risk Implication: Interest rate risk shifted to reinvestment and margin compression concerns as rates stabilize at low levels.

Stock Market and Investor Sentiment

i. Equity market experienced mid-year volatility due to election uncertainty, followed by recovery.
ii. Risk Implication: Market risk remains tied to policy continuity and global investor flows; exposure needs prudent limit setting.

Inflation Outlook

i. Deflation continued but inflation to pick up and turn positive by mid-2025, driven by recovering consumption and VAT impacts.
ii. Risk Implication: Actions to manage inflationary pressures including optimal pricing strategies, wage forecasts, and cost buffers.

Statement on Risk Management

As a licensed and regulated financial institution, Mercantile Investments (MI) maintains a robust and well-integrated risk management framework that aligns with both internally developed standards and the regulatory expectations of the Central Bank of Sri Lanka (CBSL). Our risk management practices are structured to ensure that all key risk exposures credit, market, liquidity, operational, and strategic are proactively identified, assessed, monitored, and mitigated in a timely and effective manner.

MI's internal risk governance is guided by established policies, clearly defined risk appetite parameters, and benchmarked control procedures, which are regularly reviewed to reflect emerging risks and market dynamics. These practices are underpinned by strong oversight from the Board and its subcommittees, ensuring accountability and strategic alignment.

In compliance with CBSL's prudential requirements and risk-based supervisory frameworks, MI strengthened enterprise-wide risk culture, promoted transparency in risk reporting. By embedding risk management into MI's decision-making processes, the company remained firm. There is resilience specially in its operations and sustained its commitment to maintaining financial stability and stakeholder confidence in a continuously evolving environment.

MI's Risk Strategy

Mercantile Investments (MI) has adopted a forward-looking and structured risk strategy that ensures prudent risk-taking while supporting business growth. To support this strategy, the organization has invested significant resources in strengthening its risk governance framework. This includes the establishment of a dedicated Risk Management Unit and the formation of specialized management and board-level committees to oversee risk across all areas of the business.

Our approach integrates risk management into every facet of decision-making and strategic planning. Feedback and insights from all business units are actively considered in formulating our risk strategy, enabling a balanced view that carefully weighs risk against return. This inclusive and proactive process allows MI to maintain a sound risk profile without compromising on growth opportunities.

Deploying a Strong Risk Culture

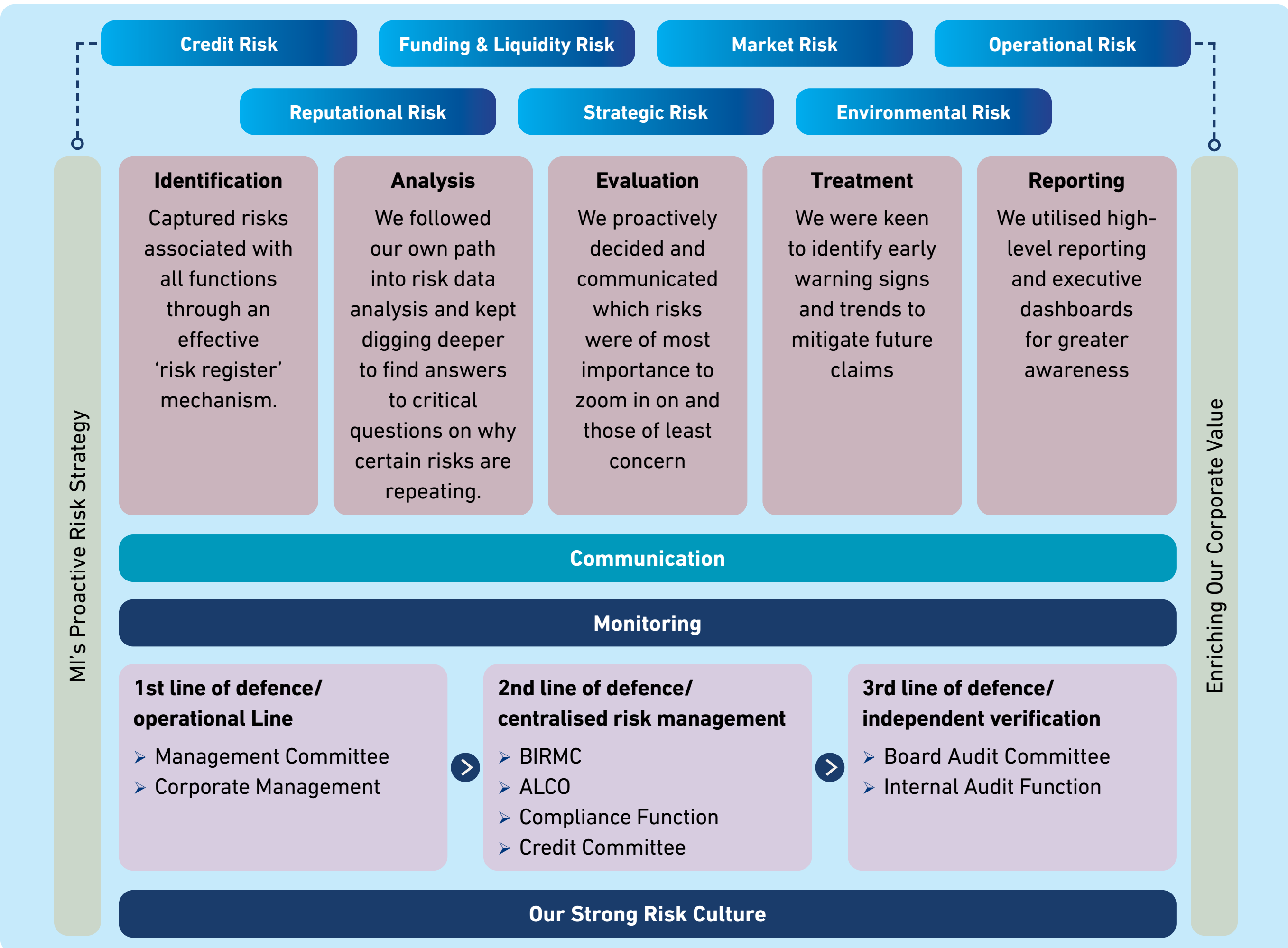
At the core of our risk management framework is a deeply embedded risk-aware culture, which encourages accountability at every level of the organization. Risk ownership is reinforced through clearly defined controls within our Standard Operating Procedures (SOPs), empowering employees to identify, assess, and mitigate risks as part of their daily responsibilities.

We believe that a strong risk culture is built on awareness, sound judgment, and continual learning. Accordingly, during the year under review, we conducted multiple training programmes and awareness sessions covering both technical and operational risk areas. These sessions were further expanded to include emerging themes such as market dynamics, regulatory, staff well-being, anti-money laundering (AML), counter-financial crime, and anti-corruption measures, fostering an environment of vigilance and integrity across the organization.

Approach to Governing Risk at MI

Oversight of the enterprise-wide risk management function is carried out by the Board Integrated Risk Management Committee (BIRMC), a subcommittee of the Board. The BIRMC plays a pivotal role in reviewing key risk exposures, ensuring alignment with regulatory expectations, and guiding the strategic direction of risk governance.

MI's Integrated Risk Management Framework



Risk Management Report

Risk Management Oversight Process

Board of Directors

BIRMC
This Committee monitors and manages key risks, determines the risk appetites and reviews MI's approach to risk management closely.

Board Audit Committee
As the independent body at MI's Board, this Committee is responsible for reviewing company-wide risks and control environment to safeguard assets of the company.

Head Office Credit Committee
The Committee reviews transactions with high credit risk, monitors material overdue accounts and proposes recovery strategies for credit deteriorated borrowers.

Assets & Liability Management Committee (ALCO)
ALCO is responsible for overseeing sufficiency of short-, medium- and long-term liquidity at optimised cost-efficiency levels, and monitoring interest rate risks impacts on the business.

Executive Committee
The Committee actively evaluates and implements risk treatment actions to tackle risks that primarily impact corporate profitability, core business operations and loan book quality.

Sustainability Governance Committee
The Committee engages in assessing prevailing sustainability obligations and priorities, and develops internal sustainability goals and measure in relation to the company's finance business activities.

IT Steering Committee
The Committee ensures information security and safety from cyber threats and reviews the performance of IT systems and identifies the gaps to develop/update the systems.

Committee on Customer Complaint Handling
The Committee ensures that appropriate mechanisms are in place to receive, resolve with fair redress, compensation and respond to individual grievances and complaints of financial consumers, including retention of such records.

Key Risk Management Developments For FY 2024/25

i. Alignment with Corporate Governance Requirements

The Risk Management Policy was revised and required actions effected in accordance with Corporate Governance Direction No. 5 of 2021, reinforcing the organization's commitment to maintaining a strong governance framework and ensuring that risk oversight mechanisms are in line with evolving regulatory expectations and industry best practices.

ii. Enhanced Business Continuity Planning

In response to Operational Risk Management Direction No. 4 of 2024, the organization conducted a comprehensive review and update of its Business Continuity Plan (BCP). These enhancements aim to bolster operational resilience and ensure readiness to manage disruptions, aligning with the latest regulatory standards.

iii. Risk-Focused Product Reviews

Extensive New product-level risk assessments were conducted during the year, taking into account the differentiated business model pursued. These reviews identified potential risk exposures and ensured that all offerings remain within the institution's defined risk appetite and strategic direction.

iv. Operational Risk Action Planning

To address long-term risk exposure, each operational department was provided with a tailored risk mitigation action plan, fostering greater ownership and accountability for risk at the functional level.

v. Strengthening of Risk Management Resources

The Risk Management Unit was further strengthened, with a targeted focus on enhancing operational risk oversight. This included the recruitment of specialized personnel to support risk identification, monitoring, and control activities. An independent CRO was appointed in keeping on 1st of July 2024 active sections of the corporate governance directions.

vi. Introduction of New Risk Management Policies

Two new policies were developed and formally approved:

a. Shopping Card and Online Transactions Risk Management Policy

b. Liquidity Management Process for Shopping Card and Online Transactions These policies address emerging risks related to digital payment platforms and support safe expansion into technology-driven financial services.

vii. Revision of the Risk Appetite Framework

The Board Integrated Risk Management Committee (BIRMC) approved a revised Risk Appetite Statement, supported by an updated set of Key Risk Indicators (KRIs). These indicators now cover a broader spectrum of risk categories, enabling more comprehensive and forward-looking risk monitoring.

MI's 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	Moderate	Increasing	Continuous Monitoring
	Credit Concentration Risk	Moderate	Increasing	Accept and Manage
	Recovery Risk	High	Increasing	Continuous Monitoring
Funding and Liquidity Risk		Moderate	Increasing	Continuous Monitoring
Market Risk	Interest Rate Risk	High	Decreasing	Continuous Monitoring
	Equity Price Risk	High	Decreasing	Accept and Manage
	Commodity Price Risk	High	Increasing	Accept and Manage
Operational Risk	People Risk and Workplace Safety	Moderate	No Change	Accept and Manage
	Business Disruptions, System Failures and Information Security Risk	High	Increasing	Continuous Monitoring
	Legal and Compliance Risk	Moderate	Increasing	Accept and Manage
Strategic Risk		High	Increasing	Continuous Monitoring
Reputational Risk		Moderate	No Change	Accept and Manage
Environmental Risk		Moderate	No Change	Accept and Manage

Low Moderate High Extremely High Increasing Decreasing No Change

Credit Risk Management

Credit Risk Overall Risk Severity

Credit Risk arises when a borrower or counterparty fails to meet their contractual financial obligations to the company. This may result in the loss of principal and interest income, and may further lead to an increase in loan loss provisions, write-offs, or impairments ultimately impacting MI's profitability and capital adequacy.

As a finance company with a significant portion of its assets in customer lending, MI is inherently exposed to credit risk across its loan portfolio. The risk becomes more pronounced under the following conditions:

- Economic downturns or income shocks affecting borrowers' repayment capacity.
- Sectoral concentration in vulnerable industries (e.g., tourism, agriculture).
- Weak collateral enforcement mechanisms and lengthy legal recovery processes.
- Credit underwriting lapses or ineffective post-disbursement monitoring.

Given Sri Lanka's evolving economic and regulatory landscape, effective credit risk management is essential for MI to preserve asset quality, ensure stable cash flows, and maintain regulatory compliance under the guidelines set by the Central Bank of Sri Lanka (CBSL). Moreover the rapid loan book growth trajectory at MI requires vigilance and strong credit risk monitoring.

Risk Management Report

Key Highlights in Credit Risk Management

1. **Geographical Diversification of Credit Portfolio**

   Expanded the branch network to support decentralization of the credit portfolio, reducing concentration risk and enhancing regional lending outreach.

2. **Strengthened Collection Efforts**

   Enhanced recovery performance through coordinated initiatives led by the Recovery, Quality Assurance, and Call Center units, resulting in improved collection efficiency.

3. **Targeted Recovery of High-Value NPLs**

   Launched focused action plans to recover several large-ticket non-performing facilities through joint efforts between Legal and Recovery teams.

4. **Business Unit-Level NPL Monitoring**

   Implemented tighter monitoring and reporting of non-performing facilities at the business unit level, enabling early identification of problem accounts and timely interventions.

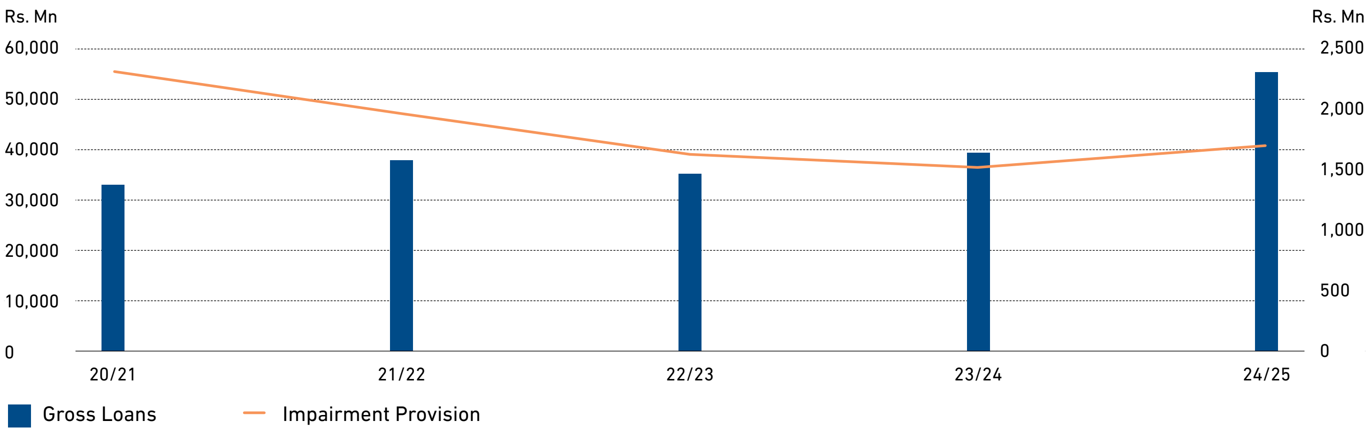
5. **Growth in Short-Term, Low-Ticket Lending**

   Prioritized the expansion of short-term, lower-value lending products particularly Gold Loans to support portfolio quality and improve liquidity turnaround.

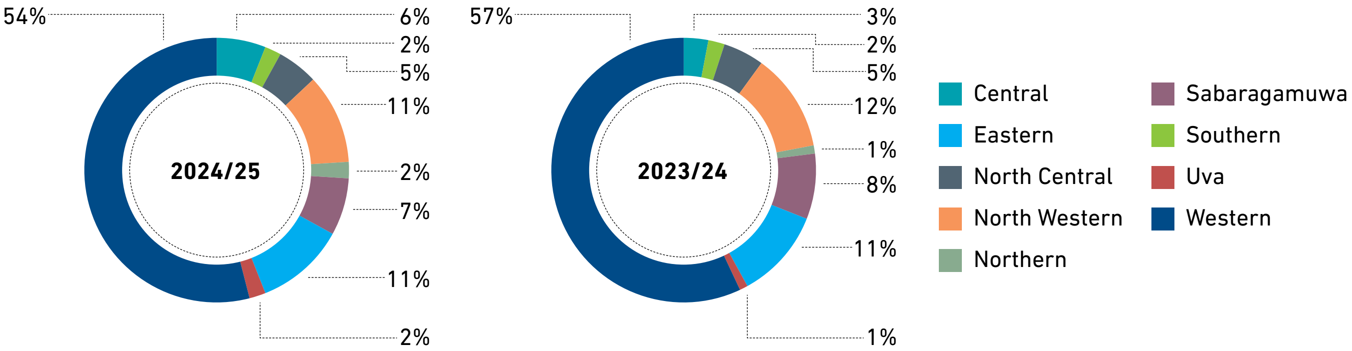
Statement on Credit Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2024/25	Actual Figure FY 2023/24
Total large credit exposure (above 10 Mn)	<20% of Gross portfolio	NA	4%	5%
Top 50 borrowers exposure to total loan exposure	<20% of Gross portfolio	NA	4%	5%
Aggregate limit for related party transactions accommodation to related parties	<10% of Gross portfolio	NA	0.06%	0.05%
Single Borrower Limits (Largest exposure /Core Capital)	<15% of core capital	15%	2%	5%
Group Borrower Limits/Core Capital	<20% of core capital	20%	2%	8%
Aggregate Limit/(Total of Single Borrowers > 10% of core capital)	<20% of core capital	20%	2%	8%
Stage 3 Loans to Total Loans and Advances	<10%	NA	5%	10%
Stage 3 Impairment Coverage Ratio	>30%	NA	52%	34%

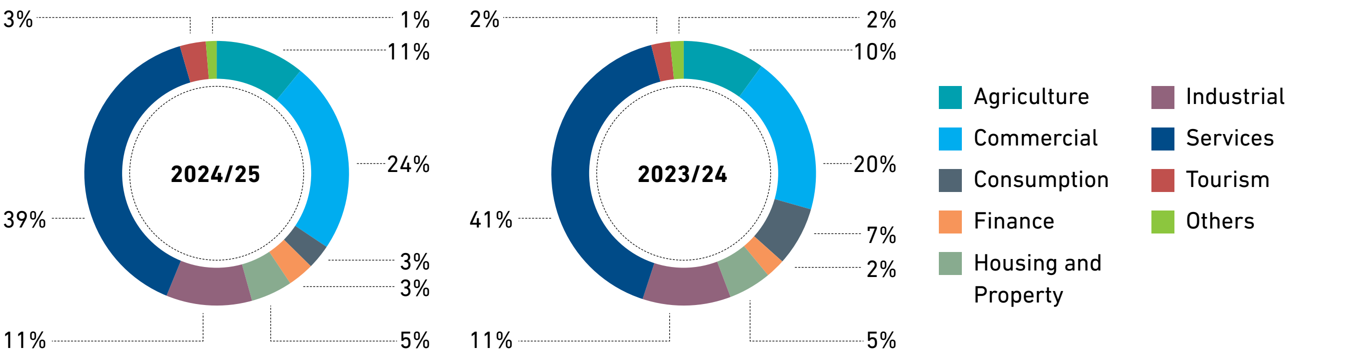
Gross Loans and Impairment Provision



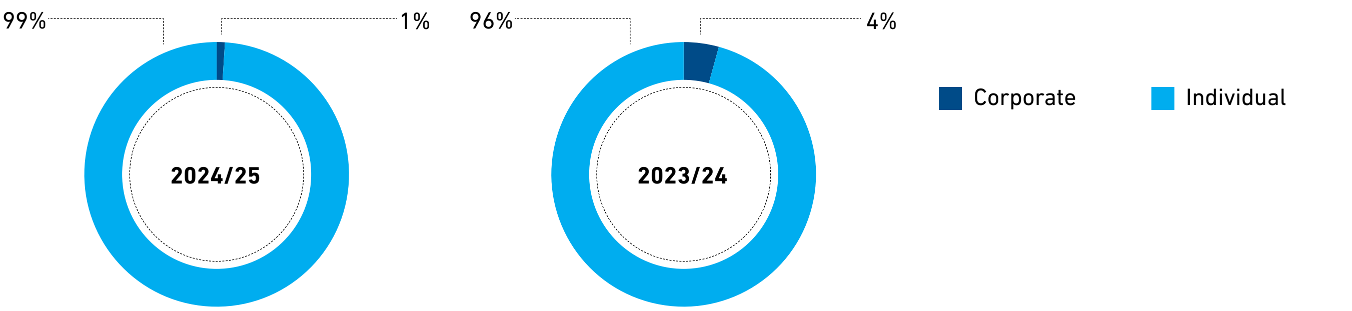
Geographical Concentration of Lending



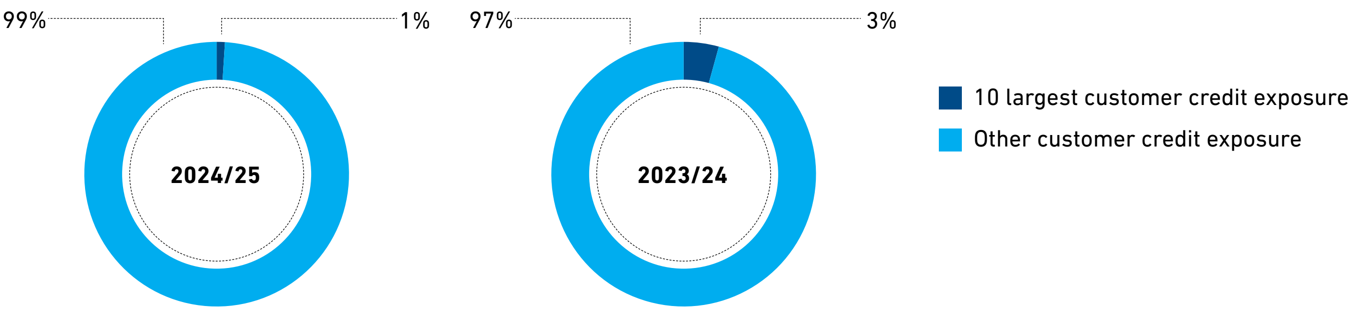
Sector Wise Lending Concentration



Credit Exposure by Counterparty



Exposure of 10 Largest Customers



Credit Risk Management Actions

Credit Risk Dimension	Default Risk	Risk Severity	Moderate
Risk Description	Risk of failure of certain customers to settle their debt obligations.		

Situational Analysis FY 2024/25

Improved Borrower Repayment Capacity
The rebound in economic activity has led to improved cash flows among borrowers, particularly in retail and SME segments. This has translated into enhanced repayment behavior and a reduction in overdue accounts across the loan portfolio.

Enhanced Recovery Infrastructure and Coordination
Recovery effectiveness has improved significantly due to strengthened collaboration between Legal, Recovery, and Call Centre teams. Structured action plans, legal proceedings for large-ticket NPLs, and bucket-specific follow-ups have accelerated collections.

Impact of Proactive Risk Segmentation and Monitoring
Continuous monitoring at business unit level, along with KRIs reviewed by BIRMC, allowed early identification of stress accounts and faster recovery action. The strategy of focusing on low-ticket, short-term loans like Gold Loans has also supported healthier portfolio performance and faster delinquency turnover.

What We Can Expect Going Forward
Sustained Portfolio Quality: With continued economic stability and disciplined lending practices, portfolio asset quality is expected to improve further, reducing the need for high impairment provisions.
Strengthening of Pre-Delinquency Controls: Enhanced early warning mechanisms and risk segmentation will help preempt future stress and maintain delinquency ratios within acceptable levels.
Recovery-Driven Profitability Support: As more non-performing assets are resolved and written-back, improved collections will provide a positive impact on profitability and capital buffers.

Risk Mitigation Strategies

Targeted Resolution of Long-Outstanding Balances
Coordinated efforts by the Recovery and Legal teams were undertaken to address and reduce long-standing delinquent balances through structured recovery actions.

Prudent Management of Gold Loan Portfolio
A conservative approach has been maintained since the inception of gold loan operations, particularly through disciplined application of the Loan-to-Value (LTV) ratio to manage collateral risk effectively.

Bucket-Specific Recovery Strategies
Tailored recovery interventions were implemented across delinquency buckets, led by a fully-fledged Call Centre and Quality Assurance team, improving recovery rates and early-stage collections.

Business Unit-Level Risk Monitoring
The Board Integrated Risk Management Committee (BIRMC) regularly evaluated business unit-specific Key Risk Indicators (KRIs) to ensure that credit risk levels remained within defined tolerance thresholds.

Strengthened Credit Control Framework
Robust credit assessment and approval processes were reinforced to mitigate potential shocks arising from external economic and market developments, ensuring sustainable portfolio quality.

Credit Risk Management Actions

Credit Risk Dimension	Credit Concentration	Risk Severity	Moderate
Risk Description	Risk of unbalanced distribution of MI's advances among business sectors, geographical regions and counterparties.		

Situational Analysis FY 2024/25

Credit Concentration Risk – Sectoral Diversification with Geographic Sensitivity

Balanced Sectoral Exposure

MI's credit concentration risk is currently assessed as medium, underpinned by a well-diversified loan portfolio across multiple economic sectors including trade, services, manufacturing, and agriculture. This diversity provides a strong buffer against sector-specific downturns and supports overall portfolio stability.

Disciplined Exposure Management

Exposure to higher-risk or cyclical sectors is actively managed within established limits, in accordance with MI's risk appetite framework. Regular reviews by the Risk Management Unit and oversight by the Board Integrated Risk Management Committee (BIRMC) ensure exposures remain aligned with institutional tolerances.

Geographic Concentration in the Western Province

While sectoral diversification remains a key strength, MI's credit portfolio exhibits geographic concentration in the Western Province, reflecting the region's dominant economic activity and customer base. This geographic concentration poses potential vulnerability to region-specific economic disruptions or localized shocks.

What We Can Expect Going Forward

Strategic Expansion Beyond the Western Province

MI aims to gradually reduce geographic concentration risk through targeted branch expansion and credit outreach initiatives in underrepresented regions, supporting a more balanced portfolio footprint.

Enhanced Regional Risk Analytics

Integration of regional economic indicators into credit evaluation and risk assessment processes will support more granular understanding of geographic risk dynamics.

Ongoing Monitoring and Adjustments

Geographic exposure levels will continue to be reviewed as part of credit concentration monitoring to ensure resilience against potential spatial economic risks.

Risk Mitigation Strategies

Continued Focus on Registered Vehicle Segment

MI maintained its strategic focus on the registered vehicle financing segment, in line with trends observed during the year under review. This segment continued to demonstrate stable performance and aligned well with the company's risk-return objectives.

Targeted Approach to High-Risk Sectors

High-risk economic sectors were proactively identified, and credit evaluation processes were refined to reflect heightened scrutiny, ensuring that risk exposure remained within acceptable limits.

Review of Portfolio and Regulatory Limits

The Credit Risk team, in collaboration with relevant management committees, conducted periodic reviews of product-wise exposure caps, sectoral lending limits, and regulatory thresholds to ensure portfolio compliance and concentration control.

Implementation of Branch-Level Exposure Controls

Single borrower exposure limits were established at the branch level, supporting disciplined credit growth and mitigating the risk of overexposure to individual clients or sectors within specific locations.

Mitigating Geographic Concentration Risk

To address the overconcentration in the Western Province, new branches were strategically located in other regions, contributing to a more balanced geographic distribution of credit risk.

Credit Risk Management Actions

Credit Risk Dimension	Recovery Risk	Risk Severity	Moderate
Risk Description	Risk of MI's loan advances requiring a longer period to recover.		

Situational Analysis FY 2024/25

Why MI's Credit Recovery Is at a Medium-to-High Level

Improved Economic Conditions Supporting Repayment

The rebound in economic activity, reflected in the 5.0% GDP growth in 2024, has enhanced the repayment capacity of borrowers across several key segments. This macro-level improvement has translated into better cash flows and improved collections.

Effective Monitoring and Engagement

Continuous tracking of delinquent accounts, customer engagement for negotiated settlements, and data-driven follow-ups have improved collection performance, especially in early delinquency buckets. Business unit-level oversight and tailored recovery strategies have further supported recovery rates.

What to Consider Going Forward Longer Duration Recovery Challenges

Nature of Lending Products with Extended Tenors

Many of MI's lending products, particularly in asset-backed and SME segments, have longer repayment cycles. This naturally prolongs the full realization of recovery efforts, especially for restructured or large-ticket loans.

Need for Sustained Recovery Engagement

Maintaining consistent and patient engagement especially in rural and non-urban segments is key. Tailored solutions, partial settlements, and structured plans may continue over multiple years before full recovery is achieved.

Risk of Economic and Sectoral Volatility

While macroeconomic conditions have improved, any future sector-specific or regional disruptions could delay recoveries. This highlights the importance of maintaining a strong early warning system, adaptable recovery strategies, and adequate provisioning buffers.

Risk Mitigation Strategies

Customer-Centric and Monitoring Focused Credit Risk Initiatives

Enhanced Customer Convenience in Repayments

Payment convenience was improved through the expansion of collection channels, enabling customers to make repayments more efficiently and securely across multiple platforms.

Close Monitoring of Credit Quality Indicators

Credit quality across business units was closely monitored with specific focus on Non-Performing Loan (NPL) ratios and provision coverage levels, ensuring early detection of stress and timely corrective action.

Targeted Oversight of Large-Ticket Borrowers

Continuous tracking of large exposure accounts enabled the risk and recovery teams to engage in effective negotiations, facilitating structured repayment solutions and reducing potential credit losses.

Proactive Customer Engagement

Ongoing communication with customers helped identify repayment challenges early and allowed the institution to offer tailored solutions for settlement and restructuring, thereby supporting both recovery and customer retention.

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

Liquidity Risk Management

Funding & Liquidity Risk Overall Risk Severity

Funding and Liquidity Risk Management

Definition and Risk Context

Funding and liquidity risk refers to the potential inability of the company to meet its financial obligations as they become due without incurring unacceptable losses. This risk typically arises from maturity mismatches between assets and liabilities, unexpected funding outflows, or restricted access to funding markets. For non-bank financial institutions like Mercantile Investments, maintaining adequate liquidity is critical for sustaining lending operations, managing customer withdrawals, and meeting regulatory requirements.

Key Sources of Liquidity Risk

Asset-Liability Mismatches: A core source of liquidity risk is the mismatch between long-tenor lending products and shorter-duration funding instruments (e.g., fixed deposits, savings).

Concentration in Funding Sources: A high reliance on a specific segment or region (e.g., depositors in the Western Province) may amplify risk in times of market stress.

Market Liquidity Risk: Inability to liquidate assets at fair value during periods of tight market conditions may restrict access to quick cash.

Contingent Liquidity Needs: Unforeseen demands such as early withdrawals, margin calls, or regulatory requirements can pose sudden liquidity pressures.

MI's Liquidity Risk Management Framework

MI has adopted a structured framework for managing funding and liquidity risk, aligned with internal policies and regulatory expectations set out by the Central Bank of Sri Lanka (CBSL). Key components include:

1. **Behavioral Maturity Profiling**

   Regular assessment of cash flow behavior for both assets and liabilities to better understand maturity mismatches and rollover risks beyond contractual terms.

2. **Liquidity Coverage and Buffers**

   Maintenance of a liquidity buffer comprising such as government securities to meet short-term obligations.

3. **Funding Diversification Strategy**

   Proactive diversification of funding sources across depositors, regions, and maturities to reduce reliance on any single source or tenor cluster.

4. **Liquidity Risk Metrics and Early Warning Indicators**

   Key liquidity ratios (e.g., liquidity coverage ratio, deposit run-off ratios) and stress testing results are regularly reviewed by the Asset and Liability Committee (ALCO) and reported to the Board Integrated Risk Management Committee (BIRMC).

5. **Regulatory Compliance**

   Full adherence to regulator's liquidity monitoring guidelines, including minimum statutory reserve requirements and submission of liquidity returns on a timely basis.

