GROWING INTO GREATNESS

Mercantile Investments and Finance PLC

MERCANTILE INVESTMENTS AND FINANCE PLC
ANNUAL REPORT 2025/26

GROWING INTO GREATNESS

Growth is not simply about becoming bigger. It is about becoming stronger, wiser, and more purposeful. Like a butterfly emerging from its chrysalis, true transformation is shaped through patience, resilience, and continuous renewal.

Over the past year, Mercantile Investments and Finance PLC has embraced this journey of transformation. With a network over 90 branches across Sri Lanka and the enduring trust of more than 1,700 shareholders, we have continued to evolve with confidence and purpose. Every milestone has strengthened our foundation, while every challenge has refined our ability to adapt and move forward.

Our digital transformation has become the wings that carry us further—expanding accessibility, enhancing customer experiences, and enabling us to respond with greater agility in an ever-changing financial landscape. At the same time, our work force of over 1,900 employees, whose collective expertise, dedication and commitment continue to drive our growth and strengthen our ability to adopt and move forward with confident, while our unwavering commitment to governance, innovation, and service excellence ensures that our growth remains sustainable and meaningful.

Today, we stand at a defining stage in our journey. We are not simply extending our reach; we are growing into an organisation that is more resilient, more connected, and better prepared for the opportunities of tomorrow. Like a butterfly taking flight with confidence, every step forward reflects the strength of the transformation that made it possible.

Because greatness is not achieved in a single moment but a envisioned journey. It is the result of continuous growth, purposeful evolution, and the courage to embrace change—creating lasting value for our customers, shareholders, employees, and the communities we serve.

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VALUE CREATION

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CLIENTS
STAFF
BUSINESS PARTNERS
REGULATORS
SOCIETY AND ENVIRONMENT

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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 organization 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 utilize in our business and the impact we create on them in return

CAPITAL MANAGEMENT REPORT

Financial Wealth - Pages 54 to 67

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NAVIGATION ICONS - 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

THE EVOLUTION OF PURPOSE

Growth is not simply about becoming bigger. It is about becoming stronger, wiser, and more purposeful.

Our Journey

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Momentum in Focus

> MI surpassed the Rs **100** billion asset base, an achievement that reflects strategic direction towards MI's next phase of its corporate journey

With over six decades of trusted service excellence, MI continues to evolve with purpose—blending experience with innovation to create lasting value for our customers and stakeholders.

The year under review records a remarkable milestone in MI's sustainable growth trajectory as one of the fastest growing Non-Banking Financial Institutions (NBFIs) in Sri Lanka: It surpassed the Rs 100 billion asset base, an achievement that reflects strategic direction towards MI's next phase of its corporate journey.

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

www.mi.com.lk

This phase is driving business growth through strong fundamentals and financial strength. Our elevation into the Top 100 listed entities on the Colombo Stock Exchange (CSE) by market capitalisation further underscores the confidence placed in MI and the momentum we continue to build.

As we mark another year of our monumental growth trajectory, we are proud to present our twelfth Integrated Annual Report. It is a testament to our journey to date and the strategic direction shaping our future. Crafted in accordance with the Global Reporting Initiative (GRI) Standards and guided by the International Integrated Reporting Council (IIRC) framework, this report offers a transparent, holistic view of our financial and non-financial performance. It stands as an enduring emblem of our commitment to principled governance, resolute accountability, and uncompromising transparency.

These guiding lights shape our journey, strengthen our resolve, and inspire us to pursue our purpose with clarity, integrity, and conviction.

Aligned to our strategic objectives, this report highlights the progress made in our ongoing journey towards sustainable value creation. Through innovation, resilience, and forward-looking strategies, we remain focused on delivering long-term, inclusive value. This further strengthens MI's position as a trusted and leading finance company within the NBFI sector. Through this integrated strategic thinking and reporting approach, we reaffirm our commitment to sustainable value creation, transparently communicating the impacts created to our stakeholders during the year under review, as well as our strategic outlook for the years ahead.

Framework for Reporting and Compliance Assurance

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

Reporting Boundaries and Scope

This Integrated Annual Report covers the reporting period from 1 April 2025 to 31 March 2026. To facilitate informed decision-making and enable meaningful assessment of performance trends, comparative information for the preceding financial year has been included, together with, where appropriate, selected historical data spanning up to three years.

In line with our unwavering commitment to transparency and accountability, all material financial and non-financial information has been comprehensively disclosed to strengthen stakeholder trust and confidence. These disclosures encompass a broad spectrum of Environmental, Social, and Governance (ESG) dimensions and have been independently assured by Ernst & Young Chartered Accountants, confirming the accuracy of reporting and adherence to applicable standards and frameworks.

Corporate Structure and Geographic Presence

MI operates exclusively within the domestic market and has no international operations or subsidiary holding structures. However, the Company maintains a strategic investment in Nuwara Eliya Hotels Company PLC, classified as an associate, through an equity holding of 26.12%.

Stakeholder Ecosystem

This Integrated Annual Report has been prepared as a comprehensive and strategic communication mechanism, designed to address the diverse informational needs of our stakeholder groups. It is primarily intended to provide current and prospective investors, including shareholders and other financial stakeholders, with a holistic overview of the Company's financial performance for the year under review. It also presents the Company's strategic direction and future growth prospects.

In addition to investors, this report seeks to engage and inform a broader stakeholder base, including customers, employees, business partners, regulators, and the wider community. By recognising and responding to the varying expectations of these groups, we aim to promote transparency, strengthen trust, and reinforce accountability across all facets of our operations.

Through continuous and proactive stakeholder engagement, we reaffirm our commitment to robust corporate governance and the creation of sustainable long-term value, thereby contributing to the socioeconomic development of the communities in which we operate.

Materiality Assessment

GRI 2-4, 2-6, 3-1

This commitment to transparency and accountability is demonstrated through a robust materiality assessment process, which forms the foundation of our reporting framework. Through this process, we have systematically evaluated the economic, social, and environmental impacts of our operations in order to identify and prioritise key material matters.

We have ensured that significant financial and non-financial issues have been comprehensively addressed, with appropriate measures implemented to mitigate risks and leverage emerging opportunities. The stability and consistency of our reporting framework has been maintained during the year, as there were no changes to the Company's organisational size, structure, or ownership, other than the expansion of our branch network.

Furthermore, continuity has been preserved in the scope, boundaries, and reporting methodologies compared to the previous year, thereby enhancing comparability and consistency for stakeholders. During the year, the Company made a voluntary change in an accounting policy resulting in the restatement of comparative information and a prior period adjustment as detailed in Notes 4 and 55 to the financial statements. However, these restatements do not correspondingly change or impact the prior period non financials reported.

Basis of Reporting and Coverage

GRI 2-2

This Integrated Annual Report provides stakeholders with a comprehensive overview of the operations of Mercantile Investments & Finance PLC, incorporating both financial and non-financial disclosures. The financial reporting section delivers an in-depth analysis of the Company's performance for the year under review, while the non-financial disclosures address key areas including organisational strengths and weaknesses as well as emerging opportunities and potential risks.

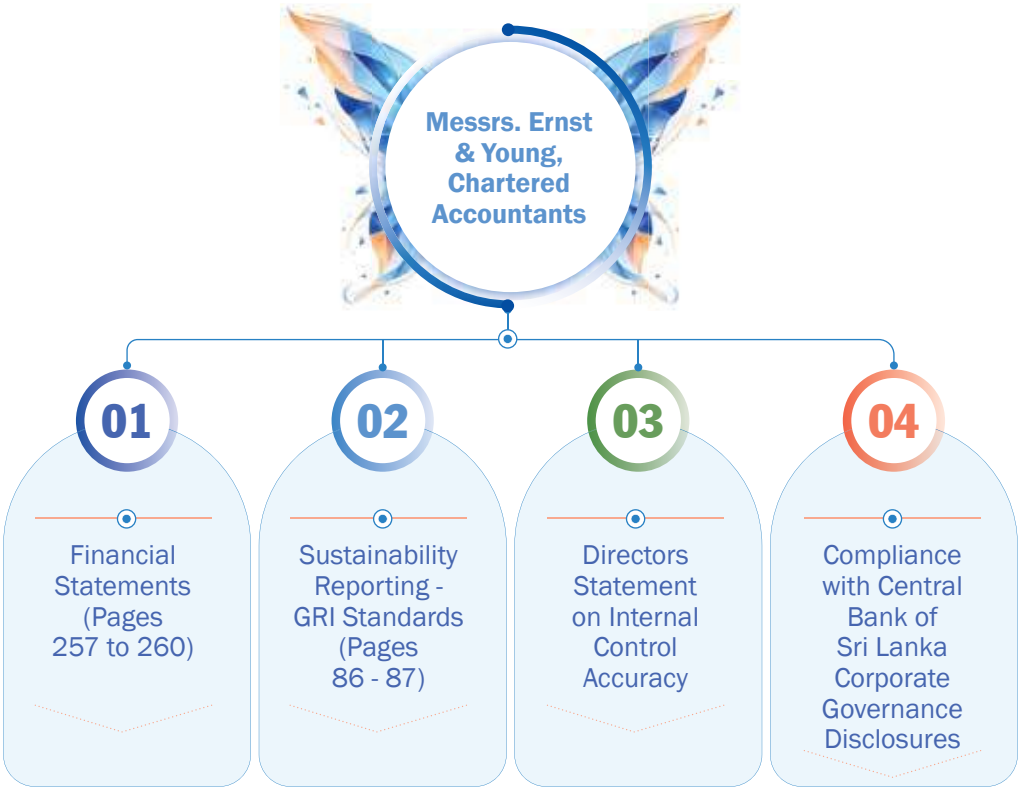
Furthermore, the report outlines the Company's integrated risk management framework, detailing the proactive processes undertaken to identify, assess, and mitigate risks inherent in our business activities. A clearly defined governance structure is also presented, highlighting the robust systems and mechanisms established by the Board of Directors to ensure effective oversight, accountability, integrity, and ethical conduct across the organisation.

In addition, the report incorporates a disciplined and structured reporting framework designed to provide stakeholders with relevant, reliable, and timely information, thereby enabling well-informed decision-making and reinforcing confidence in the Company's governance and operational integrity.

Momentum in Focus Contd.

Independent External Assurance

GRI 2-5



Assurance of Reliability and Completeness

Our commitment to reliability and completeness is absolute, underpinned by the rigorous application of data sourced exclusively from credible, authoritative, and duly verified sources. In order to uphold the highest standards of accuracy, transparency, and reporting integrity, all information is subjected to a comprehensive internal validation processes and is further subject to independent external assurance.

These multilayered assurance mechanisms collectively reinforce the robustness of our reporting framework, ensuring the integrity and fidelity of disclosed information. In doing so, we provide stakeholders with a heightened level of confidence about the credibility, completeness, and veracity of the information presented within this Report.

Comparative Consistency in Reporting

Consistency has been maintained throughout the report, with all data, metrics, and disclosures prepared in accordance with established reporting frameworks and methodologies., while comparative information covering periods of one to four years has been included to enhance transparency and support meaningful analysis by enabling the assessment of performance trends and developments over time, thereby ensuring comparability and methodological alignment across reporting periods and reinforcing the provision of reliable, coherent, and decision-useful information.

Succinct Reporting Approach

Structured with precision, the Annual Report presents detailed information in a clear, concise, and accessible manner, enabling stakeholders to readily comprehend key insights without unnecessary complexity. Each reporting section disclosure includes only material and relevant matters to MI and its stakeholders, thereby eliminating redundancy while maintaining completeness.

For stakeholders requiring more in-depth analysis, supplementary information is made available through the Company's website, including extended reports, datasets, and additional contextual materials. This integrated reporting approach, combining concise disclosure with comprehensive digital resources, ensures that stakeholders have access to appropriate levels of information to support informed decision-making, reflecting a continued commitment to transparency, efficiency, and effective engagement.

Strategic Ambition and Priorities

Our long-term vision and strategic priorities are firmly anchored in the pursuit of sustainable growth and the creation of enduring value for all stakeholders. Grounded in a clear assessment of our core strengths and the evolving market landscape, strategic initiatives have been aligned to address present challenges while positioning the organisation to capitalise on emerging opportunities.

A continued focus on innovation and the adoption of transformative trends is strengthening a resilient foundation to support sustained leadership in a rapidly evolving environment. Commitment to agility and forward-looking insight enables timely adaptation to change, thereby reinforcing competitiveness and long-term relevance.

Future direction remains centered on advancing strategic priorities, fostering innovation, and delivering outcomes that are aligned with stakeholder expectations, supporting the organisation's trajectory towards a sustainable and prosperous future.

Creating and Sustaining Value

Value creation and preservation constitute a fundamental element of our business philosophy, reflecting a deliberate and strategic approach to optimising the utilisation of resources and delivering measurable outcomes for stakeholders. Through a structured and innovative process, both tangible and intangible benefits are realised, with careful consideration given to balancing trade-offs in support of sustained long-term value. The value creation framework is deeply embedded within the tailored business model, serving as the foundation for operational effectiveness and strategic decision-making.

A comprehensive disclosure about this framework and its core components is presented on pages 38 to 39, where the organisation's value-driven approach is fully articulated.

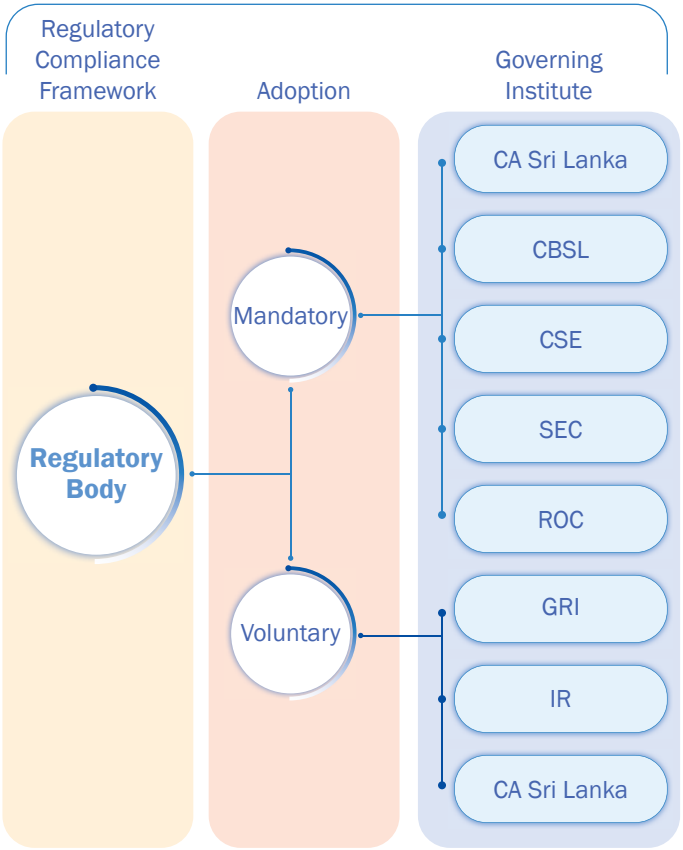
Strategic Risk Anticipation Framework (GRI 2-25)

As responsible corporate stewards, the organisation recognises the broad and interdependent impacts of its operations across economic, social, and environmental dimensions, and while pursuing sustainable economic growth, MI maintains a firm commitment to identifying, managing, and mitigating potential adverse externalities associated with its activities, with sustainability embedded at the core of its strategic agenda through the alignment of lending, investment, operational, and risk management practices to support long-term value creation for all stakeholders, alongside continuous efforts to reduce and, where feasible, eliminate negative societal and environmental impacts, thereby reflecting an integrated and forward-looking approach that advances responsible growth, strengthens resilience, and contributes to the development of inclusive and sustainable communities for future generations.

Prospective Statements

This Report contains forward-looking statements relating to MI's financial position and operational performance, which are inherently subject to uncertainty, as actual outcomes may differ from current expectations due to the influence of future events, including emerging opportunities, risks, and unforeseen developments.

Regulatory Compliance Framework



Momentum in Focus Contd.

Governing Body	Reporting Guidelines
Institute of Chartered Accountants of Sri Lanka	• The Code of Best Practice on Corporate Governance 2023 • Sri Lanka Accounting Standards (LKASs/ SLFRSs)
Central Bank of Sri Lanka	• Corporate Governance Direction No. 05 of 2021 • Directions, rules and guidelines issued by Department of Non-Banking Financial Institutions, including Corporate Governance Direction No. 05 of 2021 • Sri Lanka Deposit Insurance Scheme Regulations and Circulars • Financial Transaction Reporting Act No. 06 of 2006 • Know Your Customer (KYC) and Customer Due Diligence (CDD) Rules
Registrar of Companies	• The Companies Act No. 07 of 2007
Colombo Stock Exchange & Securities and Exchange Commission	• Listing Rules and Securities and Exchange Commission of Sri Lanka Act, No. 19 of 2021
Global Reporting Initiatives (GRI)	• This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards
International Integrated Reporting Council (IIRC)	• This report has been prepared in accordance with the International Integrated Reporting Framework of the IIRC

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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Phone: 011 2343720
Fax: 011 2434524

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 that, 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 2025/26 provides a true and fair presentation of the Company's financial and operational performance for the financial year under review. This report was approved by the Board of Directors of the Company on 24 June 2026.

On behalf of the Board,

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

Shermal Jayasuriya
Finance Director

Powering MI's Journey to the Next Phase

Staunch Growth Trajectory

As Mercantile Investments marks over a 60 year heritage of distinguished service, the organisation honours a legacy of bold leadership established under the visionary stewardship of the late Founder Chairman George Ondaatjie, whose enduring principles of integrity, accountability, and strategic foresight continue to be deeply embedded across all facets of operations. Since its establishment in 1964, the Company has evolved into a recognised leader within the industry, driven by purpose, underpinned by excellence, and committed to generating meaningful and sustained impact for future generations.

A significant milestone in this journey was the listing of the Company on the CSE in 2011 under the Diri Savi Board, reflecting a strengthened commitment to regulatory compliance, enhanced market visibility, and reinforced stakeholder confidence. The Company has since expanded its shareholder base, reflecting a strong and growing level of public shareholding. Since then, governance standards have been further elevated, while the financial and operational framework has been continuously strengthened to support long-term, sustainable growth.

Looking ahead, the organisation remains resolute in its commitment to addressing emerging challenges and advancing sustainable innovation through an expanding branch network and diversified product portfolio, while consistently delivering enduring value to customers, partners, shareholders, and the wider community.

Driving Business Excellence

At the core of our operations is an unwavering commitment to integrity, accountability, and exemplary corporate governance. Business activities are conducted in accordance with the highest ethical standards, ensuring transparency and responsibility in all decision-making processes. The governance framework reflects these principles and serves as the foundation for sustainable and responsible growth.

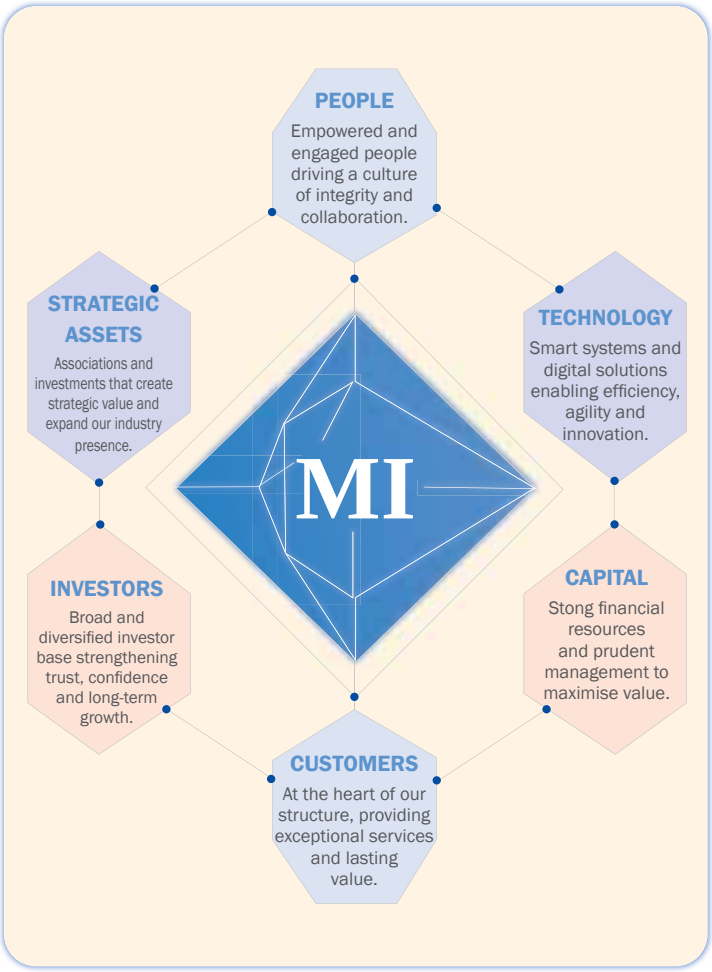
In alignment with this commitment, comprehensive risk management practices have been implemented to anticipate, evaluate, and address potential challenges, thereby safeguarding the organisation against unforeseen disruptions and strengthening operational resilience.

A strong emphasis is placed on delivering superior customer service, which continues to distinguish the organisation within the industry. Consistently anticipating and exceeding customer expectations remains central to the strategic approach, enabling responsiveness to evolving market dynamics. This customer-centric philosophy is further supported by a dynamic organisational culture that promotes employee engagement, collaboration, and a shared sense of purpose.

How We Are Structured

Our organisational structure is strategically designed to optimise resource efficiency while prioritising the delivery of an exceptional customer experience. All functional components are purposefully aligned to this objective, ensuring the effective deployment of human, technological, and financial resources to maximise operational impact. This streamlined structure, supported by a strong organisational culture, enables the consistent delivery of high-quality services that exceed stakeholder expectations.

During the year, we further strengthened our shareholder structure by broadening and diversifying our investor base, reflecting strong market confidence in the Company's vision, strategic direction, and sustained performance. By holding a 26.12% equity stake in its associate, Nuwara Eliya Hotels Company PLC, a publicly listed entity, MI demonstrates a continued commitment to long-term diversification, value creation, and strategic engagement within the broader industry ecosystem. Collectively, these elements establish a robust and adaptive framework that reinforces organisational resilience and supports sustained success in the years ahead.



Our Journey

Powering MI's Journey to the Next Phase Contd.

STRATEGIC ASSOCIATE INVESTMENT

26.12%

EQUITY STAKE IN

NUWARA ELIYA HOTELS COMPANY PLC

A PUBLICLY LISTED ENTITY

Financing Sources

MI's capital structure is designed to support long-term growth, financial resilience, and sustainable value creation. A key pillar of the funding strategy is the continued support of valued investors, whose confidence provides both stability and strategic flexibility. During the year, MI's capital structure was broad based, with significant Tier 2 capital infusions whilst focusing on strengthening Tier 1 capital structure to facilitate ongoing strong growth trajectory. In addition to equity capital, customer deposits remain a primary funding source, offering competitive returns while enabling the prudent and efficient deployment of funds to support operational performance. This dual reliance strengthens customer relationships while also contributing to financial inclusion and broader societal benefit.

To further diversify funding sources, MI strategically accesses bank financing, securitised borrowings, and a range of debt instruments, thereby supporting targeted lending growth while effectively managing funding costs, maturity profiles, and statutory liquidity and capital adequacy requirements.

A robust risk management framework is embedded across all funding activities, enabling the proactive identification, monitoring, and mitigation of associated risks. By possessing a well-balanced and adaptive funding structure enables the organisation to confidently pursue growth opportunities while maintaining a strong 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 comprising individual customers, small and medium enterprises (SMEs), and large corporate entities. The Company has strategically strengthened its market footprint through the expansion of its branch network across all provinces, complemented by a diversified product portfolio designed to address the evolving needs of a growing customer base with enhanced reach and relevance.

This broad accessibility ensures that MI remains relevant, responsive, and value-driven across all segments of society, which promotes financial inclusion and facilitates wider economic participation across its operational footprint. Driven by innovation, inclusivity, and a clearly defined corporate purpose, MI is well-positioned to further expand its market presence. It remains firmly anchored in its commitment to advancing Sri Lanka's socioeconomic development, extending its impact beyond commercial objectives to broader national progress.

Activities, Products, and Services

GRI 2-6

At the core of MI's operations is an unwavering commitment to delivering products and services that are thoughtfully designed around customer needs. Lending and deposit products remain the foundation of the portfolio, complemented by a broader suite of financial solutions that addresses the diverse and evolving requirements of the market.

The lending portfolio comprises a wide range of tailored offerings, including leasing, hire purchase (HP), microfinance, and term loans, providing individuals and businesses with flexible and accessible financing options. In alignment with a forward-looking strategic agenda, the Company continues to focus on the development of innovative financial products with a sustainability orientation, reflecting a commitment to environmentally responsible financial practices.

Product development initiatives continue to evolve in response to market dynamics and customer preferences. Expansion within the leasing segment has been a key focus, particularly through the introduction of Micro Auto, enabling affordable access to vehicles across a broader customer base. In parallel, gold-backed lending operations have been significantly strengthened through a nationwide presence, offering secure and attractive financing avenues.

During the year, greater emphasis was placed on expanding the sustainable finance-backed product suite, encompassing financing solutions for solar rooftops, electric vehicles, and agriculture-related equipment, while reinforcing our commitment to empowering the SME sector. Complementing these offerings, competitive fixed deposit and savings products continue to be provided to serve varying expectations of MI's clientele. In line with an inclusive financial agenda, minor savings accounts have also been introduced to promote financial literacy and encourage long-term savings behaviour among children.

Our Products and Services

GRI 2-6

Product Type	Product Name	Description
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 are 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	We provide a range of term-based funding customised to serve diverse needs, such as personal loans, professional loans, auto drafts, and other term-based loans. They provide both revolving and fixed-term credit facilities.
	Property-Backed Lending	Lending services extended against property given as security under a mortgage bond.
	Microfinance Lending	Microfinance services are offered to low-income earners, providing them with the opportunity to become self-sufficient and self-employed, enabling individuals to improve their quality of life.
	Micro Auto	Specially designed to cater for small scale family vehicles and medium-sized business vehicles.
	Sustainable Financing	Facilities granted for solar electric vehicles and expanded for renewable, irrigation, agriculture and socio/eco-friendly business loans sectors to support green initiatives.
	Gold Loan	Loans are provided against gold held as security, to serve the urgent financial needs of our customers.
Deposit Product Offerings	**Fixed Deposits**	Fixed deposits at Mercantile Investments and Finance PLC come with a heritage of trust, stability, and the highest security, giving the public the best return for their investments.
	Savings	Our savings accounts cater to both minors and general savings account holders, advocating for the habit of saving within the Sri Lankan economy.
Regulatory Based Investments	**Treasury Bills and Bonds**	Fixed-return investment in short, medium, and long-term securities issued by the Government of Sri Lanka.
	Money Market Accounts, Unit Trusts, and Other Investments	Fixed-return investments in short- and medium-term deposits in rated banks and financial institutions.
Equity/Debt Investments	**Equity Investments**	Primarily investments in ordinary shares of listed entities.
	Corporate Debentures	Investments in debt securities of listed entities.
Insurance Referral Services	**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.

Purpose, Vision, Mission, Principles and Values

Vision

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

Mission

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

Purpose

Creating meaningful value that exceeds people's expectations

Principles

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

Values

- Empathy Proactively being sensitive to customer expectations.
- Respectfull: 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.

Principles and Direction that Guide Us

GRI 2-14

Our corporate philosophy is firmly grounded in the principles of sustainable development, with a clear focus on delivering medium- to long-term growth that creates value for our stakeholders, supports environmental stewardship, and contributes positively to the wider community. Our vision is to create meaningful impact for our stakeholders by driving a fully integrated organisation that consistently generates enduring value through responsible business practices, sustained stakeholder confidence, and an unwavering commitment to sustainability.

Sustainability is embedded within our core business strategy, governance structures, and operational processes. In alignment with the United Nations Sustainable Development Goals (UN SDGs), we have systematically integrated sustainability considerations into our organisational objectives and decision-making frameworks, thereby reinforcing our commitment to responsible growth and meaningful contribution to both national and global sustainability agendas.

While we remain steadfast in our pursuit of sustainable growth, oversight of our sustainability performance and reporting is entrusted to the Board of Directors of the organisation. This ensures that our commitments are effectively implemented, measurable, transparently reported, and subject to continuous review and improvement.

MI Products and Services

Our portfolio of products and services are designed to deliver forward-looking, innovative solutions that actively reduce environmental impact while enhancing value creation for all stakeholders. Sustainability is embedded across our offerings, enabling our customers and business partners to achieve their objectives responsibly and efficiently. Through this approach, we foster long-term shared value and contribute meaningfully to the transition towards a more sustainable and resilient 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 innovative solutions in terms of products and services as well as corporate social initiatives which was directed towards promoting the welfare of the community, society, and the environment.

Financial Highlights

For the year ended 31 March	Actual 2026 Rs. '000	Actual 2025 Rs. '000	Change %	Actual 2024 Rs. '000
Results for the year				
Gross Income	**16,610,726**	11,708,896	41.86	10,948,957
Interest Income	**15,832,103**	10,998,708	43.95	10,628,251
Interest Expense	**7,855,428**	5,206,139	50.89	6,441,603
Profit Before Tax	**2,129,281**	1,607,332	32.47	819,779
Provision for Taxation	**980,716**	532,665	84.11	263,966
Profit After Tax	**1,148,565**	1,074,666	6.88	555,813
Financial Position at the year end				
Shareholders' Funds (Stated Capital and Reserves)	**15,715,761**	13,836,533	13.58	12,165,070
Deposit from Customers	**62,011,916**	42,775,086	44.97	36,104,935
Loans & Advances, Leases & Hire Purchases (Net)	**101,910,752**	53,313,286	91.15	36,995,700
Total Assets	**127,733,865**	71,174,574	79.47	53,230,714
Investors				
Gross Dividend	**149,098**	75,150	98.40	60,120
Earnings per Share (Rs.)	**1.91**	1.79	6.88	0.92
Dividends per Share (Rs.)	**0.25**	0.13	98.40	0.1
Net Assets per Share (Rs.)	**26**	23	13.58	20
Ratios				
Return on Shareholders' Funds (%)	**7.77**	8.27	-0.50	4.80
Return on Average Assets (%)	**1.15**	1.73	-0.58	1.10
Interest Cover (Times)	**1.27**	1.31	-3.05	1.13
Equity: Assets (%)	**12.30**	19.40	-7.10	22.85
Debt : Equity (Times)	**6.90**	3.97	73.80	3.19
Dividend Payout Ratio (%)	**12.98**	6.99	5.99	10.82
P/E Ratio (Times)	**15.65**	7.27	115	14.06
Non-performing Loans Ratio (%)	**3.23**	4.91	-1.68	9.81
Total Assets Growth (%)	**79.47**	33.71	45.76	11.77
Advance Growth (Net) (%)	**91.15**	44.11	47.04	12.97
Deposit Growth (%)	**44.97**	18.47	26.50	15.63
Operating Profit Margin (%)	**11.54**	12.03	-0.49	6.10
Value Added per Employee (Rs.'000)	**8,631**	7,533	14.58	9,266
Statutory Ratios				
Liquid Assets (%)	**21.76**	19.82	1.94	19.68
Core Capital Ratios (%) - Minimum required 10% *	**10.69**	15.60	-4.91	16.49
Total Risk Weighted Capital Ratio (%) - Minimum required 14% *	**16.04**	17.27	-1.23	17.88

* The required minimum capital adequacy ratios have been increased to 10% for Tier i core capital ratio and 14% for total risk weighted capital ratio for the 2025/26 financial year, as the company's asset base surpassed Rs. 100 billion regulatory threashold.

A Financial Trajectory Growing into Greatness - FY 2025/26

Profit Before Tax

> Rs. 2.1 Bn

32% YoY Growth

Profit After Tax

> Rs. 1.1 Bn

7% YoY Growth

Surpassed Rs. 100 Bn Asset Base

> Rs. 127 Bn

79% YoY Growth

Robust Capital Growth

>Rs. 15 Billion
Shareholder funds

10.69 %
(Min Req 10%)
Core Capital Ratio

16.04 %
(Min Req 14%)
Total Risk Weighted Capital Ratio

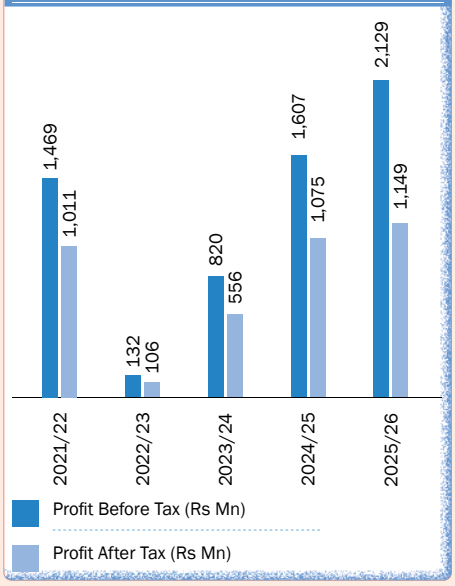
Impeccable Asset Quality Standards

3.2%
90 Days Past Due
Non-Performing Loans Ratio

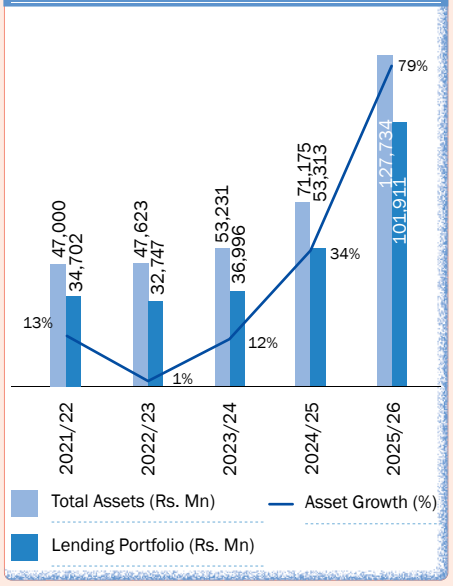
Strong Liquidity Buffers

21.76%
(Min Req 10%)

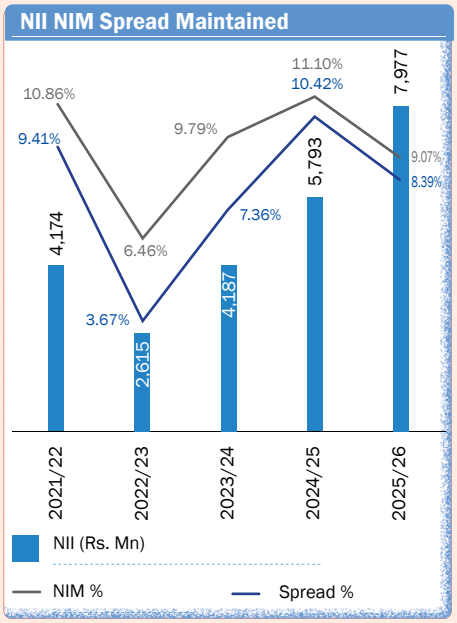
Steady Earnings Performance



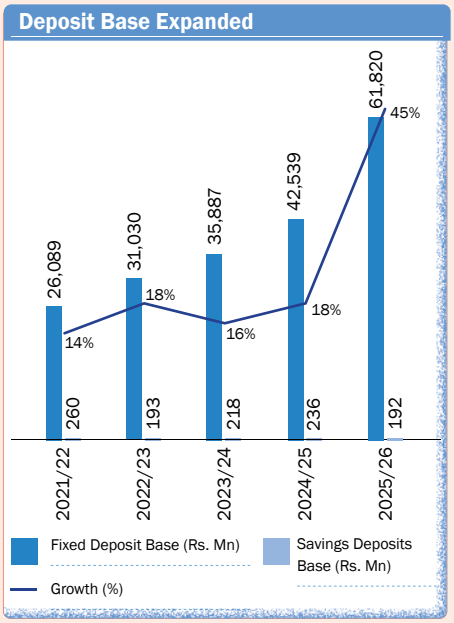
Rapid Growth in Total Assets and Portfolio



NII NIM Spread Maintained



Deposit Base Expanded

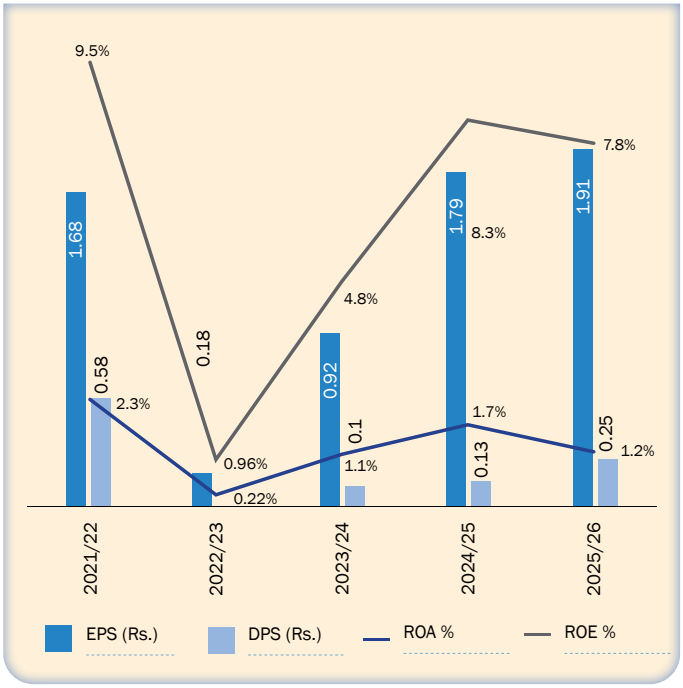


Operational Highlights

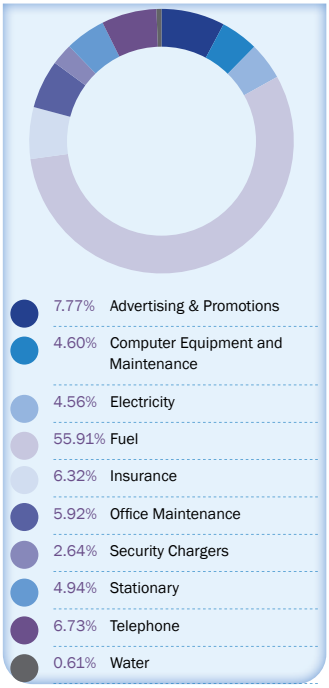
GRI Standard	For the year ended 31st March	2026	2025	Variance (%)	2024
Alliances					
413-1	Total clientele	**> 175,000**	> 160,000	9	> 135,000
204-1	Percentage of purchases from suppliers: Head office, Colombo (%)	**43**	51	-8	52
	Other locations of Sri Lanka (%)	**57**	49	8	48
2-27	Significant fines for product/service (Rs. '000)	**-**	-	-	-
205-2	Training on anti money laundering (Number of staff)	**847**	274	209	51
2-27	Significant fines for violation of laws/regulations (Rs. Million)	**-**	-	-	-
Human Strength					
2-7	Total workforce (Number)	**1,949**	1,613	21	1,198
2-7	Female Representation (%)	**33**	30	3	28
401-1	Recruitments for the year (Hours)	**899**	865	4	426
202-2	Local hiring of senior managers (%)	**64**	86	-22	68
401-1	Attrition rate (%)	**29**	28	1	27
401-3	Retention rate after parental leave (%)	**67**	33	34	78
403-2	Number of injuries	**2**	5	-60	8
403-2	Number of lost days	**134**	172	-22	328
404-1	Training hours per participant as an average (Hours)	**4**	6	-37	11
404-3	Employee performance appraisal as a percentage of total workforce (%)	**59**	51	8	62
	Employee grievances reported and resolved (Number)	**-**	-	-	-
201-3	Employee benefit liability (Rs. '000)	**586,182**	489,083	20	396,405
406-1, 408-1, 409-1	Human rights violation	**-**	-	-	-
Intellect					
	Brand Expenditure (Rs. Million)	**148**	84	76	18
	Market Share (%)	**4**	3	1	3
Infrastructure					
201-1	Number of new business locations launched	**19**	22	-14	8
	Investment on IT (Invested/ To be invested in Rs. Million)	**> 155**	> 100	> 55	> 130
	Investment in fixed assets (Rs. Million)	**470**	327	44	229
Nature					
302-1	Electricity consumption (kWh)	**2,190,869**	1,824,979	20	1,612,514
303-1	Water consumption (Units '000)	**27,231**	19,646	39	13,297
306-2	Paper recycling (Kg)	**2,284**	1,381	65	2,913
	Significant environmental fines (Rs. '000)	**-**	-	-	-