Outlook and Forward Priorities

Given the longer duration of MI's asset base, maintaining stable, long-term funding remains a strategic focus. In the coming year, MI plans to:

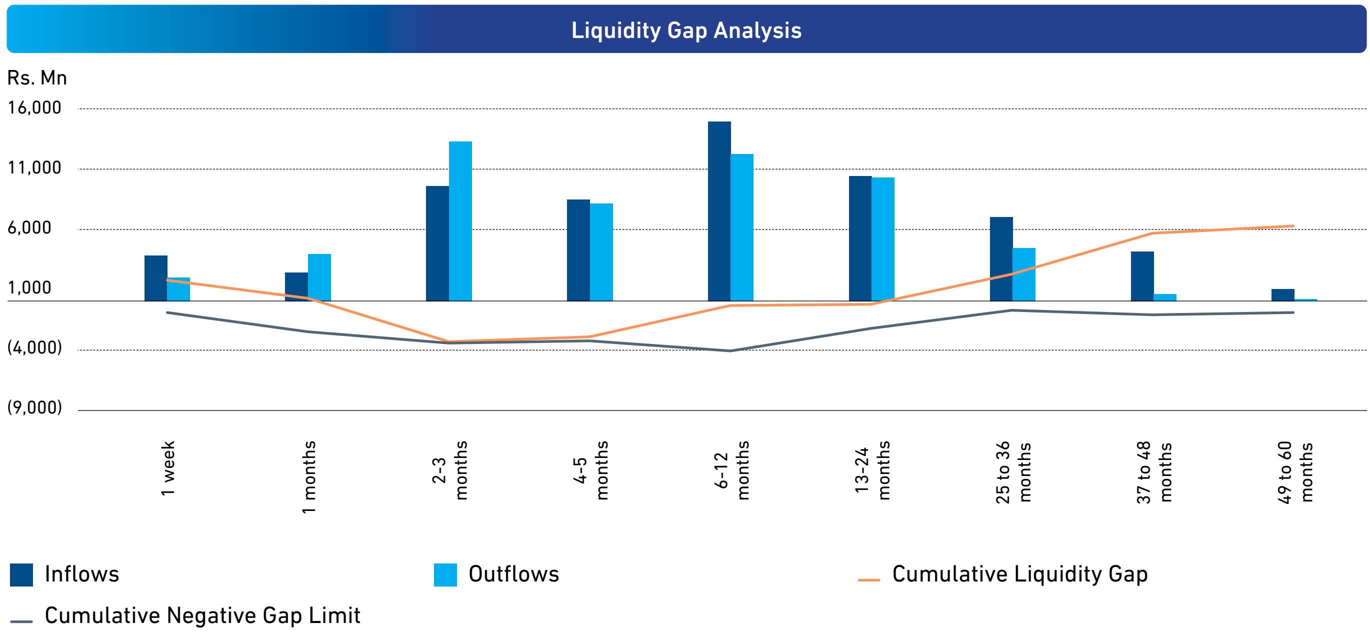
- Further optimize the company's asset-liability management (ALM) strategy, particularly under behavioral maturity mismatch assessments.
- Explore retail and institutional funding diversification to further reduce concentration risks.
- Expand liquidity stress testing with scenario based simulations reflecting macroeconomic and institution- specific shocks.

Risk Management Report

Statement on Funding & Liquidity Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2024/25	Actual Figure FY 2023/24
Liquid Assets to deposits	>=12%	10%	20%	20%
Liquidity Gap less than 30 days bucket -(Asset in the Bucket) / (Liability In the bucket)(Times)	>= 0.60	NA	1.06	1.37
Liquidity Gap less than 3 months bucket -(Asset in the Buckets) /(Liability In the buckets)(Times)	>= 0.4	NA	0.82	0.74
Liquidity Gap less than 12 months bucket-(Asset in the Bucket) /(Liability In the bucket)(Times)	>=0.65	NA	0.99	0.84
Total cumulative gap	< 4 Bn	NA	2.7 Bn	4.9 Bn
Top twenty largest depositors as a % of total deposits	<=25% of Base		15%	15%
Liquid Assets to Short Term Liabilities	> 30%	NA	45%	39%
Liquid Assets to External Funds	> 10 %	NA	15%	19%
Deposit retention ratio	> 60%	NA	87%	85%
Institutional deposit concentration	<=25%	NA	7.13%	4%
Credit to Deposit	<=180%	NA	124%	102%

Trend of Funding & Liquidity Risk Metrics



Liquidity Risk Management Actions

Liquidity Risk Dimension	Funding & Liquidity Risk	Risk Severity	Moderate
Risk Description	Refers to the risk that MI may not be able to meet its short-term financial obligations as they fall due either due to a lack of readily available cash or access to funding without incurring significant losses or affecting its daily operations.		

Situational Analysis FY 2024/25

Funding and Liquidity Risk Analysis

Funding Structure and Strategic Response

A key challenge in liquidity management at MI arises from the fixed deposit portfolio, which constitutes approximately 80% of the total funding base and is largely short to medium term in maturity. This concentration requires vigilant asset-liability balancing to mitigate maturity mismatch risks. In response, MI has successfully implemented diversification strategies, including increased engagement with financial institutions for wholesale funding, proactive use of capital market instruments, and strategic expansion into securitized lending structures. These efforts have significantly eased the pressure on deposit renewals as the sole source of funding.

Deposit Profile and Stability

Improvement in Maturity Mismatch

As a result of these funding strategies and improved asset-liability planning, MI's maturity mismatch position improved substantially. Enhanced behavioral analysis of cash flows and rebalancing of asset maturities especially through increased short-tenor lending such as gold loans and registered vehicle financing—have contributed to better alignment between inflows and outflows. This has strengthened the company's ability to meet obligations in both normal and stressed conditions.

Implications on Funding and Liquidity Risk

The diversification of funding sources beyond deposits has mitigated concentration risk and improved funding cost efficiency.

Improved maturity mismatch positioning has strengthened short-term liquidity buffers and regulatory compliance.

Expanded use of structured funding solutions (e.g., securitization) has provided additional headroom for future growth.

Looking Ahead Going forward, MI remains focused on the following strategic priorities to further strengthen its funding and liquidity position:

Continue diversifying funding sources, particularly through deeper engagement with capital markets and institutional lenders.

Enhance liquidity forecasting and scenario-based stress testing to improve resilience under adverse conditions.

Expand regionally diversified deposit mobilization efforts to reduce geographic concentration in funding.

Maintain high deposit renewal rates through strong relationship management and competitive, risk-aligned pricing strategies.

These forward-looking initiatives will ensure that MI continues to manage its funding and liquidity risks prudently, supporting sustainable business growth and maintaining regulatory compliance in a dynamic financial environment.

Risk Mitigation Strategies

Liquidity and Funding Risk Mitigation Strategies

Liquidity Stress Testing and Scenario Analysis

Potential worst case scenarios were applied, and rigorous liquidity stress testing's conducted to assess the company's ability to withstand adverse liquidity shocks. These tests helped evaluate contingency preparedness under both distinctive and market-wide stress conditions.

Dynamic Cash Flow Forecasting

Periodic cash flow projections were developed and reviewed to ensure the company's ability to meet short-term financial obligations. These forecasts supported proactive funding decisions and helped maintain a stable liquidity buffer.

Retail Funding Expansion Beyond the Western Province

The branch network was leveraged to penetrate underutilized retail segments outside the Western Province, contributing to a broader and more stable funding base while reducing regional concentration risk.

Ongoing Monitoring of Liquidity and Maturity Mismatches

The company's liquidity position and asset-liability maturity gaps were continuously monitored to ensure alignment with Board-approved risk appetite limits. Any deviations triggered timely corrective actions.

Securing Long-Tenor, Low-Cost Borrowings

MI actively pursued longer-tenor borrowing arrangements at favorable rates, including institutional lines of credit and securitization structures, to narrow maturity mismatches and enhance funding stability.

Improved Deposit Retention through Geographic Diversification

Higher deposit retention was achieved through the geographical diversification of the depositor base. Expansion into new regions helped reduce the rollover risk associated with concentrated deposit bases.

Risk Management Report

Market Risk Management

Market Risk Overall Risk Severity

Market risk refers to the potential for financial loss arising from adverse movements in market variables such as interest rates, equity prices, commodity prices, and foreign exchange rates. For Mercantile Investments PLC (MI), market risk predominantly stems from exposure to interest rate volatility, price fluctuations in investment and loan portfolios, and macroeconomic uncertainties. The dynamic nature of the economic environment characterized by recurrent shocks, inflationary cycles, and monetary policy shifts necessitates continuous monitoring and proactive management of these exposures to protect the company's financial stability and earnings capacity.

Key Sources of Market Risk at MI

1. Interest Rate Risk

Arising from mismatches in the repricing of interest-bearing assets and liabilities, such as:

- Fixed deposits and savings accounts
- Fixed and floating-rate lending products
- Institutional borrowings
- Investments in Treasury bills and bonds
- Investments in Unit trust

Movements in market interest rates directly impact the company's net interest margin (NIM) and can lead to valuation changes in fixed-income instruments.

2. Equity Price Risk

MI maintains an equity investment portfolio, which is exposed to fluctuations in market prices, investor sentiment, and broader capital market volatility. Sharp movements in equity prices could lead to mark-to-market losses or impair long-term value.

3. Commodity-Linked Risk – Gold Loan Portfolio

The company's growing gold loan base is indirectly exposed to changes in gold prices. Declines in gold value may reduce collateral coverage and increase the risk of under-secured loans, especially in cases of default.

4. Macroeconomic and Market Volatility

Broader economic disruptions such as inflation surges, foreign exchange instability, and political uncertainty—can impact borrower behavior, market liquidity, and investment valuations.

Market Risk Management Actions

Risk Mitigation Strategies Deployed

MI employs a structured framework to manage and mitigate market risk exposures through the following measures:

- Asset-Liability Management (ALM)

The ALCO (Asset and Liability Committee) oversees balance sheet sensitivity to interest rate movements. Regular ALM meetings are conducted to assess repricing gaps and adjust product pricing and asset composition accordingly.

- Interest Rate Sensitivity Monitoring

Interest rate risk is measured using gap analysis and duration-based models. The impact of rate changes on earnings and economic value is evaluated under various scenarios.

- Investment Portfolio Diversification

The equity investment portfolio is managed within defined risk tolerance limits. Sectoral and issuer diversification is maintained to minimize concentration risk and market volatility exposure.

- Loan-to-Value (LTV) Control for Gold Loans

Conservative LTV ratios are applied in the gold loan segment to ensure adequate collateral buffers in the event of price corrections. Real-time gold price tracking is used to assess exposure risk.

- Stress Testing and Scenario Analysis

Periodic stress testing is conducted to evaluate the impact of extreme but plausible market movements on earnings and capital adequacy. This includes simulations on interest rate hikes, equity market downturns, and commodity price shocks.

- Governance and Oversight

The Board Integrated Risk Management Committee (BIRMC) provides strategic oversight of market risk exposures, supported by regular reporting from the Risk Management Unit and ALCO. Compliance with CBSL guidelines and internal market risk limits is strictly monitored.

Looking Ahead

In view of the evolving macroeconomic outlook and increased volatility in global and domestic markets, MI will continue to:

- Strengthen real-time risk monitoring tools for interest rate and price-sensitive exposures.
- Enhance predictive modelling and scenario planning to support risk-informed decision-making.
- Expand its investment risk analytics capabilities to optimize portfolio returns while staying within defined risk tolerances.
- Periodically review and calibrate market risk limits, ensuring agility in responding to market movements.

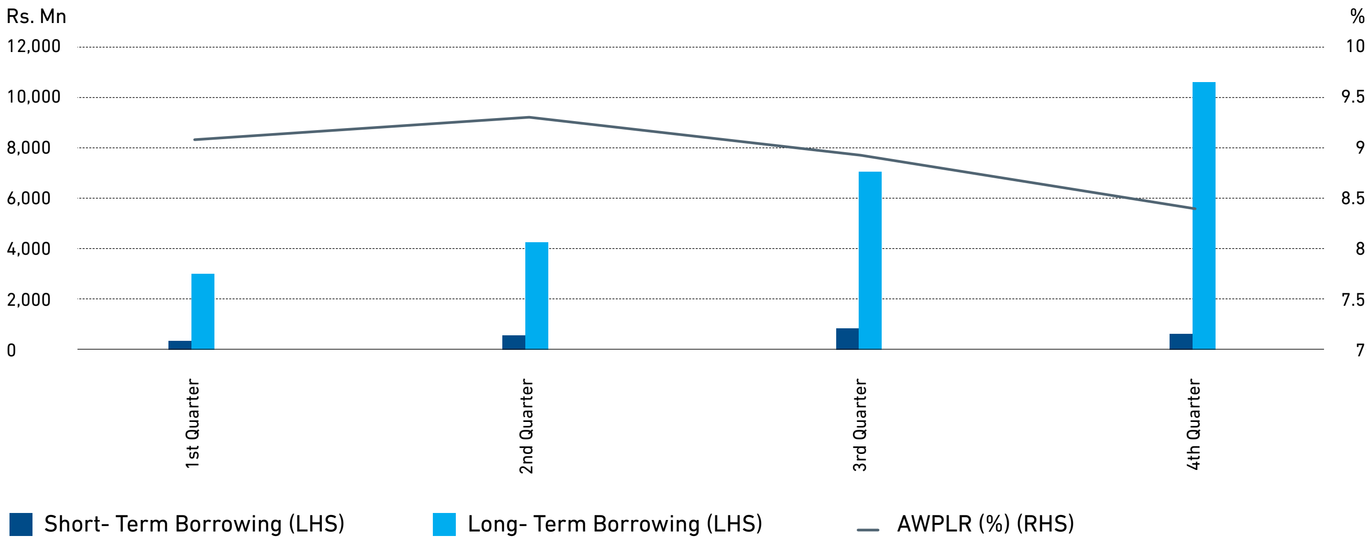
Through these initiatives, MI remains committed to managing market risk proactively while supporting business growth and protecting stakeholder value.

Statement on Market Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2024/25	Actual Figure FY 2023/24
Net Interest Margin (NIM)	>8%	NA	11.87%	9.79%

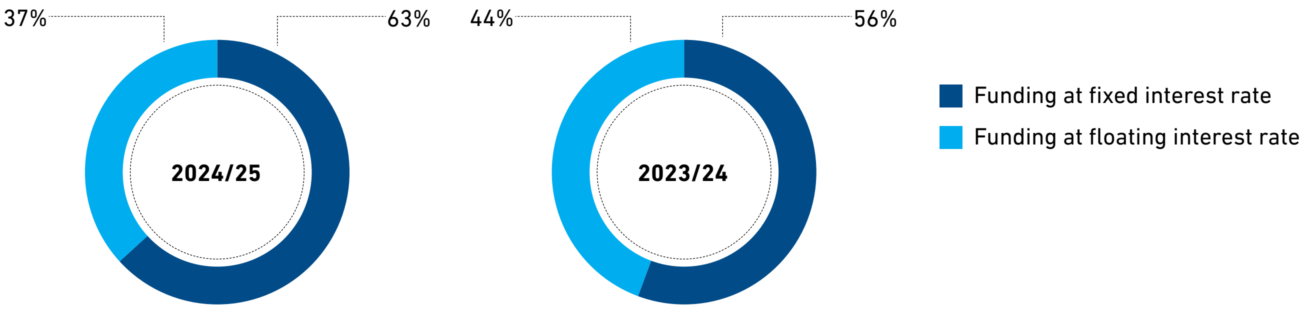
Trend of Market Risk Metrics

Short, long term borrowings and AWPLR

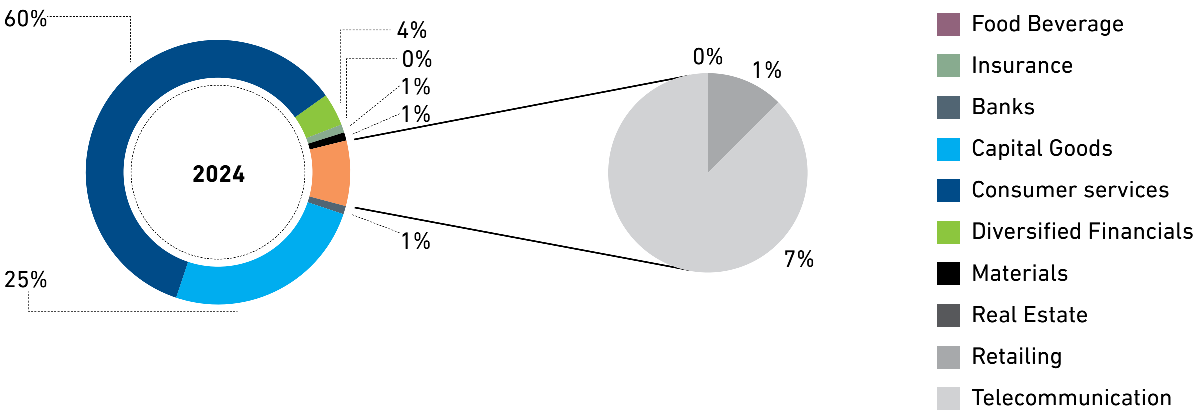


Risk Management Report

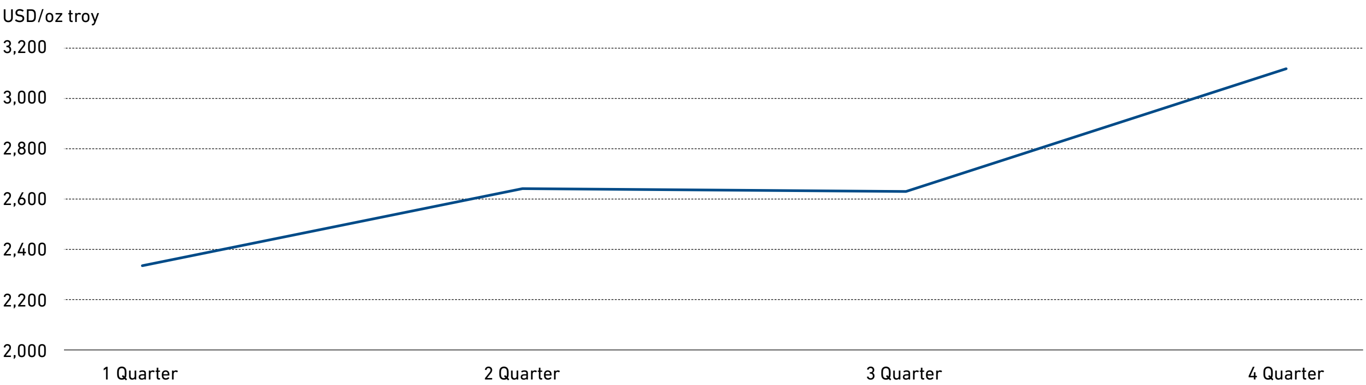
Floating and Fixed Interest rate Borrowing



MI's Equity Portfolio



International gold price movement



Interest Rate Risk Management

Market Risk Dimension	Interest Rate Risk	Risk Severity	High
Risk Description	Risk of facing reduced earnings or declined value of assets resulting from volatility in interest rates that impact rate-sensitive financial assets and liabilities.		

Situational Analysis FY 2024/25

1. Favorable Repricing Gap Due to Falling Interest Rate Environment

The sharp reduction in market interest rates in 2024, following the 2022 peak, lowered funding costs significantly, particularly on short-term liabilities. MI's positive trend in repricing gap (assets reprice slower than liabilities) benefited the company from the declining rate structure, enhancing net interest margins.

Macroeconomic data showed sector interest expenses fell by 24%, while net interest income rose by 21%.

This underscores the importance of actively monitoring repricing mismatches and maintaining a balance between floating/ fixed rate exposures to optimize NIMs during rate cycles.

2. Shift in Deposit Mix and Its Impact on Interest Rate Sensitivity

Time deposits increased significantly (19% growth), now accounting for 18% of total deposits, while FDSA ratio declined to 0.55% from 0.61%.

This shift implies higher duration liabilities, which reprice less frequently, reducing short-term funding cost sensitivity to rate cuts.

ALCO strategy should monitor the cost of term funding vis-à-vis asset yields, especially as rates start to stabilize or reverse.

Enhanced Use of Duration and Liquidity Buffers for IR Risk Mitigation.

The increased holding of government securities (investment portfolio up by 24%) offered flexibility to manage duration risk while earning yield in a falling rate environment.

Going forward, duration analysis, stress testing under rate shock scenarios, and dynamic Asset-Liability Committee (ALCO) reviews will continue to be conducted to sustaining resilience in a shifting rate environment.

Interest Rate Risk Management Actions

Risk Mitigation Strategies

Interest Rate Risk Management Strategies in 2024 Context
Dynamic Pricing Oversight by Treasury Committee

Regular monitoring and strategic pricing reviews by the Treasury Committee ensured deposit rates remained cost-efficient and market-aligned, effectively managing the cost of funds. This approach supported margin preservation while maintaining the competitiveness of deposit products during a period of falling interest rates.

Proactive Lending Rate Adjustments Based on Market Signals

Lending rates were managed with high responsiveness to shifts in market interest rates and macroeconomic signals. This allowed the institution to remain competitive while safeguarding interest income, particularly during the downward interest rate cycle that emerged after the 2022 crisis.

Scenario-Based Margin Monitoring through ALCO and BIRMC

Periodic reporting to ALCO and BIRMC included quantitative impact assessments of interest rate movements on net interest margins and overall profitability. Stress testing under multiple rate scenarios enabled the institution to take preemptive actions, thereby strengthening balance sheet resilience and enhancing interest rate risk oversight.

Risk Management Report

Equity Price Risk Management

Market Risk Dimension	Equity Price Risk	Risk Severity	High
Risk Description	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.		

Situational Analysis FY 2024/25

Vulnerability of Sri Lanka's Equity Market

Despite MI's equity portfolio generating commendable returns of 23% and 34% over the past two years largely supported by the post-crisis economic recovery, there remains a heightened level of systemic risk in the Sri Lankan stock market. This underscores the need for cautious portfolio management and enhanced market risk oversight going forward. Key risk factors include:

Market Manipulation and Weak Regulatory Enforcement:

The Colombo Stock Exchange (CSE) has witnessed instances of insider trading and speculative price manipulation, often driven by inadequate regulatory enforcement. Such distortions create valuation risks and undermine investor confidence, particularly affecting institutional portfolios like MI's.

Macroeconomic Sensitivity and Sovereign Risk Exposure:

Equity market performance remains heavily influenced by macroeconomic shifts, including inflationary pressures, currency instability, and the government's ongoing debt restructuring. This creates volatility in key indices (e.g., ASPI, S&P SL20), exposing MI's equity investments to unpredictable market swings.

Low Foreign Participation and Capital Flow Constraints:

The low level of foreign investment due to both domestic economic concerns and tight global financial conditions limits market depth and resilience. Thin liquidity conditions can exacerbate price volatility and make exit strategies more complex for institutional investors.

Structural and Institutional Weaknesses:

Gaps in governance, judicial processes, and anti-money laundering (AML) controls pose a long-term credibility challenge for the capital market. Without robust legal and institutional frameworks, market integrity remains vulnerable, increasing the reputational and financial risk to MI from it's exposure to equities.

Equity Risk Management Actions

Strategic Responses to Equity Market Risk at MI

Strict Adherence to Risk-Based Investment Policy Framework:

All equity investment decisions were made in line with the defined controls, exposure limits, and risk parameters outlined in MI's Investment Policy, with a focus on preserving capital amid high market volatility and systemic uncertainties.

Enhanced Monitoring of Concentration Risk and Sectoral Exposure:

Single-stock and sector-level exposures were rigorously reviewed and diversified where necessary, with a forward-looking risk lens to mitigate concentration risk, especially in sectors highly sensitive to macroeconomic shocks and regulatory changes.

Active Surveillance of Market Trends and Volatility Indicators:

The Treasury Management Team conducted continuous monitoring of share price movements and market volatility, supported by risk analytics. Regular Insights and exception reports were escalated to the Board to support agile, risk-informed decision-making.

Cautious Rebalancing and Liquidity Consideration:

Portfolio rebalancing strategies were employed to reduce exposure to thinly traded or speculative counters, ensuring that MI maintains sufficient liquidity and avoids potential exit barriers in a market with low foreign participation and shallow depth.

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Risk Mitigation Strategies

- 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.

Operational Risk Management

Operational Risk Overall Risk Severity

Operational risk is defined as the risk of loss whether monetary or non-monetary resulting from inadequate or failed internal processes, people, systems, or from external events. These risks may stem from day-to-day business activities and can adversely affect the institution's operations, financial standing, compliance posture, or reputation. These standards aligns with the Basel II/III framework and is consistent with the Central Bank of Sri Lanka's (CBSL) regulatory expectations on operational risk governance within licensed financial institutions.

In line with best practices and regulatory expectations, MI has implemented a structured approach to identify, monitor, and mitigate operational risk across all functions. Key initiatives include:

- Risk Register Maintenance

A Centralized Operational Risk Register is maintained, capturing all identified key risks across business units, categorized by risk type and severity. Each risk is assigned: A responsible risk owner, Key risk indicators (KRIs), Mitigation action plans with a review frequency.

This register is continuously updated and serves as the backbone of M's risk awareness and control environment.

- Operational Loss Incident Monitoring – Operational Loss Incident Reporting mechanism is in place to record, assess, and track all actual and near-miss operational risk events across the organization. This includes:
  - Root cause analysis
  - Financial impact assessment
  - Control gap identification
  - Timely escalation to the Risk Management Committee and BIRMC Lessons learned are used to strengthen controls and prevent recurrence.

Risk Management Report

- Business Continuity Planning (BCP)
  To manage disruption risks, M has established a robust Business Continuity Plan (BCP) covering:
  - Crisis response protocols
  - IT and data recovery plans
  - Alternate site arrangements
  - Business resumption strategies

Regular BCP testing and simulation exercises are conducted to ensure readiness. These activities align with CBSL guidelines on operational resilience and contingency preparedness.

- Compliance with CBSL Operational Risk Guidelines

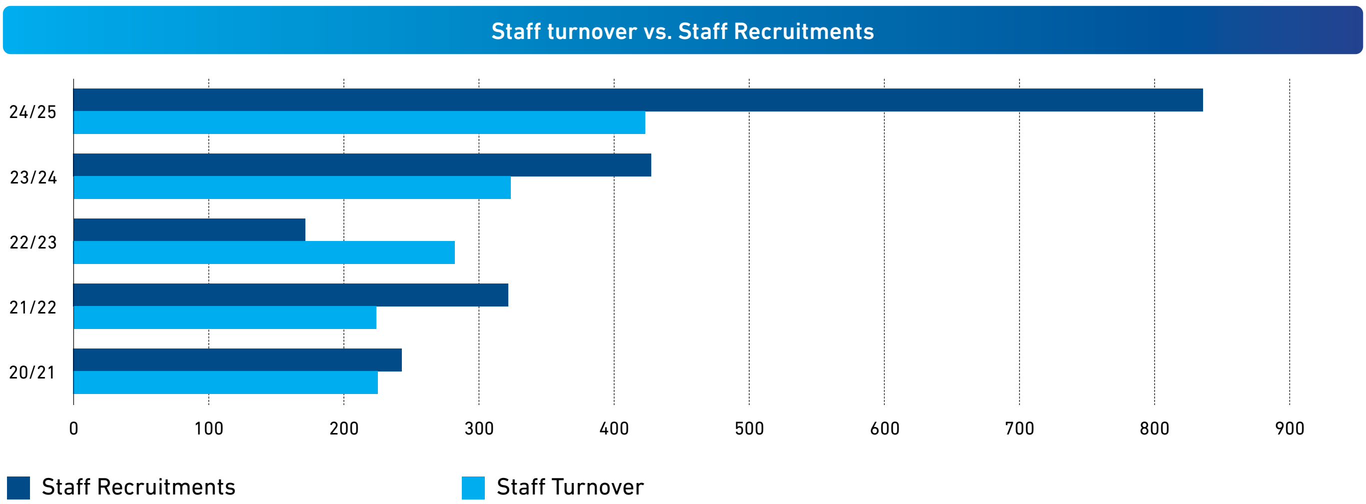
The company ensures strict adherence to regulator's directives related to operational risk, including:
  - Risk-based supervision expectations
  - Annual self-assessments
  - IT risk and cyber resilience requirements
  - Outsourcing risk guidelines

Periodic updates to policies and procedures are made to stay aligned with evolving regulatory frameworks.
Through structured initiatives such as the Risk Register, Loss Event Monitoring, Business Continuity Planning, and regulatory compliance, MI has embedded a proactive and resilient operational risk culture. These mechanisms not only reduce exposure to operational losses but also support the institution's long-term stability and reputation.

Operational Key Risk Indicators against Appetitive Limits

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2024/25	Actual Figure FY 2023/24
Internal Fraud	< 3 Incidents	NA	1	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	2	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



Operational Risk Management Actions

Operational Risk Dimension	People Risk and Workplace Safety	Risk Severity	Moderate
Risk Description	The risk of loss intentionally or unintentionally caused by employees. The risk arises from employee errors, employee health and safety concerns, etc.		

Situational Analysis FY 2024/25

As MI continues its growth trajectory particularly through the expansion of gold-backed lending and regional branch network People Risk has emerged as a critical operational risk dimension. The following key scenarios illustrate current challenges and areas for strategic action:

Talent Attraction and Retention Amid Expansion

The institution's accelerated business growth, including expansion into new geographic markets, demands a steady influx of skilled and experienced talent, particularly in credit, sales, and gold operations.

However, attracting and retaining talent is increasingly challenging, with industry-wide high attrition rates driven by competitive market dynamics and evolving employee expectations.

Unfilled positions or frequent staff turnover have the potential to disrupt operations and increase pressure on remaining staff, leading to burnout and performance lapses.

Operational Complexity in Gold Lending Heightens People-Driven Risks

The physical handling, valuation, and storage of gold assets introduce a higher inherent risk of fraud, misappropriation, or procedural error. Any lapse in staff judgment, skill, or integrity in these high-value transactions could result in significant financial and reputational damage. This calls for enhanced training, tighter supervision, and increased control mechanisms in all gold loan operations.

Skills Gap in a Rapidly Changing Financial Environment

The dynamic nature of the financial services sector, evolving regulatory landscape, and growing digital integration require continuous skill enhancement. Many frontline and operational staff need upskilling in areas like digital tools, fraud detection, risk awareness, and customer engagement, especially in the gold lending domain. Without structured learning and development programs, the institution risks capability mismatches that could undermine service quality and control effectiveness.

Succession Risk and Leadership Readiness.

As the institution grows, dependency on a limited number of experienced staff in key positions increases. This raises the risk of knowledge loss or disruption if such individuals leave or are unavailable.

There remained a need to formalize succession planning and cross-functional exposure to build leadership depth and business continuity.

Way Forward: Strengthening People Risk Management

To address the above scenarios, MI is strengthening its human capital resilience through:

Targeted recruitment and employer branding strategies to attract skilled talent.

Implementation of a comprehensive Learning & Development framework.

Internal fraud risk awareness programs and ethical conduct reinforcement.

Structured succession planning and knowledge retention mechanisms across high-risk functions.

Risk Mitigation Strategies

- 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 planning deployed for all key positions to ensure continuity of business processes.

Risk Management Report

Operational Risk Management Actions

Operational Risk Dimension	Business Disruptions, System Failures and Information Security Risk	Risk Severity	High
Risk Description	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.		

Situational Analysis FY 2024/25

As MI expands both geographically and digitally, the risk landscape around operational continuity, IT infrastructure reliability, and cyber security has grown increasingly complex. The following are key situational challenges observed during 2024:

Increased Exposure to Business Disruption Due to Branch and Operational Expansion

With rapid branch network growth and increased physical handling of high-value assets (e.g., gold), business continuity risk has intensified.

Natural disasters, civil unrest, or even localised disruptions (e.g., power outages or transportation strikes) have the potential to impact service delivery and customer trust in these locations.

Branches in high-footfall zones also face a higher operational risk of theft, fraud, or interruption, making BCP planning a core priority.

System Failures and Downtime Affecting Transactional and Core Banking Platforms

Any unplanned system outage, however brief, can lead to financial loss, customer dissatisfaction, or operational backlogs, particularly in time-sensitive businesses like gold lending and auction processing.

Aging infrastructure in certain branches and limitations in backup systems pose single points of failure that need addressing.

Rising Threat of Cyber Attacks and Information Security Breaches

Financial institutions globally faced elevated cyber threats in 2024, and MI is not immune. The expansion of digital platforms and remote access increased exposure to:

- Phishing and social engineering attacks
- Ransomware threats
- Unauthorized access to sensitive customer data

Given MI's growing digital footprint and integration with national payment systems, a data breach or system compromise could result in financial penalties, reputational harm, and regulatory scrutiny.

Regulatory Pressure and Evolving Compliance Expectations

The regulator's has issued enhanced guidelines on IT risk management, outsourcing, and information security, including mandatory business continuity reviews and cyber incident reporting.

Keeping pace with compliance and documentation requirements while managing daily operational risks poses an additional strain on existing resources and requires systematic coordination between IT, compliance, and risk teams.

The convergence of business growth, digital expansion, and elevated cyber threats has made disruption and information security risk a top-tier concern. Without robust prevention, monitoring, and recovery capabilities, these risks could significantly impair MI's ability to serve customers, protect data, and maintain regulatory compliance.

Risk Mitigation Strategies

- Employee awareness sessions were conducted aiming information security and data protection through the Intranet.
- IT related infrastructure which include both hardware and software was enhanced ensuring a great secure system environment, 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 Risk Management

Legal Risk Dimension	Legal and Compliance Risk	Risk Severity	Moderate
Risk Description	Risk of possible losses in terms of penalties, fines, claims or outside parties filing lawsuits against the company.		

Situational Analysis FY 2024/25

During the reporting period ending March 2025, MI operated within a moderate-to-high legal risk environment, driven by increased regulatory obligations, operational expansion, and case-specific legal exposures. The company's current risk posture reflects both structural compliance challenges and legacy litigation matters that continue to pose financial and reputational implications.

The following key risk scenarios have been identified:

Regulatory Compliance Gaps in Data Privacy and Protection (PDPA)

The implementation timeline for the Personal Data Protection Act (PDPA) has created immediate compliance obligations. However, gaps in existing data handling processes, absence of technical safeguards (e.g., encryption, pseudonymisation), and limited staff awareness present exposure to regulatory penalties.

With no dedicated cross-functional team established for PDPA compliance, the company remains at risk of non-compliance as enforcement intensifies in 2025.

Contractual Risk from Legal Ambiguity in Solar Lease Agreements

Lease contracts relating to solar panel financing contain legal loopholes, particularly around asset repossession upon customer default. Under current law, any attempt by company agents to reclaim panels from private premises without a court order could be construed as criminal trespass, exposing the institution to litigation or operational delays in recovery.

This contractual vulnerability poses a high-impact risk, especially as the solar leasing segment grows.

Operational and Legal Risks in Fixed Deposit Onboarding

The company's Fixed Depositor onboarding process requires strong controls especially when there is higher levels of internet based transactions and information sharing.

Every conceivable measure was implemented to shield MI from legal and compliance risk, guaranteeing complete adherence to all regulatory provisions and avoiding any instances of non-compliance.

What we can expect going forward:

- High possibility available for enacting strict supervisory measures for snit money laundering and capital adequacy measures.
- Stronger compliance governance.
- Contractual and documentation reviews.
- Improved operational discipline in customer onboarding.
- Immediate priorities include the implementation of a central legal compliance register, formation of a PDPA compliance task force, and targeted legal training programs for staff in risk-sensitive functions.

Legal Risk Management Actions

Risk Mitigation Strategies

- 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 Sri Lanka.
- 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.

Risk Management Report

Strategic Risk Management

Strategic Risk Overall Risk Severity

Strategic Risk refers to the potential for adverse impacts on M's long-term objectives and value creation due to flawed strategic assumptions, ineffective business planning, or poor execution of strategic initiatives. This risk may arise from both internal shortcomings (such as inadequate decision-making, misaligned resource allocation, or weak governance structures) and external disruptions, including:

- Shifts in the macroeconomic environment
- Evolving regulatory requirements (e.g., data privacy, AML/CFT)
- Technological advancements leading to product or service obsolescence
- Intensifying industry competition
- Inability to adapt business models to changing customer expectations

MI has adopted a robust approach to managing strategic risks, ensuring alignment with its long-term objectives and maintaining resilience in a dynamic market environment. The cornerstone of this approach is the board-approved strategic roadmap for the next four years, which is supported by stringent monitoring mechanisms to ensure continuous oversight and timely corrective actions.

Key elements of MI's strategic risk management framework include:

- **Comprehensive Feasibility and Cost-Benefit Reviews:** Before any expansion or strategic initiative, MI undertakes detailed feasibility studies and rigorous cost-benefit analyses. This prudent approach enables the identification and mitigation of potential risks at the planning stage, minimizing exposure and optimizing resource allocation.
- **Geographic Expansion with Risk Awareness:** Following these comprehensive reviews, MI has successfully broadened its presence across the island, carefully balancing growth ambitions with the inherent risks of new market penetration.
- **Embedded Competitor Analysis:** MI conducts regulatory competitor analysis that incorporate both qualitative and quantitative metrics. This multidimensional approach is designed to detect unsymmetrical indicators early warning signs that may not be evident through traditional analysis thereby enhancing MI's strategic agility and risk responsiveness.
- **Risk Dashboards for Board Oversight:** Summaries of key strategic risks and their corresponding mitigation mechanisms are systematically presented to the board at monthly meetings in the form of dashboards. This practice ensures that the board maintains real-time visibility of risk exposures and the effectiveness of controls, fostering proactive governance and timely decision-making.

Through these measures, MI's strategic risk management framework not only safeguards its business objectives but also creates a platform for sustainable growth and competitive advantage.

Strategic Risk Management Actions

Strategic Risk Dimension	Strategic Risk	Risk Severity	High
Risk Description	Refers to the potential for losses or reputational damage arising from adverse business decisions, improper implementation of strategies, or failure to adapt to changes.		

Situational Analysis FY 2024/25

MI operates in a highly dynamic and complex financial market environment, where multiple external and internal factors contribute to elevated levels of strategic risk. These risks require continuous vigilance, adaptive strategies, and resilience to maintain competitive advantage and ensure long-term sustainability. The key dimensions of MI's strategic risk situation include:

Volatile Economic Conditions:
Fluctuating macroeconomic variables such as inflation rates, currency volatility, interest rate changes, and overall economic growth uncertainty pose significant challenges to MI's financial planning and forecasting. Such economic instability can directly impact customer behavior, credit risk profiles, and overall business performance.

Evolving Legal and Regulatory Landscape:
The financial sector is subject to frequent changes in regulatory frameworks, compliance requirements, and legal standards. MI faces the challenge of keeping pace with evolving laws related to consumer protection, anti-money laundering, data privacy, and corporate governance. Non-compliance or delayed adaptation could lead to financial penalties and reputational damage.

Technological Disruption and Innovation:
Rapid advancements in technology, including digital banking platforms, fintech innovations, and cybersecurity threats, demand MI to continuously upgrade its infrastructure and capabilities. Traditional business models are increasingly challenged by agile competitors leveraging technology to deliver faster, more personalized services. This necessitates investment in technology and talent to stay relevant.

Social and Demographic Shifts:
Changing customer expectations, driven by demographic trends and social behavior, require MI to adapt its products and services. Increased demand for digital accessibility, transparency, and corporate social responsibility add layers of complexity to MI's strategic planning and risk management.

Intensified Competition:
The competitive landscape in the financial sector is becoming more aggressive, with both traditional players and new entrants vying for market share. MI faces pressure to differentiate itself through innovation, customer service, and operational efficiency while managing the risk of market share erosion.

Skills and Talent Challenges:
As the business environment evolves, the skills required for effective strategic execution are also shifting. MI faces the challenge of recruiting, retaining, and upskilling talent capable of navigating technological change, regulatory complexity, and market volatility. The risk of skills gaps could impede timely implementation of strategic initiatives.

Resilience and Adaptability:
The combination of these dynamic factors requires MI to build organizational resilience—its ability to anticipate, prepare for, respond to, and recover from adverse conditions. This includes strengthening risk culture, enhancing scenario planning, and embedding agility into decision-making processes.

In summary, MI's strategic risk environment is characterized by high complexity and rapid change. Successfully navigating this landscape demands a forward-looking, integrated risk management approach that balances innovation and compliance while fostering resilience. MI's ongoing commitment to comprehensive feasibility studies, competitor analysis, and risk monitoring is essential to mitigating these strategic risks and sustaining growth.

Risk Mitigation Strategies

- 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.
- Deployed an aligned business strategy with sound risk management principles and parameters to remain within the tolerance level of risk.

Risk Management Report

Reputational Risk Management

Reputational Risk Overall Risk Severity

Reputational risk for MI arises when stakeholders including customers, regulators, investors, and the broader public lose their favorable perception of the company. In Sri Lanka's competitive and highly regulated financial sector, this risk is particularly dynamic due to shifting stakeholder expectations influenced by economic conditions, regulatory changes, social trends, and technological advancements. As stakeholders' trust and confidence in MI are critical to its business success, MI must remain continuously vigilant in identifying and managing factors that could harm its reputation. These factors may include service quality issues, compliance lapses, data breaches, or negative publicity. Proactive reputation management is essential for MI to maintain its credibility, customer loyalty, and competitive position in the evolving Sri Lankan financial market.

Key Highlights of Reputational Risk Management at MI

- Proactive stakeholder engagement and communication strategies were implemented to maintain ongoing dialogue with customers, regulators, and investors, ensuring expectations are understood and managed effectively.
- MI strengthened its social standing and community trust through impactful Corporate Social Responsibility (CSR) initiatives led by the Sustainability Committee, reinforcing its commitment to ethical and responsible business practices.
- A dedicated Customer Complaints Handling Committee was established to ensure full compliance with Sri Lanka's financial customer protection regulations, fostering transparency and timely resolution of customer grievances.
- Continuous monitoring and assessment of reputation-related risks are integrated into MI's overall risk management framework, enabling early identification and mitigation of potential reputational threats
- Achieving a communication policy that facilitate smooth flow of information between MI management and its stakeholders

Reputational Risk Management Actions

Reputational Risk Dimension	Reputational Risk	Risk Severity	Moderate
Risk Description	Investors, regulators, and customers are placing growing emphasis on environmental responsibility.		

Situational Analysis FY 2024/25

MI has effectively managed reputational risk by fostering strong, cordial public relationships and maintaining a consistent record of operational excellence over the past six years. This dual focus has been pivotal in sustaining MI's prestige and trustworthiness within Sri Lanka's financial sector.

Cordial Public Relationships:
MI places significant emphasis on transparent, timely, and respectful communication with all stakeholders, including customers, regulators, investors, and the community. The establishment of a dedicated Customer Complaints Handling Committee ensures grievances are addressed promptly and fairly, reinforcing stakeholder confidence. Additionally, proactive engagement through CSR initiatives enhances MI's image as a responsible corporate citizen, further strengthening public goodwill.

Operational Excellence:
Over six consecutive years, MI has upheld high standards of operational efficiency, compliance, and service quality. This track record has bolstered MI's reputation for reliability and professionalism, critical factors in retaining customer loyalty and differentiating itself in a competitive market. Continuous improvement processes and adherence to regulatory requirements underpin this operational success.

What We Can Expect Going Forward:
MI will continue to invest in strengthening stakeholder engagement, leveraging digital platforms and personalized communication to meet evolving expectations in Sri Lanka's dynamic financial environment.

The company aims to enhance its reputation monitoring capabilities, integrating advanced analytics and real-time feedback mechanisms to identify and address reputational risks proactively.

MI will deepen its commitment to sustainable business practices and innovation, aligning with global ESG trends to meet rising demands from socially conscious investors and customers.

Maintaining operational resilience amidst economic and regulatory uncertainties will remain a priority, ensuring that MI's service excellence continues to underpin its trusted brand identity.

Reputational Risk Management Actions

Risk Mitigation Strategies

- 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 were 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 Management

ENVIRONMENTAL RISK

Environmental risk for MI refers to the potential adverse impacts on the natural environment and living organisms that may arise indirectly from the company's operations, investments, or business activities. While MI's core business as a financial services provider does not involve direct industrial emissions or waste generation, the company is still exposed to environmental risks through its financing of projects or clients that may impact the environment. In the Sri Lankan context, where environmental sustainability is becoming an increasing regulatory and social priority, MI recognizes the importance of integrating environmental risk considerations into its credit and investment decisions. This includes assessing the environmental impact of financed projects, promoting green finance initiatives, and ensuring compliance with local environmental regulations to minimize negative effects on ecosystems and communities. By managing environmental risk responsibly, MI supports sustainable development goals and reinforces its reputation as a socially responsible financial institution committed to long-term value creation

Key Highlights of Environmental and Sustainability Risk Management at MI

- **Implementation of Sustainability Finance Policy:**

During the year under review, MI successfully deployed its policy on Sustainability Finance Activities, reinforcing its commitment to supporting environmentally responsible investments and business practices.

- **Focus on Utility Cost Control in Branch Operations:**

Utility cost management was prioritized in branch-level cost control reviews, reflecting MI's effort to reduce environmental impact and improve operational efficiency.

- **Reduction of Paper Consumption through Digitalization:**

MI minimized paper usage by advancing a technology-driven working environment, supporting both environmental sustainability and cost savings.

- **Progress Toward Renewable Energy Use:**

Initiatives are actively underway to equip selected company premises with solar power systems, demonstrating MI's commitment to reducing its carbon footprint and promoting clean energy solutions.

Risk Management Report

Environmental Risk Management Actions

Environmental Risk Dimension	Environmental Risk	Risk Severity	Moderate
Risk Description	Refers to the potential negative impact on MI's operations, assets, or reputation arising from environmental factors.		

Situational Analysis FY 2024/25

Growing Regulatory and Social Pressure:
MI operates in a financial sector increasingly influenced by environmental regulations and rising stakeholder expectations on sustainability. This environment necessitates proactive management of environmental risks to comply with regulatory standards and maintain public trust.

Operational Impact and Resource Efficiency:
Managing utility costs and reducing resource consumption, such as paper use, have become integral to MI's efforts to enhance operational efficiency while minimizing environmental footprint. These actions also contribute to cost savings and sustainable business practices.

Transition to Renewable Energy:
The initiative to adopt solar power at select company premises reflects MI's commitment to reducing greenhouse gas emissions and aligning with global and local efforts toward clean energy adoption.

Integration of Sustainability in Financial Products:
Deployment of the Sustainability Finance Policy positions MI to support environmentally responsible investments, opening opportunities for green finance products that cater to emerging market demand and contribute to sustainable development in Sri Lanka.

Risk Mitigation Strategies

- 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 Board Integrated Risk Management Committee (BIRMC) is entrusted by the Board with the responsibility of assisting the Board of Directors with oversight of the Company's enterprise-wide risk management function, ensuring the adequacy and effectiveness of the risk management framework, in compliance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021. An independent risk management function has been established, tasked with overseeing and managing all risk-taking activities across the Company.

The Composition of the Committee

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
Mrs. E.D.Wickramasuriya	Member	Independent Non-Executive Director

The Chief Risk Officer serves as the Secretary to the Committee in terms of section 10.3 (b) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

During the financial year under review, the Managing Director/CEO, Finance Director, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and the Compliance Officer were present at every meeting by invitation.

Brief profiles of the members of the committee are given on pages 82-89 of the Annual Report.

Committee meetings

The Committee held six meetings for the financial year under review in order to achieve its key objectives and carry out its responsibilities and the attendance of the Committee members at these meeting is detailed on page 105 of the Annual Report.

Terms of Reference

The Committee operates in accordance with a Board-approved Terms of Reference, which outlines its roles and responsibilities in line with the Finance Business Act Direction no. 5 of 2021 on Corporate Governance.

Duties and Responsibilities

- Establish an independent risk management function responsible for managing risk taking activities across the company
- Assess all material risks i.e. credit, market, liquidity, operational, strategic, IT and information security risk of the Company, at least a once every two months, through appropriate risk indicators and management information, and make recommendations on risk strategies and risk appetite to the Board.
- Develop a risk appetite policy through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the strategic business objectives.
- Review at least annually, the Company's overall risk governance structure including Risk Appetite Statement (RAS), and risk management policy & procedures
- Assess all aspects of risk management including business continuity and disaster recovery plans
- Review the adequacy and effectiveness of all management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee
- Take prompt corrective action to mitigate the effects of specific risk in the case such risks are at levels beyond the prudent levels, decided by the Board on the basis of the Company's policies and regulatory and supervisory requirements
- Submit a risk assessment report to the Board meeting following the BIRMC meeting seeking the Board's view, concurrence and/or specific directions
- Oversee and review the outcomes of stress testing of the risk portfolio, including both scenario analysis and sensitivity analysis for the capital adequacy assessment process and liquidity adequacy assessment process
- Establish an independent compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies
- 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.

Committee activities during the Financial Year

Credit Risk

- Reviewed the overall credit risk exposure on a regular basis, using appropriate risk indicators, assessing mitigation strategies, and making recommendations to strengthen the Company's risk management framework.
- Credit Risk Management Framework was reviewed and strengthened in line with Finance Business Act (Credit Risk Management) Direction No. 02 of 2024 and recommended for the approval of the Board.

Board Integrated Risk Management Committee Report

- Reviewed the Risk Appetite Statement and recommended the addition of new criteria and the revision of existing limits to ensure that the Company operates within prudent risk tolerance limits.

Capital Adequacy

- Reviewed the results of stress testing performed by the Risk division to ensure that adequate capital buffers are maintained to absorb unexpected shocks to Core Capital and Capital Adequacy.

Liquidity and Market Risk

- Reviewed the stress testing results on liquidity risk to assess the adequacy of liquidity reserves under stressed scenarios.
- Asset and Liability Management and Liquidity Risk Management Frameworks were reviewed and recommended for approval by the Board.
- The Committee exercised oversight of Asset and Liability Management and the functioning of the Asset and Liability Committee (ALCO), including reviewing ALCO meeting minutes.
- Movement of macro-economic factors were discussed and the sensitivity of net interest income to changes in the interest rate was reviewed.

Operational Risk

Existing Risk Management policy was reviewed strengthening the operational Risk Management aspects.

IT and Information Security Risk

Reviewed progress on implementation of technology security controls as per the regulatory Direction No 1 of 2022.

Compliance Function

- Monitored the implementation of new rules and regulations issued by regulatory authorities.
- Assessed the Company's compliance with applicable laws, regulations, regulatory guidelines, CBSL Directions, and internal policies across all areas of business operations.
- Reviewed Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) reports presented by the Compliance Officer.
- Reviewed amendments to the Compliance Policy, AML/CFT Policy, and Conflict of Interest Management Policy, and recommended them for Board approval.

A.L N. Dias
Chairman
Board Integrated Risk Management Committee
11th June 2025

Board Human Resources and Remuneration Committee Report

GRI 2-19, 2-20

The Board Human Resources and Remuneration Committee is established 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 issued by Central Bank of Sri Lanka.

Committee Composition

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, the Company Secretary serves as the Secretary to the Committee.

Brief profiles of the members are given on pages 82 to 89 of the Annual Report.

Meetings

The Committee convened one time during the year 2024/25. The attendance of the Committee members at these meeting is detailed on page 105 of the Annual Report. The Managing Director, Head of HR, and other members of the Corporate Management Team attend the meetings by invitation, as required, to support the Committee's deliberations by providing relevant insights and information. However, they are not present during discussions concerning their own compensation packages or other matters directly related to them.

Terms of Reference

The Committee operates in accordance with a Board-approved Terms of Reference, which outlines its roles and responsibilities in line with applicable regulatory statutes.

Roles and Responsibilities

- 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.
- Recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the company.
- Ensuring a competitive and equitable remuneration structure across the organization.

Remuneration Policy

To ensure effective and fair remuneration practices, the MI Board has established a set of guiding principles that align the Company's remuneration policy with the following broader corporate objectives:

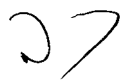
- Determining a competitive and market-aligned standard remuneration structure that enables the Company to attract and retain high-caliber professionals essential for achieving its strategic objectives in a dynamic and competitive business environment.
- Incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structure shall not incentivize employees to take excessive risk or to act in self-interest.
- Conducting periodic reviews to assess employee performance and recommend appropriate adjustments to remuneration, ensuring alignment with individual contributions and overall organizational performance.
- 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 2024/25

- During the financial year, the Committee convened one meeting where it reviewed and recommended to the Board the framework for Board performance evaluations and proposed increments.
- The Committee also examined and endorsed amendments to the Board Remuneration Policy, subsequently obtaining Board approval for the updated policy.
- With a focus on maintaining an appropriate balance between staff retention and cost efficiency, the Committee provided strategic guidance on annual remuneration adjustments. These recommendations took into account prevailing economic conditions, including inflationary pressures, tax implications, and industry benchmarks.

Reporting to the Board

The minutes of the Committee meetings are duly submitted to the Board of Directors, ensuring that Board members are informed of the Committee's deliberations.



A. L. N. Dias
Chairman
Board Human Resources and Remuneration Committee
11th June 2025

Board Nominations and Governance Committee Report

GRI 2-10, 2-18

The Nominations and Governance Committee of MI was established in accordance with Section 10.4 of the Finance Business Act (Corporate Governance) Directions No. 05 of 2021, Section 9.11 of the Listing Rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

Committee Composition

Name	Membership Status	Directorship Status/ Position held in the company	Date of appointment to the committee
Mrs. E. D. Wickramasuriya	Chairperson of the Committee	Independent Non-Executive Director	28th June 2024
Mr. P. D. D. Perera	Member	Independent Non-Executive Director	28th June 2024
Mr. A.L. N. Dias	Member	Independent Non-Executive Director	28th June 2024

Ms. S. Pethiyagoda, the Company Secretary serves as the Secretary to the Committee.

Brief Profiles of the members are given on pages 82 to 89 of the Annual Report.

Committee meetings

The Committee convened eight times during the year 2024/25. The attendance of the Committee members at these meetings is detailed on page 105 of the Annual Report.

Terms of Reference

The Committee operates in accordance with a Board-approved Terms of Reference, which outlines its roles and responsibilities in line with applicable regulatory statutes.

Role of the committee

- Establish and maintain a formal and transparent procedure to select and appoint/re-appoint Directors and Senior Management in order to fulfil leadership needs of the Company.
- Review the size, structure and composition of the Board and to make recommendations of any changes to the Board.
- Ensure balance of skill, knowledge and experience of members forming the Board and the key management, and ensure that the members are fit and proper persons to hold the position as required by statutes.
- 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.
- 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 the contribution made by the Director concerned towards the discharge of the Board's overall responsibilities.
- 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.
- Develop succession plan for Board of Directors and Key Management Personnel of the company.
- Review and recommend the overall corporate governance framework of the company taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/international best practices.
- Periodically review and update the corporate Governance Policies / Framework of the company in line with the regulatory and legal developments relating to same, as a best practice.
- Review reports submitted by the Management on compliance with the corporate governance framework of the company including the its compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/ noncompliance's and the rational for same.

Key Actions during the FY 2024/25

- Restructured the committee in line with Section 9.0 of the Listing Rules of the Colombo Stock Exchange (CSE) and renamed it as the "Nominations and Governance Committee"
- The committee evaluated the appointment of new Directors to the Board of Directors in terms of section 9.11.5 of the listing rules of Colombo Stock exchange and the section 10.4 of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.
- Performance evaluation of the Board of Directors including the Managing Director/CEO for the FY 2024/25 was conducted.
- Assessed the Fitness and Propriety of Directors and the Managing Director/ CEO in accordance with the Finance Business Act (Corporate Governance) Direction No. 6 of 2021.

- The Committee obtained declarations from all the Independent Non-Executive Directors through a prescribed format confirming their status of independence in terms of Listing Rules of the Colombo Stock Exchange and statisfied that all Directors are meeting independency criteria defined in the section 9.7.3 of the CSE Listing rules.
- Succession Plan of Senior Management was put up to Board in January 2025 and was recommended by the Committee.
- As per the Articles of Association of the Company, One third of the Directors other than excluding the Managing Director retire by rotation at the AGM each year at each Annual General Meeting. In accordance with the Articles of Association, any additional Directors appointed during the year shall hold office until the next Annual General Meeting. After due consideration the committee recommended the reappointment of the retiring Directors.

Directors who are eligible for re-election at the Annual General Meeting

Name of the Director	Board Subcommittee Memberships	Date of First Appointment as a Director	Date of last Re-election as a Director	Directorships in Other Listed Entities	Material Relationships
Mr. P.D.D. Perera	BAC RPTRC HR&REMCOM NGC BIRMC	21/02/2020	30/06/2022	Disclosed in Director's profiles on pages 82-89 of the Annual Report	None
Mr. M.K.S. Pieris	HR&REMCOM	05/04/2021	28/07/2021		None
Mr. B.P Morris	N/A	28/06/2024	N/A		None
Dr. S.S.J.Patabendige	N/A	28/06/2024	N/A		None
Mr. G. A. F. Marshall	N/A	25/07/2024	N/A		None
Mr. E. W. V. A. Wijesinghe	N/A	25/07/2024	N/A		None

Governance Enhancements

The newly appointed Directors have participated in external forums and were further oriented through internal presentations conducted by the management team to enhance their awareness of corporate governance practices, Listing Rules, securities market regulations, and other applicable laws and regulations.

Relevant updates on corporate governance, Listing Rules, securities market regulations, and other applicable legal and regulatory requirements are circulated to all existing Directors as and when they are received.

Board Diversity

The Board of Directors of MI comprises individuals with diverse expertise, professional backgrounds, and industry experience, contributing to effective oversight and decision-making. The Board reflects a balanced mix of skills, age groups, and gender, supporting inclusive and dynamic governance. (Refer page 99 of the Corporate Governance Report for detailed information)

Appointment and reappointment of Directors

The Company has established a Policy on orderly succession for Board appointments, ensuring a structured and transparent process led by the Nomination and Governance Committee. New Director appointments are evaluated based on fit and propriety, qualifications, experience, integrity, and alignment with the Company's strategic objectives. Reappointments are guided by performance evaluations and continued suitability for the role.

Declaration

The Company confirms its compliance with the Corporate Governance requirements outlined in Section 9 of the Listing Rules of the Colombo Stock Exchange, the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka, and the Code of Best Practice on Corporate Governance issued by CA Sri Lanka.The details are provided on pages 93 to 172 of the Annual report.

E. D. Wickramasuriya
Chairperson
Board Nominations and Governance Committee
11th June 2025

Board Audit Committee Report

The Board of Directors has established the Board Audit Committee in accordance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 of Central Bank of Sri Lanka, Section 9 of the Listing Rules of Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance of CA Sri Lanka issued in 2023.

Committee Composition

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

Ms. S. Pethiyagoda, the Company Secretary serves as the Secretary to the Committee.

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.

Brief profiles of the members of the committee are given on pages 82 to 89 of the Annual Report.

Meetings

The Committee convened ten (10) times during the year 2024/25 in order to achieve its key objectives and carry out its responsibilities. The attendance of the Committee members at these meetings is detailed on page 105 of the Annual Report.

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

- Review 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.
- Review Risk Management measures and internal controls to ensure efficiency and effectiveness in mitigating risks involved.
- 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, application of relevant accounting standards.
- Assist the Board in discharging its responsibilities and exercises oversight over financial reporting, internal controls and internal/ external audits.
- Review and monitoring the External Auditor's independence and objectivity and the effectiveness of the audit process.
- Develop 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.
- 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.
- Discuss the issues, outstanding matters and reservations arising from the interim and final audits and any other matters with the auditors
- Review the External Auditor's management letter and the management's responses thereto.
- Review the adequacy of the scope and functions of the internal auditors, internal audit program, and independency of the internal audit department.
- Review the internal controls in place to prevent any leakage of material information to unauthorized persons

Committee activities during the year

Financial Reporting

In fulfilling its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Board Audit Committee reviewed and made recommendation on the quality of disclosures and other matters relating to the interim and annual financial statements with both the Management and the External Auditors prior to their release for publication. The Committee's review focused on the changes in or implementation of major accounting policies, significant judgments made by management, the clarity and transparency of disclosures, and the extent of compliance with Sri Lanka Accounting Standards (SLFRS and LKAS), the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011 (as amended), and other applicable financial reporting and corporate governance requirements.

Furthermore, the Committee obtained formal confirmation from the Managing Director/Chief Executive Officer and the Chief Financial Officer affirming the accuracy of the financial records and the fairness of the financial statements.

External Audit

The Committee took necessary measures to uphold the independence, objectivity, and effectiveness of the audit processes, ensuring compliance with applicable standards, regulations, and corporate governance practices. As part of this process, the Committee obtained written assurance from the External Auditors affirming their independence throughout the audit engagement, in accordance with all relevant professional and regulatory requirements.

Board Audit Committee Report

The Committee reviewed both audit and non-audit services provided by the External Auditors, ensuring a clear separation between services requiring an independent audit opinion and those of an advisory nature. Messrs. Ernst & Young, Chartered Accountants, have not undertaken a significant volume of non-audit services for the Company, in line with the established terms of reference for engaging External Auditors in non-audit roles.

In August 2024, the Committee recommended a revised policy on the engagement of the External Auditor for audit and non-audit services for Board approval. The Committee also ensured that the provision of non-audit services did not impair the independence or objectivity of the External Auditors. All assignments were managed in a way that mitigated any potential conflicts of interest. Based on these assessments, the Committee concluded that the independence of the External Auditors was maintained throughout the engagement period.

The Committee conducted two meetings with the External Auditor without the participation of Executive Directors, Senior Management, or staff during the financial year 2024/25. Additionally, the Board Audit Committee reviewed and discussed the audit scope, approach, and audit plan with the External Auditors prior to the commencement of the audit for the financial year 2024/25. The Committee also reviewed the Management Letter issued by the External Auditor with the Management responses.

External Auditors, Messrs. Ernst & Young, Chartered Accountants, have served as the Company's External Auditors for eight (8) consecutive years, with the current Audit Partner serving for three (3) consecutive years.

The Audit Committee recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be reappointed as the External Auditor of the Company for the financial year ending 31st March 2025. This recommendation was subsequently approved by the shareholders at the Annual General Meeting. The Committee's recommendation was based on the firm's professional capability, availability of resources, and their independence. The Committee also recommended the audit fees for the 2024/25 financial year, which were subsequently approved by the Board.

Internal Audit

The Committee ensured that the Internal Audit Division at MI remained independent from the Company's operational activities and carried out its responsibilities with impartiality, diligence, and professionalism.

The Annual Internal Audit Programme was designed to provide comprehensive audit coverage across both Head Office and branch operations. The scope and frequency of audits were determined through a risk-based approach, enabling the prioritization of high-risk areas.

The Audit Committee regularly reviewed internal audit reports, monitored the implementation of recommendations, and followed up with Management on significant audit findings.

Additionally, the Committee assessed the adequacy of resources allocated to the Internal Audit Department and reviewed the performance appraisal of the Head of Internal Audit to ensure continued effectiveness.

The Committee has established a formal Audit Charter with the approval of the Board of Directors. which serves as the foundational document governing the purpose, authority, responsibilities, and scope of the Internal Audit function.

Internal Control systems and Risk Management

Various processes have been implemented by the Committee to ensure the efficiency and effectiveness of company's internal control system environment. Key processes related risks and internal controls are regularly reviewed by the internal audit department and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements present a true and fair view.

The committee assessed the adequacy of information system controls based on internal and external audit reports, ensuring that identified issues were appropriately addressed by management. Where necessary, Board members with expertise in IT and system controls were invited to Audit Committee meetings to provide additional insight during discussions on IT-related matters.

Regulatory compliance

The Committee evaluated the Company's compliance with financial reporting and disclosure requirements under the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011, the Listing Rules issued by the Colombo Stock Exchange (CSE), and other applicable financial reporting frameworks, including Sri Lanka Accounting Standards (SLFRS/ LKAS).

Whistleblowing Procedure

The Committee emphasized the importance of upholding strong governance practices and ethical standards across the organization. The Company's Code of Conduct and Whistle-Blowing Policy were actively enforced, with ongoing efforts to educate and encourage staff to report suspected misconduct or irregularities to designated independent officers, ensuring confidentiality and protection for whistle-blowers.

The Whistle-blowing procedure was last reviewed by the committee in March 2025.

Reporting to the Board

The minutes of the Committee meetings are regularly submitted to the Board of Directors, ensuring that Board Members are kept informed of the Committee's discussions. In addition, significant audit observations requiring the Board's attention and action are also submitted.

Dwickramasuriya

E. D. Wickramasuriya
Chairperson
Board Audit Committee
11th June 2025

Board Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) was established by the Board in line with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC Code), Section 9.14 of the Colombo Stock Exchange Listing Rules (CSE Rules), and Section 12.1(a) of the Finance Business Act Direction No. 01 of 2021 issued by the Central Bank of Sri Lanka. This Committee strengthens the Company's control framework by ensuring that all related party transactions are conducted on an arm's length basis and that special transaction types receive prior approval.

Composition of the Committee

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
Mrs. E. D. Wickramasuriya	Member	Independent Non-Executive Director

Ms. S. Pethiyagoda, the Company Secretary serves as the Secretary to the Committee.

Brief profiles of the members are given on pages 82-89 of the Annual Report.

Meetings

The Committee convened four times during the year 2024/25. The attendance of the Committee members at these meetings is detailed on page 105 of the Annual Report.

Terms of Reference

The Committee operates in accordance with a Board-approved Terms of Reference, which outlines its roles and responsibilities in line with applicable regulatory statutes.

Scope of the Committee

The Committee is tasked with the identification of all related parties of the Company and the comprehensive review of their transactions to ensure they are conducted on an arm's length basis, thereby upholding principles of fairness and transparency. Its primary mandate is to provide independent and objective evaluation, approval, and ongoing oversight of related party transactions to mitigate potential conflicts of interest.

At each meeting, management provides the Committee with detailed updates regarding any changes, additions, or removals of related parties, enabling the Committee to maintain effective monitoring and control over these transactions in accordance with regulatory requirements and corporate governance best practices.

Objective

To safeguard the interests of investors and other stakeholders, the Committee has established a formal mechanism for the identification and disclosure of related party transactions, ensuring full compliance with the Code of Best Practice on Related Parties issued by the Securities and Exchange Commission and the Central Bank of Sri Lanka. The Committee diligently oversees that the Company refrains from engaging in business dealings with related parties that would result in preferential treatment beyond what is extended to other comparable parties, thereby maintaining fairness and integrity in all transactions.

Responsibilities of the Committee

- Establishing and implementing policies and procedures to identify related parties and review related party transactions of the Company, as well as regularly assessing and overseeing the effectiveness of these existing policies and procedures.
- Developing clear guidelines for the Board and Senior Management to follow regarding ongoing related party transactions.
- Conducting prior reviews of all proposed related party transactions, except those explicitly exempted under Committee policies.
- Ensuring procedures and guidelines are in place to mandate the referral of required related party transactions to the Committee for review.
- Providing quarterly updates to the Board of Directors on the Company's related party transactions.
- Making timely disclosures to the Colombo Stock Exchange (CSE) for all applicable related party transactions, as required by regulations.
- Ensuring appropriate disclosure of related party transactions in the Annual Report in accordance with CSE requirements.
- Assessing whether related party transactions require approval from the Board or the Shareholders of the Company.
- Highlighting any transactions of concern to the Board for further attention.