Enhancing Stakeholder Value Sustainably

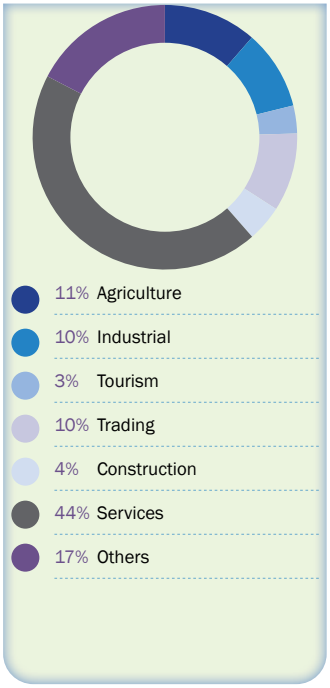
Investor Value Created
EPS, DPS, ROA and ROE



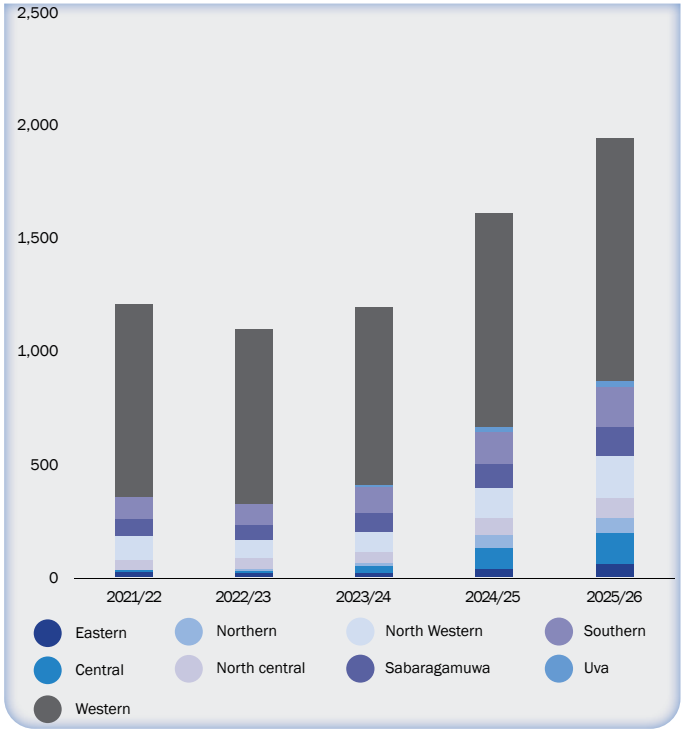
Partnerships Fostered
Supplier Spending



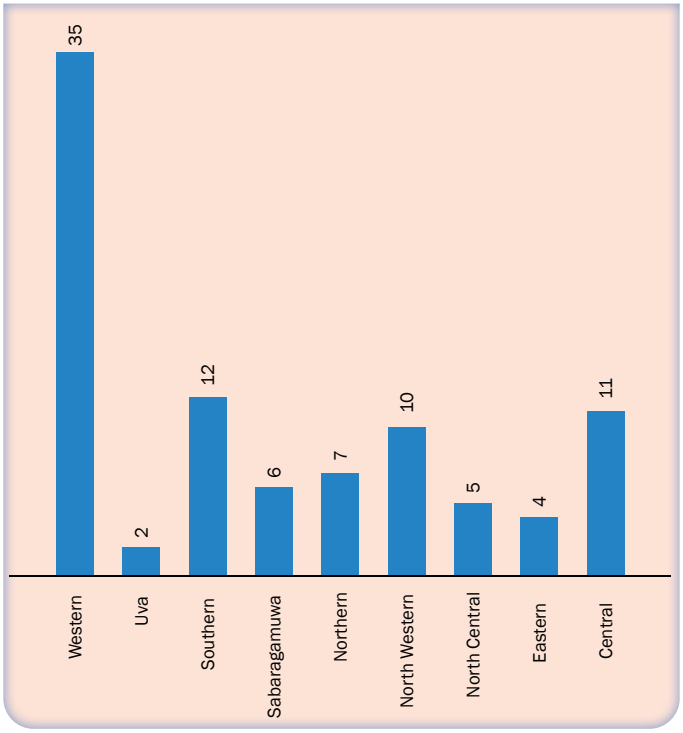
Empowering Inclusive Growth
Credit Support Extended to Sectors



Strengthening Work Force Talent
Staff Strength



Expanding Reach to Communities
Geographic Branch Spread



Strategic Highlights and Key Milestones of FY 2025/26

A year of milestones that strengthened our foundation, expanded our impact, and propelled us forward.

April 2025

Strengthened Capital Position

Successfully secured a Rs. 4 billion debt capital infusion to strengthen the company's tier 2 capital base, supporting future growth strategy.

May 2025

Finance Houses Association Sports Fiesta 2025

Reinforcing our commitment to employee well-being, teamwork, and a high-performance culture, the Company secured 5 awards. Outstanding achievements across multiple disciplines including Volleyball Runner-up, Men's Cricket Semi-finalists and Rugby Quarter-finalists and FHA Queen 3rd Place reflect the passion, resilience, and collaborative spirit of our people.

June 2025

61st Anniversary Pirith Ceremony

Marked the Company's 61st Anniversary with a Pirith Ceremony held at the Head Office, invoking blessings for continued growth, unity, and prosperity.

October 2025

MI Finance Crosses Rs. 100 Billion in Total Asset Base

Reached a historic milestone with total assets exceeding Rs. 100 billion, underscoring our strong business fundamentals, strategic execution and continued commitment towards creating long-term value.

November 2025

CSR Team Cleans Up Crow Island Beach

As part of our commitment to environmental sustainability, Mercantile Investments spearheaded a beach clean-up initiative at Crow Island Beach, contributing to the preservation of the coastal environment and raising awareness of responsible environmental stewardship.

December 2025

Enhancing Shareholder Value

The Company strengthened shareholder value through a successful 1:200 share subdivision, increasing accessibility and market liquidity, while rewarding shareholders with a total gross dividend of Rs.149 Million reflecting MI's strong financial performance and commitment towards delivering sustainable returns.

> Milestones are not just moments, they are stepping stones to a greater tomorrow.

August 2025

Introduction of Pragathi Sustainable Business Loan to product mix

The broad basing of the sustainable finance portfolio empowers businesses to adopt environmentally conscious and future-ready growth initiatives.

September 2025

Introduction of MI Game Changers Employee Recognition Programme

Recognizing exceptional contributions, encouraging innovation, and reinforcing a high-performance culture towards greater organizational success.

October 2025

Opening of MI's 85th Branch in Kalawanchikudy

Expanded MI's footprint with the opening of the 85th Branch in Kalawanchikudy, reaffirming the Company's commitment to bringing convenient and accessible financial solutions closer to communities across Sri Lanka.

January 2026

Driving MI's Sustainability roadmap Through GHG Verification

Successfully secured independent GHG Verification, strengthening the credibility of our environmental reporting and reinforcing our commitment to sustainable business practices and responsible corporate stewardship.

March 2026

Surpassing PAT Rs. 1.1 Bn, Loan Book > Rs. 100 Bn

The year marked a defining chapter in our journey as Mercantile Investments & Finance PLC achieved its highest-ever Net Profit After Tax (NPAT) of Rs. 1.148 billion, while crossing the significant Rs. 100 billion loan book milestone.

Message from the Chairman

GRI 2-22

It was a year of significant expansion for MI, as the asset base surpassed the Rs. 100 billion milestone, leading to the Company strengthening its position among the top-tier Non-Bank Financial Institutions (NBFIs) in the industry

DEAR STAKEHOLDERS,

A Year That Characterised Profound Business Momentum

In a year that reaffirmed the resilience of Mercantile Investments (MI) franchise and the strength of MI values, the Company delivered an impressive business performance, reflecting disciplined execution, prudent governance, and an unwavering commitment towards long-term sustainable value creation. By strengthening our market presence and further expanding financial inclusivity across provinces, the Company enhanced its market positioning while making immense strides to generate greater value to its customers, shareholders, employees, and the wider community.

It was a year of significant expansion for MI, as the asset base surpassed the Rs. 100 billion milestone, leading to the Company strengthening its position among the top-tier Non-Bank Financial Institutions (NBFIs) in the industry. Our strategic branch expansion strengthened the company's market presence and laid a solid foundation for the next phase in MI's growth journey.

The growth momentum we created two years ago, reached a pinnacle this year that saw remarkable improvement in both income and profitability. This was attributable to the successful execution of our growth strategy while maintaining the highest acceptable standards of asset quality, through disciplined credit underwriting, prudent risk management, and effective recovery strategies, demonstrating the resilience and sustainability of our business model.

Our well-diversified funding base continued to underpin the Company's strong growth aspirations. The sustained growth in public deposits further strengthened our funding profile, reflecting the confidence and trust of our customers while enhancing funding stability and optimising our overall cost of funds.

The profound business momentum and success portrayed is a testament to the strategic foresight of the Board, the steadfast stewardship of Management, and the unwavering commitment of our people across the organisation. The seamless collaboration between our marketing, operational, support, and back-office teams created a culture of executional excellence that translated our strategic aspirations into outstanding results.

Economic Transition

The global economy demonstrated remarkable resilience during 2025, expanding approximately by 3.3% despite a backdrop of persistent geopolitical uncertainty and structural challenges. The gradual easing of financial conditions across advanced economies, coupled with resilient domestic demand in emerging markets, supported global economic activity. However, the escalation of global geopolitical tensions introduced a new dimension of uncertainty to the economic landscape during the latter part of the financial year, intensifying risks surrounding supply chain resilience, energy price volatility, and persistent inflationary pressures.

Amid a complex and evolving global landscape, Sri Lanka's economic trajectory provided renewed grounds for cautious optimism: for the business community. Recent reform measures have delivered positive outcomes; recovery in external reserves supported a gradual restoration of macroeconomic stability; remittances, tourism, and exports showed improved inflows; and the IMF-led reform programme continued to make steady progress.

The economy gained further momentum during 2025, recording GDP growth of 5%, supported by strengthening macroeconomic fundamentals, improving investor confidence, and continued progress in key productive sectors. Growth was underpinned by the gradual recovery of infrastructure development, construction activity, and agriculture, although investment levels remained below pre-crisis benchmarks, highlighting the continued need to reinforce long-term economic resilience and sustainable growth. CCPI inflation edged up to 2.2% due to rising energy, transport, and food prices, indicating stable growth with mild cost-push inflation.

Profit Before Tax (PBT)

Rs.2,129 Million

Achieving MI's highest ever profitability in its over 60-year legacy

Profit After Tax (PAT)

Rs.1,149 Million

The year also saw further improvements in monetary and external sector conditions, supported by accommodative monetary policy. Market interest rates continued their downward trajectory, which resulted in private sector credit growth peaking at 27.1% YoY in March 2026. The natural disaster Ditwa in late 2025 set back the economy due to collateral damage, in addition to the lives lost.

The taxation framework underwent several reforms during the year to support fiscal stability and strengthen revenue generation, aimed at improving the efficiency and effectiveness of the overall tax system whilst contributing fiscal consolidation and broader economic stability. Regulatory oversight continued to play an important role, in financial system stability with the Central Bank maintaining a strong focus on governance, capital adequacy, and risk management standards to strengthen internal controls and improve transparency in reporting.

Message from the Chairman Contd.

Towards a More Resilient NBFI Industry

Overall, the Sri Lankan non-banking finance industry in FY 2025/26 continued its transition from recovery towards a phase of consolidation and sustainable growth. The sector remained focused on strengthening asset quality, enhancing operational resilience, and accelerating digital transformation, while gradually restoring profitability, rebuilding customer confidence, and reinforcing its role in supporting inclusive economic growth.

The progressive easing of import restrictions, most notably the resumption of vehicle imports, gave the Non-bank financial institutions (NBFI) sector a strong boost by unlocking pent-up demand and driving credit growth. This favourable shift supported the expansion of lending pipelines and allowed finance companies to strategically rebuild their asset bases through increased leasing activity, particularly in vehicle financing, while contributing to improved portfolio diversification, asset quality, and yield optimisation.

Gross loans and advances of the sector grew by 52.42% year-on-year, compared with 26.88% in the previous financial year, reflecting a significant acceleration in lending activity. Growth was driven mainly by vehicle-backed lending, which increased by 52.8%, and gold-backed lending, which rose by 69.2%. Gold-backed lending remained one of the strongest growth drivers for NBFIs during FY 2025/26, supported by elevated gold prices, and the growing preference among retail customers for secured, short-term financing solutions.

The sector achieved a notable strengthening of asset quality during the year, evidenced by a reduction in the Gross Non-Performing Loan (NPL) ratio to 4.44%, compared with 8.6% in the previous year driven by robust recovery efforts and portfolio growth.

MI's Strong Performance Backed By Stability

This year marked a significant milestone in our journey, defined by renewed momentum, strategic progress, and an unwavering dedication towards delivering greater sustainable value to all stakeholders. As new avenues for growth emerged, we embraced them with conviction and strategic intent, strengthening our presence in high-potential markets while laying the foundations for the next phase of our growth trajectory that expands our sphere of value.

During the year, we broadened our branch footprint meaningfully, with our branch network surpassing 90 locations across the island, enabling us to deepen our reach into underserved communities, while reinforcing the product mix and MI's brand visibility and strengthening competitive position among the fastest growing NBFIs in Sri Lanka.

Showcasing a remarkable growth trajectory expanding the total asset base by 79% YoY, MI grew its lending book rapidly by 91% from Rs 53 billion to Rs 102 billion, whilst crossing the LKR 100 billion total asset base by October 2025, marking our transition into the league of larger scale peers in the NBFI sector. Harnessing the sustained momentum in gold-backed lending, we recorded an impressive 218% expansion of our Gold Loan portfolio, reinforcing our market leadership while deepening financial inclusivity among the grassroot levels of the pyramid of customers. Simultaneously, we continued to embed sustainability at the heart of our business by expanding our suite of sustainable financing solutions through solar, EV and Pragathi products, upholding our ESG aspirations.

Digital transformation remained central to our strategy, accelerating our journey toward becoming a more resilient, agile, and future-ready organisation equipped to thrive in an increasingly dynamic business environment. During the year, we successfully migrated to the external core system Scienter e-financials. The establishment of a Digital Transformation Unit with expertise paved the way to lead enterprise-wide initiatives and for the developing of a comprehensive digital transformation roadmap.

Recognising that effective governance is fundamental to sustainable value creation, we continued to strengthen our control environment through the adoption of leading industry practices, robust policy frameworks, and disciplined operational governance. Supported by rigorous monitoring and continuous refinement of our enterprise risk management framework, we further embedded a culture of compliance, integrity, and risk awareness across the organisation. Active stewardship by the Board and its subcommittees provided strong oversight, reinforcing sound governance, enhancing organisational resilience, and ensuring that strategic decisions were underpinned by prudent risk management and long-term stakeholder value.

The progress achieved during the year reflects far more than strong financial results—it demonstrates the strength of our strategy, the resilience of our business model, and the unwavering commitment of our people. In keeping to the three year strategic plan targets envisaged, including revenue, profits and asset quality standards, the Company accordingly was able to conclude these highlevel KPI's to move towards next phase.

As we look ahead, I believe we are entering the next phase of our journey from a position of confidence and purpose. The momentum we have created today provides a solid springboard for realising our long-term aspirations.

Financial Results Noteworthy

The Company demonstrated commendable sustained financial growth, achieving MI's highest ever profitability in its over 60-year legacy, posting a Profit Before Tax (PBT) of Rs. 2,129 million and a Profit After Tax (PAT) of Rs. 1,149 million reflecting YoY growth rates of 32% and 7%, respectively.

Core earnings remained resilient, with Net Interest Income (NII) increasing by 38%, propelled by a robust 91% increase in the total loan portfolio, reflecting sustained business expansion. Complementing this performance, non-fund-based income increased by 10%, primarily attributable to enhanced insurance commission income and the continued expansion of fee-based income, reinforcing the diversification of the sustainable revenue streams.

Despite the continued expansion of the lending portfolio, the Company maintained exemplary asset quality standards through disciplined credit underwriting, proactive recovery initiatives, and a robust risk management framework. These measures brought forth improvement in the 90 day non performing ratio to 3.2%, below the industry average of 4.4%.

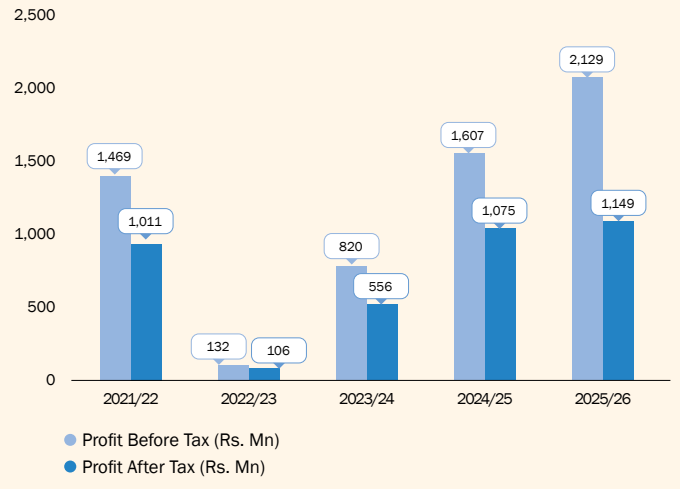
The Company further strengthened its funding base during the year, with customer deposits exceeding Rs. 62 billion, reflecting an impressive 45% growth supported by a 18% increase in the number of depositors. To propel the strong core business growth, the Treasury Division proactively optimised the funding mix through bank borrowings and securitised financing, resulting in the borrowings surging up by 283% YoY.

Notwithstanding the higher leverage, the Company preserved a strong liquidity position, maintaining a statutory liquidity ratio of over 21% as at the reporting date, well above the minimum requirement of 10%.