Activities conducted by the committee during FY 2024/25

- The Finance Division, under the supervision of the Finance Director, submitted detailed reports on related party transactions to the Committee for thorough review and oversight. Following the review, the Committee communicated its comments and observations to the Board of Directors for their consideration and appropriate action.
- In compliance with Direction No. 12.1(b) of FBA Direction No. 5 of 2021, the Committee has reviewed and recommended all Related Party Transactions requiring its prior review and recommendation.
- Conducted quarterly reviews of all recurrent and non-recurrent related party transactions entered into by the Company. These reviews confirmed that all such transactions were carried out on an arm's length basis and without any preferential treatment. Based on this evaluation, concluded that the value of non-recurrent Related Party Transactions entered during the year was below the threshold for immediate disclosure in terms of rule 9.14.8 (1) of the Listing Rules.
- The aggregate value of a specific recurrent related party transaction falling under Section 9.14.8(2) of the Listing Rules has been disclosed in Note 50.5 to the Financial Statements on page 303.
- Based on disclosures made by the Directors, the Company's core system database of related parties was regularly updated. System-generated comprehensive reports were tabled at each quarterly meeting of the Committee for detailed evaluation.

The policies and procedures

The Company has established a comprehensive Related Party Transactions policy covering the following key areas:

- Procedures for the review, approval, and ratification of related party transactions.
- Compliance with all applicable reporting obligations related to related party transactions.
- Adherence to disclosure requirements to ensure transparency and regulatory conformity regarding related party transactions.

Declaration

The declaration by the Board of Directors that the company is in compliance with the requirements of the listing rules of the Colombo Stock Exchange pertaining to Related Party Transactions is given on the Annual Report of the Board of Directors on page 218 of the Annual Report.

A.L.N. Dias
Chairman
Related Party Transactions Review Committee
11th June 2025

CONVERTING FROM CHALLENGE TO PRODUCTIVITY

Financial Reports

Financial Calendar

	2024/25	2025/26 (Proposed)
First interim dividend	23rd January 2025	Yet to be decided
Second interim dividend	14th July 2025	Yet to be decided
Annual Report and Accounts for the year signed/to be signed	11th June 2025	29th May 2026
Annual General Meeting to be held	29th August 2025	30th June 2026

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	2025/26 to be submitted on or before
For the 3 months ended 30th June – (unaudited)	15th August 2024	15th August 2025
For the 3 and 6 months ended 30th September – (unaudited)	12th November 2024	15th November 2025
For the 3 and 9 months ended 31st December – (unaudited)	11th February 2025	15th February 2026
For the 3 months and year ended 31st March – (unaudited)	29th May 2025	31st May 2026

Publication of Financial Statements as per Finance Business Act No 42 of 2011	2024/25 Published on	2025/26 to be Published on or before
Six month Financial Statements	29th November 2024	30th November 2025
Annual Financial Statements	27th June 2025	30th June 2026

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.

Information required to be disclosed as per Companies Act No. 07 of 2007	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 to page 236
II) Completed and signed financial statements of the Company for the accounting period completed.	Section 168 (1) (b)	Refer to pages 232 to 233
III) Auditor's Report on financial statements of the Company.	Section 168 (1) (c)	Refer to page 228 to 230
IV) Any changes made to the accounting policies during the year under review.	Section 168 (1) (d)	Refer to pages 236 to 249
V) Particulars of the entries in the Interests Registers of the Company during the accounting period.	Section 168 (1) (e)	Refer to page 214
VI) Remuneration and other benefits paid to Directors of the Company during the period.	Section 168 (1) (f)	Refer to page 253
VII) Total amount of donations made by the Company during the period.	Section 168 (1) (g)	Refer to page 214
VIII) Information on Directors of the Company during and at the end of the accounting period.	Section 168 (1) (h)	Refer to pages 216 to 218
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 to page 255
X) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer to page 219
XI) Acknowledgment of the contents of this report/signatures on behalf of the board by two directors and the secretary of the Company.	Section168 (1) (k)	Refer to page 220

The details set out herein provide the information required by 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, 2025, and the auditors' report on those financial statements, conforming to the requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange, the 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 have been quoted on the Diri Savi board of the Colombo Stock Exchange since June 2011 and were transferred to the second board on 15 November 2019. Fitch Ratings Lanka Ltd. has assigned a 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. 5 of 2021 Corporate Governance, the listing rules of the Colombo Stock Exchange and recommended best practices on corporate governance. The Board of Directors approved this report on June 11, 2025.

Section 168 of the Companies Act No. 07 of 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, 2025).

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 while 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 22 new delivery points added; the total number of delivery points in the country was 73 at the end of 2025 (51 at the end of 2024).

A review of operations of the company during the financial year and results of those operations is contained in the Chairman's Message, Managing

Annual Report of the Board of Directors

Director's Review on pages 24 to 33 and Management Discussion & Analysis on pages 36 to 79 of this annual report.

Segment-wise contribution to revenue, results, assets and liabilities is disclosed in Note 54 to the Financial Statements on page 305 to 307.

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 mobilization of deposits.

2.2.2 Associate Company

The Company has a 26.12% (2024 – 26.12%) holding in The Nuwara Eliya Hotels Company PLC, which is a quoted public company involved in the business of hoteliering. Details of the investments in associate are given in note 29 to financial statement on page 276 to 278 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 page 233 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 the 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 232 to 329 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards as mandated by 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 pages 223 to 224 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. 5 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 225 to 226.

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 227.

2.6 Auditors' Report

The Company's auditors, Messrs. Ernst & Young Partners, performed the audit on the financial statements for the year ended March 31, 2025, and the auditor's report on the financial statements is given on pages 228 to 230 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, 2025, 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 236 to 249 of the annual report as required by Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Board of Directors wishes to confirm that there were no changes to the accounting policies used by the company during the year.

2.8 Interest Register

The Interest Register is maintained by the Company, as per 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 218 of this report. Entries were made in the Interests Register on share transactions, directors' interest in contracts, remuneration paid to the directors, etc. The Interest Register is available for inspection by shareholders or their authorised representatives as required by Section 119(1)(d) of the Companies Act No. 07 of 2007.

2.9 Corporate Donations

During the year, the Company made donations amounting to Rs. 546,000/- (2024: Rs. 552,000/-). There are no donations made to the government-approved charities from above (2024 – Nil). The information given above on donations forms an 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 development activities of the company are discussed under the Managing Director's review on page 28 of this annual report.

3. Gross Income

The income of the Company for the year ended March 31, 2025 was Rs. 11,952 Mn (year ended March 31, 2024 - Rs. 10,948 Mn). An analysis of income is given in Notes 6 & 7 to the financial statements on page 250 to 251 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 2025 was Rs. 1,607 Mn (Rs. 819 Mn in 2024), and the profit after tax for the year ended 2025 was Rs. 1,074 Mn (Rs. 555 Mn in 2024).

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

As of March 31,	2025	2024
Profit before Tax	**1,607,332**	819,779
Taxation	**(532,665)**	(263,966)
Profit after Tax	**1,074,666**	555,813
Portion of other comprehensive income transferred to retained earnings	**(63,539)**	(46,047)
Balance brought forward	**3,122,457**	2,721,856
Available for appropriation	**4,133,584**	3,185,468
Transfer to statutory reserve	**(54,000)**	(30,000)
Transfer to Retained Profit from Fair Value through OCI reserve	**94,802**	5,242
Transfer from/(to) Regulatory Loss Allowance	**730,628**	(24,287)
Interim Dividend Paid	**(75,150)**	(60,120)
Balance carried forward	**4,829,865**	3,122,457

4.2 Dividend on Ordinary Shares

Details of information on dividends are given in Note 17 to the Financial Statements on page 258.

4.3 Provision for Taxation

Income tax for the 2024/2025 year has been provided at the rate of 30% (2023/2024 – 30%) 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 services at 2.5% (2024 – Financial Services VAT at 18% and Social Contribution Levy at 2.5%).

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 & deferred taxes is given in Notes 15 & 37 to the Financial Statements on pages 256 to 257 and 293 to 294 respectively, of this Annual Report.

4.4 Reserves

A summary of the reserves of the company as of the year ended 31st March 2025 is as follows.

	2025	2024
Statutory reserve fund	**941,400**	887,400
Revaluation reserve	**2,279,152**	2,279,152
Associate Company- reserve	**718,388**	605,297
General reserve	**4,086,430**	4,086,430
Fair Value through OCI Reserve	**608,402**	80,812
Regulatory loss allowance	**336,894**	1,067,521
Retained earnings	**4,829,865**	3,122,457

The Company's total equity and reserves as of March 31, 2025 amounted to Rs. 13,836 Mn (2024 – Rs.12,165 Mn). The movement of the reserves is given on page 234 under Statement of Changes in Equity, Notes 41 to 46 to the Financial Statements of this Annual Report.

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

Capital expenditures incurred on property, plant & equipment, intangible assets, leasehold property are as follows.

	2025	2024
Property, Plant & Equipment	**277 Mn**	229 Mn
Leasehold Property	**Nil**	Nil
Intangible Assets	**49 Mn**	33 Mn

Details of which are given in Note 31 on page 280 to 290 in the financial statements. Capital expenditure approved and contracted for is given in Note 47 to the financial statements on page 300 of this annual report.

6. Market Value of Freehold Properties

Although the valuations were obtained from a professionally qualified valuer, no revaluation gains or losses were recorded, as there were no significant price variations as of 31st March 2025. Accordingly, the net book value (NBV) as of 31st March 2025 is considered to represent fair value as of the date.

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 pages 283 to 284.

Annual Report of the Board of Directors

7. Stated Capital and Debentures

The stated capital of the company as of March 31, 2025 was Rs. 36 Mn, comprising 3,006,000 ordinary shares. (2024 - Rs.36 Mn). The details of the stated capital are given in Note 40 to the Financial Statements on page 297 of this Annual Report.

The Company did not issue any debentures during the financial year ended March 31, 2025.

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 the 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 332 to 335.

8.2 Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages is given in the section on 'Investor Relations' on page 332.

8.3 Issue of shares

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

	Voting Ordinary shares	
Year	**2025**	**2024**
Number of shares issued	**Nil**	Nil

9. Substantial Shareholdings

The list of 20 largest shareholders as of 31 March 2025 is 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.Madugall	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 2025 is Rs. 789,375,600/-.

The Company is not fully compliant with the minimum public holding requirement as of 31 March 2025. Number of shares representing the share capital : 3,006,000

Names of the top twenty shareholders, shares, percentages of their respective holdings, percentage holdings of the public, etc., are given in the section on 'Investor Relations' on page 333.

9.1 Equitable Treatment to all Shareholders

While valuing the patronage of all our shareholders, the company at all times ensured that all shareholders are treated fairly and equitably.

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, 2025, comprised twelve (12) directors (eight directors as of March 31, 2024) with extensive financial & commercial knowledge and experience. The qualifications and experience of the directors are given in the 'Board of Directors – Profile' on pages 82 to 89 of this annual report.

As required by Section 168(1)(h) of the Companies Act No. 07 of 2007, the names of the persons holding office as directors of the company as of the end of the year are as follows. There were no directors who ceased to hold office as directors of the Company any time during the year 2024/2025.

Name of the Director	Executive/ Non-Executive	Independent/ Non-Independent
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
Mr. B.P. Morris	Non- Executive	Independent
Dr. S.S.J. Patabendige	Non- Executive	Independent
Mr. G.A.F.Marshall	Non- Executive	Independent
Mr. E.W.V.A. Wijesinghe	Non- Executive	Independent

10.1.2 New Appointments & Resignations

During the financial year, four new appointments of directors, and no resignations.
Mr. B. P. Morris - Independent Non-Executive Director

Dr. S. S. J. Patabendige – Independent Non-Executive Director

Mr. G. A. F. Marshall – Independent Non-Executive Director

Mr. E. W. V. A. Wijesinghe – Independent Non-Executive Director

10.1.3 Recommendation for Re-election/ Re-appointment of Directors

In terms of Article 23(7) of the Articles of Association, Mr. M. K. S. Pieris and Mr. P. D. D. Perera retire by rotation and, being eligible, offer themselves for re-election.

In terms of Article 23(3) of the Articles of Association, Mr. B. P. Morris, Dr. S. S. J. Patabendige, Mr. G.A. F. Marshall and Mr. E. W. V. A. Wijesinghe retire and offer themselves for re-appointment.

10.1.4 Directors' Meetings

Details of the meetings of the Board of Directors are presented on page 111.

10.1.5 Board Sub-Committees

The Board, while maintaining overarching responsibility and accountability for the oversight of the Company's management, has constituted subcommittees to ensure that the Company's operations are consistently conducted in accordance with the highest ethical standards and in the best interests of all stakeholders.

Information with regard to board subcommittees is given under Corporate Governance on pages 103 to 105 of this Annual Report.

Board Audit Committee

All members of the Board Audit Committee are non-executive directors. The Managing Director/CEO, senior management committee members and internal and external auditors attend the meetings by invitation. The Board Audit Committee report is given on pages 206 to 207 of this Annual Report.

Board Integrated Risk Management Committee

The board of directors has 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 Board Integrated Risk Management Committee Report on pages 201 to 202 of this Annual Report.

Board Human Resources and Remuneration Committee

The Report of the Human Resources and Remuneration Committee is given on page 203 of this Annual Report.

Board Nominations and Governance Committee

The Report of the Nominations & Governance Committee is given on pages 204 to 205 of this Annual Report.

Board Related Party Transactions Review Committee

The report of the Related Party Transactions Review Committee is given on pages 208 to 209 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, 2025, are given in Note 11.1 to the financial statements on page 253 of this Annual Report as required by section 168 (1)(f) of the Companies Act No. 07 of 2007.

Annual Report of the Board of Directors

11. Disclosures of Directors Dealing in Shares

11.1 Directors' interest in ordinary shares of the Company

	2025	%	2024	%
Mr. P. D. D. Perera (Chairman)	-	-	-	-
Mr. G. G. Ondaatjie (Managing Director)	484,615	16.12	484,615	16.12
Mrs. A.M. Ondaatjie	484,615	16.12	484,615	16.12
Mr. T. J. Ondaatjie	484,614	16.12	484,614	16.12
Mr. S .H .Jayasuriya	-	-	-	-
Mrs. E. D. Wickramasuriya	-	-	-	-
Mr. A. L. N. Dias	-	-	-	-
Mr. M.K.S. Pieris	-	-	-	-
Mr. B.P. Morris	-	-	-	-
Mr. S.S.J. Patabedige	-	-	-	-
Mr. G.A.F.Marshall	-	-	-	-
Mr. E.W.V.A. Wijesinghe	-	-	-	-

11.1.1. Mr. Gerard G. Ondaatjie 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, 2025, was 303,605 shares (2024 - 303,605) which amounted to 10.10% (2024 - 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, 2025. Further information is given on pages 221 to 222 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 to note 50 to the financial statements on pages 300 to 303 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 that 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 Related Party Transactions Review Committee evaluates all transactions requiring approval in accordance with the applicable regulations of the Colombo Stock Exchange and the Central Bank of Sri Lanka to ensure that such transactions are fair and conducted in the best interests of the Company. Furthermore, all related party transactions are carried out by the Company in the ordinary course of business and on an arm's-length basis.

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 that 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 due to the government, other regulatory bodies, and related to the employees have been paid up to date in a timely manner.

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 305 of this Annual Report.

17. Going Concern

The Board of Directors, after making necessary inquiries and reviews, including a review of the company's business plans, is satisfied that the company has adequate resources to continue its operation in the foreseeable future. Accordingly, the financial statements of the Company continued to adopt the going concern basis in preparing the financial statements.

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 6,440,000/- is payable by the company to the auditors for the year under review, comprising Rs. 4,147,000/- as audit fees and expenses of Rs 2,293,000 /- 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 309 to 329 of this Annual Report.

20.2 System of Internal Controls

The Board of Directors has 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 to ensure that financial statements presented are reliable. Monthly management accounts are prepared, providing management with relevant, reliable and up-to-date financial statements and key performance indicators.

The board audit committee reviews, on a 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 'Board Audit Committee Report' on pages 206 to 207 of this Annual Report.

20.3 Appraisal of Board Performance

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

The Chairman assessed the performance of each director, and the Chairman'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 2021Corporate Governance, Listing Rules of the Colombo Stock Exchange and Best Practices on Corporate Governance. The company secretary collates the responses, 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 on 30th May 2025.

20.4 Board Audit Committee

The composition of the Board Audit Committee and their report is given on pages 206 to 207 of this annual report.

21. Corporate Governance Directors Declarations

The directors' declare that –

- The Company complied with all applicable laws and regulations in conducting its business and has not engaged in activity contravening the relevant laws and regulations.
- In terms of Rule 9.16(i) of the Listing Rule of the CSE, the directors have declared all material interest in contracts involving the Company and refrained from voting on matters in which they are materially interested.
- The Company has made all endeavours to ensure that there is fair treatment for all stakeholders, in particular the depositors.
- The Board of Directors has reviewed the Company's corporate/ business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements of the Company are prepared based on the going concern assumption.
- The board has conducted a review of internal controls covering financial, operational and compliance controls, risk management and has obtained a reasonable assurance of their effectiveness and proper adherence.

Annual Report of the Board of Directors

- 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 the 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 pages 93 to 172.

22. Human Resources

The Company continues to regard communication with its employees as a key aspect of its policies. Information is made available to employees on 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 pages 64 to 65 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 the "Code of Conduct" and ethics-related instructions.

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 a 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 a 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 300.

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 348 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 acknowledges the contents of this report.

Gerard G.Ondaatjie
Managing Director

Angeline. M. Ondaatjie
Director

Ms. Sonali Pethiyagoda
Company Secretary

Colombo
11 June 2025

Directors' Interests in Contracts with the Company

Company	Relationship	Accommodation granted / deposits / receivable for services rendered / payable for services obtained	As at 31.03.2025 Rs. '000	As at 31.03.2024 Rs. '000
(a) Mr. G. G. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Chairman	Motor vehicle hire, repairs and others	2,107	4,148
Tangerine Beach Hotels PLC	Director	Deposits	40,000	71,325
		Motor vehicle hire, repairs and others	163	544
Royal Palms Beach Hotels PLC	Director	Deposits	10,000	32,580
		Motor vehicle hire, repairs and others	593	505
The Nuwara Eliya Hotels Company PLC	Deputy Chairman	Deposits	1,568,398	1,497,181
		Motor vehicle hire, repairs and others	153	1,910
Tangerine Tours (Pvt) Limited	Director	Motor vehicle hire, repairs and others	567	1,315
		Loans	5,515	-
Nilaveli Beach Hotels (Pvt) Limited	Director	Deposits	276,188	223,250
Security Ceylon (Pvt) Limited	Chairman	Deposits	13,358	12,121
		Motor vehicle hire, repairs and others	138	80
		Security expenses	3,258	3,357
Mercantile Orient (Pvt) Limited	Chairman	Deposits	8,731	8,114
Global Films Limited	Chairman	Deposits	2,133	1,991
Fair View Hotel (Pvt) Limited	Chairman	Deposits	216,513	192,072
Mercantile Fortunes Insurance brokers (Pvt) Limited	Chairman	Deposits	65,885	40,368
		Motor vehicle hire, repairs and others	3,934	3,514
		Insurance commission receivable	35,839	45,524
		Insurance premium payable	170,767	166,101
Tangerine Vacations (Pvt) Limited	Director			
(b) Ms. A. M. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Director	Motor vehicle hire, repairs and others	2,107	4,148
Tangerine Beach Hotels PLC	Chairperson	Deposits	40,000	71,325
		Motor vehicle hire, repairs and others	163	544
Royal Palms Beach Hotels PLC	Chairperson	Deposits	10,000	32,580
		Motor vehicle hire, repairs and others	593	505
The Nuwara Eliya Hotels Company PLC	Director	Deposits	1,568,398	1,497,181
		Motor vehicle hire, repairs and others	153	1,910
Tangerine Tours (Pvt) Limited	Chairperson	Motor vehicle hire, repairs and others	567	1,315
		Loans	5,515	-
Nilaveli Beach Hotels (Pvt) Limited	Director	Deposits	276,188	223,250
Security Ceylon (Pvt) Limited	Director	Deposits	13,358	12,121
		Motor vehicle hire, repairs and others	138	80
		Security expenses	3,258	3,357
Mercantile Orient (Pvt) Limited	Director	Deposits	8,731	8,114
Global Films Limited	Director	Deposits	2,133	1,991
Fair View Hotel (Pvt) Limited	Director	Deposits	216,513	192,072
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	65,885	40,368
		Motor vehicle hire, repairs and others	3,934	3,514
		Insurance commission receivable	35,839	45,524
		Insurance premium payable	170,767	166,101
Tangerine Vacations (Pvt) Limited	Chairperson			

Directors' Interests in Contracts with the Company

Company	Relationship	Accommodation granted / deposits / receivable for services rendered / payable for services obtained	As at 31.03.2025 Rs. '000	As at 31.03.2024 Rs. '000
(c.) Mr. T. J. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Director	Motor vehicle hire, repairs and others	2,107	4,148
Tangerine Beach Hotels PLC	Director	Deposits	40,000	71,325
		Motor vehicle hire, repairs and others	163	544
Royal Palms Beach Hotels PLC	Director	Deposits	10,000	32,580
		Motor vehicle hire, repairs and others	593	505
The Nuwara Eliya Hotels Company PLC	Director	Deposits	1,568,398	1,497,181
		Motor vehicle hire, repairs and others	153	1,910
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		Motor vehicle hire, repairs and others	138	80
		Security expenses	3,258	3,357
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Fair View Hotel (Pvt) Limited	Director	Deposits	216,513	192,072
Tangerine Vacations (Pvt) Ltd	Director			
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	65,885	40,368
		Motor vehicle hire, repairs and others	3,934	3,514
		Insurance commission receivable	35,839	45,524
		Insurance premium payable	170,767	166,101
(d) Mr. S. H. Jayasuriya				
Mercantile Fortunes (Pvt) Limited	Director	Motor vehicle hire, repairs and others	2,107	4,148
Security Ceylon (Pvt) Limited	Director	Deposits	13,358	12,121
		Motor vehicle hire, repairs and others	138	80
		Security expenses	3,258	3,357
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	65,885	40,368
		Motor vehicle hire, repairs and others	3,934	3,514
		Insurance commission receivable	35,839	45,524
		Insurance premium payable	170,767	166,101

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 Board Audit Committee Report is given on pages 206 to 207 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 2025, the Income Statement and 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 2025 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 228 to 329, 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 201 to 202).

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 228 to 230 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
11th June 2025

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 ('the Act')
- 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 ('CSE') as amended ; and
- The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2023).

The formats used in the preparation of the financial statements for the annual report and the interim financial statements comply with the specified formats described by the Central Bank of Sri Lanka. The Company consistently applied the material accounting policies during the financial year under review. All applicable Sri Lanka Accounting Standards, as relevant, have been followed. Comparative information has been reclassified wherever necessary to comply with the current year's presentation. Significant 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 during the financial year ended 31st March 2025.

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 judgments 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 fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We believe that 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 2025, as required by the Corporate Governance Direction No. 5 of 2021, the results of which are given on pages 225 to 226 of this Integrated Annual Report, in the 'Directors Statement on Internal Controls'. This review ensures that all transactions are accurately and completely recorded in the books of accounts and that compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and other regulatory provisions relating to financial reporting and disclosures is maintained.

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 228 to 230 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. The Board Audit Committee report is available on pages 206 to 207.

We confirm that to the best of our knowledge that,

- The Company has complied with all applicable laws, regulations, guidelines and prudential requirements.
- There are no material non-compliances and no material 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 levies by the Company and all taxes, duties and levies payable on behalf of and in respect of the employees of the Company as of 31st March 2025 have been paid or where relevant provided for.

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

Gerard Ondaatjie
Managing Director
11th June 2025

Report by the Board on Internal Control over Financial Reporting

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

This Report on Internal Control is presented in compliance with Section 16(1)(ix) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

The Board of Directors holds ultimate responsibility for ensuring the adequacy and effectiveness of the Company's internal control and risk management systems. These systems are designed to manage key risks within an acceptable risk tolerance, rather than to eliminate all risks entirely. As such, MI's internal control framework provides reasonable, though not absolute, assurance against material misstatements in financial and management information, as well as protection against potential financial losses.

The Board has implemented a structured mechanism for identifying, evaluating, and managing material risks. This includes ongoing enhancements to the internal control system to remain aligned with changes in the business environment and regulatory requirements. MI's management supports the Board by implementing risk and control policies, identifying and assessing key risks, and designing, operating, and monitoring appropriate internal controls to effectively mitigate those risks.

Process for Applying and Reviewing the Internal Control System on Financial Reporting

To ensure the integrity and accuracy of financial reporting, the Company has established a robust internal control framework with clearly defined responsibilities and oversight mechanisms:

Relevant Heads of Divisions are responsible for maintaining a strong control environment within their respective areas. They ensure that all related transactions are accurately recorded in a structured and well-defined information system that supports reliable financial reporting. Each functional area operates in accordance with established procedures, which incorporate specific risk controls to be followed by staff. All transactions undergo a procedural process approved by the Board and issued as procedure manuals/ Standard Operating Procedures (SOPs), ensuring accountability and adherence to governance standards.

The Finance Department, under the supervision of the Finance Director and the Chief Financial Officer, is tasked with preparing the Company's Annual Financial Statements and other periodic financial reports in compliance with Sri Lanka Accounting Standards and all applicable regulatory requirements.

The Internal Audit Division independently is responsible for conducting periodic audits to assess compliance with internal policies and procedures, and to evaluate the effectiveness of the internal control systems. Audit findings are presented to the Board Audit Committee for review and follow-up action, ensuring independent oversight of the internal control framework.

The Annual Internal Audit Plan is reviewed and approved by the Board Audit Committee. All branches and operational units are subject to audit, with the frequency determined by a risk-based assessment. This approach ensures objective and independent assurance across the organization. During the financial year, the Board Audit Committee held seven meetings with the Internal Auditors, where internal audit reports were thoroughly reviewed and discussed. Relevant Heads of Divisions were invited to these meetings to evaluate and provide updates on the actions taken by Management to address the issues and recommendations highlighted by the Internal Auditors.

The Audit Committee meets periodically to review observations raised by the Internal Auditors regarding internal controls, as well as queries and findings presented by the External Auditors during the statutory audit process. The Committee evaluates the adequacy and effectiveness of the Company's risk management practices and internal control systems. In addition, it reviews the scope and quality of internal audits, the independence of the Internal Audit function, and the adequacy of resources allocated to it. The Committee addresses concerns with corporate management and provides feedback to the Board on any material matters or unresolved issues, along with appropriate recommendations.

In addition to reviewing Internal Audit Reports, the Audit Committee also examined the disciplinary actions taken by Management in response to violations of established internal control procedures. Internal investigations were carried out in line with the Company's Board-approved Consequence Management Policy and Inquiry Handling Procedure. The actions taken by Management were duly presented and discussed at Audit Committee meetings.

Other Sub-Committees appointed by the Board play a key role in supporting the Board by reviewing and providing feedback on the effectiveness of specific areas entrusted to them. Through periodic supervision, these Committees monitor related operations to ensure alignment with the Company's corporate objectives, policies, and established procedures.

Under the oversight of the Compliance Officer, policies and procedures covering all functional areas of the Company are reviewed and updated timely by the respective Heads of Departments. As a standard practice, these updates are annually submitted for approval by the Board or Board-approved Sub-Committees to ensure continued alignment with regulatory requirements and internal governance standards.

To enhance reporting capabilities, appropriate IT controls were implemented, and a broader range of management information reports were generated during the financial year 2024/25, supporting more informed decision-making and oversight. The Board Audit Committee reviewed the adequacy of information system controls based on reports submitted by both internal and external auditors,

Report by the Board on Internal Control over Financial Reporting

ensuring that the issues highlighted were appropriately addressed by Management. When necessary, other Board members with expertise in information systems were invited to the regular Board Audit Committee meetings to provide input during discussions on IT-related matters.

Comments made by the External Auditors regarding the internal control system over financial reporting in previous years were reviewed, and appropriate actions have been taken to address the matters raised.

The Compliance Officer submitted monthly compliance status reports to the Board, covering adherence to all applicable rules and regulations issued by the Central Bank of Sri Lanka.

In compliance with the transitional provisions of the Corporate Governance Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka, effective from 1st July 2024, and the transitional provisions of Section 9 of the Listing Rules of the Colombo Stock Exchange, effective from 1st October 2024, necessary changes were made to certain internal processes and procedures to align to the said regulations during the financial year under review.

The Company adopts the Sri Lanka Accounting Standards, including both LKAS and SLFRS, and continuously improves its processes to ensure compliance with recognition, measurement, classification, and disclosure requirements. Financial reporting and management information systems have been strengthened through ongoing monitoring and adaptation to evolving market conditions, and this improvement process will continue on an annual basis.

Policies and charters covering all functional areas of the Company are developed, enhanced and recommended by the respective Heads of Divisions or appointed Committees, and subsequently approved by the Board. These policies and charters are reviewed and reapproved on an annual basis.

Confirmation by the Board on Financial Reporting

Based on the internal control mechanisms described above, the Board confirms that the Company's financial reporting system is designed to provide reasonable assurance regarding the reliability of financial information. The preparation of Financial Statements for external purposes complies with Sri Lanka Accounting Standards as well as the regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

External Auditors review of the statement

The external auditor, Messrs. Ernst & Young, has reviewed the above report for the year ended 31st March 2025. They reported to the Board that nothing has come to their attention to suggest that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the design and effectiveness of the Company's Internal Control System 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 (Corporate Governance) Direction No. 05 of 2021.

- 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 or lapses in the Company's risk management function, or non-compliance with the Acts, rules and Directions.

By order of the Board,

E D Wickramasuriya
Chairman –Board Audit Committee

Gerard Ondaatjie
Managing Director

11th June 2025

Independent Assurance Report on the Directors' Statement on Internal Control over Financial Reporting

Shape the future with confidence

Ernst & Young
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ey.com

GSM/RMD

TO THE BOARD OF DIRECTORS OF MERCANTILE INVESTMENTS AND FINANCE PLC

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Mercantile Investments and Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2025 (the "Statement") included in the annual report.

Management's responsibility

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

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

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

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

Summary of work performed

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

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

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

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

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

Our conclusion

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

11 June 2025
Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

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Independent Auditor's Report

Shape the future with confidence

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ey.com

GSM/RMD/DW

TO THE SHAREHOLDERS OF MERCANTILE INVESTMENTS AND FINANCE PLC

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mercantile Investments and Finance PLC (the Company), which comprise the statement of financial position as at 31 March 2025, 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 2025 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 the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of loans and lease receivables Allowances for expected credit losses of loans and lease receivables measured at amortised cost as stated in Notes 23 and 24 respectively, is determined by management based on the accounting policies described in Note 3.2 to the financial statements. This was a key audit matter due to ◈ the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and lease receivables; and ◈ the materiality of the reported amount of Allowances for expected credit losses.	In addressing the adequacy of the allowances for expected credit losses of loans and lease receivables, our audit procedures included the following key procedures: ◈ Assessed the alignment of the Company's allowances for expected credit losses 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 expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. ◈ Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

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Key Audit Matter	How our audit addressed the key audit matter
Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables include forward-looking macroeconomic scenarios and the associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements is disclosed in Note 2.11.	◈ Evaluated the reasonableness of credit quality assessments and related stage classifications. ◈ In addition to the above, the following procedures were performed: For loans and lease receivables assessed on an individual basis for impairment: ◈ Tested the arithmetical accuracy of the underlying individual impairment calculations. ◈ Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to status of recovery action of the collaterals. For loans and lease receivables assessed on a collective basis for impairment: ◈ Tested the key inputs and the calculations used in the impairment for expected credit losses. ◈ Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. ◈ Assessed the adequacy of the related financial statement disclosures set out in notes 23,24,3.2 and 2.11.
Information Technology (IT) systems related internal controls over financial reporting Company's financial reporting process is significantly reliant on IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by the 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.	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 IT Governance Structure of the Company – Identified, evaluated and tested the design and operating effectiveness of IT system related internal controls over financial reporting, relating to user access and change management, and – Obtained a high-level understanding of the cybersecurity risks affecting the Company and the actions taken to address these risks primarily through inquiry. ◈ Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other Information included in the Company's 2025 Annual Report

Other information consists of the information included in the Company's 2025 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2025 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.

Independent Auditor's Report

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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..

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.

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.

11 June 2025
Colombo

Financial Information-Index

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	2025 Rs. '000	2024 Rs. '000
Gross income	6	**11,952,001**	10,948,958
Interest income	7.1	**11,643,483**	10,628,251
Interest expenses	7.2	**(5,256,552)**	(6,441,603)
Net interest income		**6,386,931**	4,186,648
Fee and commission income	8	**92,626**	75,732
Net fee and commission income		**92,626**	75,732
Other operating income	9	**215,892**	244,975
Total operating income		**6,695,449**	4,507,355
Impairment charge for loans and receivables and other financial assets	10	**(224,648)**	(7,911)
Net operating income		**6,470,801**	4,499,443
Less: Operating expenses			
Personnel expenses	11	**(2,093,207)**	(1,592,749)
Depreciation of PPE, Right-of-use assets and amortization of intangible assets	12	**(255,511)**	(162,490)
Other operating expenses	13	**(1,976,395)**	(1,516,724)
Total operating expenses		**(4,325,113)**	(3,271,963)
Operating profit before VAT on financial services		**2,145,689**	1,227,480
Value Added Tax on financial services	15.2	**(737,622)**	(559,538)
Operating profit after VAT on financial services		**1,408,066**	667,942
Add: Share of associate company's profit net of tax	14	**199,266**	151,837
Profit before taxation from operations		**1,607,332**	819,779
Less: Income tax expenses	15	**(532,665)**	(263,966)
Profit for the year		**1,074,666**	555,813
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods			
Changes in fair value of Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	46.1	**(8,600)**	(29,972)
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods		**(8,600)**	(29,972)
Other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	46.1	**630,994**	488,545
Net change in revaluation surplus on Land & Buildings	41.1	**-**	324,211
Deferred tax effect on revaluations surplus on Land & building	37	**-**	(97,263)
Share of other comprehensive income of associates (net of tax)	29.1	**113,091**	13,897
Actuarial loss on retirement benefit obligation	38.2	**(65,004)**	(60,120)
Deferred tax effect on actuarial gain	37	**1,465**	14,073
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**680,546**	683,343
Other comprehensive income for the year (net of tax)		**671,946**	653,371
Total comprehensive income for the year (net of tax)		**1,746,612**	1,209,184
Earnings per share			
Basic earnings per share (Rs.)	16	**357.51**	184.90
Diluted earnings per share (Rs.)	16	**357.51**	184.90
Dividend per ordinary share (Rs.)	17	**25**	20

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 236 to 329 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	2025 Rs. '000	2024 Rs. '000
Assets			
Cash and cash equivalents	20	**2,720,258**	2,492,057
Placement with banks at Amortized cost	21	**41,040**	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	22.1	**7,199,933**	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	22.2 & 22.3	**344,772**	329,519
Financial assets at amortised cost - Loans and advances	23	**27,931,006**	16,591,202
Financial assets at amortised cost - Finance lease receivables	24	**25,060,964**	20,302,868
Financial assets at amortised cost - Hire purchase receivables	25	**80,718**	101,631
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	22.1 a)	**70,427**	70,427
Other financial assets	26	**284,228**	289,256
Inventories	27	**73,839**	101,181
Other assets	28	**222,488**	179,493
Investment in associates	29	**1,716,582**	1,404,225
Investment Property	30	**258,390**	260,056
Property, Plant and Equipment	31	**4,512,331**	4,391,241
Right-of-use assets	31.15	**327,439**	215,306
Leasehold property	32	**38,397**	38,866
Intangible assets	33	**51,167**	32,094
Total assets		**70,933,978**	53,230,713
Liabilities			
Bank overdraft		**687,242**	317,122
Financial liabilities at amortised cost - Deposits due to customers	34	**42,775,086**	36,104,935
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	35	**11,418,919**	2,441,542
Other financial liabilities	36	**350,288**	430,673
Current tax liabilities		**194,269**	236,812
Deferred tax liabilities	37	**685,588**	750,164
Other liabilities		**94,975**	114,915
Retirement benefit obligations	38	**489,083**	396,405
Lease Liability	39	**401,997**	273,077
Total liabilities		**57,097,447**	41,065,645
Shareholders' funds			
Stated capital	40	**36,000**	36,000
Revaluation reserve	41.1 & 41.2	**2,997,540**	2,884,448
Statutory reserve fund	42	**941,400**	887,400
General reserves	43	**4,086,430**	4,086,430
Retained earnings	44	**4,829,865**	3,122,457
Regulatory loss allowance reserve	45	**336,894**	1,067,521
Fair Value through OCI reserve	46	**608,402**	80,812
Total shareholders' funds		**13,836,531**	12,165,068
Total liabilities and shareholders' funds		**70,933,978**	53,230,713
Net assets per share (Rs.)		**4,603**	4,047
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 11 June 2025. The Directors have the power to amend and reissue the Financial Statements. Signed for and on behalf of the Board by;

Gerard G. Ondaatjie
Managing Director

Shermal H. Jayasuriya
Finance Director

The material accounting policies and the notes from pages 236 to 329 form an integral part of these financial statements.

11 June 2025
Colombo

Statement of Changes in Equity

	Note	Stated Capital Rs.'000	Revaluation Reserves Land and Buildings Rs.'000	Associate Company Reserve Rs.'000	Statutory Reserves Rs.'000	General Reserves Rs.'000	Regulatory Loss Allowance Reserves Rs.'000	Fair Value through OCI Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'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	11,016,005
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	-
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	3,122,457	12,165,068
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	1,074,666	1,074,666
Other comprehensive income/(expenses)		-	-	113,091	-	-		622,395	(63,539)	671,947
Total comprehensive income/(expenses)		-	-	113,091	-	-	-	622,395	1,011,128	1,746,614
Dividends paid to equity shareholders		-	-	-	-	-	-		(75,150)	(75,150)
Transfer to retained profit		-	-	-	-	-	-	(94,802)	94,802	-
Transfer to regulatory loss allowance reserve		-	-	-	-	-	(730,628)	-	730,628	-
Transfer to statutory reserve		-	-	-	54,000	-	-	-	(54,000)	-
As At 31st March, 2025		36,000	2,279,152	718,388	941,400	4,086,430	336,894	608,405	4,829,865	13,836,531

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 236 to 329 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Note	2025 Rs. '000	2024 Rs. '000
Cash flow from operating activities			
Profit before tax		**1,607,332**	819,779
Capital gain from sale of quoted shares and treasury bonds	9	**8**	-
Unrealized loss from investments of FVTPL	9	**414**	(27,549)
Dividend from investing securities	9	**(75,557)**	(35,705)
Share of profit of associate investments	14	**(199,266)**	(151,837)
Profit on sale of Property, Plant and Equipment	9	**(3,286)**	(423)
Depreciation of Property, Plant and Equipment	12	**126,084**	91,175
Depreciation of Investment Property	12	**1,665**	1,665
Depreciation of ROU assets	12	**97,199**	58,694
Amortization of leasehold property	12	**468**	468
Amortization of intangible assets	12	**30,095**	10,488
Provision for bad and doubtful debts	10	**209,549**	7,911
Retirement benefit provision	38.2	**86,721**	85,397
Retirement benefit paid	38.2	**(59,047)**	(86,631)
Operating profit before changes in operating assets and liabilities (Note A)		**1,822,380**	773,433
(Increase) / decrease in operating assets			
Deposits held for regulatory purposes		**(1,096,978)**	(505,522)
Funds advanced to customers		**(16,286,536)**	(4,178,144)
Other receivables		**(10,625)**	707,817
Increase / (decrease) in operating liabilities			
Other payables		**53,291**	195,119
Deposits from customers		**6,670,151**	4,881,221
		(8,848,318)	1,873,924
Income taxes paid		**(652,920)**	(119,314)
Net cash (used in)/from operating activities		**(9,501,237)**	1,754,610
Cash flows from investing activities			-
Dividends received	9	**75,557**	35,705
Dividends received from associates	29.1	**-**	17,031
Purchase of Equity securities		**(24,229)**	(4,640)
Proceeds from sale of equity securities		**918,244**	58,502
Purchase of Property, Plant and Equipment	31	**(277,497)**	(229,313)
Proceeds from sale of Property, Plant and Equipment		**33,609**	2,179
Acquisition of investment properties		**-**	(34,500)
Acquisition of intangible assets	33	**(49,168)**	(33,247)
Net cash from/(used in) investing activities		**676,518**	**(188,282)**
Cash flows from financing activities			-
Borrowings obtained during the year		**9,957,419**	2,400,000
Borrowings repaid during the year		**(1,199,467)**	(3,445,901)
Dividends paid		**(75,150)**	(43,038)
Net Cash from/(used in) financing activities		**8,682,801**	(1,088,939)
Net increase in cash and cash equivalents		**(141,918)**	477,389
Cash and cash equivalents at the beginning of the period		**2,174,936**	1,697,545
Cash and cash equivalents at the end of the period (Note B)		**2,033,016**	2,174,936
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	**700,076**	386,458
Balances with bank	20	**254,181**	321,724
Money market balances	20	**1,766,001**	1,783,875
Bank Overdrafts		**(687,242)**	(317,122)
		2,033,016	2,174,936
Operational Cash flow from Interest			
Interest Received		**11,239,866**	10,789,748
Interest payments		**(5,143,715)**	(6,797,201)

The material accounting policies and the notes from pages 236 to 329 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 ('the Company') 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 2025 was 1,613 (1,198 as of 31st March 2024).

1.2 Principal activities and nature of operations

Company

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

Associates

The principal activity of the company's associate, namely The 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 2025 (including comparatives) were approved and authorized for issue by the Board of Directors on 11th June 2025.

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.

These financial statements have been prepared under the historic cost basis, except for certain financial assets and liabilities, which are measured at fair value.

2.1 Statement of compliance

The financial statements of the company have been prepared and presented in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards ('SLFRS') and Sri Lanka Accounting Standards ('LKAS') (hereafter "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka, relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC') 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, providing 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 is 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.

These financial statements include the following components:

- Statement of comprehensive income providing the information on the financial performance of the company for the year under review (refer to page 232).
- Statement of financial position providing the information on the financial position of the company as at year-end (refer to page 233).
- A statement of changes in equity depicting all changes in shareholders' equity during the year under review (refer to page 234).
- 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 for the utilization of those cash flows (refer to page 235)
- Notes to the financial statements that comprise of accounting policies used and other explanatory information (refer to pages 236 to 329).

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. Where appropriate, the specific policies are explained in the succeeding notes.

Items	Basis of measurement	Note No.
Financial investments at FVTPL	Measured at Fair value	22
Financial investments at FVOCI	Measured at Fair value	22
Land and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are their fair values at the date of revaluation	31
Defined benefit obligations	Measured at the present value of the defined benefit obligation.	38
Lease liability	Measured at amortised cost using effective interest rate method	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'), which is the Sri Lankan Rupee .

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 55 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".

Notes to the financial statements are presented in a systematic manner, which ensures the understandability and compatibility of the financial statements of the Company. The understandability of the financial statements is not compromised by obscuring material information or by aggregating material items that have different natures or functions.

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 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

When preparing the financial statements, the management shall assess the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, 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 Use of judgements and estimates

The preparation of the company's financial statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related

Notes to the Financial Statements

actual results. Estimates and underlying assumptions are reviewed on an ongoing basis, Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period and any future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below;

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 Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. 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 measurement of impairment losses under Sri Lanka Accounting Standard – SLFRS 9 across all categories of financial assets requires judgements, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

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 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).

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 other financial assets

The Company reviews its debt securities classified as amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc.

Management judgement has been involved in determining whether there is a significant increase in the credit risk of these instruments or these instruments are impaired as at the reporting date.

Equity instruments classified as FVOCI are not subject to an impairment assessment.

2.11.5 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.

2.11.6 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements. The details of the deferred tax computation are given in Note 37 to the Financial Statements.

2.11.7 Estimation of income taxes in relation to uncertain tax position

Judgement is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for tax matters based on estimates of whether additional taxes will be due. If the outcome of these taxes results in a difference in the amounts initially recognized, such differences will impact the income tax and/ or deferred income tax provisions in the period in which such determination is made.

2.11.8 Recognition of 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.

2.11.9 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 etc. Due to the complexity of the valuation, the underlying assumptions and long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 38 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 38.4

2.11.10 Estimation of carrying value and useful lives of Property, Plant and Equipment and Intangible Assets

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.

The Company reviews annually the estimated useful lives of PPE and intangible assets based on factors such as business plans and strategies, expected levels of usage. Future results of operations could be materially affected by changes in these estimates brought by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortization charge and decrease the carrying value.

2.11.11 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 2025. The key assumptions used to determine the fair value of the land and buildings are provided in the Note 31 to the financial statements.

The Company measures lands and buildings at revalued amounts with changes in fair value being recognized in Equity through Other Comprehensive Income (OCI). Valuations are performed to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. The Company engages independent professional valuer to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, lands and building were classified at level 3 in the fair value hierarchy

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land building, and sensitivity analysis are provided in Note 31.

2.11.12 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.

Determination of the treatment of contingent liabilities in the financial statement is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel on matters related to litigation and other experts both within and outside the Company with respect to matters in the ordinary course of business.

2.11.13 SLFRS 16 – Leases

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of- use assets. It also uses judgement in the determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with a similar security in similar economic environment. Further, the Company applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or the termination option.

Notes to the Financial Statements

2.11.14 Impact of climate risk

The Company and its customers are exposed to the physical risks from climate change and the risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Company's counterparties and the underlying collateral limit the impact of this exposure. Climate-related matters may impact the following items and balances.

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. Overall, the Company is of the view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risk associated with climate change. For example, the majority of the counterparties are not employed, or do not operate in high-risk sectors, nor are they located in high-risk geographical areas. As a result, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Fair value measurement: The Company has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13 Fair Value Measurement. Consequently, the Company concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market's participants' view of climate risk variables.

3. Material Accounting Policies – Recognition of Assets and Liabilities

Material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.The accounting policies set out below have been applied consistently to all periods presented in the financial statements, unless otherwise indicated.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective as given in Note 5b).

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 costs in relation to financial assets and financial liabilities at fair value through profit and loss are dealt with through the statement of comprehensive income.

3.1.2.1 Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instruments or based on a valuation technique that shows variables include only data from observable markets, the company immediately recognizes the difference between the transaction price and fair value (a 'Day1' profit or loss) in 'interest income and personnel expenses". In cases where fair value is determined using data, that 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 (SPPI) 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.

a) Business model assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model(and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

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

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

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

In contrast, contractual terms that introduce a more than the minimal exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(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.

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.

The 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.

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 Interest 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, the credit-impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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-month 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-month 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 are 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 the Statement of Comprehensive Income. 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 drawdowns 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 Statement of Financial Position 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 56 - 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 lease 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 lease receivables	24
Hire purchase receivables	25
Placement with Banks	21

3.2.2 Cash and cash equivalents

Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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.

Notes 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. Gains and losses too are recognized in the statement of 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 Company 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 have 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.

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 comprehensive income.

3.2.8 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in 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 reorganization; 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 calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 01 of 2020 on Classification and Measurement of Credit Facilities in Licensed Finance Companies (LFCs). Accordingly, the Company has been recording impairment (expected credit losses) for all loans and advances, debt & other financial instruments not held at FVTPL, together with loan commitments, financial guarantee contracts, letter of credit and acceptances. Equity instruments are not subject to impairment under SLFRS 9.

The methodology adopted by the company is explained below:
The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, the management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

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 by categorizing them, into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered for accounting judgements and estimates include, Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formula and the choice of input
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).
- Additionally, owing to favourable shifts in major macroeconomic indicators, the Economic Factor Adjustment (EFA) has been appropriately updated to reflect these positive changes.

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 the statement of 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 a 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.

Notes to the Financial Statements

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system, which 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 the 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 that do not have a readily determinable market value are valued using models. Non- financial collaterals such as motor vehicles, real estate is 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 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 does it 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 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 Accounting for Leases where the Company is the lessee

Company as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

(a) 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
- 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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right- of-use asset will be depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise purchase option, the ROU asset is depreciated over the underlying asset's useful life. The ROU assets are adjusted for certain measurement of the lease liabilities. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant rate of return on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'right of use asset' and 'lease liabilities' in the statement of financial position.

(c) Short-term leases and leases of low-value assets

Short-term leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of low value assets are recognized on a straight-line basis as an expense in profit or loss.

3.3.1.2 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 lease

3.3.2.1 Finance lease – 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 lease receivables are given in 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 31.1 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 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 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. A) New Accounting Standards/ Amendments To Existing Accounting Standards That Became Effective During The Year

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 01 January 2024 (unless otherwise stated).

The amendments to the following Accounting Standards, did not have a material impact on the Financial Statements of the Company.

- Amendments to LKAS 1- Presentation of Financial Statements 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.

- Amendments to LKAS 7 - Statement of Cash Flows and SLFRS 7 – Financial Instruments Disclosures on Supplier Finance Arrangements

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

- Amendments to LKAS 12 - Income Taxes International Tax Reform – Pillar Two Model Rules

The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the Pillar Two model rules and requires new disclosures about an entity's exposure to income taxes arising from the Pillar Two model rules.

- Amendments to SLFRS 16 – Leases Sale and Lease Back Transactions

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

Apart from the above, there were no new accounting standards/amendments to existing accounting standards that became effective during the year.

5. B) Accounting Standards Issued But Not Yet Effective as at 31st March 2025

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 2025.

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.

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 01 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.

Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

This standards are not applicable to the company.

Apart from the above, there were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2025, having a material impact on the Company's Financial Statements. The Company has applied all relevant accounting standards which have been issued up to 31st March 2025 in the preparation of the Financial Statements for the year ended 31st March 2025.

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	2025 Rs. '000	2024 Rs. '000
Interest income (Note 7.1)	**11,643,483**	10,628,251
Fee and commission income (Note 8)	**92,626**	75,732
Other operating income (Note 9)	**215,892**	244,975
Total	**11,952,001**	10,948,958

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	2025 Rs. '000	2024 Rs. '000
Income from finance lease	**6,219,490**	5,432,365
Income from hire purchase	**-**	2,481
Income from other loans and receivables	**4,804,201**	4,032,859
Income from treasury bills and bonds	**454,432**	877,080
Income from fixed deposits ,unit trust and money market investments	**165,360**	283,467
Total	**11,643,483**	10,628,251

7.2 Interest Expenses

Year ended 31 March	2025 Rs. '000	2024 Rs. '000
Interest on fixed deposits	**4,538,534**	5,856,013
Interest on savings deposits	**8,096**	10,326
Interest on bank overdraft	**260**	193
Interest on bank and securitized borrowings	**609,239**	454,113
Interest on lease liability	**50,271**	75,491
Bank Charges	**50,152**	45,468
Total	**5,256,552**	6,441,603
Net interest income	**6,386,931**	4,186,648

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	2025 Rs. '000	2024 Rs. '000
Gross Commission Income	**92,626**	75,732
	92,626	75,732

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 component of such investments which are identified for trading and classified as FVTPL.

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.

Notes to the Financial Statements

For the Year ended 31 March	2025 Rs. '000	2024 Rs. '000
Dividend from FVOCI - Financial Investments	**75,557**	35,705
Capital gain/(loss) on Government Securities & Equity Securities FVTPL - Financial Investments	**(8)**	142
Unrealized gain/(loss) on Government Securities & Equity Securities FVTPL - Financial Investments	**(414)**	27,407
Rental income from Properties /Investment properties	**18,828**	19,350
Net gain/(loss) on disposal of Property, Plant and Equipment	**3,286**	423
Other income	**115,953**	158,610
Bad debts recovered	**2,690**	3,337
Total	**215,892**	244,975

10. Impairment Charges and Other Losses

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 3.2 (v) to these Financial Statements.

10.1 For the year ended 31st March

Year ended 31 March	2025 Rs. '000	2024 Rs. '000
Charges / (reversals) to the Statement of profit or loss and other comprehensive income on impairment		
- Loans and receivables (Note 23.4)	**(71,302)**	(143,307)
- Finance lease receivables (Note 24.4)	**288,810**	84,593
- Hire purchase receivables (Note 25.4)	**(7,959)**	(12,033)
-Other financial assets (Note 26.1)	**15,099**	78,658
Total	**224,648**	7,911

The comparative figures for the provision for other financial assets include the provision made for the investment in a repurchase agreement with a primary dealer.

10.2 Analysis of Impairment Charges and Other Losses

	2025				2024			
	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	**42,666**	**23,310**	**(137,280)**	**(71,303)**	5,023	(21,206)	(127,123)	(143,307)
Finance lease receivables	**(790)**	**(7,924)**	**297,524**	**288,810**	(7,811)	(54,793)	147,198	84,593
Hire purchase receivables	**23,259**	**(16)**	**(31,202)**	**(7,958)**	(167)	(662)	(11,204)	(12,033)
Other financial assets	**-**	**-**	**15,099**	**15,099**	-	-	78,658	78,658
Total	**65,135**	**15,370**	**144,141**	**224,648**	(2,956)	(76,661)	87,528	7,911

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	2025 Rs. '000	2024 Rs. '000
Salaries and bonus	**1,643,185**	1,220,946
Directors' emoluments (Note 11.1)	**117,151**	98,678
Employer's contribution to EPF	**163,876**	123,859
Employer's contribution to ETF	**39,863**	30,093
Defined benefit plan (Note 38)	**86,721**	85,397
Other allowances and staff related expenses	**42,412**	33,776
Total	**2,093,207**	1,592,749

11.1 Directors' emoluments

Directors' emoluments represents the fees, salaries and allowances paid to both Executive and Non-Executive 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:

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	2025 Rs. '000	2024 Rs. '000
Depreciation of Investment Property (Note 30)	**1,665**	1,665
Depreciation of Property, Plant & Equipment (Note 31)	**126,084**	91,175
Depreciation of ROU Assets (Note 31.15)	**97,199**	58,694
Amortization of Leasehold Property (Note 32)	**468**	468
Amortization of Intangible Assets (Note 33)	**30,095**	10,488
Total	**255,511**	162,490

The company has reviewed the residual value and the useful lives of the assets as at 31st March, 2025 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	2025 Rs. '000	2024 Rs. '000
Auditors' remuneration	**4,147**	3,485
Non Audit related services	**2,293**	1,020
Professional and legal expenses	**26,493**	13,886
Advertising and business promotion expenses	**102,982**	98,076
Insurance premium	**89,623**	77,074
Donations	**546**	552
Office and building maintenance	**90,235**	60,912
Computer equipment maintenance	**89,310**	74,621
Other Operating Expenses	**1,570,766**	1,187,098
Total	**1,976,395**	1,516,724

Notes to the Financial Statements

14. Share of Associates Company's Profit 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 of an associate is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

For the Year ended 31 March	2025 Rs. '000	2024 Rs. '000
The Nuwara Eliya Hotels Company PLC share of Profit after tax (Note 29.1)	**199,266**	151,837
Total	**199,266**	151,837

15. Income Tax Expenses and Tax on Financial Service

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.

For the year ended 31st march	2025 Rs. '000	2024 Rs. '000
Income tax expenses on profit for the year (Note 15.1)	**637,626**	395,916
(Over)/ under provision in respect of previous year	**(41,850)**	(3,059)
Deferred tax (reversal)/ charged (Note 37)	**(63,111)**	(128,890)
Total tax expense for the year	**532,665**	263,966

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	**1,408,066**	667,943
Income tax expense on 12 months accounting PBT @ 30%	**422,420**	200,383
Add: Tax effect on non-deductible expenses	**378,738**	283,929
Less: Tax effect on deductible expenses	**(163,532)**	(88,397)
	637,626	395,916
Effective tax rate (including deferred tax)	**40.80%**	39.98%
Accounting profit before tax on financial services	**2,145,689**	1,227,480
Effective tax rate (excluding VAT on financial services)	**24.82%**	21.50%

Current year income tax expense has been recorded for on the taxable income at the rate of 30%.(2024 - 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	2025 Rs. '000	2024 Rs. '000
Value Added Tax on Financial Services - 18%	**647,858**	491,302
Social Security Contribution Levy on Financial Services - 2.5%	**89,764**	68,236
	737,622	559,538

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	2025 Rs. '000	2024 Rs. '000
Amount used as the numerator		
Net profit after tax attributable to equity holders of the company	**1,074,666**	555,814
Net profit after tax attributable to equity holders of the company for basic and diluted earnings per share	**1,074,666**	555,814

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.)	**357.51**	184.90
Diluted earnings per share (Rs.)	**357.51**	184.90

17. Dividend Per Ordinary Share

Accounting policy

Provision for final dividends is recognized at the time the divided 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	2025			2024		
	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	**75,150**	**-**	**75,150**	60,120	-	60,120
Out of normal profits		**-**	**-**		-	-
Total dividend	**75,150**	**-**	**75,150**	60,120	-	60,120
Dividend per ordinary share (Rs.)	**25**	**-**	**25**	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 significant 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 LKAS 39/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 2025

	Financial Assets at Amortized Cost (AC) Rs.'000	Financial Assets at Fair Value through Profit and Loss (FVPL) Rs.'000	Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) Rs.'000	Total Rs.'000
Financial assets				
Cash and cash equivalents	2,720,258	-	-	2,720,258
Placement with banks at Amortized cost	41,040	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	7,270,360	7,270,360
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	344,772	-	344,772
Financial assets at amortised cost - Loans and advances	27,931,006	-	-	27,931,006
Financial assets at amortised cost - Finance lease receivables	25,060,964	-	-	25,060,964
Financial assets at amortised cost - Hire purchase receivables	80,718	-	-	80,718
Other financial assets	284,228	-	-	284,228
Total financial assets	56,118,214	344,772	7,270,360	63,733,346

For the year ended 31st march	At Amortized Cost Rs. '000	Total Rs. '000
Financial liabilities		
Bank overdraft	687,242	687,242
Financial liabilities at amortised cost - Deposits due to customers	42,775,086	42,775,086
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	11,418,919	11,418,919
Other financial liabilities	350,288	350,288
Total financial liabilities	55,231,535	55,231,535

18.2. Analysis of financial instrument by measurement basis as at 31st March 2024

	Financial Assets at Amortized Cost (AC)	Financial Assets at Fair Value through Profit and Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Total
Financial assets				
Cash and cash equivalents	2,492,057	-	-	2,492,057
Placement with banks at Amortized cost	3,460	-	-	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	-	-	6,498,258	6,498,258
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	329,519	-	329,519
Financial assets at amortised cost - Loans and advances	16,591,202	-	-	16,591,202
Financial assets at amortised cost - Finance lease receivables	20,302,868	-	-	20,302,868
Financial assets at amortised cost - Hire purchase receivables	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**
Financial liabilities at amortised cost - Deposits due to customers	**36,104,935**	**36,104,935**
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	**2,441,542**	**2,441,542**
Other financial liabilities	**430,673**	**430,673**
Total financial liabilities	**39,294,272**	**39,294,272**

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	2025				2024			
	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)	-	-	3,806,931	3,806,931	-	-	3,802,000	3,802,000
	-	-	3,806,931	3,806,931	-	-	3,802,000	3,802,000
Financial assets								
Financial investments- (FVOCI)								
Quoted investments	1,801,156	6,541	-	1,807,697	2,064,942	-	-	2,064,942
Unquoted investments (Note 19.3.2)	-	-	70,427	70,427	-	-	70,427	70,427
Government debt securities	5,392,237	-	-	5,392,237	4,690,579	-	-	4,690,579
Financial investments- (FVTPL)								
Quoted investments	344,772	-	-	344,772	329,519	-	-	329,519
	7,538,163	6,541	70,427	7,615,132	7,085,040	-	70,427	7,155,467

Notes to the Financial Statements

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, 2025.

19.3.2. Value of unquoted shares as at 31st March, 2025 categorized under financial investments- (FVOCI) whose fair values cannot 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 2024 and 2025.

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.

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	2025					2024				
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000
Financial assets										
Cash and cash equivalents	-	-	-	2,720,258	2,720,258	-	-	-	2,492,057	2,492,057
Placement with banks	-	-	-	41,040	41,040	-	-	-	3,460	3,460
Loans and receivables	-	30,092,429	-	30,092,429	27,931,006	-	16,868,707	-	16,868,707	16,591,202
Finance lease receivables	-	26,782,766	-	26,782,766	25,060,964	-	21,589,339	-	21,589,339	20,302,868
Hire purchase receivables	-	80,718	-	80,718	80,718	-	101,631	-	101,631	101,631
Other financial assets	-	-	284,228	284,228	284,228	-	-	289,256	289,256	289,256
Total financial assets	-	56,955,912	284,228	60,001,438	56,118,214	-	38,559,678	289,256	41,344,452	39,780,475
Financial liabilities										
Bank overdraft	-	-	-	687,242	687,242	-	-	-	317,122	317,122
Deposits due to customers	-	42,671,088	-	42,671,088	42,775,086	-	36,352,317	-	36,352,317	36,104,935
Debt instruments issued and other borrowings	-	11,418,919	-	11,418,919	11,418,919	-	2,441,542	-	2,441,542	2,441,542
Other financial liabilities	-	-	350,288	350,288	350,288	-	-	430,673	430,673	430,673
Total financial liabilities	-	54,090,007	350,288	55,127,537	55,231,535	-	38,793,859	430,673	39,541,654	39,294,272

19.5. Reclassification of financial assets

There have not been any reclassifications during the financial years 2023/24 and 2024/25.

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	2025 Rs. '000	2024 Rs. '000
Cash in hand	**700,076**	386,458
Balances with the banks	**254,181**	321,724
Money market balances	**1,766,001**	1,783,875
	2,720,258	2,492,057

As at 31st March 2025, the company had available Rs.2,559 Million (2024-Rs.3,433 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	2025 Rs. '000	2024 Rs. '000
Savings deposit	**3,786**	3,460
Fixed deposit	**37,253**	-
	41,040	3,460

22. Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI) - Quoted

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.

22.1 Government securities, Unit trust and quoted investments

As at 31st March	2025 Rs. '000	2024 Rs. '000
Government debt securities (Note 22.1.b)	**5,392,237**	4,362,889
Equities (Note 22.1 c)	**1,801,156**	2,064,942
Unit Trust Investment (Note 22.1 d)	**6,541**	-
	7,199,933	6,427,831
22.1 (a) Unquoted investments		
Equities (Note 22.1 e)	**70,427**	70,427
	70,427	70,427
Total financial investments	**7,270,360**	6,498,258

22.1 (b) Government Debt Securities

As at 31st March	2025 Rs. '000	2024 Rs. '000
Treasury Bill - FVOCI	**5,392,237**	4,362,889
Treasury Bond - FVTPL	**341,776**	327,690
	5,734,012	4,690,579

22.1 (c) Equities (quoted)

As at 31st March	2025			2024		
	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	**641**	**70**	**95**	630	69	62
Sampath Bank PLC	**114,878**	**10,026**	**14,073**	114,878	10,026	9,190
		10,096	**14,167**		10,095	9,252
Capital Goods						
Aitken Spence PLC	**15,000**	**343**	**1,916**	15,000	343	1,954
John Keells Holdings PLC	**16,657,370**	**301,872**	**336,479**	1,514,307	277,644	293,774
Access Engineering PLC	**-**	**-**	**-**	13,121,925	293,469	296,556
Hayleys PLC	**636,893**	**72,205**	**87,254**	636,893	72,205	52,289
Hemas Holdings PLC	**-**	**-**	**-**	1,000,000	101,131	80,400
ACL Cables PLC	**245,406**	**29,778**	**29,940**	245,406	29,778	20,639
		404,198	**455,589**		774,570	745,612
Consumer Services						
Royal Palms Beach Hotels PLC	**8,576,700**	**124,582**	**283,031**	8,576,700	124,582	257,301
Tangerine Beach Hotels PLC	**3,899,644**	**26,343**	**272,975**	3,899,644	26,343	229,689
Hayleys Leisure PLC	**1,933,440**	**60,070**	**54,523**	1,933,440	60,070	38,669
The Light House Hotel PLC	**7,736,677**	**224,407**	**449,501**	7,736,677	224,407	293,220
Hotel Sigiriya PLC	**13,340**	**556**	**1,025**	13,340	556	680
Palm Garden Hotels PLC	**200,000**	**25,913**	**12,700**	200,000	25,913	8,780
The Fortress Resorts PLC	**100,000**	**2,844**	**2,450**	100,000	2,844	2,300
		464,714	**1,076,205**		464,715	830,639

Notes to the Financial Statements

22.1.2 (c) Equities (quoted) (Contd.)