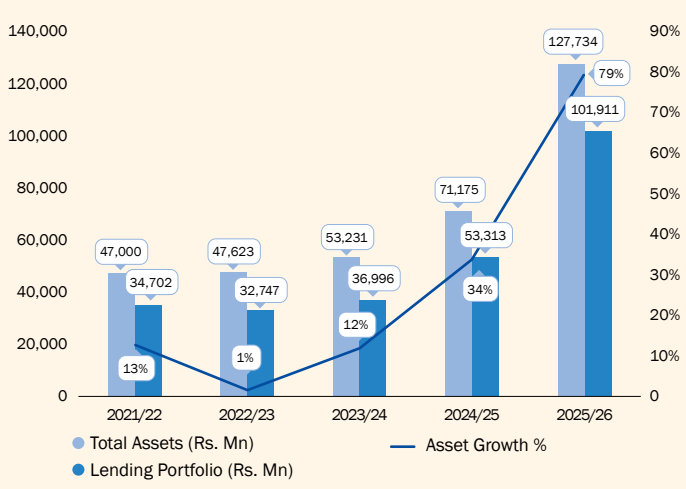
Despite the continued expansion of the lending portfolio and asset base during the year, the Company maintained healthy capital adequacy levels throughout the period, with Tier 1 and Total Capital Adequacy Ratios standing at 10.69% and 16.04%, respectively above regulatory levels, as at 31 March 2026. We reinforced our capital buffers during the year infusing Tier 2 capital up to Rs. 4.6 billion, while making arrangements for a rights issue to be concluded in May 2026 to support our long-term growth ambitions, sustain business expansion, and maintain a resilient capital position.

With the consolidation of branch expansion and ongoing digital transformation initiatives continuing to deliver operational efficiencies, we maintained a disciplined focus on productivity led cost optimisation initiatives. These efforts improved operating leverage, reducing the cost-to-income ratio from 75.61% to 72.60%, despite two years of rapid branch expansion-led expenditure.

Earnings Performance



Total Assets, Portfolio and Asset Growth



Message from the Chairman Contd.

Outlook: Resurgence of headwinds

The journey ahead will undoubtedly be influenced by a dynamic and evolving external environment, where geopolitical developments, regulatory changes, and macroeconomic volatility will continue to test the resilience and adaptability of financial institutions

While elevated geopolitical tensions, trade disruptions, and climate-related risks continue to create uncertainty in the global operating environment, the domestic economy is demonstrating greater resilience, underpinned by stronger external buffers, improving investor confidence, and a more stable financial system. At the same time, inflationary pressures arising from global energy and supply chain disruptions, together with evolving geopolitical risks, reinforce the importance of disciplined risk management, prudent capital allocation, and strong liquidity management.

IMF projections indicate Sri Lanka's real GDP growth moderating to around 3% in 2026, with average inflation stabilising near 5%. Gross official reserves are expected to remain above USD 8.5 billion, though risks persist from uncertainty around the conflict's duration and intensity. Continued strong implementation of IMF Extended Fund Facility (EFF) programme remains essential amid challenging conditions.

Structural reforms and improved public infrastructure are required to strengthen the investment climate and support higher long-term growth.

Though Sri Lanka's improving macroeconomic fundamentals are expected to support economic recovery, recent regulatory and fiscal policy measures are likely to moderate credit expansion across the finance sector. The imposition of surcharges on vehicle imports, together with the regulator's enhanced prudential measures, including tighter Loan-to-Value (LTV) requirements for gold-backed lending and vehicle financing, are expected to recalibrate credit demand and moderate growth across the industry's key lending portfolios.

MI's Future Strategically shaped toward greatness

As we embark on the 2026/27 financial year, MI is well-poised to build upon the strong foundation established over the last 2 years. As Sri Lanka's economic recovery continues to gather pace, we remain confident in our ability to capitalise on emerging opportunities through disciplined execution, strategic agility, and an unwavering commitment to sustainable value creation. Guided by a clear long-term vision and strengthened by a resilient business model, we are poised to accelerate our next phase of profitable and responsible growth.

With branch consolidation at the core, our strategic priorities will shift from expansion to value optimisation. We will focus on enhancing margins, improving resource productivity, and driving enterprise-wide operational excellence through efficiency, disciplined cost management, and data-driven performance. This strategic shift is anticipated to strengthen profitability, improve capital efficiency, and position MI to deliver resilient, sustainable growth while creating enduring value for all stakeholders.

Digital technology continues to redefine the financial services landscape, reshaping business models, customer expectations. The rapid evolution of artificial intelligence (AI) has accelerated this transformation, creating significant opportunities to enhance operational efficiency, strengthen risk management, improve customer experiences, and support data-driven decision-making. While we continue to enhance our newly implemented core IT platform, we are well positioned to accelerate product innovation and expand our digital solutions, further strengthening our competitive position. Building on this robust technological foundation, we will progressively integrate AI-driven solutions across key business functions, including advanced analytics, intelligent process automation, fraud detection, and operational excellence.

Recognising the rapidly evolving cyber threat landscape and the increasing dependence on digital platforms, customer information, online transactions, and interconnected financial ecosystems, MI will widen its strategic steps to embrace data protection priorities to further enhance technology risk governance, strengthen enterprise cyber resilience, and embed a proactive, risk-based approach to information security.

Guided by the Board-approved Operational Risk Management Framework, we will continue to strengthen an enterprise-wide culture of accountability, risk ownership, and informed decision-making, by embedding robust governance, ethical leadership, and proactive risk management across the organisation, to enhance resilience, strengthen stakeholder confidence, and support sustainable long-term value creation.

Recognising Contributions and Words of Appreciation

In a year marked by significant milestones in MI's growth trajectory, I extend my heartfelt appreciation and warm wishes to all those whose valuable contributions played a pivotal role in strengthening the Company's strong upward trajectory.

My gratitude goes especially to my fellow Board members, whose unwavering commitment, strategic foresight, and collective wisdom have been instrumental in shaping the Company's continued success. Their invaluable guidance, discerning oversight, and steadfast dedication have strengthened our governance framework and positioned MI to confidently pursue its next phase of growth and long-term aspirations.

I also extend my deep appreciation to our Managing Director, Gerard Ondaatjie, whose visionary leadership, resilience, and relentless pursuit of excellence have been instrumental in guiding MI through a defining period of transformation. His ability to inspire, execute strategy with precision, and nurture a high-performance culture has enabled MI to scale new heights whilst consistently delivering on the Board's strategic aspirations.

I take this opportunity to thank every member of the MI family, whose passion, perseverance, and unwavering commitment have been instrumental in our achievements. Their resilience in overcoming challenges, willingness to embrace change, and steadfast focus on delivering excellence have contributed to close the year with a position of strength.

I also wish to express my sincere appreciation to the Governor of the Central Bank of Sri Lanka and his team for their steadfast guidance and continued support throughout the year. Their prudent regulatory leadership and forward-looking supervisory approach contributed to strengthening the financial system's stability and integrity, raised confidence in the NBFI sector, and fostered a more resilient and sustainable financial ecosystem.

I wish like to acknowledge with gratitude our Management Team, whose exceptional stewardship, strategic foresight, and disciplined execution translated the Company's vision into unprecedented achievements. Their ability to lead with purpose and integrity has strengthened organisational resilience, accelerated transformation, and positioned MI for sustained long-term value creation.

As I conclude, I extend my deepest gratitude to our shareholders, valued business partners, customers, and all stakeholders for the enduring trust and loyalty you have placed in the Company throughout our journey.

Your steadfast support has been the cornerstone of our success, enabling us to navigate an evolving business landscape with resilience, seize new opportunities with confidence, and continue creating sustainable long-term value for all those we serve.

As Chairman, I reaffirm the Board's unwavering commitment to leading MI into its next phase of transformational growth. Guided by sound governance, strategic foresight, and prudent stewardship, we remain dedicated to delivering sustainable long-term value for our stakeholders, supporting Sri Lanka's economic progress, and creating a lasting positive impact on the communities we serve.

Dinuka Perera
Chaiman

24 June 2026

Managing Director's Review

> Anchored in the belief of limitless potential and the ability to pursue ambitious aspirations, the Company pursued an aggressive strategy to broaden business reach, capacity and overall capabilities; including the deployment of human resources and technology to deliver breakout growth across all core business lines.

A Year of Transformational Growth

Mercantile Investments & Finance PLC (MI) delivered a year of exceptional results, executing a clearly defined growth strategy despite navigating volatile market conditions arising from both local and global developments. The Company surpassed a significant milestone, crossing the Rs. 100 billion total asset base, marking its transition into the league of larger-scale peers within the Non-Banking Financial Institutions (NBFI) sector. The lending portfolio expanded from Rs. 53.3 billion to Rs. 101.9 billion, reflecting an aggressive yet disciplined scaling of business supported by a conducive operating environment, and demonstrating market confidence in our ability to grow responsibly.

The Company's physical presence was expanded in line with its medium-term Corporate Plan, with the branch network surpassing 90 locations island-wide, enabling MI to deepen its reach into underserved communities while strengthening our national footprint. This positions MI among the fastest-growing NBFIs in Sri Lanka; a position further validated by the Company's inclusion among the Top 100 listed entities on the Colombo Stock Exchange by market capitalisation.

By strategically harnessing the country's gradual economic resurgence which accelerated sector demand for credit to fuel the expanding motor vehicle trade and importation and combining this with MI's strong foundation and internal strengths, the Company was well placed to end the year with bold strides. Accordingly, the staunch business drive propelled the loan book over Rs. 100 billion, boosting revenue, while concurrently sustaining impeccable asset quality standards to showcase steady bottom line growth.

Operating Environment

Sri Lanka's Economic Resurgence

The year under review marked a steady and resilient economic recovery, anchored by the progressive stabilisation of key macroeconomic fundamentals. The steadfast implementation of the IMF-supported reform agenda, alongside a relatively stable political landscape, strengthened policy credibility and reinforced fiscal discipline, fostering renewed confidence among investors and market participants.

Sri Lanka's external sector demonstrated notable resilience, supported by a strengthened balance of payments position, robust export earnings, increased worker remittances, and a strong resurgence in tourism. Inflationary pressures remained largely contained, enabling the Central Bank of Sri Lanka to maintain an accommodative monetary stance, resulting in lower interest rates and improved liquidity conditions.

These developments created a spillover effect across the financial services sector, where easing borrowing costs, combined with strengthening business confidence, ignited a robust revival in credit demand; resulting in an impressive 57% surge in the average loan portfolio of the financial institutions sector.

Nevertheless, this encouraging macroeconomic momentum was partially hampered in the latter part of the year by climate-induced disruptions linked to Cyclone Ditwah and escalating geopolitical uncertainty. These external shocks introduced renewed episodic volatility into the economic landscape, temporarily constraining the pace of recovery, exerting pressure on macroeconomic indicators, and creating uncertainty over the envisaged medium-term growth trajectory.

Navigating a Dual Shock: Climate Disruption and Geopolitical Instability

For Mercantile Investments, this year's robust growth and steady momentum was driven by the strategic focus kept from get-go, combined with the sheer determination and commitment of a resilient team, despite tough business conditions. The unprecedented impact of Cyclone Ditwah, one of the most severe natural disasters experienced in Sri Lanka in recent decades which affected all 25 districts, claimed lives, damaged property, disrupted livelihoods and critical infrastructure, and impacted over 2.2 million people across the country, had an impact to the NBFI Sector too. The resulting displacement and income loss among vulnerable communities weighed on domestic demand, creating a lagging effect on broader economic activity. Through prompt and decisive measures, MI was able to navigate this phase effectively supporting financially affected customers while keeping financial losses and non-performing lending levels to a minimum.

Escalating global geopolitical tensions particularly the Iran-United States conflict, which commenced during the latter part of February 2026 brought renewed volatility to global energy markets. Rising fuel prices and increased logistics costs amplified inflationary pressures, placing additional strain on businesses and households already navigating post-Ditwah recovery. Together, these two unprecedented shocks posed significant headwinds to the Sri Lankan economy during the year under review.

Managing Director's Review Contd.

Strategic Progress

MI's Steadfast Growth Trajectory

Anchored in the belief of limitless potential and the ability to pursue ambitious aspirations, the Company pursued an aggressive strategy to broaden business reach, capacity and overall capabilities; including the deployment of human resources and technology to deliver breakout growth across all core business lines. This positioned us to effectively harness emerging opportunities arising from the country's economic resurgence and the relaxation of vehicle import restrictions.

As we embarked on this transformative journey, we articulated a forward-looking strategic blueprint anchored in sustainable growth, while proactively anticipating evolving customer expectations and the shifting dynamics of the industry landscape.

Our growth agenda was holistic, encompassing strategic expansion into products and markets aligned with our risk appetite, the strengthening of core competencies, and the reinforcement of synergistic partnerships.

Digital transformation remained a core strategic priority, underpinning our efforts to build a resilient, intelligent and scalable operating model. We continued to refine our business model and strengthen our risk frameworks while pursuing opportunities aligned with our long-term vision.

We strengthened our organisational foundation by further investing in talent acquisition and effective training and development, empowering our teams, stretching their capabilities, and fostering a culture of agility and innovation to unlock new pathways for sustainable growth.

Strengthening MI's Talent, Shaping Our Future

Our people remained central to our progress as we expanded MI's lending business across all provinces, particularly through growth in the gold loan business alongside our traditional lease and term lending portfolios. During the year, we undertook significant workforce-strengthening initiatives, supported by structural reforms and targeted talent acquisition. These efforts enhanced organisational depth, improved agility, and positioned us to sustain a strong growth momentum. We continue to invest in building a high-performance culture anchored in accountability, adaptability, and a shared commitment to excellence. Both front-line sales teams and back-office staff underwent technical skill-enhancement programmes and were kept motivated through an effective, performance-linked reward mechanism.

Growth with Purpose: Expanding Access, Enabling Inclusion

Beyond scale, our growth remained purposeful. We continued to broaden our product landscape, expanding beyond traditional leasing into gold-backed lending and introducing tailored solutions such as Pragathi, designed to meet evolving customer needs. This diversification strengthened our resilience while enabling us to remain relevant across multiple economic segments.

At the same time, we deepened our commitment to inclusive and sustainable finance by setting out a three-year roadmap under the supervision of the Sustainable Governance Committee. Through targeted initiatives in renewable energy financing, women's empowerment, and community-focused lending, we contributed to a more inclusive financial ecosystem, one that supports not just economic growth, but social progress. Strategic partnerships forged during the year further enhanced our ability to deliver value, enabling us to leverage synergies, extend market access, and strengthen stakeholder confidence.

In alignment with our strategic growth agenda, we concluded a share split in December 2025 to enhance market liquidity, improve accessibility, and broaden our shareholder base by enabling greater participation in share trading.

Financial Performance Review

Key Metric	FY 2025/26
Total Assets	Crossed **Rs. 100 Bn** (+79% YoY)
Lending Portfolio	**Rs. 101.9 Bn** (from Rs. 53.3 Bn)
Gross Income	**Rs. 16.6 Bn**
Net Profit Before Tax (NPBT)	**Rs. 2,129.3 Mn** (+32%)
Net Profit After Tax (NPAT)	**Rs. 1,148.6 Mn** (+7%)
Return on Equity (ROE)	**7.77%**
Tier 1 / Tier 2 Capital Adequacy Ratio	**10.69% / 16.04%**
Statutory Liquid Asset Ratio	**21.76%** (min. 10%)
Cost-to-Income Ratio	**72.6%** (from 75.6%)
90-Day NPL Ratio	**3.23%** (industry avg. 4.4%)
Impairment Charge	**Rs. 475.9 Mn** (+112%)
Deposit Growth	**+45%** YoY
Total Borrowings	**Rs. 46.4 Bn** (+283%)
Branch Network	**90+** locations island-wide
Total Dividend	**Rs. 149.1 Mn** (12.98% payout)

Profitability, Capital and Liquidity

Supported by strong business growth and operational excellence, MI's top-line growth remained impressive, while the Company achieved its targeted profitability and asset quality standards. Net Profit Before Tax (NPBT) reached Rs. 2,129 million, while Net Profit After Tax (NPAT) rose to Rs. 1,149 million, recording growth of 32% and 7% respectively. This sustained profitability growth, together with OCI gains, propelled shareholder funds up by 14%.

Consistent with our commitment to maximising shareholder value, the Board approved a total dividend distribution of Rs. 149 million, disbursed in two tranches as an interim dividend of Rs. 16.60 per share followed by a second interim dividend of Rs. 0.165 per share reflecting a dividend payout ratio of 12.98%.

The Company's robust balance sheet provided the strength to consistently uphold disciplined capital buffers throughout the year, reinforcing both our financial resilience and our capacity to navigate uncertainty with confidence. Amid continued expansion of the lending portfolio and asset base, MI's Tier 1 and Tier 2 Capital Adequacy Ratios stood at 10.69% and 16.04% respectively as at 31 March 2026, bolstered by the year's profits and a Rs. 4.6 billion Tier 2 capital infusion. These levels are set to be further strengthened through the timely execution of planned capital infusions, reinforcing our capacity to support future growth while maintaining a robust capital position.

In parallel, we exercised proactive and disciplined liquidity management, strategically mobilising funds through deposit mobilisation and diversified borrowings to underpin our growth ambitions. This ensured MI's statutory liquid asset ratio remained strong at 21.76% as at end-March 2026, comfortably above the regulatory threshold of 10%, reinforcing stakeholder confidence and strengthening our ability to navigate evolving market dynamics.

Revenue Growth, Margins and Asset Quality

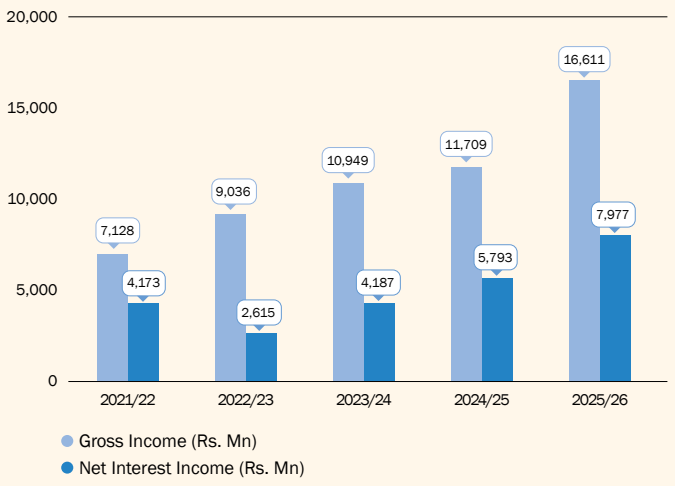
Core lending activities continued to anchor the Company's performance, recording 44% growth in revenue, contributing 95% to total gross income of Rs. 16.6 billion underscoring the strength and centrality of our core business model. This growth was primarily driven by a 91% expansion in the loan portfolio, supported by a 17.6% surge in traditional lease and vehicle financing, alongside a robust resurgence in gold-backed lending, with the gold portfolio recording 218% phenominal year-on-year growth.

While interest expenses increased by 51% in line with portfolio growth, net interest income grew by 38%, reflecting prudent margin management and disciplined balance sheet growth.

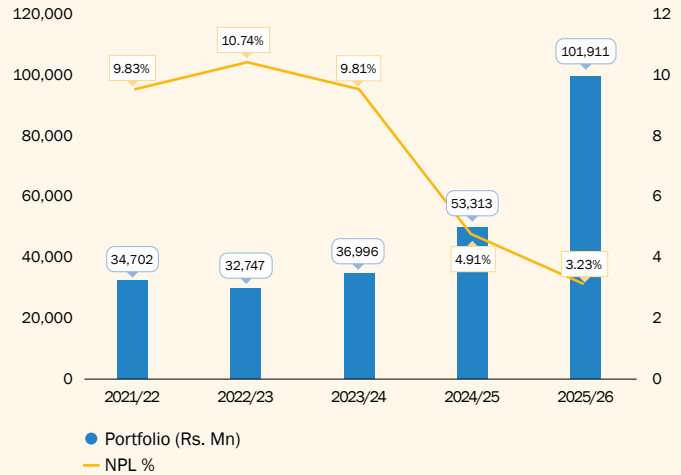
In line with the expansion in lending volumes, non-fund-based income also registered a robust growth of 10%, accounting for 4.7% of total revenue, re-calibrating the revenue mix and enhancing earnings resilience to shifting market dynamics.