As at 31st March	2025			2024		
	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	7,093	296,760	14,357	3,650
People's Leasing & Finance PLC	-	-	-	8,029,351	99,842	88,323
LOLC Holdings PLC	100,000	100,528	59,475	100,000	100,528	39,750
LOLC Finance PLC	2,000,000	56,829	11,800	2,000,000	56,829	11,000
		171,714	78,368		271,556	142,723
Food Beverage & Tobacco						
Three Acre Farms PLC	-	-	-	153,545	46,036	42,302
Renuka Foods PLC	203	4	2	203	4	3
Ceylon Grain Elevators PLC	-	-	-	-	-	-
		4	2		46,040	42,305
Insurance						
HNB Assurance PLC	200,000	12,336	15,540	200,000	12,336	11,880
		12,336	15,540		12,336	11,880
Material						
Tokyo Cement Company (Lanka) PLC	-	-	-	2,000,128	119,158	87,806
Swisstek (Ceylon) PLC	250,000	11,623	11,650	250,000	11,623	4,775
		11,623	11,650		130,781	92,581
Real Estate						
East West Properties PLC	50,000	2,471	655	50,000	2,471	415
		2,471	655		2,471	415
Retailing						
United Motors Lanka PLC	150,000	18,701	12,780	150,000	18,701	8,700
Odel PLC	300,000	11,943	3,210	300,000	11,943	3,900
		30,644	15,990		30,644	12,600
Telecommunication services						
Dialog Axiata PLC	9,300,000	102,123	132,990	9,300,000	102,123	108,810
		102,123	132,990		102,123	108,810
Transportation						
ExpoLanka Holdings PLC	-	-	-	452,661	163,766	68,125
		-	-		163,766	68,125
Total		1,209,923	1,801,156		2,009,097	2,064,942

22.1 (d) Unit Trust Investment

As at 31st March	2025		2024	
	Cost Rs. '000	Market Value Rs. '000	Cost Rs. '000	Market Value Rs. '000
NDB Wealth Management Ltd	6,511	6,541	-	-
	6,511	6,541	-	-

22.1 (e) Equities (non-quoted)

As at 31st March	2025			2024		
	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 Assets Measured at Fair Value Through Profit or Loss (FVTPL)

“Financial investments at FVPL is comprised of equity investments and Government Security Investment which are intented 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	2025			2024		
	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**	**2,996**	21,868	2,568	1,795
Transportation						
ExpoLanka Holdings PLC	**-**	**-**	**-**	228	50	34
		2,568	**2,996**		2,618	1,829

22.3 Government Debt Securities

As at 31st March	2025 Rs. '000	2024 Rs. '000
Treasury Bonds - FVTPL	**341,776**	327,690
	341,776	327,690
Total Financial Investments at Fair Value Through Profit or Loss (FVTPL)	**344,772**	329,519

23. Financial Assets at Amortised Cost - Loans and Advances

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	2025 Rs. '000	2024 Rs. '000
Gross loans and receivables	**31,903,518**	19,764,323
Prepaid rentals	**215**	166
Unearned interest	**(3,338,373)**	(2,485,880)
Allowance for impairment (Note 23.4)	**(574,048)**	(653,728)
Interest in suspense	**(60,304)**	(33,679)
Net loans and receivables	**27,931,006**	16,591,202

23.1 Loans and receivables-within one year

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross loans and receivables	**22,845,821**	9,949,437
Prepaid rentals	**215**	166
Unearned interest	**(1,658,714)**	(1,361,536)
Loans and receivables	**21,187,322**	8,588,066

23.2 Loans and receivables-from one to five years

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross loans and receivables	9,057,697	9,807,557
Prepaid rentals	-	-
Unearned interest	(1,679,660)	(1,124,344)
Loans and receivables	7,378,037	8,683,214

23.3 Loans and receivables-after five years

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross loans and receivables	-	7,329
Unearned interest	-	-
Loans and receivables	-	7,329

23.4 Movement in allowance for impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	653,728	808,792
Bad debts written off during the year	(8,378)	(11,757)
Charge/(reversal) to the statement of profit or loss and other comprehensive income	(71,302)	(143,307)
Balance at the end of the year	574,048	653,728

Stagewise impairment provision movement of loan and receivables is disclosed in Note 10 of the financial statements.

23.4.1 Individual impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	362,447	551,901
Bad debt written off during the year	(8,378)	(11,757)
Charge/(reversal) to the statement of profit or loss and other comprehensive income	(97,164)	(177,698)
Balance at the end of the year	256,905	362,447

23.4.2 Collective impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	291,281	256,891
Bad debt written off during the year	-	-
Charge/(reversal) to the statement of profit or loss and other comprehensive income	25,862	34,390
Balance at the end of the year	317,143	291,281

23.5 Sector wise analysis of loans and receivables

As at 31st March	2025 Rs. '000	2024 Rs. '000
Agriculture	**2,804,570**	1,139,479
Industrial	**3,068,618**	1,735,495
Tourism	**1,031,085**	488,175
Trading	**5,801,612**	3,275,231
Construction	**1,383,498**	965,088
Services	**12,765,422**	8,362,316
Others	**5,048,713**	3,798,538
	31,903,518	19,764,323

24. Financial Assets at Amortised Cost - Finance Lease 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 lease net of initial rentals received, unearned interest and provision for impairment are classified as finance lease receivables in the Statement of Financial Position.

After initial measurement, 'finance lease 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	2025 Rs. '000	2024 Rs. '000
Gross finance lease receivables	**33,918,272**	27,969,432
Prepaid rentals	**(311)**	(129)
Unearned interest	**(7,764,932)**	(6,924,171)
Allowance for impairment (Note 24.4)	**(939,037)**	(653,974)
Interest in suspence	**(153,028)**	(88,289)
Net finance lease receivables	**25,060,964**	20,302,868

24.1 Finance lease receivables-within one year

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross finance leases receivables	**14,981,482**	12,953,531
Prepaid rentals	**-**	-
Unearned interest	**(4,737,586)**	(4,085,353)
Finance leases receivables	**10,243,896**	8,868,178

24.2 Finance lease receivables-from one to five years

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross finance lease receivables	**18,936,789**	15,015,902
Prepaid rentals	**(311)**	(129)
Unearned interest	**(3,027,346)**	(2,838,818)
Finance lease receivables	**15,909,132**	12,176,954

24.3 Finance lease receivables-after five years

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross finance lease receivables	**-**	-
Unearned interest	**-**	-
Finance lease receivables	**-**	-

24.4 Movement in allowance for impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning the year	**653,974**	589,869
Bad debt written off during the year	**(3,747)**	(20,489)
Charge/(reverse) to the Statement of profit or loss and other comprehensive income	**288,810**	84,593
Balance at the end the year	**939,037**	653,974

Stagewise impairment provision movement for lease receivables is disclosed in Note 10 of the financial statements.

24.4.1 Movement in individual impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**430,108**	281,897
Bad debt written off during the year	**(3,747)**	(20,489)
Charge/(reverse) to the statement of profit or loss and other comprehensive income	**285,187**	168,700
Balance at the end of the year	**711,548**	430,108

24.4.2 Movement in collective impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**223,866**	307,972
Bad debt written off during the year	**-**	-
Charge/(reverse) to the statement of profit or loss and other comprehensive income	**3,623**	(84,106)
Balance at the end of the year	**227,489**	223,866

Notes to the Financial Statements

24.5 Sector wise analysis of finance lease receivables

As at 31st March	2025 Rs. '000	2024 Rs. '000
Agriculture	**4,488,133**	3,517,433
Industrial	**4,120,036**	45,139
Tourism	**1,097,012**	3,768,715
Trading	**5,697,227**	6,163,773
Construction	**1,855,713**	1,550,091
Services	**15,309,742**	8,050,682
Others	**1,350,408**	4,873,599
	33,918,272	27,969,433

25. Financial Assets at Amortised Cost - 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	2025 Rs. '000	2024 Rs. '000
Gross hire purchases receivables	**287,378**	305,897
Prepaid rentals	**-**	-
Unearned interest	**(486)**	(490)
Allowance for impairment (Note 25.4)	**(176,853)**	(191,193)
Interest in suspense	**(29,320)**	(12,582)
Net hire purchases receivables	**80,718**	101,631

25.1 Hire purchases receivables-within one year

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross hire purchases receivables	**193,594**	202,243
Prepaid rentals	**-**	-
Unearned interest	**-**	-
Hire purchases receivables	**193,594**	202,243

25.2 Hire purchases receivables-from one to five years

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross hire purchases receivables	93,784	103,655
Prepaid rentals	-	-
Unearned interest	(486)	(490)
Hire purchases receivables	93,298	103,164

25.3 Hire purchases receivables-after five years

As at 31st March	2025 Rs. '000	2024 Rs. '000
Gross hire purchases receivables	-	-
Unearned interest	-	-
Hire purchases receivables	-	-

25.4 Movement in allowance for impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning the year	191,193	216,189
Bad debt written off during the year	(6,381)	(12,963)
Charge/(reverse) to the statement of profit or loss and other comprehensive income	(7,959)	(12,033)
Balance at the end the year	176,853	191,193

Stage wise impairment provision movement for hire purchase receivables is disclosed in the Note 10 of the financial statements.

25.4.1 Movement in individual impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	92,547	134,564
Bad debt written off during the year	(6,381)	(4,747)
Charge/(reverse) to the statement of profit or loss and other comprehensive income	(37,906)	(37,270)
Balance at the end of the year	48,260	92,547

25.4.2 Movement in collective impairment

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	98,646	87,835
Bad debt written off during the year	-	-
Charge/(reverse) to the statement of profit or loss and other comprehensive income	29,947	10,811
Balance at the end of the year	128,593	98,646

25.5 Sector wise analysis of hire purchases receivables

As at 31st March	2025 Rs. '000	2024 Rs. '000
Agriculture	**15,897**	16,538
Industrial	**22,324**	22,827
Tourism	**1,979**	1,976
Trading	**34,531**	56,047
Construction	**79,252**	79,964
Services	**118,683**	122,722
Others	**14,712**	5,824
	287,378	305,897

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	2025 Rs. '000	2024 Rs. '000
Insurance receivables	**229,177**	220,932
Investments (Note 26.1)	**9,307**	9,307
Other receivables	**45,744**	59,018
	284,228	289,256

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 impairment provisions of Rs. 627 Million up to 31st March 2024. No additional provision was made for the for the financial year ended 31st March 2025.

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.

As at 31st March	2025 Rs. '000	2024 Rs. '000
Spare parts	5,149	6,402
Lubricant and others	1,653	3,293
Stationary	10,767	8,261
Vehicle Stock	53,712	80,332
Maintenance Stock	2,558	2,893
	73,839	101,181

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	2025 Rs. '000	2024 Rs. '000
Other receivables	115,385	106,446
Deposits and prepayments	107,103	73,047
	222,488	179,493

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 Comprehensive Income.

Company has a 26.12% (2020-26.12%) holding in The Nuwera 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 The Nuwara Eliya Hotels Company PLC, arising on provision of tourism related services is liable for taxation at the rate of 30 % whereas Income from other sources are taxed at the rate of 30%.

As at 31st March	2025 Rs. '000	2024 Rs. '000
Investment in associates - quoted (29.1)	**1,716,582**	1,404,225
Total	**1,716,582**	1,404,225

29.1 Investment in associates - quoted

As at 31st March	2025 Rs. '000	2024 Rs. '000
The Nuwara Eliya Hotels Company PLC		
Carrying value at the beginning of the year	**1,404,225**	1,255,525
Add: Share of associates profit after tax (29.1.1)	**199,266**	151,837
Less : Dividend received from associates	**-**	(17,031)
Current year retained profit net of tax	**199,266**	134,806
Share of Other Comprehensive Income	**113,091**	13,897
Carrying value at the end of the year	**1,716,582**	1,404,225

Summary of associate's statement of financial position

As at 31st March	As per audited financial statements 2025 Rs. '000	As per audited financial statements 2024 Rs. '000
Current assets	**3,136,715**	2,655,615
Non-current assets	**5,102,074**	4,257,650
Current liabilities	**(463,057)**	(512,539)
Non-current liabilities	**(1,203,824)**	(1,024,671)
Net assets	**6,571,906**	5,376,055
Holding percentage of the company		
	26.12%	26.12%
Share of net assets of the company	**1,716,582**	1,404,225
Market value per share (Rs.)	**2,185.75**	1,725.75
Total market value of the investment (Rs.'000)	**1,248,049**	985,521

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.

29.1.1 Summary of Associate's Revenue and Profit after Tax

As at 31st March	2025 Rs. '000	2024 Rs. '000
Revenue	**2,355,665**	2,132,295
Profit after tax	**762,885**	581,307
Share of associate's Profit after tax	**199,266**	151,837

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	2025 Rs. '000	2024 Rs. '000
Cost		
Balance at the beginning of the year	**276,702**	242,202
Additions during the year	**-**	34,500
Balance at the end of the year	**276,702**	276,702
Less : Accumulated Depreciation		
Balance at the beginning of the year	**16,646**	14,982
Charge for the year	**1,665**	1,665
Balance at the end of the year	**18,311**	16,646
Carrying value	**258,390**	260,055

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	2025 Rs. '000	2024 Rs. '000
Rental income derived from investment properties	**10,068**	10,830
Direct operating expenses incurred generating rental income	**(1,552)**	(1,263)
Profit arising from investment properties	**8,516**	9,567

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				2025		2024	
Location	Extent (Perches)	Building (Square Feet)	No of Buildings	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**	**10,000**	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**	**30,000**	12,300	31,200
Nugegoda							
No 19,Sigiri Mawatha,Kohuwala,Nugegoda.	66	-	-	**60,000**	**100,000**	60,000	75,000
Kandana							
No 72, Theresa Mawatha, Kandana.	9.7	-	-	**10,000**	**7,000**	10,000	12,125
Nawagamuwa							
No 737/7,Sri Sumanatissa Mawatha,Kaduwela, Nawagamuwa.	47	-	-	**10,168**	**15,000**	10,168	10,168
Kelaniya							
No 108/1/A Old kandy road, Dalugama, Kelaniya	26.25	-	-	**34,500**	**39,000**	34,500	34,500
Total				**276,702**	**425,500**	276,702	391,493

The fair value of the investment properties as at 31st March, 2025 was based on market valuations carried out in the year 2024/2025 by a professionally qualified independent valuer Mr. E.G. Jayatissa, Chartered Valuation Surveyor, Bsc (Hons) Estate Management, Panel Valuer at Bank & Institutes and Fellow member of Institute of valuers Sri Lanka.Directors are of the view that there is no material change in the fair values as at 31st March 2025 as per their judgement.

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, 2025.

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

2025- Current year	At valuation Land (Rs' 000)	Buildings (Rs' 000)	At cost Motor vehicles (Rs' 000)	Plant and machinery (Rs' 000)	Computer hardware (Rs' 000)	Office equipment (Rs' 000)	Furniture, fixtures & fittings (Rs' 000)	Motor vehicle on operating lease (Rs' 000)	Total (Rs' 000)
Cost/ valuation									
Balance as at 01.04.2024	2,615,000	1,187,000	475,742	54,833	253,788	205,510	190,229	9,500	4,991,602
Additions during the year	-	4,931	7,727	7,750	54,488	92,075	110,528	-	277,497
Disposals during the year	-	-	(880)	-	(4,721)	-	-	-	(5,601)
Derecognition	-	-	(32,400)	-	-	-	-	-	(32,400)
Cost/ valuation as at 31.03.2025	2,615,000	1,191,931	450,188	62,583	303,555	297,584	300,757	9,500	5,231,097
Accumulated depreciation									
Balance as at 01.04.2024	-	-	192,391	46,785	191,852	81,629	79,654	8,050	600,361
Charge for the year	-	23,765	24,576	3,415	29,237	20,650	22,991	1,450	126,084
Disposals during the year	-	-	(3,559)	-	(4,122)		-	-	(7,681)
Derecognition	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31.03.2025	-	23,765	213,408	50,200	216,967	102,279	102,645	9,500	718,764
Net book value as at 31.03.2025	2,615,000	1,168,166	236,780	12,383	86,588	195,305	198,112	-	4,512,332

31.1 Carrying value of Property, Plant and Equipment

2024- Previous year	At valuation		At cost						
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating lease	Total
	(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)
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)
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	4,391,243

31.2 Revaluation of Property, Plant and Equipment

"The land and buildings were revalued during the financial year 2023/2024 and 2024/2025 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 as at 31st March, 2024, while no Revaluation changes were made to land & Building for the year ended 31st March 2025. 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

Notes to the Financial Statements

Location	Extent (Perches)	Buildings (Square Feet)	No of Buildings	Revalued Amount of Buildings (Rs. '000)	Revalued Amount of Land (Rs. '000)	Net Book Value As At 31.03.2025 (Rs. '000)	As a % of Total NBV As At 31.03.2025	Net Book Value As At 31.03.2024 (Rs. '000)	As a % of Total NBV As At 31.03.2024
Kollupitiya - No. 236, Galle Road, Colombo 03	32.56	46,777	1	549,780	814,000	1,363,780	36.10%	1,375,000	36.17%
Maharagama - No. 176, Lake Road, Maharagama	168.74	10,919	2	50,960	548,000	598,960	15.85%	600,000	15.78%
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama	104.00	17,359	3	59,780	249,000	308,780	8.17%	310,000	8.15%
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala	78.91	27,543	2	143,080	404,000	547,080	14.48%	550,000	14.47%
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala	17.80	1,700	1	13,720	47,000	60,720	1.61%	61,000	1.60%
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	9.46	6,264	1	102,900	111,000	213,900	5.66%	216,000	5.68%
Negombo - No. 36, Colombo Road, Negombo	13.87	3,961	1	46,060	38,000	84,060	2.22%	85,000	2.24%
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	-	1,210	1	49,980	-	49,980	1.32%	51,000	1.34%
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	-	3,583	1	151,906	-	151,906	3.89%	150,000	3.95%
Negombo - No. 36/1, Colombo Road, Negombo	16.22	-	-	-	32,000	32,000	0.85%	32,000	0.84%
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03	16.94	-	-	-	372,000	372,000	9.85%	372,000	9.78%
Total	-	-		1,168,166	2,615,000	3,783,166	100%	3,802,000	100%

31.4 (a) Effective Date of Valuation as at 31st March 2025

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2025		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Kollupitiya - No. 236, Galle Road, Colombo 03.	Open Market Basis		814,000	549,780	-	-	-	-
	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		548,000	50,960	-	-	-	-
	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	59,780	-	-	-	-
	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		404,000	143,080	-	-	-	-
	Price per perch of land	4,750,000.00						
	Price per square foot for building	5,306.97						

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2025		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis		47,000	13,720	-	-	-	-
	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		111,000	102,900	-	-	-	-
	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		38,000	46,060	-	-	-	-
	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		-	49,980	-	-	-	-
	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		-	151,906	-	-	-	-
	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		32,000	-	-	-	-	-
	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		372,000	-	-	-	-	-
	Price per perch of land	22,000,000.00						
	Price per square foot for building	-						
Total			2,615,600	1,168,166	-	-	-	-

Although valuations were obtained from a professional valuer, no revaluation gains or losses were recorded as there were no significant price variations as of 31st March 2025. Accordingly, the net book value (NBV) as at 31st March 2025 is considered to represent fair value as at that date.

Notes to the Financial Statements

31.4.2 Details 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 Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings 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						
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 Effective Date of Valuation as at 31st March, 2024

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.	◈ Price per perch for land ◈ Price per square foot for building	Estimated fair value would increase (decrease) if;· ◈ 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	◈ Gross Annual Rentals ◈ Years Purchase	Estimated fair value would increase (decrease) if;· ◈ 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	2025			2024		
Class of asset	Cost Rs. '000	Cumulative Depreciation Rs. '000	Net Carrying Amount Rs. '000	Cost Rs. '000	Cumulative Depreciation Rs. '000	Net Carrying Amount Rs. '000
Freehold land	**160,521**	**-**	**160,521**	160,521	-	160,521
Freehold buildings	**297,274**	**120,922**	**176,352**	292,343	114,998	177,345
	457,794	**120,922**	**336,872**	452,863	114,998	337,865

31.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value (excluding capital working progress) of Rs.227,496,732/- (2024 - Rs.229,313,100/-).

Cash payments amounting to Rs.326,745,394/- (2024 - Rs.262,559,980/-) 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 2025 was zero. (2024 - Rs1,450,086/-), on which the accumulated depreciation as at 31st March 2025 was Rs 9,500,000/- (2024-8,049,914/-).

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. 536,663,993/- (2024- Rs.489,509,338/-).

Notes to the Financial Statements

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, 2025.

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 amotization and impairment losses and adjusted for any re-measurement of lease liabilites. The cost of Right of Use assets includes the amount of lease liabilities recognised, initial direct cost incured , 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	2025 Rs. '000	2024 Rs. '000
Cost		
Balance at the beginning of the year	**513,475**	394,069
Additions/renewal of operating leases during the year	**209,332**	134,333
Disposals during the year	**(38,162)**	(14,927)
Balance at the end of the year	**684,644**	513,475
Accumulated amortization and impairment		
Balance at the beginning of the year	**298,168**	254,401
Amortization for the year	**97,199**	58,694
Disposals during the year	**(38,162)**	(14,927)
At the end of the year	**357,205**	298,168
Net book value as at 31st March	**327,439**	215,306

32. Leasehold Property

As at 31st March	2025 Rs. '000	2024 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 amortzation and impairment		
At the beginning of the year	**7,488**	7,020
Amortization for the year	**468**	468
Disposals	**-**	-
Impairment	**-**	-
At the end of the year	**7,957**	7,488
Net book value as at 31st March	**38,397**	38,866

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.

Notes to the Financial Statements

As at 31st March	2025 Rs. '000	2024 Rs. '000
Cost		
At the beginning of the year	**181,061**	147,814
Additions	**49,168**	33,247
Disposal	**-**	-
At the end of the year	**230,229**	181,061
Accumulated amortization and impairment		
At the beginning of the year	**148,967**	138,479
Amortisation for the year	**30,095**	10,488
Disposal	**-**	-
At the end of the year	**179,062**	148,967
Net book value as at 31st March	**51,167**	32,094

33.1 Net book value of Intangible assets reported as of 31st March 2025 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 39,042,888/- (2024- Rs.Rs 37,108,081/-).

34. Financial Liabilities at Amortised Costs - 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	2025 Rs. '000	2024 Rs. '000
Fixed deposits (note 34.1)	**42,539,201**	35,887,105
Savings deposits	**235,884**	217,830
	42,775,086	36,104,935

34.1 Analysis of fixed deposits by maturity date

As at 31st March	2025 Rs. '000	2024 Rs. '000
1 to 90 days	**4,602,172**	5,338,477
91 to 365 days	**23,676,503**	22,280,303
More than 365 days	**14,260,526**	8,268,325
	42,539,201	35,887,105

34.2 Under the Finance Companies (Insurance of Deposit Liabilities) Direction No. 1 of 2021, issued by the Central Bank of Sri Lanka, and its subsequent amendments, all eligible deposit liabilities have been insured under the Sri Lanka Deposit Insurance Scheme, implemented by the Monetary Board. The Company paid Rs. 54,252,263/- as the insurance premium during the financial year (2023/2024: Rs. 32,714,837/-).

35. Financial Liabilities at Amortised Cost - 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	2025 Rs. '000	2024 Rs. '000
Short term borrowings (Note 35.1)	640,000	340,000
Long term borrowings (Note 35.2)	10,635,264	2,096,900
Interest payable	143,655	4,642
	11,418,919	2,441,542

Reconciliation of opening to closing balance

As at 31st March	2025 Rs. '000	2024 Rs. '000
Short term borrowings		
Opening Balance	340,000	340,000
Addition	300,000	-
Repayment	-	-
Closing Balance	640,000	340,000
Long term borrowings		
Opening Balance	2,096,900	2,096,900
Addition	9,657,419	1,700,000
Repayment	(1,119,056)	(2,593,665)
Closing Balance	10,635,264	2,096,900

35.1 Short Term Borrowings

As at 31st March	Terms of Repayment		2025	2024
	Period	Payment terms	Rs. '000	Rs. '000
Individual Borrowings	01 Year	At maturity	340,000	340,000
Hatton National Bank PLC	01 Year	Fixed Installment	300,000	-
			640,000	340,000

35.2 Long Term Borrowings

As at 31st March	Terms of Repayment			2025	2024
	Interest Rate	Period	Payment terms	Rs. '000	Rs. '000
Securitized Borrowings	Floating Rate	3 Yrs	Variable installment	**-**	459,000
Sampath Bank PLC	Floating Rate	3 yrs	Fixed monthly installment	**221,000**	388,400
Hatton National Bank PLC	Floating Rate	4 yrs	Fixed monthly installment	**48,500**	174,500
Cargills Bank PLC	Floating Rate	3 Yrs	Fixed monthly installment	**116,667**	216,667
Cargills Bank PLC	Floating Rate	4 Yrs	Fixed monthly installment	**258,333**	358,333
Pan Asia Banking Corporation PLC	Floating Rate	3 Yrs	Fixed monthly installment	**333,344**	500,000
Hatton National Bank PLC	Floating Rate	4 Years	Variable Installment	**593,000**	-
Nations Trust Bank PLC	Floating Rate	3 Years	Variable Installment	**375,000**	-
Hatton National Bank PLC	Fixed Rate	3 Years	Fixed Installment	**776,000**	-
Think Capital - Securitisation - Tranch 01	Fixed Rate	16 Months	Fixed Installment	**596,971**	-
Think Capital - Securitisation - Tranch 02	Fixed Rate	2 Years	Fixed Installment	**396,084**	-
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	**861,115**	-
Agora - Securitisation - Tranch 01	Fixed Rate	20 Months	Fixed Installment	**785,475**	-
Agora - Securitisation - Tranch 02	Fixed Rate	24 Months	Fixed Installment	**380,972**	-
National Savings Bank	Floating Rate	3 Years	Variable Installment	**916,667**	-
Areva Securitisation	Fixed Rate	5 Years	Fixed Installment	**1,976,136**	-
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	**1,000,000**	-
Hatton National Bank PLC	Fixed Rate	3 Years	Fixed Installment	**1,000,000**	-
				10,635,264	2,096,900

Maturity analysis of borrowings and assets pledged details are given in note 55 and 51 to the financial statements respectively.

36. Other Financial Liabilities

As at 31st March	2025 Rs. '000	2024 Rs. '000
Vendor payable	**37,689**	135,118
Insurance payable	**170,767**	166,101
Other payable	**141,832**	129,454
	350,288	430,673

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..

Notes to the Financial Statements

As at 31st March	2025		2024	
	Temporary Difference Rs. '000	Tax Effect Rs. '000	Temporary Difference Rs. '000	Tax Effect Rs. '000
Summary of net deferred tax liability				
Balance at the beginning of the year	**(2,500,548)**	**(750,165)**	(2,652,880)	(795,864)
Amount originating/(reversing) during the year(Refer Note 15)	**210,370**	**63,111**	429,632	128,890
Deferred tax effect on revaluation surplus on PPE	**-**	**-**	(324,211)	(97,263)
Deferred tax effect on actuarial gain	**4,884**	**1,465**	46,910	14,073
Balance at the end of the year	**(2,285,294)**	**(685,588)**	(2,500,548)	(750,164)
Deferred tax asset				
Retirement benefit obligation	**489,083**	**146,725**	396,405	118,921
Unclaimed impairment provision	**806,215**	**241,864**	719,879	215,964
Lease Liability	**74,559**	**22,368**	57,771	17,331
	1,369,857	**410,957**	1,174,054	352,216
Deferred tax liability				
Accelerated depreciation for tax purpose - leased assets	**(248,395)**	**(74,518)**	(245,264)	(73,579)
Accelerated depreciation for tax purpose - owned assets	**(264,454)**	**(79,336)**	(287,036)	(86,111)
Deferred tax effect on revaluation surplus	**(3,142,303)**	**(942,691)**	(3,142,303)	(942,691)
	(3,655,151)	**(1,096,545)**	(3,674,603)	(1,102,381)
Net temporary difference and deferred assets/(tax liability)	**(2,285,294)**	**(685,588)**	(2,500,548)	(750,164)

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.

38.1 Provision for retirement benefit obligations

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**396,405**	337,517
Income / Expenses recognized during the year (note 38.2)	**151,725**	145,517
Payments made during the year	**(59,047)**	(86,631)
Past service cost	**-**	-
Balance at the end of the year	**489,083**	396,405

38.2 Expenses recognized in the Statement of profit or loss and other comprehensive income

As at 31st March	2025 Rs. '000	2024 Rs. '000
Interest cost - Statement of Profit or Loss and Other Comprehensive Income	**53,118**	57,378
Current service cost - Statement of Profit or Loss and Other Comprehensive Income	**33,603**	28,019
	86,721	85,397
Actuarial (gain) / loss - Other Comprehensive Income	**65,004**	60,120
	151,725	145,517

Actuarial valuation of the gratuity liability was carried out as at 31st March, 2025 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 20%).

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. (2024- 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 10% has been used having given weightage to the anticipated long term rate of inflation. (Previous year 13.4%).

Salary increases

A 10% p.a salary increment rate has been used in respect of the active employees. (Previous year 10%).

Notes to the Financial Statements

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 2025, sensitivity analysis has been carried out as follows:

		Present Value of Defined Benefit Obligation	
Discount Rate	Salary Escalation Rate	2025 Rs. '000	2024 Rs. '000
1% Increase	As the Rate Above	**467,898**	382,970
1% Decrease	As the Rate Above	**512,380**	410,826
As the Rate Above	1% Increase	**510,442**	409,753
As the Rate Above	1% Decrease	**469,282**	383,759

38.5 Maturity profile of the Defined Benefit Obligation

As at 31st March	2025 Rs. '000	2024 Rs. '000
Within the next 12 Months	**48,311**	63,683
Between 1 - 2 years	**186,246**	118,857
Between 2 - 5 years	**116,834**	123,355
Beyond 5 years	**137,691**	90,510
	489,082	396,405

Weighted Average duration of Defined Benefit Obligation as at 31st March 2025 is 4.9 years.(3.9 years in 2024).

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 11%. (2024 - 13%).

As at 31st March	2025 Rs. '000	2024 Rs. '000
Lease Liability (Note 39.1)	**401,998**	273,077

39.1 Movement in Operating lease liabilities

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance/Restated Balance as at 01st April	**273,077**	178,573
Additions/renewal operating leases during the year	**209,332**	109,085
Accretion of the Interest	**50,271**	75,491
Payment to lease creditors	**(130,682)**	(90,071)
Balance at the end of the year	**401,998**	273,077

39.2 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 2025.

	2025 Rs. '000		2024 Rs. '000	
Increase/(Decrease) in Incremental Borrowing Rate	**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	**(6,292)**	**2,724**	(4,705)	1,646
1bp Down	**6,459**	**(2,888)**	4,887	(1,466)

39.3 Contractual Maturity Analysis of Lease Liability

As at 31st March 2025	With in One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Lease Liability	124,935	277,063	-	401,998

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	2,148	270,929	-	273,077

40. Stated Capital

As at 31st March	2025 Rs. '000	2024 Rs. '000
Value		
Ordinary shares	**36,000**	36,000
	36,000	36,000

As at 31st March	2025 Rs. '000	2024 Rs. '000
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	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**2,884,448**	2,643,603
Increase during the year through FVOCI	**113,091**	338,108
Deferred tax effect	**-**	(97,263)
Balance at the end of the year	**2,997,540**	2,884,448

41.1 Revaluation Reserve- Company

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**2,279,152**	2,052,204
Increase during the year due to revaluation	**-**	324,211
Transfer out realized gain on disposed revalued building	**-**	-
Deferred tax effect	**-**	(97,263)
Balance at the end of the year	**2,279,152**	2,279,152

41.2 Associate Company Reserve

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**605,297**	591,399
Increase during the year through FVOCI	**113,091**	13,897
Transfer out realized gain on disposed revalued building	**-**	-
Deferred tax effect	**-**	-
Balance at the end of the year	**718,388**	605,297

Revaluation reserve (Company & Associates) can be utilized for dividend distribution upon realization.

42. Statutory Reserve Fund

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**887,400**	857,400
Transfers during the year	**54,000**	30,000
Balance at the end of the year	**941,400**	887,400

The statutory reserve fund is maintained in accordance with the Finance Companies (Capital Funds) Direction No. 1 of 2003, issued by the Central Bank of Sri Lanka. As per the said Direction, every registered finance company is required to maintain a reserve fund out of the net profit for each year. Accordingly, 5% of the net profit for the year is transferred to the reserve fund, as long as the capital funds are not less than 25% of total deposit liabilities.

43. General Reserve

As at 31st March	2025 Rs. '000	2024 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	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**3,122,457**	2,721,856
Total comprehensive income		
Profit for the year	**1,074,666**	555,814
Other comprehensive income - acturial gain / (loss)	**(63,539)**	(46,047)
Transfer to statutory reserve	**(54,000)**	(30,000)
Transfer from OCI reserve	**94,802**	5,242
Transfer from/ (to) regulatory loss allowance reserve	**730,628**	(24,287)
Dividend paid	**(75,150)**	(60,120)
Balance at the end of the year	**4,829,865**	3,122,457

45. Regulatory Loss Allowance Reserve

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**1,067,521**	1,043,234
Transfer to retained earnings	**-**	-
Transfer from retained earnings	**(730,628)**	24,287
Balance at the end of the year	**336,894**	1,067,521

* The Regulatory Loss Allowance Reserve is a non-distributable reserve created as required by Section 7.1 of Direction No.01 of 2020.

46. Fair Value Through OCI Reserve

As at 31st March	2025 Rs. '000	2024 Rs. '000
Balance at the beginning of the year	**80,812**	(372,519)
Transfer to retained earning	**(94,802)**	(5,242)
Net gain / (losses) on remeasuring of FVOCI (note 46.1)	**622,394**	458,573
Balance at the end of the year	**608,403**	80,812

46.1 Net gain / (losses) on remeasuring of FVOCI

As at 31st March	2025 Rs. '000	2024 Rs. '000
Government securities unrealised gain / (losses)	**(8,600)**	(29,972)
Equity investments gain / (losses)	**630,994**	488,545
	622,394	458,573

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 2025.