Against an industry-average Non-Performing Lending (NPL) ratio of 4.4% as at March 2026, our steadfast recovery efforts and proactive risk management initiatives enabled us to maintain sound asset quality standards, with the 90-day NPL ratio staying lower at 3.23% as at the reporting date. Nevertheless, in view of heightened geopolitical uncertainty, the elevated risk environment, and portfolio

Gross Income Vs Net Interest Income



Portfolio Vs NPL



Managing Director's Review Contd.

growth, we recorded higher impairment charges of Rs. 475.9 million to the Income Statement, a notable 112% year-on-year increase reinforcing our stability and resilience against unforeseen shocks, while maintaining a healthy provision cover of 52.53%.

Overheads, Personnel Costs and Operational Efficiency

Aligned with our strategic pillars of 'Sustainable Growth' and 'Operational Excellence,' we maintained a disciplined focus on cost stewardship, prioritising scalable and sustainable cost optimisation initiatives to enhance efficiency and support long-term value creation. Despite a 28% escallation in overhead costs; driven predominantly by branch network expansion, annual remuneration adjustments, and rising utility and energy costs, Management Continued focus to drive cost optimization helped improve operational efficiency, lowering the Cost-to-Income ratio to 72.6% from 75.6% recorded in the previous year. In line with the strategic expansion of MI's branch network, personnel costs rose by 27%, reflecting continued workforce expansion.

With the consolidation of branch expansion and ongoing digital transformation initiatives including the deployment of a mobile application and other digital platforms targeted for the 2026/27 period, MI is well positioned to uphold cost discipline while driving optimal resource utilisation and enhanced operational efficiency across the organisation.

Deposit Mobilisation, Borrowings and Asset Growth

To support the rapid expansion of the lending portfolio, we implemented a disciplined and well-diversified funding strategy, achieving 45% year-on-year growth in deposit mobilisation through targeted campaigns and competitive pricing. In parallel, we scaled up our funding base, with total borrowings increasing by 283% to Rs. 46.4 billion, comprising a diversified mix of bank facilities and securitisation instruments. This proactive approach ensured funding requirements kept pace with business momentum while optimising the cost of funds and maintaining strong liquidity levels.

Collectively, this balanced and forward-looking funding strategy underpinned our accelerated growth trajectory, driving a notable 79% expansion in total assets; substantially outperforming the industry average growth of 46% for the year ended 31 March 2026.

Solidifying MI's Foundation for the Future

As we scaled, we remained equally focused on strengthening the institutional backbone required to sustain long-term growth. To stay technologically advanced and build future competencies, MI completed the full migration of its IT platform from an in-house-built system to the Scienter core banking platform — achieving another key milestone during the year under review. This established a unified and scalable digital infrastructure across all business functions, supporting operational excellence and enhancing turnaround times. This facilitated higher degree and depth in information provided for more informed, data-driven decision-making. Building on this foundation, we have embarked on an ambitious three-year digitalisation roadmap, supported by the induction of experienced professionals to lead business process re-engineering and innovation. Our focus remains clear to build a more agile, technology-enabled organisation, with a well laid out technology roadmap to enhance product value and stay ahead competitively.

Our digital journey will deliver tangible customer benefits, including expanded access through enhanced digital service capabilities underpinned by strengthened data protection and information security frameworks.

> "Our focus remains clear to build a more agile, technology-enabled organisation, with a well laid out technology roadmap in place to enhance product value and stay ahead competitively"

Outlook: From Expansion to Consolidation

Looking ahead, it is clear that the operating environment will remain volatile in 2026/27, given global conflicts compounding domestic pressures. The phase of rapid expansion has now given way to a period that demands sharper focus, greater discipline, and heightened risk awareness. Accordingly, we have recalibrated our strategy towards balanced, risk-adjusted growth, with increased emphasis on portfolio quality, capital efficiency, and sustainable profitability.

We have strengthened our risk management capabilities, including enhanced stress testing and scenario analysis, to proactively assess potential impacts arising from oil price volatility, inflationary pressures, and currency movements. This strategic reset ensures that we not only protect the gains achieved but also build resilience for the future.

Despite global headwinds and domestic challenges, Sri Lanka retains underlying strengths that support a cautiously optimistic outlook. Reconstruction activity, continued support from multilateral partners, and the recovery of key foreign exchange earners such as tourism and remittances are expected to provide a degree of stability for the economy. However, the path forward is unlikely to be without challenges.

Rising oil prices and potential shortages in the immediate term are expected to have cascading effects on the Sri Lankan market, driving up prices for goods and services. The gradual uptick in inflation and moderate depreciation of the rupee since March 2026 is likely to add pressure to local interest rates and credit costs. For the NBFI sector, motor vehicle imports are expected to remain relatively slower than in the year under review, though demand for financing is expected to remain strong as the economy continues its post-pandemic recovery.

The key challenge for the sector will be to keep costs optimal amid a competitive landscape in which core margins remain modest, alongside possible temporary deterioration in borrower creditworthiness stemming from economic hardship; placing pressure on collections and asset quality.

In light of this evolving landscape, Mercantile Investments has set out a clear, proactive corporate strategy for the next three years, focused on consolidating our business position, driving revenue growth, maintaining cost discipline, and enhancing profitability and investor returns at a greater pace. Central to this strategy will be enhancing operational efficiency through technology and a well-trained workforce, driving business excellence across our strong branch network.

Plans are in place to strengthen MI's capital position in the next financial year and beyond, to sustain regulatory thresholds, meet ambitious growth targets, and support the Company's continued journey of sound revenue and profitability growth; meeting investor expectations and advancing MI into its next phase of development.

Gratitude and Acknowledgement

As Mercantile Investments proudly marks six decades of unwavering service, stability, and stakeholder trust, I am deeply honoured to reflect on the remarkable progress we have made as a Company. MI's enduring legacy is one built on deep gratitude for the commitment, loyalty, and hard work of all those who have contributed to it over the years.

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. 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 to 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 the utmost care and purpose.

Above all, to our dedicated and talented team across MI's fraternity our resilience, adaptability, and professionalism have been the true driving force behind our achievements.

As we turn the page to a new chapter, I remain confident that Mercantile Investments & Finance PLC 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 over six decades.

As Managing Director, I extend my tribute to all our stakeholders and wish them every success in the year ahead, and I look forward to your continued support for the Company's future endeavours.

Gerard G. Ondaatjie
Managing Director

24 June 2026

BREAKING THROUGH

Like a butterfly emerging from its chrysalis... Our technology entwined growth driven transformation has become the wings.

Management Discussion and Analysis

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MI's Value Creation Model in Action

Purpose-Led Value Creation (GRI 2-6)

MI's business model serves as the foundation of its strategic architecture, seamlessly integrating the Company's vision, mission, and corporate objectives to deliver sustainable performance and enduring stakeholder value. The model reflects a disciplined and structured approach to resource allocation, underpinned by robust governance practices and a clear focus on long-term value creation. In navigating an increasingly dynamic operating environment, the Company remains committed to balancing short-term financial outcomes with long-term resilience by aligning operational execution with its overarching strategic priorities. This is fortified through a persistent commitment to ethical business conduct, transparency, and accountability, ensuring that all decisions contribute meaningfully to economic stability, social progress, and environmental stewardship, while addressing evolving stakeholder expectations.

INPUTS

Financial Wealth
- Share Holder Capital Rs. 15.7 Bn
- Deposit Base Rs. 62 Bn
- Loan Portfolio >Rs. 100 Bn

Alliances
- CSR Investments – Rs. 1.2 Mn
- New Suppliers - 45

Human Strength
- Workforce - 1,949
- Training Hours - 39,359 Hrs

Intellect
- Industry Expertise 62 years

Infrastructure
- Branch Footprint 92
- Fixed Assets Rs. 470 Mn

Nature
- Water Consumption 27 ML
- Energy Consumption 8,134 GJ

VALUE CREATION MODEL

Vision Statement

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

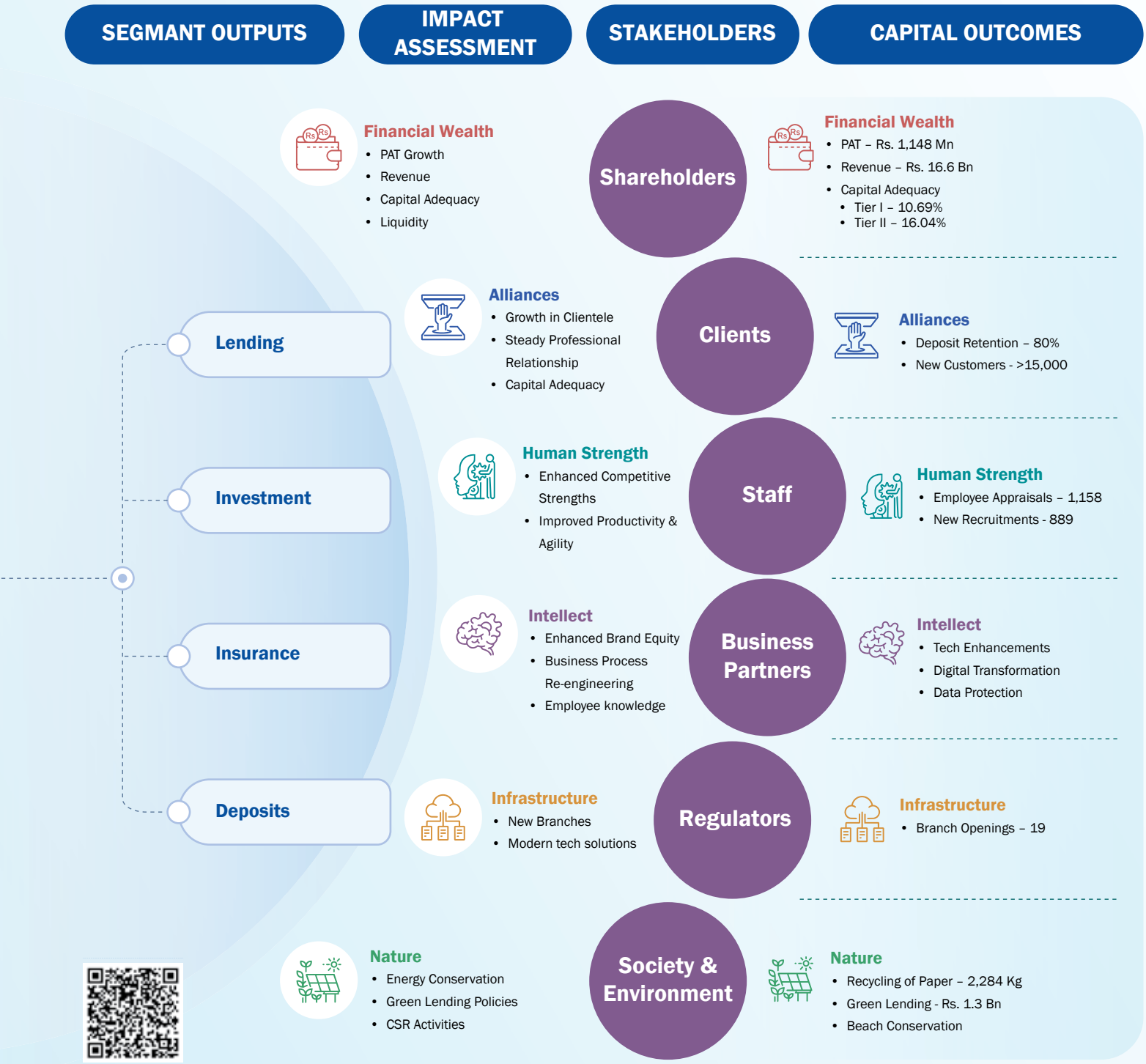
Mission Statement

Deploying resources effectively to bring innovative financial solutions that will enrich our business partners, whilst assuring profitable investor returns by staying ahead in our sphere of business and going forth to create a sustainable future for our employees and society

Value Statements

- Empathetic: Proactively being sensitive to customer expectations
- Respect: Recognizing and encouraging employee efforts with acknowledgment 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

The Company's value creation framework is driven by the strategic integration and optimisation of six interdependent capitals. Financial Wealth is deployed with prudence to support sustainable growth and maintain fiscal strength, while Alliances enable the development of strategic partnerships that enhance market positioning and competitive advantage. Human Strength remains central to organisational success, with continued investment in developing a diverse, skilled, and high-performing workforce that fosters innovation and operational excellence. The responsible stewardship of Nature underscores the Company's commitment to environmental sustainability, complemented by ongoing enhancements to Infrastructure Capital to ensure operational scalability and efficiency. Intellect encompasses proprietary knowledge, systems, and processes serves as a critical enabler of innovation and differentiation. Collectively, these capitals form a cohesive framework that strengthens the Company's ability to deliver superior value and sustain performance in a complex and evolving global landscape.



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

MI's Value Creation Model in Action Contd.

Stakeholder Engagement

GRI 2-29

Delivering sustainable value to our stakeholders remains central to our business model and long-term strategic direction. We have established a comprehensive stakeholder engagement framework that enables us to systematically identify, assess, and respond to the diverse expectations of those who influence and are impacted by our operations. Through a structured stakeholder mapping process, we categorise and prioritise six key stakeholder groups shareholders, customers, employees, regulators, suppliers, and the wider community based on their level of influence and impact. This multidimensional approach is supported by an ongoing Stakeholder Impact Assessment, the insights of which inform strategic decision-making and guide the effective allocation of resources in line with our commitment to inclusive growth, transparency, and responsible business practices.

Our approach to stakeholder engagement is anchored in a commitment to fostering trust-based, long-term relationships through proactive and meaningful interactions. We ensure that all stakeholders are provided with timely, relevant, and accurate information tailored to their specific interests and concerns. By adopting a structured methodology to assess stakeholder needs and segment them based on actual and potential impact, we are able to implement targeted engagement strategies that enhance value creation. Continuous refinement of these processes enables us not only to respond effectively to stakeholder expectations but also to anticipate emerging needs, thereby strengthening our competitive advantage and supporting sustained organisational resilience in a dynamic business environment.

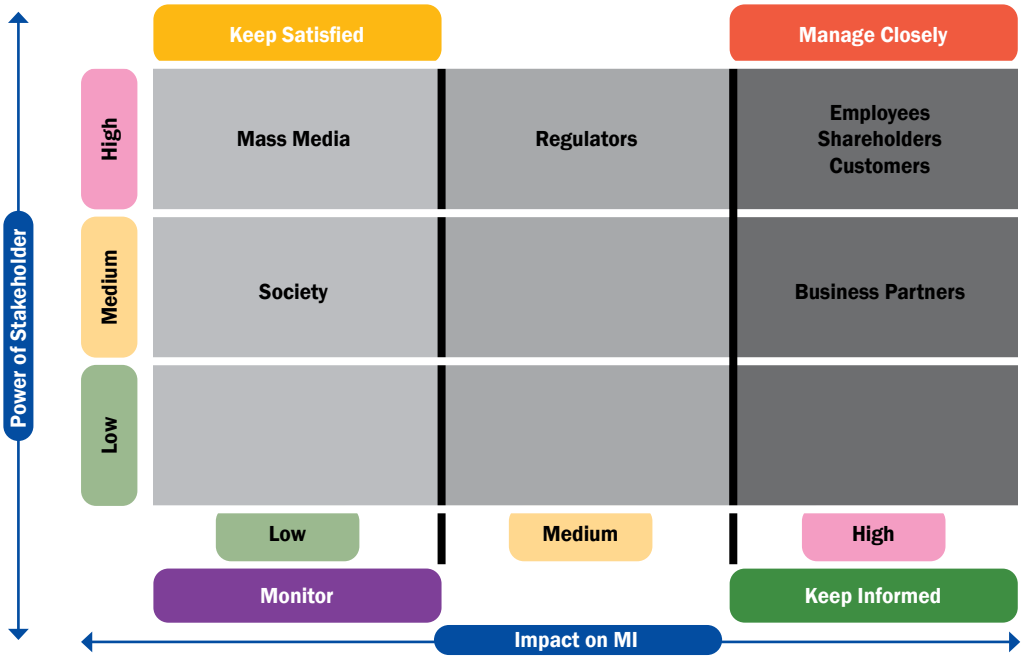
Process of Stakeholder Engagement

Management of Stakeholder Interests

Effective stakeholder management remained a key strategic priority throughout the year, reinforcing the organisation's commitment to transparency, accountability, and sustainable value creation. Systematically identifying, engaging, and responding to the interests of key stakeholders including customers, employees, investors, regulators, and the wider community, MI continued to strengthen relationships and align its strategic objectives with evolving stakeholder expectations. Structured engagement channels, such as stakeholder forums, surveys, and formal feedback mechanisms, were further initiated to facilitate the timely dissemination of relevant and meaningful information.

This proactive and inclusive approach enabled the organisation to better anticipate emerging risks, identify opportunities for collaboration, and support informed decision-making through a comprehensive understanding of stakeholder perspectives. As part of its continuous improvement initiatives, stakeholder insights were increasingly integrated into performance evaluation processes and policy development frameworks, further strengthening trust, enhancing responsiveness, and supporting the organisation's long-term resilience in a dynamic operating environment.

Stakeholder Map



Materiality Assessment

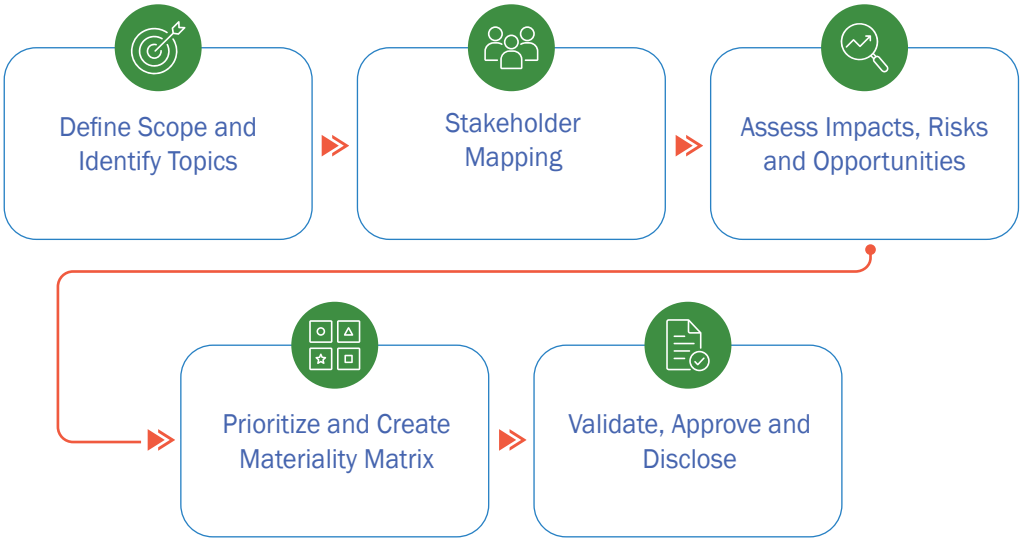
GRI 3-1

Our materiality assessment serves as a cornerstone of our sustainability strategy, providing a structured and disciplined framework to identify, prioritize, and address the Environmental, Social, and Governance (ESG) factors most relevant to our operations and stakeholders. Through a rigorous and comprehensive evaluation process, we analyze both internal and external operating environments, engaging a diverse range of stakeholders including investors, customers, employees, suppliers, regulators, and community representatives. This approach enables us to identify and prioritize the issues that have the greatest potential to impact our ability to create, preserve, or erode economic, environmental, and social value for both the organization and its stakeholders.

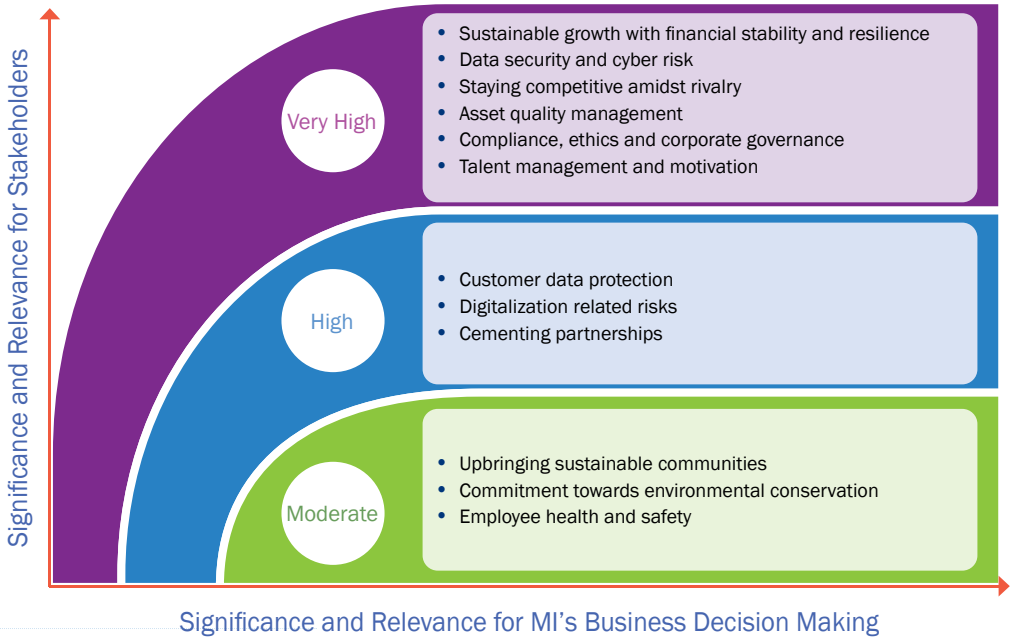
Aligned with internationally recognized frameworks such as the Global Reporting Initiative (GRI), Integrated Reporting (IR), and the United Nations Sustainable Development Goals (UNSDGs), our materiality assessment ensures that our sustainability disclosures remain relevant, transparent, and forward-looking. The methodology incorporates both qualitative and quantitative analyses to evaluate each issue based on its significance to stakeholders and its potential impact on the business.

The outcomes of this process escalates vital information for strategic decision-making, guide resource allocation, strengthen risk management practices, and support innovation and long-term planning. Through this integrated approach, we reinforce our commitment to sustainable value creation while addressing key challenges and priorities at both local and global levels.

Process of Materiality Assessment



Materiality Gauge Matrixa



Detailed disclosures about the external environment review is made available in the 'Sustainable Value Creation' web content pages 09-29

Strategy & Resource Allocation

Mercantile Investments and Finance PLC (MI), with a legacy spanning over six decades in Sri Lanka's financial services sector, continues to strengthen its position as a dynamic and resilient Non-Bank Financial Institution (NBFI). The past financial year marked a significant milestone in the Company's growth journey, reflecting the successful execution of its strategic priorities with the dedication of its management and employees.

MI's corporate strategies are grounded in a long-term commitment to creating enduring value for all stakeholders, balancing the expectations of shareholders, depositors, clients, and the broader community in which we operate. The Company's strategic planning & review process serves as a critical governance mechanism, ensuring that capital and resources deployed is consistently aligned with MI's competitive strengths, risk appetite, and long-term objectives.

For 2025/2026, this review reinforced our focus on operational excellence, revenue quality, capital efficiency, and the deepening of client relationships & convenience across business segments. Strategic investments have been directed toward initiatives that enhance our operational ecosystem, address structural vulnerabilities, and position the Company with right competitive advantage to stay ahead of competition.

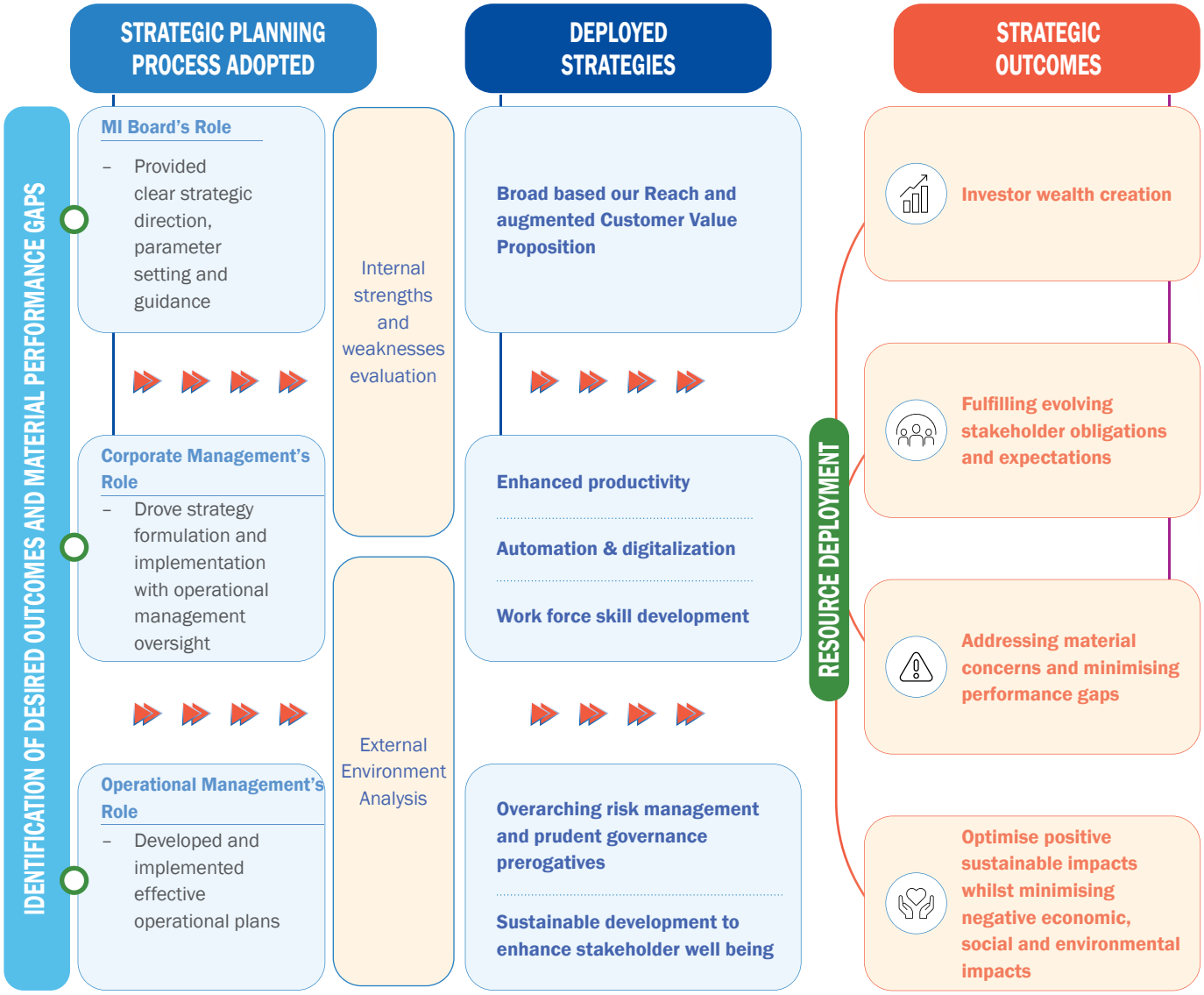
As a result, by continuing to invest in productive business lines, focusing on specific regions where commercial activity has heightened since the post-COVID period, and also empowering communities through focused financial offerings, MI was able to effectively implement its three-year corporate strategy amidst positive business conditions.The Company reached a significant strategic milestone in its growth trajectory by surpassing the Rs. 100 billion asset base in October 2025, and was also able to record the highest ever absolute profitability levels in the Company's history, underscoring the strength of MI's business model, disciplined cost management, and improved operational efficiency.

The commitment to expand reach since 2024, was further driven by widening the branch network from 73 to 92 locations. Capitalising on the resurgence in demand for vehicle financing following the gradual relaxation of motor vehicle import restrictions, together with sustained momentum in gold-backed lending, the Company accelerated its growth trajectory by surpassing the milestone of a Rs. 100 billion loan portfolio in March 2026.

This landmark achievement reflects the resilience of our lending franchise, the strength of our customer relationships, and our ability to respond proactively to evolving market dynamics while maintaining disciplined and sustainable growth.

While greater financial inclusion and empowerment continues to shape the future of financial services, we further broadened our product portfolio with innovative sustainable financing solutions that align commercial growth with environmental and social progress. This strategic expansion not only responds to the evolving aspirations of our customers but also reinforces our commitment to advancing inclusive, resilient, and sustainable economic development while creating enduring stakeholder value.

The Strategy Formulation Path Set in Motion towards Envisaged Results



Strategy & Resource Allocation Contd.

Internal Environment Review

Our Strengths	How we Leveraged
Decades of Excellence	• Crossed the Rs. 100 billion asset threshold—a defining milestone that elevated MI into the league of larger-scale NBFIs and reinforced its position among the sector's fastest-growing institutions. • Expanded network of strategic partners by formalizing collaborations through MOUs with reputed vehicle traders, reinforcing our commitment to innovation, growth, and stakeholder value. • Continued to diversify our offerings by expanding solar and agricultural product solutions, enabling customers to achieve greater productivity while supporting a more sustainable future • Advanced shareholder value creation through a strategic share split and planned rights issue, strengthening the Company's capital base while enhancing market accessibility and positioning MI for its next phase of sustainable growth,
People-Centric Culture	• Expanded the workforce to 1,949 employees through 899 new recruitments during the year, supporting evolving business needs. • Provided over 39,359 training hours to employees, supporting professional growth and organisational development. • Provided direct employee benefits exceeding LKR 2.5 billion, demonstrating continued focus on employee welfare and a people-centric workplace culture • Maintained a structured KPI-driven performance management approach, linking individual achievements with appropriate recognition and rewards targeting continuous performance development
Technology Integration	• Integrated the Scienter e-Financials system across the organisation, strengthening digital capabilities, process efficiency, and stakeholder confidence. • Established a dedicated Digital Transformation Unit with skilled resources to accelerate digital adoption and enhance operational capabilities. • Launched the development of a mobile application supporting end-to-end digital transactions and enhanced accessibility. • Digital disbursement facilities and e-signature facilities • Established a Data Analytics Unit to enhance analytical capabilities and enable data-informed business decisions across the organisation.
Liquidity and Statutory Requirements	• Onboarded a dedicated Data Protection Officer to secure customer data and privacy in line with Personal Data Protection Act. • Maintained a strong capital position with Tier I and Tier II capital adequacy ratios of 10.69% and 16.04%, respectively, supporting financial resilience and sustainable growth. • Maintained a strong liquidity position with available liquid assets of LKR 14.56 billion against the minimum requirement of LKR 6.70 billion, supported by Government securities holdings of LKR 5.41 billion against the required minimum of LKR 2.98 billion • Achieved a below-industry-average NPL ratio of 3.2%, reflecting sound credit practices and strong asset quality.
Network Development	• Extended the islandwide branch network with 19 new strategic locations, supported by tailored products designed to meet diverse customer needs. • Optimised the branch network through strategic relocations, enabling easier customer access and integrating technology-driven applications to support efficient service delivery
Sustainability driven Business perspective	• Strengthened community engagement through impactful CSR programmes addressing key social and environmental needs. • Advanced environmental sustainability through improved waste management practices and attainment of ISO 14001 certification.

Focused Areas to Improve

Weaknesses Identified	Our Strategic Approach
Liability product dependency on Fixed deposit base and dominated through head office	Enhanced savings deposit mobilisation efforts and initiated plans to establish ATM facilities, supporting greater customer reach and convenience
Growing demand for digital financial services	Advanced digital transformation through mobile and web-based lending and customer service solutions, improving accessibility and service experience.
Talent attraction and retention in a competitive market	Focused on building a high-performance culture through attractive reward structures and a supportive workplace environment.
Increasing cybersecurity threats	Appointed a Chief Information Security Officer (CISO) and strengthened cybersecurity awareness programmes across the organisation.

External Environment Review (PESTEEL Analysis)

Analytical Factor	Key Point	Impact to LFC	Our Approach
Political	Relaxation of vehicle import restrictions effective from 1 February 2025	The resumption of vehicle imports marked a pivotal catalyst for the NBFI sector, unlocking pent-up financing demand and reigniting credit growth. The resulting uplift in leasing and vehicle financing strengthened lending pipelines, enabling finance companies to rebuild and scale their asset bases while positioning the sector to capture renewed momentum in consumer and business mobility.	MI capitalised on the release of pent-up credit demand through a strategic expansion of its branch network and accelerated lending franchise, culminating in the landmark achievement of surpassing the Rs. 100 billion asset threshold. This milestone marked MI's emergence as one of the fastest-growing players in Sri Lanka's NBFI sector, reflecting the scalability of its business model, the strength of its market proposition, and the growing confidence of its customers.
	Continued highly transparent governance structure across all disciplines	A transparent governance framework supports LFC in maintaining strong regulatory relationships, ensuring compliance with evolving financial sector requirements, and strengthening accountability across all levels of the organisation. It enhances stakeholder trust, promotes ethical business practices, and provides a strong foundation for sustainable growth and operational resilience.	We continued to strengthen our highly transparent governance framework across all disciplines, ensuring accountability, ethical decision-making, and regulatory compliance throughout our operations. Guided by this governance approach, we expanded our network by 26% YoY, whilst also strategically relocating selected branch premises to more accessible locations.

Strategy & Resource Allocation Contd.

Analytical Factor	Key Point	Impact to LFC	Our Approach
	Policy measures introduced to support MSMEs, agriculture, and financial inclusion	Government initiatives supporting MSMEs, agriculture, and financial inclusion create opportunities for LFC to expand its lending portfolio and reach underserved customer segments. These policy measures support the development of tailored financial solutions for entrepreneurs, small businesses, and rural communities, while strengthening LFC's role in promoting inclusive economic growth.	MI enhanced access to finance for underserved customer segments, expanding its sustainable lending base to Rs. 1.3 billion and strengthening its inclusive finance strategy.
	Imposition of reciprocal tariffs by US	The imposition of reciprocal tariffs by the US heightened global trade uncertainty, potentially slowing economic activity, weakening demand for credit from export-oriented sectors, and increasing credit risk due to pressure on borrowers' cash flows and repayment capacity.	MI provided proactive support to export-oriented customers affected by the imposition of reciprocal tariffs by the US through loan rescheduling arrangements, enabling them to manage temporary financial pressures and maintain business continuity until market conditions improve.
Economic	Heightened geopolitical tensions and ongoing conflicts in the Gulf region, compounded by persistent global economic uncertainty.	The escalating geopolitical tensions and uncertainty in the Gulf region disrupted global energy markets, leading to fuel shortages and significant increases in fuel prices. This contributed to a higher cost of living for customers, increased operating expenses for businesses, and potential pressure on borrowers' repayment capacity, thereby impacting credit risk and operational costs	In response to the operational challenges arising from geopolitical uncertainties and potential disruptions to business operations, MI stayed committed in improving operational efficiencies through cost optimization and productivity enhancement initiatives, whist strengthening its recovery measures. Furthermore, MI refined its product mix in response to evolving market dynamics ,strengthening portfolio resilience, and support sustainable business growth.
	An accommodative policy-rate environment accompanied by a gradual firming of market funding conditions	FY 2025/26 saw broadly accommodative interest-rate conditions that supported renewed credit growth, although firmer market and funding rates towards year-end placed increasing pressure on NBFI funding costs and margins. This environment heightened the importance of disciplined funding, liquidity, and margin management to sustain profitable lending growth.	In response to the evolving macroeconomic environment, MI recalibrated its product pricing models and refined its strategic plan to align with changing market conditions and regulatory developments.

Analytical Factor	Key Point	Impact to LFC	Our Approach
	Economic Recovery Driving Business Expansion	Continued economic recovery supported increased business confidence, higher economic activity, and improved demand for financing across various sectors. This created opportunities for LFCs to expand their lending portfolios, support business growth, and strengthen overall portfolio performance while maintaining prudent credit risk management.	MI capitalized on the improving economic environment by expanding its lending portfolio and supporting increased financing demand across sectors. The net loan portfolio surpassed Rs. 100 billion, reflecting over 90% growth, while total assets exceeded Rs. 127 billion, demonstrating strong business expansion and continued confidence in MI's growth strategy.
Social	Higher Cost of Living reducing credit quality	The increase in the cost of living placed pressure on customers' disposable income and repayment capacity, potentially leading to higher credit risk, increased delinquencies, and deterioration in portfolio quality	MI maintained strong asset quality through strict and prudent recovery measures, proactive portfolio monitoring, and disciplined credit risk management practices. These efforts enabled MI to effectively manage credit risks and maintain a low Non-Performing Loan (NPL) ratio of 3.2% despite the challenging cost-of-living environment.
	Advancement of Financial Inclusion Initiatives through NFIS	The advancement of financial inclusion initiatives under the National Financial Inclusion Strategy (NFIS) enabled LFCs to expand access to financial services among underserved segments, creating opportunities to grow their customer base, increase lending penetration, and develop inclusive financial solutions while strengthening responsible lending practices and customer outreach.	MI expanded its reach by offering a comprehensive range of products across all districts and provinces, while entering new business segments such as agriculture-related lending and fisheries financing to enhance financial accessibility, support underserved communities, and strengthen its contribution towards inclusive economic growth.
Technological	Increased Exposure to Cybersecurity Risks	With the increasing adoption of digital platforms and online transactions, financial institutions face heightened exposure to cybersecurity risks, as system vulnerabilities and evolving cyber threats continue to become more prominent.	MI strengthened its cybersecurity framework by appointing a Chief Information Security Officer (CISO) to oversee data protection measures, enhance cybersecurity governance, and ensure effective management of technology-related risks. In addition, we conducted physical and online cybersecurity awareness sessions to promote a strong security culture and enhance employee awareness of emerging cyber threats.

Strategy & Resource Allocation Contd.

Analytical Factor	Key Point	Impact to LFC	Our Approach
	Advancement of Digital Literacy and Digital Payment Ecosystem	The growth in digital literacy and the introduction of GovPay, the Government Digital Payment Platform, accelerated the adoption of digital financial services and electronic transactions. The increase in digital connectivity, with internet penetration, alongside digital literacy rising to 65.0% among the population aged 5–69 years, accelerated the adoption of digital financial services, creating opportunities for LFCs to expand digital channels, improve customer accessibility, enhance operational efficiency, and develop technology-enabled lending solutions while strengthening digital infrastructure and cybersecurity capabilities to manage evolving technology-related risks.	We established a dedicated Digital Transformation Unit to drive digital innovation and enhance customer experience. Under a three year road map, the unit commenced developing a new mobile application and upgrading the existing web portal to provide more convenient, efficient, and accessible digital financial services for customers.
Ethical	Regulatory Emphasis on Consumer Protection	Regulatory frameworks have been further strengthened to promote customer protection, responsible lending practices, and ethical debt collection, requiring LFCs to maintain greater transparency, accountability, and adherence to ethical business standards. The implementation of the Personal Data Protection Act further enhanced regulatory expectations around customer data privacy and information security, requiring LFCs to strengthen data governance, protection measures, and compliance practices.	Through strengthened governance practices and enhanced data protection measures, MI ensured transparency across its operations while safeguarding customer information. The appointment of a Data Protection Officer and dedicated Data Champions across each business segment supports effective implementation of data privacy practices and regulatory compliance.
Environment	Growing Demand for Green Lending	The increasing demand for environmentally sustainable financing, including renewable energy projects, energy-efficient transportation, and responsible business practices, has created opportunities for LFCs to support the transition towards a low-carbon economy while integrating sustainability considerations into lending strategies and portfolio management.	MI expanded its sustainable financing initiatives by introducing and enhancing sector-specific lending solutions, including solar loans, fisheries-related financing, and agriculture loans to support environmentally responsible and inclusive economic activities. Additionally, MI promoted the adoption of electric vehicles (EVs) by providing financing solutions that contribute towards cleaner transportation and a more sustainable future.