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.

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 Depriciation 3.024 Mn (FY 2024 - 3 Mn).

For the year ended 31st March	2025 Rs. '000	2024 Rs. '000
Short - term employee benefits	**163,234**	120,247
Post employee benefits	**140,126**	97,115
Other cost - Directors	**43,505**	37,675
	346,866	255,037

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.

	2025 Rs. '000	2024 Rs. '000
Statement of financial position		
Liabilities		
Deposits	**812,763**	640,954
Borrowings	**340,000**	340,000
Interest Payable	**2,267**	2,267
	1,155,030	983,220
Statement of profit or loss and other comprehensive income		
Interest expenses	**122,379**	132,347
Other Expenses	**239**	1,894
Other transactions		
Dividend paid on shareholding	**36,346**	29,077

Rs. 484,362/- has been paid by the company for a KMP for the consultation services provided by him, which is not an expense to the company.

Notes to the Financial Statements

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	2025 Rs. '000	2024 Rs. '000
Assets		
Loan & Advances	5,515	-
Insurance commission receivable	35,839	45,525
Other Receivables	7,655	12,017
Total	49,009	57,542
Accommodation as a % of capital funds	0.41%	0.59%
Liabilities		
Deposits	2,201,206	2,079,005
Insurance premium payable	170,767	166,101
Accrued expenses	3,258	3,357
	2,375,231	2,248,464

Statement of profit or loss and other comprehensive income

For the year ended 31st March	2025 Rs. '000	2024 Rs. '000
Interest Income on Loans & Advances	189	-
Rent Income	8,760	8,520
Insurance Commission Income	92,626	75,732
Other Income	9,063	15,254
Interest Expenses on Fixed Deposit	186,634	528,368
Security Expenses	40,649	36,283
Other Expenses	2,186	3,353
Other Transactions		
Dividend Paid on shareholdings	31,214	24,971

50.4.2 Transactions with Associate

Statement of financial position

As at 31st March	2025 Rs. '000	2024 Rs. '000
Assets		
Other Receivables	**153**	1,911
Liabilities		
Deposits	**1,568,398**	1,497,181

Statement of profit or loss and other comprehensive income

For the year ended 31st March	2025 Rs. '000	2024 Rs. '000
Interest expenses on fixed deposits	**129,967**	290,767
Rent income	**1,800**	1,800
Other income	**2,094**	4,537
Other Expenses	**9**	915
Other transactions		
Dividend income	**-**	17,031

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.	1,506,569	12.61%	Premium paid at market rate

Notes to the Financial Statements

51. Assets Pledged

The following assets have been pledged as secuirty for banking and loan facilities

Name of the bank	Nature of the facility	Facility amount (Rs.)	Facility outstanding as at 31.03.2025 (Rs. 000)	Securities/ mortgages
Hatton National Bank PLC	Overdraft / Short term loan facility	347 Million	300,000	Mortgaged over investments in quoted shares by the company and over immovable property No. 28,Sunethradevi Road, Kohuwala
	Term Loan	500 Million	48,500	Mortgaged over hire purchases, leases and vehicle loan receivables for 120%
	Term Loan	750 Million	593,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 125%
	Term Loan	1 Billion	776,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 125%
	Term Loan	1 Billion	1,000,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 125%
Sampath Bank PLC	Overdraft	100 Million	-	Mortgaged over property at Vajiragnana Mawatha, Maharagama
	Term Loan	500 Million	221,000	Mortgaged over leases receivables for 1.5 times
Seylan Bank PLC	Short Term Loan	500 Million	-	Mortgaged over leases and vehicle loan receivables for 1.5 times
	Term Loan	1 Billion	1,000,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.5 times
Nations Trust Bank PLC	Term loan	500 Million	375,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Short Term Loan	1 Billion	-	Mortgaged over leases receivables for 1.3 times
Pan Asia Banking Corporation PLC	Term Loan	500 Million	333,344	Mortgaged over leases and vehicle loan receivables for 150%
Commercial Bank of Ceylon PLC	Overdraft	125 Million	-	Mortgaged over investments in quoted shares by the company
	Term Loan	1 Billion	861,115	Mortgaged over leases and vehicle loan receivables for 150%
National Saving Bank	Term Loan	1 Billion	916,667	Mortgaged over leases and vehicle loan receivables for 150%
Cargills Bank PLC	Term Loan	400 Million	116,666	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.5 times
	Term Loan	300 Million	258,333	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.5 times
			6,799,625	

Name of the bank	Nature of the facility	Facility amount (Rs.)	Outstanding as at 31.03.2025 (Rs. 000)	Securities/ mortgages
Securitized borrowings	Trust Loan	792 Million	785,475	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Trust Loan	384 Million	380,972	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Trust Loan	600 Million	596,971	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Trust Loan	400 Million	396,084	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Trust Loan	2 Billion	1,976,136	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
			4,135,638	

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, 2025 and comparative figures for the year ended 31st March, 2024.

Notes to the Financial Statements

54. Financial Reporting By Segments As Per The Provisions Of Sri Lanka Financial Reporting Standard - SLFRS 08

For the year ended 31st March	Finance Lease		Hire Purchase	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
External operating income				
Interest income	6,219,490	5,432,365	-	2,481
Interest expenses	2,735,364	3,196,025	-	1,460
Net interest income/(expenses)	3,484,126	2,236,340	-	1,021
Fee and commission income	-	-	-	-
Capital gains	-	-	-	-
Dividends	-	-	-	-
Others	-	-	-	-
Total operating income	3,484,126	2,236,340	-	1,021
Less: Impairment charge/(reversal) for loans and receivables / Equity Investments	288,810	84,593	(7,959)	(12,033)
Net operating income	3,195,315	2,151,747	7,959	13,054
Personnel expenses	1,089,247	790,248	-	361
Commission	209,151	121,753	49,336	72
Depreciation and amortisation	132,961	80,620	-	37
Disallowed VAT on expenses	61,001	35,161	-	16
Other overheads	771,950	640,513	-	293
	2,264,310	1,668,295	49,336	778
Operating profit before value added tax on financial services	931,006	483,452	(41,377)	12,276
Value added tax and NBT on financial services	383,838	277,617	-	127
Operating profit after value added tax on financial services	547,168	205,836	(41,377)	12,149
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	25,060,961	20,302,868	80,718	101,631
Segment liabilities	20,172,518	15,662,956	64,973	78,405
Net assets	4,888,443	4,639,911	15,745	23,226

Loans & Advances		Investments		Others		Total	
2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
4,804,201	4,032,859	619,790	1,160,547	-	-	11,643,483	10,628,251
2,112,913	2,372,653	305,817	719,116	102,458	152,351	5,256,552	6,441,603
2,691,288	1,660,206	313,973	441,431	(102,458)	(152,351)	6,386,931	4,186,648
-	-	-	-	92,626	75,732	92,626	75,732
-	-		26,047	-	-	-	26,047
-	-	75,557	35,705	-	-	75,557	35,705
-	-	-	-	140,335	183,222	140,335	183,222
2,691,288	1,660,206	389,530	503,184	130,504	106,604	6,695,449	4,507,355
(71,302)	(143,307)	-	-	15,099	78,658	224,648	7,911
2,762,590	1,803,513	389,530	503,184	115,405	27,946	6,470,800	4,499,443
841,381	586,661	121,779	177,808	40,800	37,670	2,093,207	1,592,749
117,226	33,076	-	-	-	-	375,713	154,900
102,705	59,850	14,865	18,140	4,980	3,843	255,511	162,490
47,120	26,103	6,820	7,911	2,285	1,676	117,226	70,867
596,287	475,502	86,305	144,117	28,915	30,532	1,483,457	1,290,957
1,704,719	1,181,191	229,769	347,977	76,980	73,722	4,325,115	3,271,963
1,057,872	622,322	159,760	155,207	38,425	(45,776)	2,145,687	1,227,480
296,493	206,096	42,914	62,465	14,377	13,234	737,622	559,538
761,379	416,226	116,847	92,742	24,048	(59,010)	1,408,065	667,942
						199,266	151,837
						1,607,331	819,780
						(532,665)	(263,966)
						1,074,665	555,814
27,931,006	16,591,202	9,027,981	7,905,943	8,833,311	8,329,070	70,933,978	53,230,713
22,482,725	12,799,535	7,266,964	6,099,160	7,110,267	6,425,588	57,097,447	41,065,645
5,448,281	3,791,667	1,761,017	1,806,783	1,719,253	1,903,482	13,836,531	12,165,069

55. 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	2025 Within 12 months Rs.'000	After 12 months Rs.'000	Total Rs.'000	2024 Within 12 months Rs.'000	After 12 months Rs.'000	Total Rs.'000
Assets						
Financial assets						
Cash and cash equivalents	2,720,258	-	2,720,258	2,492,057	-	2,492,057
Placement with banks	41,040	-	41,040	-	3,460	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	6,173,641	1,026,291	7,199,932	5,497,760	930,071	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	344,772	-	344,772	329,519	-	329,519
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	-	70,427	70,427	-	70,427	70,427
Financial assets at amortised cost - Loans and advances	20,152,075	7,778,931	27,931,006	10,642,462	5,948,740	16,591,202
Financial assets at amortised cost - Finance lease receivables	9,571,700	15,489,264	25,060,964	7,867,509	12,435,359	20,302,868
Financial assets at amortised cost - Hire purchase receivables	3,198	77,520	80,718	48,050	53,582	101,632
Other financial assets	-	284,228	284,228	279,950	9,307	289,256
Total financial assets	39,006,684	24,726,661	63,733,345	27,157,307	19,450,946	46,608,253
Non-financial assets						
Inventories	-	73,838	73,838	-	101,181	101,181
Investment in associates	-	1,716,582	1,716,582	-	1,404,225	1,404,225
Other assets	-	222,488	222,488	106,446	73,047	179,493
Property, plant and equipment	-	4,512,331	4,512,331	-	4,391,241	4,391,241
Leasehold property	-	38,397	38,397	-	38,866	38,866
Intangible assets	-	51,167	51,167	-	32,094	32,094
Investment property	-	258,390	258,390	-	260,055	260,055
Right-of-use assets	-	327,439	327,439	-	215,306	215,306
Total non-financial assets	-	7,200,633	7,200,633	106,446	6,516,015	6,622,461
Total assets	39,006,684	31,927,294	70,933,978	27,263,753	25,966,961	53,230,714
Liabilities						
Financial liabilities						
Bank overdraft	687,242	-	687,242	317,122	-	317,122
Financial liabilities at amortised cost - Deposits due to customers	33,595,432	9,179,654	42,775,086	29,597,549	6,507,387	36,104,935
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	4,920,614	6,498,306	11,418,919	1,460,216	981,325	2,441,542
Other financial liabilities	-	350,288	350,288	402,172	28,505	430,677
Total financial liabilities	39,203,287	16,028,248	55,231,535	31,777,060	7,517,217	39,294,276
Non-financial liabilities						
Current tax liabilities	194,269	-	194,269	236,812	-	236,812
Deferred tax liability	-	685,588	685,588	-	750,164	750,164
Other liabilities	-	94,975	94,975	114,915	-	114,915
Retirement benefit obligation	-	489,083	489,083	-	396,404	396,405
Lease Liability	-	401,997	401,997	-	273,077	273,077
Total non-financial liabilities	194,269	1,671,643	1,865,912	351,727	1,419,645	1,771,372
Total liabilities	39,397,556	17,699,891	57,097,447	32,128,786	8,936,862	41,065,648
Net assets/ liabilities	(390,872)	14,227,403	13,836,531	(4,865,033)	17,030,099	12,165,068

56. Financial Risk Management

56.1Risk Index

56.2 Introduction

To manage the evolving industry dynamics led risk environment , MI's risk management approach and framework was enhanced to ensure effective proactive measures are instilled for Board and management to be aware and take necessary actions. Policy and procedure changes affected during the financial year under review ensured there remained appropriate balance between risk and rewards. The company hence was well geared to face ongoing market volatility that prevailed with resilience. By instilling strong controls and strategies, management continuously strived to mitigate risks in the attempt of encountering increases in specific areas of business from the evolving business climate. The risk disclosure notes 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.

Notes to the Financial Statements

56.2.1 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, Human Resources and Remuneration Committee, Nomination and Governance 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.

MI's risk management policies and procedures are properly aligned to our overall businesses strategy to safeguard and counter against material risks, in keeping to sound governance practices and finance industry standards, Based on proper understanding of our operating context, management has established risk appetite levels sanctioned by the BIRMC in keeping to the Approved Risk Appetite Statement (RAS) completed by the risk unit for the year ended review. Any negative deviations and exceeding of limits are captured through a sound risk monitoring process that include Chief Risk Officer (CRO) regularly reporting to the respective subcommittee through to the Board for their guidance and instructions.

56.2.2 Risk measurement and reporting

"The company has 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.

MI's 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 CRO for the committee's oversight and instructions.

56.2.3 MI's Integrated Risk Management Framework

56.3 Credit Risk

It is the general understanding that Credit risk arises due to failure of a customer or counterparty to honor their financial or contractual obligations to the Company. Being in the business of lending and as a finance company, managing Credit Risk is of utmost importantance and a vital element in MI's overall risk management strategy. As the company loan book exceeds Rs. 53 billion it is therefore necessary to maintan a close monitoring and preemptive 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).

56.3.1 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 2024/25 in keeping to SLFRS 9.

56.3.1. A Credit Quality by Class of Financial Assets - As at 31st March 2025 (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	2,720,258	-	-	-	2,720,258
Placements with banks	41,040	-	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	7,199,933	-	-	-	7,199,933
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	344,772	-	-	-	344,772
Financial assets at amortised cost - Loans and advances	-	24,539,639	3,308,489	717,232	28,565,360
Financial assets at amortised cost - Finance lease receivables	-	18,724,565	5,735,738	1,692,726	26,153,029
Financial assets at amortised cost - Hire purchase receivables	-	310	-	286,582	286,892
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	-	-	70,427
Other Financial Assets	284,228	-	-	-	284,228
	10,660,657	43,264,514	9,044,227	2,696,540	65,665,938

Commentary

Out of MI's total loan portfolio, 79% comprises of ECL stage 1 assigned loans and receivables (FY 2023/24, 70%) 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.

56.3.1.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 2025 (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	19,843,483	4,696,156	3,308,489	717,232
Finance Lease Receivables	12,095,003	6,629,562	5,735,738	1,692,726
Hire Purchase Receivables	110	200	-	286,582
	31,938,596	11,325,918	9,044,227	2,696,540

Commentary

58% of MI's loan book was classified under the "high grade performing" category with no past due amounts, marking a substantial improvement from 45% in the previous financial year. This notable enhancement in asset quality reflects both the gradual recovery in household income levels within Sri Lanka's LFC sector—driven by a stabilising economic environment—and the company's effective recovery strategies.

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.

a) **Impairment:** The amount by which the recoverable amount of an asset is less than its carrying amount. Refer pages 242 to 243 in notes to the financial statements for details on impairment methodology adopted and related policies.

b) **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.

c) **Collective Impairment:** All the lending contracts other than contracts which are considered for Individual Impairment, are assessed under collective basis.

d) **Past Due:** MI considers any amount uncollected one day or more beyond their contractual due date are 'past due'.

e) **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

56.3.1.C 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 Fair Value Through Other Comprehensive Income (FVOCI) - quoted	6,427,831	-	-	-	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	329,519	-	-	-	329,519
Financial assets at amortised cost - Loans and advances	-	13,504,827	2,420,687	1,353,095	17,278,609
Financial assets at amortised cost - Finance lease receivables	-	13,518,606	5,396,139	2,130,386	21,045,131
Financial assets at amortised cost - Hire purchase receivables	-	604	211	304,591	305,406
Financial assets measured at Fair Value Through Other Comprehensive Income (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

56.3.1.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 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

56.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2025

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, 2024	2,492,057	2,492,057	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	228,201	228,201	-	-	-
Financial assets derecognized or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2025	2,720,258	2,720,258	-	-	-
Placements with banks					
Gross carrying amount as at April 1, 2024	3,460	3,460	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	37,580	37,580	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2025	41,040	41,040	-	-	-
Financial assets measured at FVOCI (quoted)					
Gross carrying amount as at April 1, 2024	6,427,831	6,427,831	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	772,102	772,102	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	7,199,933	7,199,933	-	-	-
Financial assets measured at FVTPL					
Gross carrying amount as at April 1, 2024	329,519	329,519	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	15,253	15,253	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	344,772	344,772	-	-	-

	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, 2024	17,278,609	-	13,504,827	2,420,687	1,353,095
Transfer to Stage	-	-	(339,330)	273,666	65,664
New assets originated or purchased	28,564,072	-	24,538,351	3,308,490	717,232
Financial assets derecognised or repaid (excluding write-offs)	(17,269,026)	-	(13,164,209)	(2,694,354)	(1,410,464)
Write-offs	(8,295)	-	-	-	(8,295)
As at March 31, 2025	28,565,360	-	24,539,639	3,308,489	717,232
Financial assets at amortised cost – Finance lease receivables					
Gross carrying amount as at April 1, 2024	21,045,131	-	13,518,606	5,396,139	2,130,386
Transfer to Stage	-	-	(1,047,016)	827,343	219,673
New assets originated or purchased	15,706,170	-	12,828,745	2,823,310	54,115
Financial assets derecognised or repaid (excluding write-offs)	(10,594,524)	-	(6,575,770)	(3,311,054)	(707,700)
Write-offs	(3,747)	-	-	-	(3,747)
As at March 31, 2025	26,153,029	-	18,724,565	5,735,738	1,692,726
Financial assets at amortised cost – Hire Purchase receivables					
Gross carrying amount as at April 1, 2024	305,406	-	604	211	304,591
Transfer to Stage	-	-	246	(211)	(35)
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(12,133)	-	(540)	-	(11,593)
Write-offs	(6,381)	-	-	-	(6,381)
As at March 31, 2025	286,892	-	310	-	286,582

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
Financial assets measured at FVOCI (unquoted)					
Gross carrying amount as at April 1, 2024	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, 2025	70,427	70,427	-	-	-
Other Financial Assets					
Gross carrying amount as at April 1, 2024	289,256	289,256	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(5,028)	(5,028)	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	284,228	284,228	-	-	-

56.3.1.F Provision for Impairment (ECL) Movement (as per SLFRS 9)- As at 31st March 2025

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, 2024			70,944	29,510	553,274	653,728
Transfer to Stage			(22,755)	(3,708)	26,463	-
Net remeasurement of impairment			48,167	13,453	(262,717)	(201,097)
New assets originated or purchased			71,402	33,000	359,040	463,442
Financial assets derecognised or repaid (excluding write-offs)			(60,528)	(21,406)	(251,711)	(333,645)
Write offs and Recoveries			-	-	(8,378)	(8,378)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2025	23	268	107,230	50,850	415,970	574,049

	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 – Finance lease receivables						
Provision for impairment (ECL) as at April 1, 2024			65,261	60,118	528,595	653,974
Transfer to Stage			(17,351)	(2,459)	19,810	-
Net remeasurement of impairment			(18,167)	(7,837)	305,219	279,215
New assets originated or purchased			54,476	27,840	3,253	85,568
Financial assets derecognised or repaid (excluding write-offs)			(19,747)	(25,466)	(30,750)	(75,963)
Write offs and Recoveries			-	-	(3,747)	(3,747)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2025	24	270	64,471	52,195	822,380	939,047

	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, 2024			18	13	191,162	191,193
Transfer to Stage			-	(13)	13	-
Net remeasurement of impairment			-	-	-	-
New assets originated or purchased			-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)			23,256	-	(31,215)	(7,959)
Write offs and Recoveries			-	-	(6,381)	(6,381)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2025	25	272	23,274	-	153,579	176,853

56.3.2 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, 2025	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,	1,353,095	2,130,386	304,591	3,788,072
Newly classified as impaired loans and advances during the year	717,232	54,115	-	771,347
Net change in already impaired loans and advances during the year	65,664	219,673	(35)	285,302
Net payment, write-off and recoveries and other movement during the year	(1,418,759)	(711,447)	(17,974)	(2,148,180)
Impaired loans and advances of customers as at March 31,	717,232	1,692,726	286,582	2,696,541

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

56.3.3 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 2025 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 2025 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
	Stage 1	Stage 2	Stage 3	Total	
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
PD 1% increase across all age buckets	19,745	5,905	-	25,651	(25,651)
PD 1% decrease across all age buckets *	(19,745)	(5,905)	-	(25,651)	25,651
LGD 5% increase	103,660	100,639	170,682	374,980	(374,980)
LGD 5% decrease *	(103,660)	(100,639)	(170,682)	(374,980)	374,980
Probability weighted Economic Scenarios					
Base case 10% increase, worst case 5% decrease and best case 5% decrease	228	98	-	325	(325)
Base case 10% decrease, worst case 5% increase and best case 5% increase	(228)	(98)	-	(325)	325

* 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. 25.6 Million and Rs. 374.9 Million respectively to the Income Statement. However, impact of this worse case will bring down Total Capital Adequacy Ratio to 16.56%, well above the minimum regulatory limit of 12.5%.

56.3.4 Types of Collateral taken to minimise Credit Exposure

56.3.4.A Collateral Held

Type of Lending	Collateral generally obtained
Lease & Hire Purchase	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	Any movable and non-movable property
Micro Finance, Cheque Loans	Promissory notes
Gold Loans	Gold articles

Notes to the Financial Statements

56.3.4.B Credit Portfolio Classification Based on Loan to Value Ratio (LTV)

The table below specifies eligible credit exposures on the credit disbursements carried out for the FY 2024/25 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							
	2024/25				2023/24			
	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
0-20	**375,744**	**162,005**	**-**	**537,749**	343,522	78,718	-	422,240
20-40	**2,130,199**	**1,115,768**	**-**	**3,245,967**	1,918,467	714,427	-	2,632,894
40-60	**6,207,398**	**4,274,241**	**-**	**10,481,639**	4,887,866	3,035,145	-	7,923,011
60-70	**9,302,571**	**9,764,387**	**-**	**19,066,958**	6,796,128	4,783,687	-	11,579,815
70-80	**24,702,536**	**4,476,152**	**-**	**29,178,688**	6,057,708	2,233,713	-	8,291,421
80-90	**-**	**-**	**-**	**-**	1,636,365	103,374	-	1,739,739
90-100	**1,048,000**	**-**	**-**	**1,048,000**	23,725		-	23,725
	43,766,447	**19,792,553**	**-**	**63,559,000**	21,663,781	10,949,064	-	32,612,845

Commentary
LTV remained below 80% for approximately 98% of new lending business carried out during the year, indicating adequate collateral backing to cover against the remaining credit exposure.

56.3.4. 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 2025		31st March 2024	
	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	**2,720,258**	**2,720,258**	2,492,057	2,492,057
Placements with banks	**41,040**	**41,040**	3,460	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	**7,199,933**	**7,199,933**	6,427,831	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	**344,772**	**344,772**	329,519	329,519
Financial assets at amortised cost - Loans and advances	**27,931,006**	**-**	16,591,202	-
Financial assets at amortised cost - Finance lease receivables	**25,060,964**	**-**	20,302,868	-
Financial assets at amortised cost - Hire purchase receivables	**80,718**	**-**	101,631	-
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	**70,427**	**70,427**	70,427	70,427
Other Financial Assets	**284,228**	**284,228**	289,256	289,256
	63,733,345		46,608,252	

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 recover or minimise credit risk exposure.

Measurement Assumptions

a) The value of collateral represents the market value of the collateral asset at the time of granting the credit facility.

b) Net exposure was arrived by deducting the total value of the collateral from the total carrying value.

56.3.5 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.

56.4 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.

56.4.1 Exposure to Liquidity Risk

Ratio	2025 %	2024 %
Net Loans & Advances /Customer Deposits	**124**	102
Net Loans & Advances /Total Assets	**75**	70

Commentary

Increase in MI's net loans to customer deposits ratio indicates a strategic shift toward enhancing revenue generation through MI's core lending business. Moreover, the rapid loan book growth was source from primarily deposit mobilization and in parallel relatively higher funding contribution sourced from borrowings during this period under review.

56.4.2 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 2025.

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.

Notes to the Financial Statements

	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	2,720,258	-	-	-	-	-	-	2,720,258
Placement with Banks	-	41,040	-	-	-	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	6,541	3,605,634	3,587,759	-	-	-	-	7,199,933
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	2,996	-	-	341,776	-	-	344,772
Financial assets at amortised cost - Loans and advances	1,921,331	7,186,655	13,737,835	7,526,720	1,530,977	-	-	31,903,518
Financial assets at amortised cost - Finance lease receivables	1,386,712	3,851,739	9,743,032	15,877,721	3,059,069	-	-	33,918,272
Financial assets at amortised cost - Hire purchase receivables	287,092	-	-	-	-	-	-	287,092
Other Financial Assets	-	284,228	-	-	-	-	-	284,228
Total Financial Assets	6,321,932	14,972,291	27,068,625	23,404,441	4,931,821	-	-	76,699,111
Financial Liabilities								
Bank Overdraft	687,242	-	-	-	-	-	-	687,242
Financial liabilities at amortised cost - Deposits due to customers	235,884	18,998,326	18,123,855	10,875,800	2,490,845	-	-	50,724,709
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	-	327,581	4,745,146	10,596,543	4,360,818	-	-	20,030,088
Other Financial Liabilities	-	57,621	292,668	-	-	-	-	350,288
Total Financial Liabilities	923,126	19,383,528	23,161,668	21,472,342	6,851,663	-	-	71,792,327
Total Net Financial Assets/ Liabilities	5,398,807	(4,411,237)	3,906,957	1,932,098	(1,919,842)	-	-	4,906,784

Measurement Assumptions

- Liquidity gap analysis is prepared based on the contractual maturity of assets and liabilities as at 31st March 2025.
- 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 2025 interest rate or the interest rate cap was used for calculation.

Commentary

With the sourcing of higher degree of long term borrowings as opposed to carrying a shorter tenor deposit base , to match the longer duration loan book, the company was able to keep the 1 year cumulative financial assets and liability mismatch positive Rs 3.9 billion (FY 2023/24 -Rs. 1.6 Bn Negative). By disbursing higher levels of shorter tenor credit through Gold Loans , I product, and other shorter tenor lending , thus assets and liability positions was better managed this year.

56.4.3 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 17.3% 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.

56.4.4 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 2025	Actual as at 31st March 2025	CBSL minimum requirement as at 31st March 2024	Actual as at 31st March 2024
Total liquid assets (Rs.000)	**4,323,445**	**8,546,627**	3,655,385	7,170,967
Statutory liquid assets ratio (%)	**10.00**	**19.82**	10.00	19.68
Minimum approved securities (Rs.000)	**2,519,039**	**5,734,012**	2,209,375	4,677,461

Commentary

Throughout the year, Liquidity buffers were kept to meet immerging needs and moreover to endure any market shocks that could result from the prevailed economic volatility. Accordingly, the statutory liquidity ratio was maintained at 19.82% well above the regulatory minimum of 10%..

56.4.5 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 was MI's primary mobilization of deposits which remained on a growth trajectory, sourced from 73 MI locations..

56.5 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.

Notes to the Financial Statements

56.5.1 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.

56.5.1. 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 2025. 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	41,040	-	-	-	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	1,811,019	3,581,219	-	-	-	-	5,392,237
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)				341,776			
Financial assets at amortised cost - Loans and advances	7,464,671	13,004,616	6,102,452	1,993,620			28,565,360
Financial assets at amortised cost - Finance lease receivables	4,107,868	6,721,564	12,450,166	2,873,431	-	-	26,153,029
Financial assets at amortised cost - Hire purchase receivables	286,892	-	-	-	-	-	286,892
Total Financial Assets	13,711,489	23,307,399	18,552,618	5,208,827	-	-	60,438,558
Financial Liabilities							
Bank Overdraft	687,242	-	-	-	-	-	687,242
Deposits Due to Customers	17,557,653	16,177,801	8,346,934	670,511	-	-	42,752,899
Debt Instruments Issued and Other Borrowings	1,242,545	3,645,664	5,744,078	827,800	-	-	11,460,088
Total Financial Liabilities	19,487,440	19,823,465	14,091,012	1,498,311	-	-	54,900,228
Total Interest Sensitivity Gap	(5,775,950)	3,483,934	4,461,606	3,710,516	-	-	5,538,330

Measurement Assumptions

a) 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.

b) The market rates are predicted with no material changes in the foreseeable future.

c) The lending and deposit volumes are assumed to remain unchanged

56.5.1. B Interest Rate Sensitivity Analysis

Given below is a sensitivity analysis carried out as at 31st March 2025 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	3,021,928	(3,021,928)	6,043,856	(6,043,856)
Effect on Rate sensitive Liabilities	2,745,011	(2,745,011)	5,490,023	(5,490,023)
Sensitivity/ effect to Net Interest Income	276,916	(276,916)	553,833	(553,833)

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. 60.43 billion and rate sensitive liabilities of Rs. 54.9 billion. Based on the sensitivity analysis, an interest rate fluctuation of 10%+ or (10%) will result in a worse case Rs. 553 Million impact to Net Interest Income. This moderate impact will not result in negative profitability and minimal impact to of 5% total capital position.

56.5.2 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.1.8 billion, which has been primarily invested in blue chips institutions mostly in the hotel and capital goods sectors. MI conducts market-to-market calculations on a periodic basis to identify fair value impacts caused by equity prices fluctuations.

56.5.2.A Analysis on Exposure to Equity Price Risk

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.

Notes to the Financial Statements

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	11,155	1
Capital Goods	175,768	279,821	26
Consumer services	427,328	648,877	61
Diversified Financials	34,471	43,897	4
Food Beverage	2	0	0
Insurance	5,600	9,940	1
Materials	2,975	8,675	1
Real Estate	290	365	0
Retailing	10,500	5,490	0
Telecommunication	73,470	59,520	6
	733,416	1,067,740	100

Commentary

A possible negative impact to OCI is negated with the uptick witnessed in the stock market, driven by political stability, strong economic performance, boost in foreign investments and reduced interest rates following relaxed monetary policies.

The table below summarises the impact on Other Comprehensive Income due to 10% change in equity market prices.

	2024/25 Financial investments - at Fair Value through OCI Rs. '000	2023/24 Financial investments - at Fair Value through OCI Rs. '000
Stress Level	**Impact on OCI**	Impact on OCI
Shock of 10% on equity price (upward)	**180,116**	206,494
Shock of 10% on equity price (downward)	**(180,116)**	(206,494)

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. 180 million as at the end of 31 March 2025. Total impact to Total Risk Weighted Capital Adequacy Ratio (CAR) would be marginal and keeping yet MI's CAR at 17.05% well above the regulatory limit of 12.5%.

56.6 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.

56.6.1 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 boosted 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.

56.6.2 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 Financial Statements Note 38 which provides a detailed breakdown of defined employment benefit estimates including assumptions made.

56.7 Capital Management Risk

56.7.1 Capital Management Objectives

As a finance company, Capital Adequacy remains a pivatol measure to reflect the company's financial health and 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.

56.7.2 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 2025 (with comparison) and the capital adequacy ratio position is given in Note 55.7.4

56.7.3 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%

56.7.4 Total Capital Base Computation

Item	31st March 2025	31st March 2024
Tier 1 Capital	**9,893,694**	8,195,299
Stated Capital/assigned capital	**36,000**	36,000
Non-cumulative, Non-redeemable Preference Shares		-
Reserve fund	**941,400**	887,400
Audited retained earnings/(Losses)	**4,829,864**	3,185,469
(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	**75,467**	94,146
Goodwill (net)		-
Other intangible assets (net)	**51,167**	32,094
Other Comprehensive losses		-
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	**24,300**	62,053
Shortfall of capital in Financial subsidiaries		-
Tier 1 Capital (after adjustments)	**9,818,227**	8,101,153
Tier 2 Capital	**1,080,172**	742,165
Instruments Qualifying Tier 2 capital		-
Revaluation gains	**1,080,172**	742,165
General provisions/ Collective impairment allowance		-
Eligible Tier 2 Capital	**1,080,172**	742,165
Total adjustment to eligible Tier 2 Capital	**24,300**	62,053
50% Investment in banking & financial subsidiary companies	**-**	-
50% of investment in other banking & financial institutions	**24,300**	62,053
Eligible Tier 2 Capital after adjustments	**1,055,872**	680,113
Total Capital	**10,874,099**	8,781,265

56.7.4.1 Capital Adequacy Ratios

As at 31st March		Strategic Plan (Projected 2024)	2025 %	2024 %
Core Capital Ratio =	Tier 1 Capital / Risk Weighted Assets	> 13%	**15.60**	16.49
Total Risk Weighted Capital Ratio =	Capital Base / Risk Weighted Assets	> 16%	**17.27**	17.88

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 and plans for Tier 2 Capital Infusion, 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.