Analytical Factor	Key Point	Impact to LFC	Our Approach
	Rising Climate Risks and Extreme Weather Challenges	The increasing severity of extreme weather events, identified as a major global risk, may impact LFCs through potential disruptions to customer businesses, particularly in climate-sensitive sectors, and increased exposure to climate-related credit risks. This highlights the need for LFCs to strengthen climate risk assessments, incorporate environmental factors into lending decisions, and support resilient and sustainable financing solutions to mitigate long-term impacts.	MI strengthened its resilience against climate-related risks through robust credit evaluation procedures and prudent lending practices. The company follows a collateral-based lending approach to ensure effective risk mitigation, maintain portfolio quality, and support sustainable growth while managing potential risks arising from evolving environmental challenges.
	Protection of Natural Resources and Environmental Sustainability	The growing focus on the protection of nature and sustainable resource management has encouraged LFCs to integrate environmental considerations into their lending practices, creating opportunities to support sustainable projects while strengthening environmental risk assessments, responsible financing practices, and compliance with evolving environmental expectations	MI demonstrated its commitment to environmental sustainability through impactful CSR initiatives supported by significant investments, including a beach cleanup campaign at Crow Beach conducted in collaboration with Ocean Lanka Force, with the participation of over 100 volunteers. All collected waste was responsibly managed and disposed of through Clean Tech Lanka, reinforcing MI's commitment to protecting natural resources, promoting environmental responsibility, and supporting sustainable community initiatives.
Legal	Sustainable Finance Transformation through Regulatory Framework Enhancement	The introduction of the CBSL Sustainable Finance Roadmap 2.0, together with the effective issuance of SLFRS S1 and SLFRS S2 by CA Sri Lanka, has strengthened expectations for LFCs to enhance sustainable finance practices, climate-related disclosures, governance standards, and environmental and social risk management frameworks.	MI has proactively commenced preparations for the implementation of SLFRS S1 and SLFRS S2, which will be effective from next financial year 2026/27. In addition, MI obtained the ISO 14001 Environmental Management System certification, demonstrating its commitment to strengthening environmental management practices and aligning operations with sustainable business standards.

Detailed disclosures about the external environment review is made available in the 'Sustainable Value Creation' web content pages 32-39

Strategy & Resource Allocation Contd.

Strategy Effectiveness

Overall Objectives

FY 25/26 Budgeted	Short Term Target		Medium Term Objective		Long Term Goals	
	Net Interest Margin (NIM) > 9%	Cost to Income Ratio < 75%	Asset Quality (NPL) < 5%	Net Profit After Tax > 1Bn	Market Share > 3%	Asset Base > 20%
FY 25/26 Actual	9.07%	72.60%	3.23%	1.14Bn	3.9%	79.4%
Last Three Years Actual Average	10%	77.4%	5.98%	0.92Bn	3.4%	41.6%

Core Strategy 01- Augmenting and Enhancing the Customer Value Proposition

MI's customer value proposition is centred on delivering accessible, innovative, and purpose-driven financial solutions that create lasting value for customers. During the year, the Company continued to strengthen this proposition by expanding its islandwide reach, diversifying its product portfolio, and enhancing accessibility through inclusive and sustainable financing solutions. Supported by a fast-growing branch network, MI further expanded its Gold Loan offering to respond to evolving customer needs and strengthen access to secured financing. Emphasis was also placed on sustainability-driven products such as Pragathi and Solar Loans, reinforcing MI's role in supporting emerging communities and enabling responsible financial progress. Alongside these initiatives, digital innovation and relationship-led service excellence continued to enhance convenience and accessibility across the customer journey. These efforts enabled MI to deliver more seamless, personalised, and meaningful financial experiences, while strengthening customer trust, deepening relationships, enhancing brand loyalty, and supporting the Sri Lankan communities stay financially empowered in a sustainable manner.

KPI Achievement status

	Actual FY 25/26	Planned FY 25/26	Past FY 24/25
Portfolio Growth			
Lending	>90%	> 48%	43%
Deposits	45%	> 38%	18%
New Branches Opened/Expansions	19	17	22

Core Strategy 02- Driving Productivity Coupling Technology towards operational excellence

As MI transitioned from rapid network expansion towards operational consolidation and performance refinement, FY 2025/26 provided an opportunity to strengthen the systems, processes, and people that underpin sustainable long-term performance. The Company focused on making existing operations smarter, faster, and more efficient through process simplification, operational streamlining, technology-driven efficiencies, and stronger performance management. During the year, MI completed the full migration to the Scienter e-Financial external core system while accelerating its digital transformation agenda. The Company also advanced automation of routine processes, strengthened enterprise-wide data analytics, enhanced workforce productivity through targeted training and technology enablement, and continued its paperless operational initiatives. Together, these efforts reinforced a culture of accountability, operational excellence, and cost discipline, supporting sustained revenue growth, operational resilience, and long-term value creation.

KPI Achievement status

	Actual FY 25/26	Planned FY 25/26	Past FY 24/25
Return on Assets	1.15%	> 1%	1.73%
Cost to Income Ratio	72.60%	< 70%	74.8%
Training Hours Per Employee	20.2 hours	>15 hours	6.2 hours

Core Strategy 03- Robust Risk Management and Governance Prerogatives

In an increasingly dynamic and uncertain operating environment, robust risk governance and proactive risk management remained fundamental to strengthening organisational resilience, enhancing strategic agility, and supporting sustainable long-term value creation. While FY 2025/26 reflected a gradual path towards economic stabilisation, recovery momentum was moderated by climate-induced disruptions from Cyclone "Ditwah" and escalating global uncertainties, reinforcing the need for disciplined governance and forward-looking risk management. At MI, risk management remained integral to the Company's strategic framework, guiding prudent credit decisions, balance sheet stewardship, operational resilience, and stakeholder value creation. During the year, MI further strengthened its governance and risk oversight framework by enhancing accountability, improving risk visibility, and embedding stronger enterprise-wide controls. Through advanced stress testing, proactive portfolio monitoring, disciplined risk appetite management, and enhanced early warning mechanisms, the Company reinforced asset quality, operational resilience, and financial sustainability. These initiatives strengthened MI's capacity to navigate emerging risks while maintaining strategic agility and supporting sustainable growth and long-term stakeholder confidence.

KPI Achievement Status

	Actual FY 25/26	Planned FY 25/26	Past FY 24/25
New initiatives on risk management	09	05	10
One year maturity mismatch*	Rs. 11.3 billion	< Rs. (4 billion)	Rs. (0.15 billion)
NPL ratio	3.23%	< 5%	4.91%

* Positive values indicate positive mismatch and vice versa

Core Strategy 04- Upholding the Sustainability Pledge for Societal Wellbeing

At MI, sustainability is a strategic imperative embedded within our business model, guiding responsible growth, long-term value creation, and positive societal impact. During FY 2025/26, the Company continued to integrate environmental, social, and governance (ESG) principles into its financing decisions, operational practices, and stakeholder engagement. Guided by a strengthened sustainability governance framework and the Sustainability Governance Committee, MI advanced responsible financing, digitalisation, and resource-efficient operations while investing in initiatives that promote financial inclusion, education, environmental stewardship, and social wellbeing. These efforts reinforced the Company's commitment to sustainable and inclusive development, strengthened stakeholder trust, and supported the creation of shared values. Through this integrated approach, MI continued to align its business priorities with the broader objective of building a more resilient, inclusive, and sustainable future for the people of Sri Lanka.

KPI Achievement status

	Actual FY 25/26	Planned FY 25/26	Past FY 24/25
Green Lending	Rs 1,310 Million	> Rs. 1,000 Million	Rs 882 Million

Detailed disclosures about the Strategy & Resource Allocation is made available in the 'Sustainable Value Creation' web content pages 40-58

Resources Deployment Touch Points

Effective allocation of resources sits at the heart of how MI sustains operational excellence and pursues growth priorities. This year, we channeled investment into key areas such as broadening our branch footprint and upgrading our IT infrastructure, both aimed at strengthening our market position, improving efficiency, and building the scalability needed for the future. Alongside this, we invested meaningfully in developing our people, ensuring our workforce remains well-equipped to respond to a fast-changing industry. Mindful of our duty to shareholders, we continued to apply a disciplined, balanced approach to allocating resources, weighing immediate needs against long-term goals, so that we consistently deliver strong, sustainable returns to those who have placed their trust in us.

Business Lines	Lending	◎	◎	◎	◎	◎	◎	◎
	Investment	◎	◎	◎	◎	◎	◎	◎
	Deposite Mobilisation	◎	◎	◎	◎	◎	◎	◎
	Other Ancilliary Businesses	◎	◎	◎	◎	◎	◎	◎
		▲	▲	▲	▲	▲	▲	▲
Business Activities Affected		**Funding**	**Customer Intelligence Product Design and Innovations**	**Evaluation and Execution**	**Collections**	**After Sales Support**	**Customer Relationship Management**	**Support Service**
		▲	▲	▲	▲	▲	▲	▲
Key Resources Mobilised	Financial Wealth	◎	◎	◎	◎	◎	◎	◎
	Human Stregnth	◎	◎	◎	◎	◎	◎	◎
	Alliances	◎	◎	◎	◎	◎	◎	◎
	Infrastructure	◎	◎	◎	◎	◎	◎	◎
	Intellect	◎	◎	◎	◎	◎	◎	◎
	Nature	◎	◎	◎	◎	◎	◎	◎

◎ Critical ◎ Moderate ◎ Not Significant

Capital Management Process

Scaling Stakeholder Value Through Strategic Capital Management

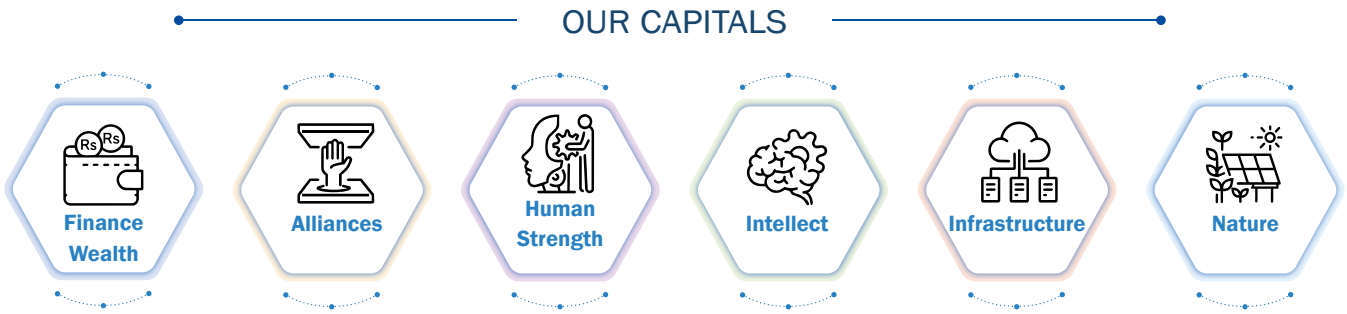
Capital management at MI is both disciplined and deeply integrated into how we create value, reflecting our commitment to the prudent stewardship of every resource at our disposal. We refer to these resources collectively as our Capitals, spanning tangible and intangible forms, from financial and manufactured capital to human, intellectual, natural, and social & relationship capital.

2025/26 was a year defined by resilience and strategic transformation. MI drew on its partnerships, intellectual assets, infrastructure, people, and natural and financial resources in combination to power sustainable growth. This integrated use of our capitals allowed us to surpass stakeholder expectations, even against the backdrop of an industry that continues to shift rapidly. Our capital management framework is built to be adaptive, acknowledging that each capital can grow, decline, or convert into another depending on our internal priorities and the external environment. We place strong emphasis on deliberate planning that limits risk and trade-offs, keeping our path to long-term value creation balanced and sustainable.

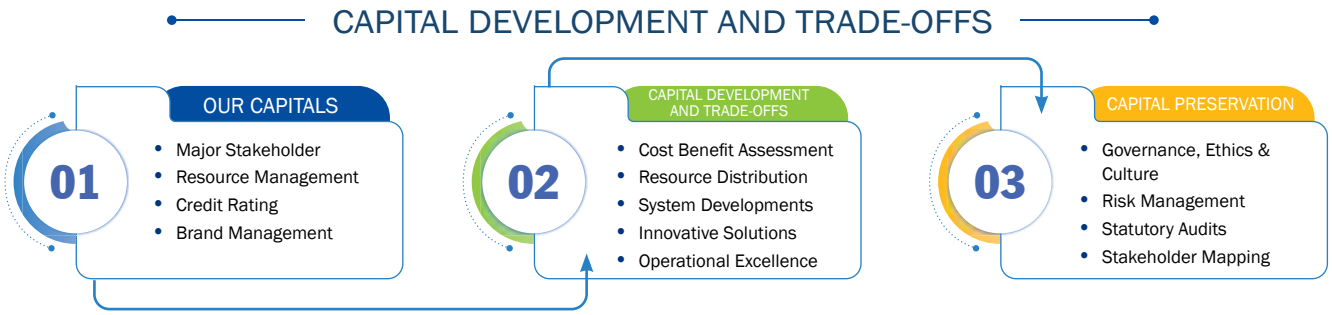
Sustainability is woven into MI's governance and operations as a matter of strategic principle, not an afterthought. This lets the Board and management team calibrate resource allocation across short, medium, and long-term horizons, producing returns that are consistent, resilient, and built to last. Our sense of environmental and social responsibility runs equally deep — through our operations, our partnerships, and our engagement with communities, while we contribute actively to sustainable development, and this ethical grounding shapes our identity as a responsible corporate citizen.

In an industry marked by volatility and constant change, the strength and diversity of MI's capital base has been a cornerstone of our resilience, giving us the stability and agility to navigate whatever comes. By putting these capitals to work, MI achieved strong growth in revenue, profitability and asset base, while generating positive outcomes for the wider economy, society, and environment. This performance demonstrate Mercantile Investments commitment to its investors, employees, customers, business partners, and stakeholders at large — a commitment that continues to drive our growth, innovation, and sustainability.

Capital Allocation Strategy



The following outlines the structured framework MI has put in place to strengthen how it deploys resources within its wider value creation strategy. Its purpose is to surface any gaps in how resources are allocated and managed, so that returns can be maximised across the board. This disciplined process plays a vital role in safeguarding these resources for future generations, allowing the company to pursue its growth ambitions without compromising the positive impact it has on society, all while promoting responsible stewardship of resources.



Financial Wealth

Our Financial Strength remains as the strategic force that converts MI's ambition into scalable growth, resilience into competitive strength, and financial capacity into enduring value.

As the Company enters a new phase of transformational growth, the strength of our financial capital increasingly defines not only our capacity to grow, but also the quality, pace, and sustainability of that growth. It provides the strategic latitude to invest ahead of opportunity, absorb volatility, strengthen our competitive position, and respond with agility to an evolving financial landscape.

Our strengthened financial position in the year under review, underpinned by a robust capital base, disciplined liquidity management, resilient asset quality, and prudent balance sheet stewardship, created a powerful platform for the next chapter of MI's evolution. These strengths provided more than financial security; they created capacity for purposeful growth enabling us to deepen our core franchises, broaden our product ecosystem, expand financial inclusion, accelerate digital and sustainable finance, and set pace towards MI's next phase in driving competitive advantage.

Year in Review: Key Successes

SUSTAINABLE BUSINESS GROWTH TRAJECTORY

NPAT	Lending Portfolio Growth	Deposit Base Growth
Rs. 1.1 Bn	91 %	45 %

STRONG LIQUIDITY AND CAPITAL ADEQUACY POSITION

Liquidity Ratio	Capital Adequacy Tier 1	Capital Adequacy Tier 2
21.76%	10.69%	16.04%

ROBUST INVESTOR RETURNS

Dividends Paid	Net assets per Share	Shareholders' funds Growth
Rs. 149 Mn	Rs. 26.14	13.58 %

Value Creation in Action

SUPPLIERS

Timely settlements and strengthened value creation

CUSTOMERS

Real-time credit disbursements and convenient repayment solutions

ENVIRONMENT

Leveraging technology to reduce paper-based resource consumption

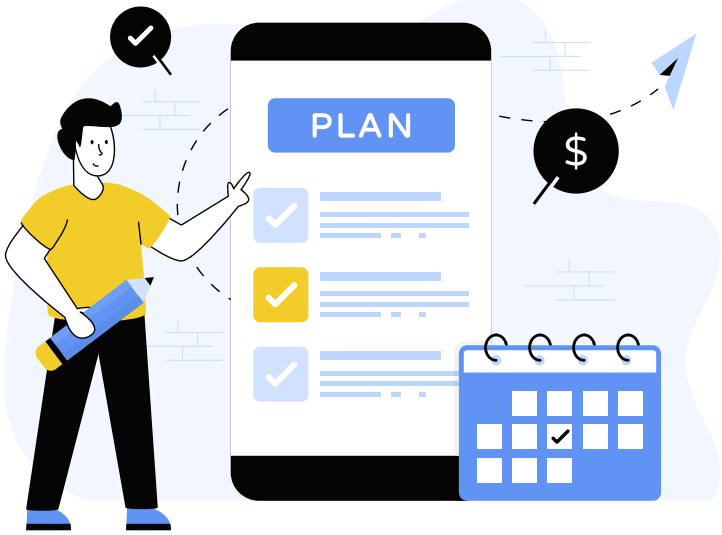
SOCIAL

Expanding sustainable financial solutions to support new and emerging sectors

Capital Interdependency and Strategy Position

Capital	Short Term	Medium Term	Strategy Map
Alliances	Develop new Strategic business partnerships	Strengthen transparent alliances and foster long-term relationships for mutual value creation	• Optimising revenue growth while enhancing accessibility and convenience for customers
Human	Enhance employee value and optimise financial benefits	Strengthen the employee value proposition and support long-term workforce engagement	• Accelerating the adoption of emerging digital technologies and solutions
Infrastructure	Expand accessibility through the branch network	Advance digital payments and settlement capabilities	
Intellectual	Upgrade systems and processes through the adoption of emerging technologies	Strengthen financial resilience while enhancing the Company's brand	• Strengthening the asset base through disciplined and sustainable growth
Nature	Reduce resource consumption through technology-enabled infrastructure	Expand and enhance sustainable financial products	• Strengthening MI as employer of choice

Futuristic Priorities



Short Term

- **Enhance yields, spreads, and Net Interest Margin**
- **Further expand the lending and deposit portfolios**
- **Strengthen Asset Quality**

Medium Term

- **Enhance Cost to Income percentage towards robust profitability growth**
- **Maintain adequate capital and liquidity buffers**
- **Strengthen the Company's credit rating**

Long Term

- **Increase market share through sustained strategic growth**
- **Enhance market capitalisation and long-term shareholder value**

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

Financial Wealth Contd.

Driven By Growth, Anchored By Prudent Financial Management

This year marked a defining milestone in MI's journey of "Growing into Greatness", as the Company surpassed the Rs. 100 billion asset threshold—a landmark achievement that reflects the strength of our strategic vision, disciplined execution, and sustained financial stewardship. Crossing this significant milestone not only underscores the scale and resilience of our Financial Wealth but also signals MI's transformation into a leading force within Sri Lanka's Non-Banking Financial Institution (NBFI) sector, with the scale, capability, and financial strength to capitalise on emerging opportunities and deliver sustainable long-term value to all stakeholders.