EMPLOYING THE RIGHT TOOLS FOR THE JOB

Supplementary Information

Investor Relations

Stock Exchange Listing

The issued ordinary shares of Mercantile Investments and Finance PLC are listed with the Colombo Stock Exchange.
The audited financial statements for the year ended 31st March 2025 have been submitted to the Colombo Stock Exchange within the three months from the financial year's end.

The Colombo 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 a few large investors, as given in the table below. The total number of shareholders was 16 in 2024/25 (2023/2024 - 16). There were no non-voting shares issued by the company or any changes in the 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	-	-	-	16	3,006,000	100.00

Analysis of Shareholders

Resident / Non-Resident

	31st March 2025			31st March 2024		
	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 2025			31st March 2024		
	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 Listing Rules of Colombo Stock Exchange, the information pertaining to the public holding is as follows.

	2024/2025	2023/2024
Public holding percentage	**10.10%**	10.10%
Number of public shareholders	**10**	10
Float adjusted market capitalization (Rs.)	**789,375,600**	789,375,600

Minimum Public Holding

The Float adjusted market capitalization of the Company falls under option 2 of Rule 7.13.1 (i) (b), of the Listing Rules of the Colombo Stock Exchange and the Company is not fully compliant with the minimum public holding requirement applicable under the said option as at 31st March 2025.

The company's shares have been transferred from the Dirisavi Board to the Second Board of the Colombo Stock Exchange due to the aforementioned non-compliance.

The 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 2025

Name of the shareholder	Holding % on total capital	No of Ordinary Voting Shares as of 31st March 2025	Holding % on total capital	No of Ordinary Voting Shares as of 31st March 2024
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 & J.S. 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' and Chief Executive Officer's Shareholdings as at 31st March 2025

Name	Position	31st March 2025		31st March 2024	
		No of Shares	%	No of Shares	%
Mr. P. D. D. Perera	Chairman	-	0.00%	-	0.00%
Mr. G. G. Ondaatjie	Managing Director/CEO	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. A. L. N. Dias	Director	-	0.00%	-	0.00%
Mr. M. K. S. Pieris	Director	-	0.00%	-	0.00%
Mr. B. P. Morris	Director	-	0.00%	-	0.00%
Dr. S. S. J. Patabendige	Director	-	0.00%	-	0.00%
Mr. G. A. F. Marshall	Director	-	0.00%	-	0.00%
Mr. E. W. V. A. Wijesinghe	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.

	2024/2025	2023/2024
Number of transactions	Not Traded	Not Traded
Number of shares traded	Not Traded	Not Traded

Market Value

	Highest Rs.	Lowest Rs.	Year End Rs.
2024-2025	Not Traded	Not Traded	Not Traded
2023-2024	Not Traded	Not Traded	Not Traded

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
2024-2025	13,836,532	7,815,600	5,606,370,000	0.14
2023-2024	12,165,068	7,815,600	4,534,650,000	0.17

Disclosure Relating to Related Party Transactions In Accordance with the CSE Listing Rules

Non-recurrent related party transactions: The aggregate value of the non recurrent transactions carried out by the Company with Related Parties during the FY 2024/25 did not exceed 10% of the equity or 5% of the total assets as at 31st March 2025, whichever is lower.

Recurrent related party transactions: The aggregate value of the recurrent transactions carried out by the Company with Related Parties during the FY 2024/25 which exceed 10% of the gross revenue/income for the year ended 31st March 2025 have been disclosed on page 303 of the Annual Report under Note 50.5.

The related party transactions that took place during the year ended 31st March 2025 do not trigger the requirements under Section 9.14.7 of the CSE Listing Rules.

Debentures

The Company did not issue any debentures during the financial years ended 31 March 2025 and 2024.

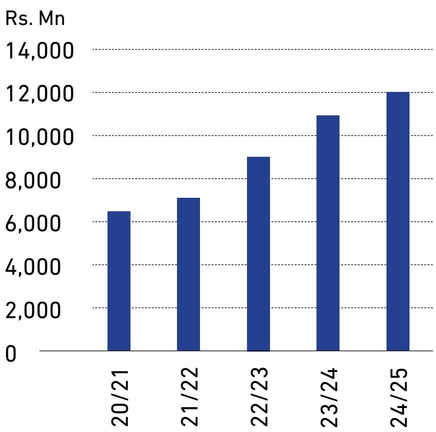
The following table presents the important disclosures made by the company to the Colombo stock exchange during the year ended 31 March 2025.

Date of Disclosure	Details of disclosures
30-May-24	Submission of unaudited interim financial statement for the period ended 31 March 2024
5-Jun-24	Submission of Annual Report for the period ended 31 March 2024
28-Jun-24	Resolution adopted at the Annual General Meeting
2-Jul-24	Appointment of Directors
2-Jul-24	Changes in the Composition of Board Committees
25-Jul-24	Appointment of Directors
15-Aug-24	Submission of unaudited interim financial statement for the 01st quarter ended 30 June 2024
27-Aug-24	Annual Rating Review
12-Nov-24	Submission of unaudited interim financial statement for the 02nd quarter ended 30 September 2024
6-Jan-25	Disclosure on Cash Dividend
28-Jan-25	Affirmation of rating BBB- and outlook upgrade to stable
11-Feb-25	Submission of unaudited interim financial statement for the 03rd quarter ended 31 December 2024

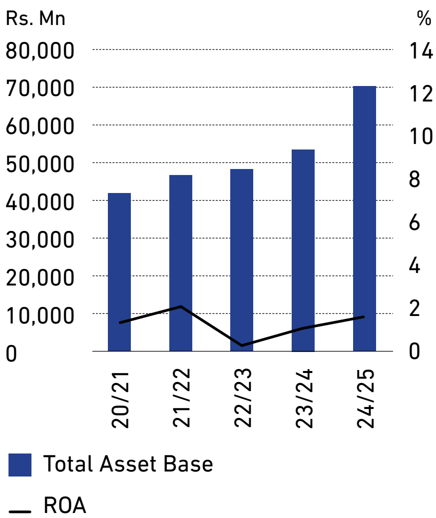
Decade at a Glance

For the year ended 31st March	2025 Rs. 000	2024 Rs. 000	2023 Rs. 000	2022 Rs. 000	2021 Rs. 000	2020 Rs. 000	2019 Rs. 000	2018 Rs. 000	2017 Rs. 000	2016 Rs. 000
Operating Results										
Income	11,952,001	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
Interest expense	5,256,552	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
Non Interest expenses	5,088,117	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
Profit before tax	1,607,332	819,780	132,820	1,468,920	827,501	691,791	786,653	858,771	313,679	802,645
Income tax expenses	532,665	263,966	26,767	457,370	213,358	320,082	328,580	344,706	111,664	297,626
Profit for the year	1,074,666	555,814	106,053	1,011,550	614,143	371,708	458,073	514,065	202,015	505,019
Dividends	75,150	60,120	-	345,690	-	60,120	-	45,090	-	21,042
As at 31st March										
Assets										
Liquid assets	8,546,627	7,170,967	5,928,033	3,569,782	3,937,316	3,793,902	2,031,095	2,311,208	1,861,433	1,879,970
Investments	1,881,119	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
Debentures	-	-	-	-	-	-	-	-	10,200	10,400
Advances	53,072,688	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
Other assets	529,238	585,059	1,105,373	626,453	737,306	640,205	619,565	638,866	656,452	226,532
Property, plant & equipment	4,512,331	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
Right-of-use assets	327,439	215,306	139,667	181,499	180,357	223,255	-	-	-	-
Leasehold Property	38,397	38,866	39,334	39,802	40,270	40,739	41,207	41,672	42,140	42,609
Intangible Assets	51,167	32,094	9,335	28,235	47,299	45,987	64,211	48,979	12,578	12,386
Investment Property	258,390	260,055	227,219	220,717	237,381	246,166	198,431	172,795	158,340	448,234
Investment in Associates	1,716,582	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
Total Assets	70,933,978	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
Liabilities										
Bank overdraft	687,242	317,122	93,518	395,159	86,451	86,567	186,276	254,238	1,092,434	412,472
Borrowings	11,418,919	2,441,542	3,866,087	7,022,730	6,357,692	9,128,983	8,957,478	9,327,958	10,165,837	8,527,169
Deposits from customers	42,775,086	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
Other liabilities	2,216,201	2,202,046	1,423,978	2,258,078	1,935,561	2,242,319	2,361,514	2,017,656	1,349,453	1,555,245
	57,097,448	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
Shareholders' Fund										
Share Capital	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Reserves	13,800,531	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
	13,836,531	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
Total shareholders' funds & total liabilities	70,933,978	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

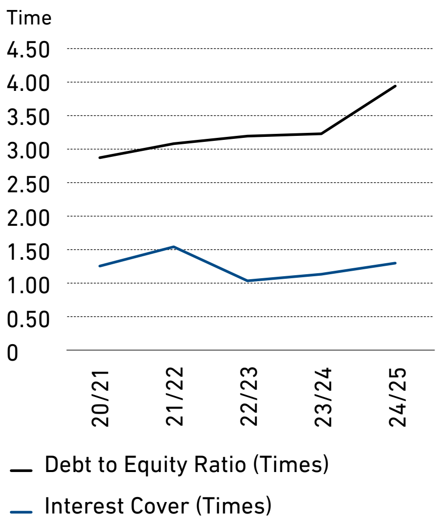
Gross Revenue



Total Asset Base & ROA

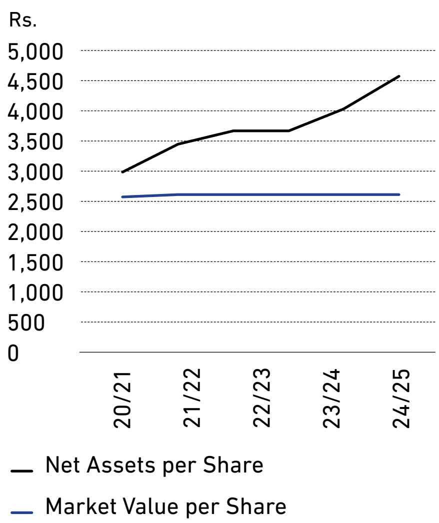


Debt to Equity & Interest Cover

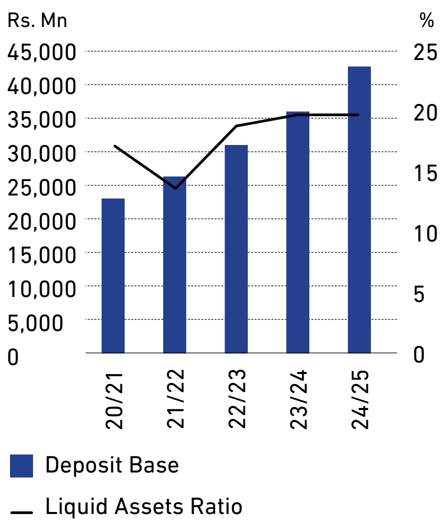


For the year ended 31st March	2025 Rs. 000	2024 Rs. 000	2023 Rs. 000	2022 Rs. 000	2021 Rs. 000	2020 Rs. 000	2019 Rs. 000	2018 Rs. 000	2017 Rs. 000	2016 Rs. 000
Financial Position										
Total Assets to Shareholders funds/(Times)	5.13	4.38	4.32	4.28	4.05	4.85	4.77	4.65	4.77	4.44
Debt to Equity/(Times)	3.97	3.23	3.19	3.08	2.86	3.60	3.50	3.42	3.59	3.23
Liquid assets as a % of deposits	19.98	19.87	18.99	13.55	17.07	16.63	9.59	11.51	10.94	11.89
Investor										
Return on shareholders' funds/(%)	8.27	4.80	0.96	9.51	6.39	4.23	5.28	5.92	2.57	6.60
Return on Average Assets/(%)	1.73	1.10	0.22	2.28	1.45	0.88	1.12	1.32	0.57	1.62
Net Assets per share/(Rs.)	4,603	4,047	3,665	3,651	3,430	2,960	2,885	2,889	2,617	2,546
Earnings per Share/(Rs.)	357.51	184.90	35.28	336.51	204.31	123.66	152.39	171.01	67.20	168.00
Dividend per Share/(Rs.)	25.00	20.00	-	115.00	-	20.00	-	15.00	-	7.00
Dividend Cover/(Times)	14.30	9.25	-	2.93	-	6.18	-	11.40	-	24.00
Dividend Payout/(%)	6.99	10.82	-	34.17	-	16.17	-	8.77	-	4.17
Interest Cover/(Times)	1.31	1.13	1.02	1.57	1.26	1.18	1.20	1.24	1.10	1.38
Growth										
Growth in income/(%)	9.16	21.17	26.77	9.71	(14.63)	(0.37)	9.37	23.71	25.45	4.99
Growth in Interest Expenses/(%)	(18.40)	5.00	137.21	(19.67)	(16.21)	(0.50)	4.27	18.10	49.46	7.73
Growth in Other Expenses/(%)	37.98	33.22	(9.91)	25.44	(20.37)	2.88	22.45	8.55	36.01	9.77
Growth In Profit before Tax/(%)	96.07	517.21	(90.96)	77.51	19.62	(12.06)	(8.40)	180.21	(60.92)	(11.98)
Growth in Profit after Tax/(%)	93.35	424.09	(89.52)	64.71	65.22	(18.85)	(10.89)	154.47	(60.00)	(20.00)
Growth In Total Assets/(%)	33.26	11.77	1.33	12.58	(3.29)	4.39	2.47	7.64	10.39	19.56
Growth in advances/(Net) (%)	43.46	12.97	(5.64)	16.69	(9.22)	2.55	0.03	11.48	14.34	28.69
Growth in Deposit Base/(%)	18.47	15.63	18.50	14.26	1.08	7.74	5.50	17.95	7.60	15.27
Growth in Shareholders Funds/(%)	13.74	10.43	0.38	6.45	15.86	2.60	(0.12)	10.37	2.78	(1.61)
Statutory Ratios										
Core Capital Ratio - (Minimum 5%)	15.60	16.49	16.45	15.45	15.31	13.56	14.98	16.24	17.17	19.35
Risk Weighted Capital Ratio - (Minimum 10%)	17.27	17.88	18.02	16.84	17.07	15.25	16.69	17.36	14.26	15.75
Liquid assets - (%)	19.82	19.68	18.82	13.57	17.07	16.63	14.77	11.40	10.81	11.73

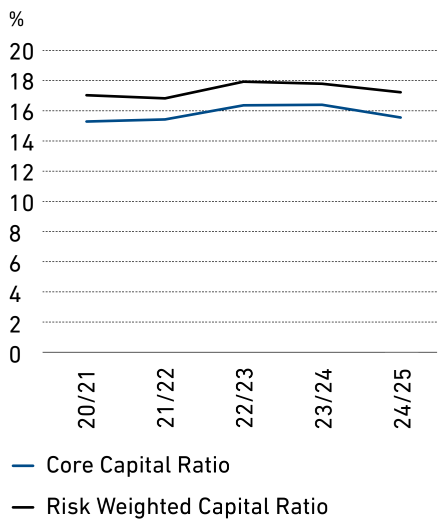
Net Assets per Share & Market Value per Share



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.

Actuarial assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post-employment benefits.

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 Company
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 a joint venture.

Average Weighted Prime Lending Rate (AWPLR)
AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

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 the maintenance of capital for financial institutions, to suit the local requirements.

Cash
Cash comprises cash in hand and demand deposits.

Cash Equivalent
Short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash Flows
Inflows and outflows of cash and cash equivalents.

Collectively Assessed Impairment
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 the 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 supervision 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 counterparty 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.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
The removal of a previously recognised financial asset or financial liability from an entity's statement of financial position

Discount rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend cover
Profit after tax divided by gross dividends. This ratio measures the number of times dividends are 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 (EPS)
Net profit after tax and after dividend on preference shares divided by the number of ordinary shares in issue.

Economic Value Added (EVA)
A measure to assess the productivity of a business that takes into consideration the cost of total invested equity.

Effective Interest Rate (EIR)
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.

Effective Tax Rate
Provision for taxation divided by the net profit before taxation.

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.

Events after the reporting period
Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the ¬financial statements are authorized for issue.

Expected Credit Losses (ECLs)

ECLs are probability-weighted estimates of the present value of cash shortfalls (i.e., the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased (,i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes.

Exposure

A claim, contingent claim or position that carries a risk of ¬financial loss.

Exposure at Default (EAD)

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

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.

Fair Value through Profit or Loss (FVTPL)

A financial asset or financial liability that is held-for trading or upon initial recognition designated by the entity as fair value through profit or loss.

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 Assets

Any asset that is cash, an equity instrument of "another" entity, or a contractual right to receive cash or another fi¬nancial asset from another entity.

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.

Financial Liabilities

A contractual obligation to deliver cash or other ¬financial asset to another entity

G

Going Concern

An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Gearing

Gearing refers to the relationship between debt and equity financing in a company's capital structure.

H

Hire Purchase

A hire purchase is an agreement under which goods are let on hire and under which possession of goods is delivered by the owner thereof to a person on condition that such person pays an agreed amount in periodical instalments and (i) either the hirer has an option to purchase the goods in accordance with the terms of the agreement or (ii) the property in the goods is to pass to the hirer on the payment of the last of such instalments.

I

Impaired Loans

Loans where identified impairment provisions have been raised also include loans that are collateralized or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans that, while impaired, are still performing.

Impairment

This occurs when the recoverable amount of an asset is less than its carrying amount.

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 non-performing loans.

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.

Investment Properties

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services or sale in the ordinary course of business.

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

Lifetime Expected Credit Losses

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

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.

Loan to Value Ratio (LTV)

The 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.

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 lose in the event of obligor default

M

Market capitalization

The value of a company obtained by multiplying the number of ordinary shares in issue by its market value as of a date.

Glossary

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 amounts 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 (NIM)

Net interest income expressed as a percentage of average interest earning assets.

Non-performing Loans (NPL)

For a credit facility repayable on a monthly basis or more, when repayment due and unpaid for more than 90 days from the repayment due date, the total exposure is treated as non-performing loans.

Non-Performing Ratio

Total non-performing loans expressed as a percentage of the total loans and advances.

O

Off Balance Sheet items

Items that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to commitments and contingencies in future.

Offsetting

Financial assets and ¬financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, peoples and systems or from external events.

P

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price-earnings ratio (P/E ratio)

Market price of an ordinary share divided by earnings per share.

Probability of Default (PD)

PD is an estimate of likelihood of default over a given time horizon.

R

Residual value

The estimated amount that is currently realizable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

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 (ROA)

Net profit after tax divided by the average assets.

Return on average shareholders' funds (ROE)

Net profit after tax divided by the average shareholders' funds.

Right-of-Use assets (ROU)

An asset that represents a lessee's right to use an underlying asset for the lease term.

Risk-Weighted Assets (RWA)

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.

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.

Stated capital

All amounts received by the Company or due and payable to the Company - (a) in respect of the issue of shares, (b) in respect of calls on shares.

Statutory reserve fund

A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 1 of 2003.

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 I capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital that consists 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.

Twelve-Month Expected Credit Losses

The portion of lifetime expected credit losses that represents the expected credit losses that result from default events on a ¬financial instrument that are possible within the 12 months after the reporting date.

U

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Useful life

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

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
ALCO	Assets and Liabilities Management Committee
AML	Anti-Money Laundering
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWPLR	Average Weighted Prime Lending Rate
BCP	Business Continuity Plan
BN	Billion
BOD	Board of Directors
CAR	Capital Adequacy Ratio
CASL	The Institute of Chartered Accountants of Sri Lanka
CBSL	Central Bank of Sri Lanka
CCTV	Closed-Circuit Television
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DPS	Dividend Per Share
DR	Disaster Recovery
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings per Share
ETF	Employees' Trust Fund
EVA	Economic Value Addition
EY	Ernst and Young
FTRA	Financial Transaction Reporting Act
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
FY	Financial Year
GDP	Gross Domestic Product
GHG	Green House Gas
GRI	Global Reporting Initiative
HODs	Head of Departments
HP	Hire Purchase
HR	Human Resource
HRIS	Human Resource Information System
HTM	Held to Maturity
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IRMC	Integrated Risk Management Committee
IS	Information Systems
IT	Information Technology
IUCN	International Union for Conservation of Nature
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KYC	Know Your Customer
LCB	Licensed Commercial Bank
LGD	Loss Given Default
LFC	Licensed Finance Company
LKAS	Sri Lanka Accounting Standards
LKR	Sri Lankan Rupees
LTV	Loan to Value
MI	Mercantile Investments and Finance PLC
MIS	Management Information System
MN	Million
NPA	Non-Performing Advances
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NII	Net Interest Income
NIM	Net Interest Margin
NO.	Number Of
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
ODS	Ozone Depleting Substances
PAT	Profit after Tax
PAYE	Pay As You Earn
PCA	Prompt Corrective Action
PD	Probability of Default
PER	Price Earnings Ratio
PLC	Public Limited Company
PR	Personnel Relationship
PVT	Private Limited Company
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RWA	Risk-Weighted Assets
ROU	Right Of Use
SBUs	Strategic Business Units
SEC	Securities and Exchange Commission
SLC	Specialized Leasing Company
SLA	Statutory Liquid Assets
SLAS	Sri Lanka Accounting Standard
SLFRS	Sri Lanka Financial Reporting Standard
SME	Small and Medium Enterprises
UN	United Nations
UNGC	United Nations Global Compact
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding Tax
YoY	Year on Year
YTM	Yield to Maturity

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

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

Brandon Philip Morris

Sugeeth Saranga Jasenthu Patabendige

Graham Anthony Fedrick Marshall

Egoda Wiyannala Vajira Arjuna Wijesinghe

Company Secretary

Sonali Pethiyagoda

Board Audit Committee

Eranjalie Deepthie Wickramasuriya - (Chairperson of the Committee)

Pandithasundara Dinuka Dilhan Perera

Anil Lasantha Naomal Dias

Sonali Pethiyagoda-Company Secretary - (Secretary to the Committee)

Human Resources and 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 & Governance Committee

Eranjalie Deepthie Wickramasuriya - (Chairperson of the Committee)

Pandithasundara Dinuka Dilhan Perera

Anil Lasantha Naomal Dias

Sonali Pethiyagoda - Company Secretary - (Secretary to the Committee)

Board Integrated Risk Management Committee

Anil Lasantha Naomal Dias - (Chairman of the Committee)

Pandithasundara Dinuka Dilhan Perera

Eranjalie Deepthie Wickramasuriya

Ajith Sooriyaarachchi - (Secretary to the Committee)

Related Party Transactions Review Committee

Anil Lasantha Naomal Dias - (Chairman of the Committee)

Pandithasundara Dinuka Dilhan Perera

Eranjalie Deepthie Wickramasuriya

Sonali Pethiyagoda - Company Secretary - (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

National Development Bank PLC

Nations Trust Bank PLC

People's Bank

Bank of Ceylon

Union Bank of Colombo PLC

Pan Asia Banking Corporation PLC

Cargills Bank PLC

Public Bank Berhad

DFCC Bank PLC
National Savings Bank

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		Niranjan Edirisinghe niranjan.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.	Batticaloa No. 209, Trincomalee Road, Batticaloa	+94-652227821			Brinthan Andrew andrew.j@mi.com.lk 0705573799
11.	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
12.	Eheliyagoda 367 A, Rathnapura Road, Eheliyagoda	+94-362260835			Sadeepa Dilshan Gunawardhana sadeepa.g@mi.com.lk 071-2720769
13.	Elpitiya Branch # 44C/44D,Pituwala Road, Elpitiya, Sri Lanka	+94-912491300		mielpitiya@mi.com.lk	Kavindu Pramuditha kavindu.v@mi.com.lk 0703012857

Branch Network

	Address	Telephone	Fax	Branch Email	Details of Branch Head
14.	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
15.	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
16.	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
17.	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
18.	Giriulla Branch # 116, Kurunegala Road, Giriulla, Sri Lanka	+94-37-2050447		migiriulla@mi.com.lk	Buddika Karunarathne buddhika.k@mi.com.lk 0713216967
19.	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
20.	Hanwella No.40, Main Street, Hanwella	+94-362250785			Kalana Samarakkodi kalana.s@mi.com.lk 0710791714
21.	Hatton No.127, Main Street, Hatton	+94-512244525			Mohammed Yasim- yasim.a@mi.com.lk 0705653184
22.	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
23.	Horana Town #174 , Rathnapura road, Horana	+94-37-2217101	-	dileepa.s@mi.com.lk	Deellipa Sampath Perera dileepa.s@mi.com.lk 0773913901
24.	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
25.	Jaffna Branch #79, Stanly Rd, Jaffna, Sri Lanka	+94-212210994	-	-	Romesh Christy romesh.cc@mi.com.lk 0715582613
26.	Jaffna-Chunnakam Branch KKS Road, Chunnakam East, Chunnakam	+94-21-2050430		sinthusan.p@mi.com.lk	Poopalarasa Sinthushan sinthusan.p@mi.com.lk 0712359841
27.	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
28.	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
29.	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

	Address	Telephone	Fax	Branch Email	Details of Branch Head
30.	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
31.	Katugasthota No 89, Kurunegala Road, Katugashthota	+94-812121815			Bhathiya Sri Wimalarathna bhathiya.w@mi.com.lk 0711829010
32.	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
33.	Kekirawa A.M Dissanayake Building, Thalawa Road, Kekirawa	+94-252229052			Jayan Malinga malinga.j@mi.com.lk 0703207764
34.	Kesbewa Branch #53, Horana Road, Honnaththara, Kesbewa, Sri Lanka.	+94-11-2545847		mikesbewa@mi.com.lk	Ruwan Abeynayake ruwan.a@mi.com.lk 0713217332
35.	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
36.	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
37.	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
38.	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
39.	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
40.	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
41.	Manipay No. 176, Jaffna Road, Manipay	+94-212266080			Kumarasami Kapilan- kabilan.k@mi.com.lk 0712320770
42.	Maradana No. 613, Maradana Road, Colombo 10	+94-112694670			Chamika Nadeeshani chamika.n@mi.com.lk 070-3014190
43.	Matale No 297, Main Street, Matale	+94-662221481			Chandrarathna Bandara bandara.c@mi.com.lk 070-1030187

Branch Network

	Address	Telephone	Fax	Branch Email	Details of Branch Head
44.	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
45.	Mattakkuliya No 654, Aluthmawatha Road, Mutuwal, Colombo 15	+94-112121574			Selladurai Diroshan diroshan.s@mi.com.lk 0718751955
46.	Matugama No 39,Kalutara Road, Matugama	+94-342211161/ 62			Malith Shanaka malith.k@mi.com.lk 0718752056
47.	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
48.	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
49.	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
50.	Nawalapitiya No 59, Ambagamuwa Road, Nawalapitiya	+94-542222539			Deshapriya Karunanayake deshapriya.k@mi.com.lk 0718751994
51.	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
52.	Nelliadi No. 163, New Market View, Point Petro Road, Nelliyadi	+94-212266081			Sivarasa Dilekshan- dilekshan.s@mi.com.lk 0705739171
53.	Neluwa Pelawatte Road, Neluwa	+94-912285644			Rashmi Madushanka rashmi.m@mi.com.lk 0715582717
54.	Nikawaratiya No.91/1, Puttalam Road, Nikaweratiya	+94-372060085			Kasun Maduranga kasun.mw@mi.com.lk 0711829325
55.	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
56.	Pelawatta No.114A,Main Street, Battaramulla	+94-717467115			Prasanna Dharmapala prasanna.d@mi.com.lk 0701835688
57.	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
58.	Pusselawa No. 465, Nuwaraeliya Road, Pussellawa	+94-812067035			Chathurika Udapitiya chathurika.ud@mi.com.lk 0702123775

	Address	Telephone	Fax	Branch Email	Details of Branch Head
59.	Puttalam Branch #146, Kurunegala Road, Puttalam, Sri Lanka.	+94-32-2265490	+94-32-2265491	miputtlam@mi.com.lk	Ayal Fernando ayal.f@mi.com.lk 0712321570
60.	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
61.	Ragala Branch #87, Ragala Bazaar , Halgranoya, Sri Lanka	+94-710577104	-	tharaka.k@mi.com.lk	Yamuna Priyadarshani danthika.a@mi.com.lk 0718752041
62.	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
63.	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
64.	Tambuttegama Branch #1, Rajina Junction, Thambuttgama, Sri Lanka.	+94-25-2275276	+94-25-2224887	mithambuttegama@mi.com.lk	Prabath Indika indika.j@mi.com.lk 0718751959
65.	Thalawakele No. 14/2, Kothmale Road, Thalawakele	+94-522258917			Manoj Bandara pradeep.ma@mi.com.lk 0719651935
66.	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
67.	Vavuniya 18,20 ,2nd Cross Street, Vauniya	+94-242220815			Kumar Vinoth vinoth.k@mi.com.lk 0701030254
68.	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
69.	Warakapola No.34, Kandy Road, Warakapola	+94-352276022			Sahan Budhdhimal sahan.b@mi.com.lk 0715582716
70.	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
71.	Welimada No.40, Nuwara eliya Road, Welimada	+94-572243708			Dhammika pradeep dammika.pj@mi.com.lk 0718752028
72.	Wellawatta Branch #329, Galle Rd, Wallawattha, Sri Lanka	+94-717466772	-	priyankara.d@mi.com.lk	Priyankara Dissanayake priyankara.d@mi.com.lk 0701791364
73.	Wennapuwa Lunuwila Junction, Chilaw Road, Wennappuwa	+94-312266445			Dumindu Rathnayake dumindu.r@mi.com.lk 0712498356

Notice of Meeting

NOTICE IS HEREBY given that the Sixty Second (62) Annual General Meeting of MERCANTILE INVESTMENTS AND FINANCE PLC will be held at No.236, Galle Road, Colombo 3, on 29th August 2025 at 10.30 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 2025 and the Report of the Auditors thereon.
- To re-elect Mr. M K S Pieris as a Director in terms of Article 23(7) and 23(8)) of the Articles of Association of the Company.
- To re-elect Mr. P D D Perera as a Director in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.
- To re-appoint Mr. B P Morris as a Director in terms of Article 23(3) and 23(4) of the Articles of Association of the Company.
- To re-appoint Dr. S S J Patabendige as a Director in terms of Article 23(3) and 23(4) of the Articles of Association of the Company.
- To re-appoint Mr. G A F Marshall as a Director in terms of Article 23(3) and 23 (4) of the Articles of Association of the Company.
- To re-appoint Mr. E W V A Wijesinghe as a Director in terms of Article 23(3) and 23(4) 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 2nd interim dividend of Rs.16.60 per share declared as the final dividend for the year ended 31st March 2025.
- To authorize the Board of Directors to determine donations.

By Order of the Board

Ms. Sonali Pethiyagoda
Company Secretary

Colombo
9th July 2025

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
Mr. Brandon Philip Morris	or failing him
Dr. Sugeeth Saranga Jasenthu Patabendige	or failing him
Mr. Graham Anthony Fredrick Marshall	or failing him
Mr. Egoda Wiyannala Vajira Arjuna Wijesinghe	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 29th August 2025 at 10.30 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 2025 with the Report of the Auditors there on.			
2.	To re-elect Mr. M K S Pieris as a Director in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.			
3.	To re-elect Mr. P D D Perera as a Director in terms of Article 23(7 and 23 (8)) of the Articles of Association of the Company.			
4.	To re-appoint Mr.B P Morris as a Director in terms of Article 23(3) and 23(4) of the Articles of Association of the Company.			
5.	To re-appoint Dr. S S J Patabendige as a Director in terms of Article 23(3) and 23(4) of the Articles of Association of the Company.			
6.	To re-appoint Mr. G A F Marshall as a Director in terms of Article 23(3) and 23(4) of the Articles of Association of the Company.			
7.	To re-appoint Mr. E W V A Wijesinghe as a Director in terms of Article 23(3) and 23(4) of the Articles of Association of the Company.			
8.	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.			
9.	To ratify the 2nd Interim Dividend of Rs.16.60 per share as the Final Dividend for year ended 31st March 2025.			
10.	To Authorize the Board of Directors to determine donations for the year 2025/2026.			

As witness my/our* hand this .... day of .... 2025.

....

Signature of Shareholder/s

Note: Please delete the inappropriate words.

Instructions as to Completion

1. 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.
2. 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.
3. 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.
4. 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 scrutiniser 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	☐	Shareholder	☐	Regulators/ Government	☐
Customer	☐	Business Partner	☐	Society	☐

Share your views about the Integrated Annual Report 2023/24 (Please scale from Excellent to Poor).

Theme & Layout		Content & Disclosures		Directness & Transparency	
Excellent	☐	Excellent	☐	Excellent	☐
Good	☐	Good	☐	Good	☐
Average	☐	Average	☐	Average	☐
Poor	☐	Poor	☐	Poor	☐

Feedback and any suggestions to improve content:

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....

As a stakeholder any other suggestions, improvements and concerns to be addressed:

....

....

....

....

Your Name : ....

Your Tel/Email : ....

Your Organization & Designation (If Applicable) : ....

Finance Director,
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optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

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