This achievement was strongly reinforced by a resilient financial performance and sustained business momentum displayed throughout the year, paving the way to record the highest profitability in the Company's history. Profit Before Tax (PBT) reached Rs. 2,129 million, representing a 32% year-on-year growth, while Profit After Tax (PAT) stood at Rs. 1,149 million, reflecting a 7% year-on-year growth. Together, these achievements underscore the strength and scalability of MI's business model, the effectiveness of its strategic execution, and its growing capacity to create enduring value.

Backed by a strengthened institutional foundation, disciplined governance, and a clear strategic vision, the Company is well positioned to convert its expanded scale and operational momentum into sustainable growth, superior long-term returns, and enduring value for shareholders while creating meaningful economic and social impact for all stakeholders.

	2026	2025	Change
Total Assets (Mn)	127,733	71,174	+79%
Capital Base (Mn)	15,716	13,837	+14%
Net Lending Portfolio (Mn)	101,911	53,313	+91%
NPL	3.23%	4.91%	-1.68%
NPAT (Mn)	1,149	1,075	+7%

Strategic Financial Management Executed

In an increasingly complex and evolving economic landscape, shaped by geopolitical uncertainty and shifting market dynamics, MI remained steadfast in its pursuit of sustainable growth agenda. Guided by a disciplined financial management strategy founded on three strategic pillars, the Company embraced a forward-looking, agile, and resilient approach that balanced prudent risk management with sustainable value creation. This unwavering discipline enabled MI to navigate uncertainty with confidence, seize emerging opportunities, and accelerate its transformation into a stronger, more future-ready institution.

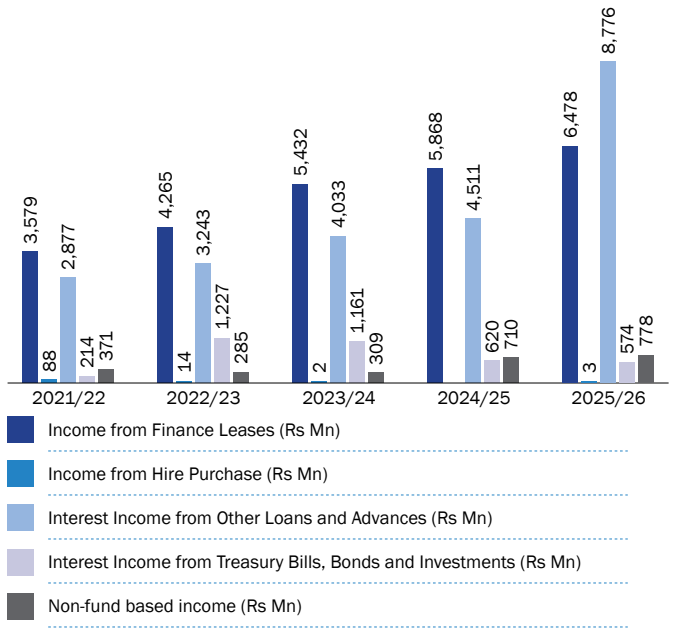
- Sustainable Revenue Growth
- Efficient Treasury and Funding Operation
- Cost Optimization

Sustainable Revenue Growth

Core revenue growth remained the cornerstone of MI's strategic agenda, underpinned by our commitment to delivering sustainable earnings growth and long-term shareholder value. As macroeconomic conditions improved, supported by the liberalisation of vehicle imports and a gradual revival in business and consumer confidence, we moved decisively to capitalise on the resurgence in credit demand. By strategically expanding our branch network and strengthening market presence, we enhanced our capacity to originate high-quality lending opportunities, broaden customer reach, and position the Company to capture sustainable growth across key market segments.

Building on the strong momentum achieved in our gold-backed lending business, we further expanded our Gold Loan portfolio across the branch network, reinforcing our leadership in one of the industry's most resilient asset classes, In parallel, with sustainability firmly embedded within our business model, we continued to broaden our portfolio of sustainable financing solutions, supporting environmentally and socially responsible investments while cultivating more diversified, resilient, and future-ready revenue streams. These strategic initiatives strengthened the quality and resilience of our earning assets, enhanced portfolio diversification, and improved our ability to generate consistent returns across varying economic cycles, whilst preserving our core margins. As a result, gross income increased by an impressive 41.86% year on year, reflecting the successful execution of our growth strategy and the expanding contribution from both lending and investment business segments.

Revenue Performances



Efficient Treasury and Funding Operation

As MI accelerated its journey towards a sustainable growth trajectory, Treasury Division assumed a pivotal role in strengthening financial resilience and enabling the strategic deployment of resources. Entrusted with financing one of the Company's most significant phases of balance sheet expansion, Treasury activities were executed with a forward-looking and agile funding strategy that strengthened liquidity, diversified funding channels, optimised funding costs, and preserved a resilient asset-liability profile.

Treasury Management Priorities

Treasury Priority	Target	FY 2025/26 Position	Status
Preserve Net Interest Margins	> 9%	> 9 %	Achieved
Maintain statutory liquidity	> 10%	> 20 %	Achieved
Minimize 1 year asset-liability mismatch (Negative maturity gap)	< Rs. 4 Bn	+ 11Bn	Achieved
Sustain contingency funding buffer	≥ Rs. 2 Bn	> 4.5 Bn	Achieved

The Treasury Division successfully orchestrated a resilient funding framework by raising over Rs.30 billion in longer-term borrowings while preserving contingency funding lines of Rs. 4.51 billion. This forward-looking liquidity strategy not only sustained a robust liquidity ratio of 21.76%, well above the regulatory minimum of 10%, but also provided the financial capacity, flexibility, and resilience necessary to transform growth ambitions into sustainable long-term value.

Disciplined approach towards asset-liability management continued to reinforce the resilience of MI's balance sheet throughout FY 2025/26. The Company concluded the year with a positive one-year maturity gap of Rs. 11.34 billion, reflecting a healthy excess of maturing assets over maturing liabilities. This outcome was driven by the strategic financing of sustained balance sheet expansion through longer-tenor funding sources, while maintaining prudent funding alignment with lending product mix tenors.

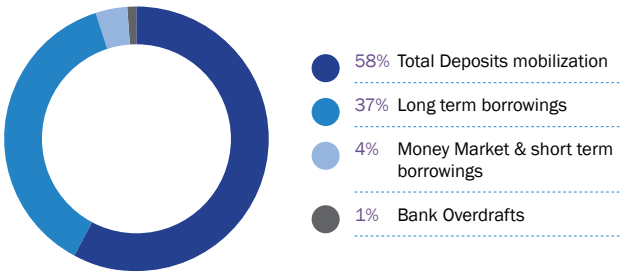
As MI accelerated its lending momentum and significantly expanded its balance sheet, preserving margin quality remained central to its financial strategy. Through disciplined asset repricing, rigorous funding cost management, and continuous optimisation of its product and funding mix, the Company maintained a resilient Net Interest Margin of > 9%.

Funding Mix Optimization

The rapid scaling of MI's lending portfolio during FY 2025/26 was underpinned by a deliberate optimisation of its funding architecture. While customer deposits remained MI's principal and structurally resilient source of funding, contributing 57% to the total funding base, its relative contribution declined from the previous year by 21%, with the rapid Loan book expansion. This widening gap between the pace of asset growth and deposit mobilisation necessitated a deliberate and well-calibrated diversification of the funding architecture. Accordingly, MI expanded its reliance on bank and securitised borrowings to efficiently bridge the funding requirement. This strengthened the structural alignment between assets and liability maturities, enhanced funding resilience, whilst supporting Tier 2 capital requirements.

By combining treasury based funding with primary deposit mobilization, the Company's funding resilience remained robust and geared to support rapid loan book expansion and, at the same time meet the statutory liquidity levels.

Funding Mix 2025/26

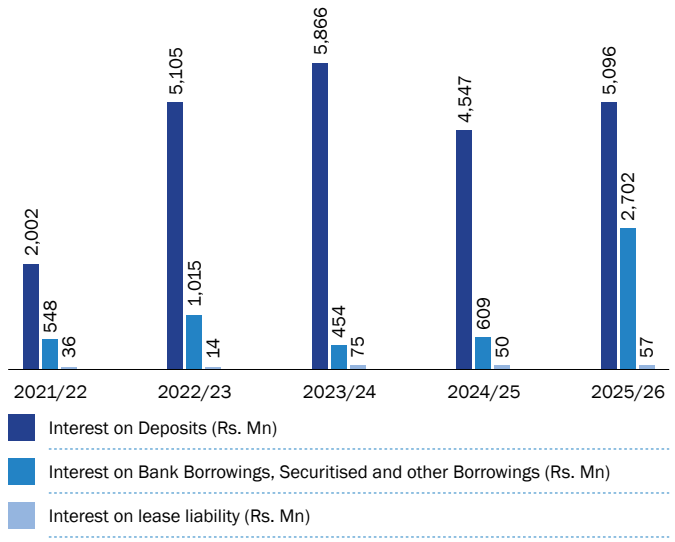


Financial Wealth Contd.

Funding Cost Management

The expansion of MI's funding platform was reflected in total interest expense increasing by 51% rising to Rs. 7,855 million from Rs. 5,206 million from previous year with 283% increase in bank and securitized borrowings and a 45% growth in the deposit base, despite enjoying a 1.6% decline in average cost of funds year on year. Nevertheless, the gradual upward shift in interest rates, coupled with increased borrowings with longer durations including Tier 2 funding, placed upward pressure on the Company's cost of funds during the latter part of the year.

Interest Expenses



Deposit Mobilization Effectiveness

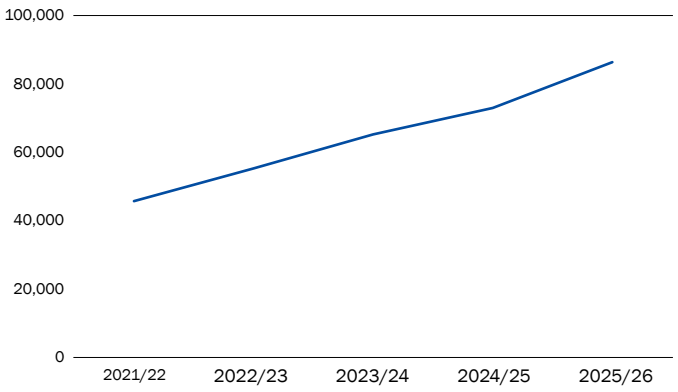
Deposit mobilisation gathered significant momentum during the year, with the deposit base expanding by an impressive 45% to Rs. 62 billion, substantially outpacing industry growth. This performance reflects the increasing strength of MI's funding franchise and the confidence placed in the Company by its growing customer base. The growth was supported by the strategic expansion of MI's branch network, targeted customer acquisition initiatives, and focused market engagement, enabling the Company to deepen its presence across key markets and to mobilise savings and Fixed deposits of retail clientele and also Corporate deposits.

Fixed Deposits

Fixed deposits remained the Company's principal source of customer funding, rising to Rs. 62 billion and accounting for 99% of total customer deposits as at 31st March 2026. Branch-led initiatives emerged as an increasingly important engine of deposit mobilisation, contributing 37% of the net growth in fixed deposits and contributing 35% of the total fixed deposit portfolio, while the Head Office continued to provide the largest absolute contribution to portfolio expansion. This performance reflects the growing effectiveness of MI's decentralised customer-acquisition model and the increasing contribution of its branch network in converting market presence into sustainable funding growth.

Looking ahead, the Company is strengthening this momentum through progressive decentralisation, enhanced branch-level accountability, and continued investment in digital and IT infrastructure which will ultimately create a more agile, customer-centric and scalable deposit franchise supporting MI's future lending ambitions and long-term balance-sheet growth.

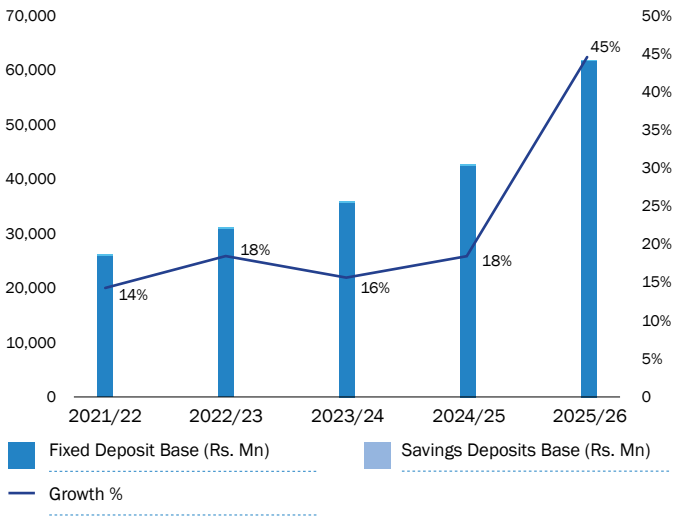
Number of Depositors



Savings Deposits

Savings deposit base stood at Rs. 191.7 million as at 31st March 2026, reflecting a 19% year on year decline. The Company sustained its branch-level mobilisation initiatives and continued to promote its Poditthto minor-savings product. Looking ahead, planned enhancements to digital banking including e-wallet solutions and debit card facilities are expected to improve customer convenience and support renewed growth in the savings portfolio.

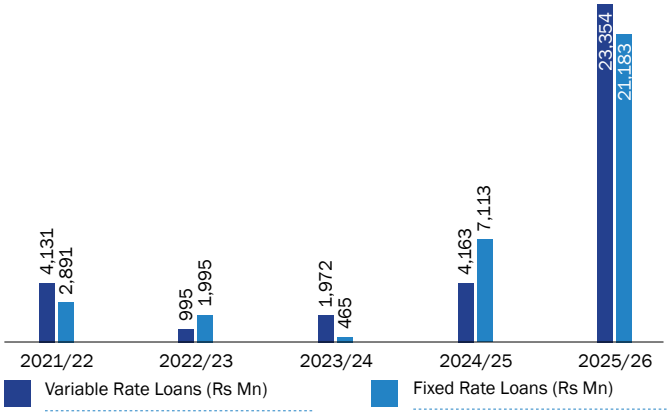
Deposit Mix and Growth



Borrowings and Debt Funding

Bank and securitised borrowings surged by 283% to Rs. 46 billion from Rs. 12 billion, reflecting a deliberate transformation of MI's funding architecture to support accelerated lending growth while strengthening balance sheet resilience. The strategy focused on securing competitively priced longer-tenor funding, diversifying funding sources, strengthening Tier 2 capital, and enhancing Asset-Liability Management by better aligning funding maturities with portfolio tenors. Despite the significant increase, borrowings remained at a measured 43% of the total funding mix, preserving prudent leverage and headroom for future growth. This disciplined funding strategy strengthened liquidity resilience, reduced maturity mismatches, and enhanced MI's capacity to scale sustainably amid evolving macroeconomic conditions.

Total Borrowings Analysis (Fixed Rate Vs Variable Rate)



Cost Optimisation

In the backdrop of persistent cost pressures, MI maintained strong focus on cost discipline, embedding cost optimisation priorities central to it's expanding operational drive. Amidst rapid branch expansion, the Company contained overhead growth through process re-engineering, digitisation, elimination of operational redundancies, and disciplined resource optimisation, supported by the oversight of a dedicated Cost Optimisation Committee. These measures strengthened enterprise-wide cost accountability, progressively improving the cost-to-income ratio, and reinforced MI's ability to scale with greater efficiency, agility, and sustainability.

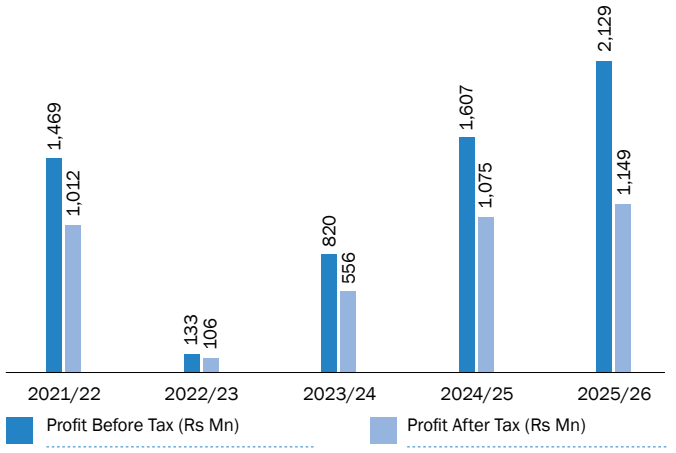
Profitability Mirrors Strong Upward Trajectory

FY 2025/26 will stand as a defining chapter in MI's growth trajectory a year in which scale, strategy and execution converged to create a new benchmark for the Company. Surpassing the Rs. 100 billion asset threshold, MI translated its strategic ambition into its strongest-ever financial performance, delivering a Profit Before Tax of Rs. 2,129 million and a Profit After Tax of Rs. 1,149 million reflecting a 32% and 7% year on year growth respectively. This record performance was powered by robust portfolio expansion, resilient revenue generation, disciplined cost stewardship, and unwavering focus on asset quality. The year marked a step-change in MI's earning capacity, demonstrating the scalability and resilience of its business model, laying a stronger platform for higher revenue, profitability and capital acceleration in the medium term.

Fueled by sustained growth in interest income, coupled with disciplined funding cost management, MI delivered a robust 38% growth in Net Interest Income, providing strong momentum to the bottom line. This core earnings performance was further reinforced by a 10% increase in non-fund-based income, driven by stronger insurance commission and continued growth in fee-based earnings.

As the benefits of our expanded branch footprint began to crystallise alongside continued automation and digital transformation, MI strengthened its operating leverage through disciplined cost optimization activities and process efficiencies to create higher activity from less investment, contain cost growth, and translate productivity gains into stronger bottom-line performance.

Earnings Performance



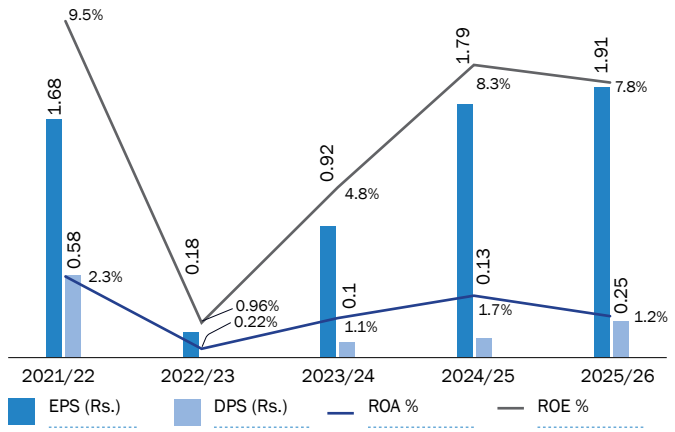
Financial Wealth Contd.

Investor Returns

Driven by sustained earnings momentum and disciplined capital stewardship, MI delivered resilient shareholder returns while maintaining robust capital buffers to support its next phase of growth. For the year ended 31 March 2026, Return on Average Assets (ROA) stood at 1.15%, while Return on Average Equity (ROE) remained moderate at 7.77%. These returns should be viewed against the backdrop of MI's deliberate scale-up phase, during which balance-sheet expansion preceded the full earnings contribution of newly deployed assets. As this enlarged asset base matures and increasingly contributes to earnings, the Company is well positioned to unlock higher revenue, stronger returns and enhance shareholder value over the medium term.

Driven by the earnings momentum, Earnings per Share, rose by 7% from Rs. 1.79 to Rs. 1.91, marking a further strengthening of the Company's value-creation capacity and resilience. Furthermore, consistent with its commitment to steady shareholder returns while preserving capital to fuel future expansion, the Board declared dividends of Rs. 0.25 per share in total, amounting to Rs. 149 million for the year. This disciplined allocation of capital reinforces confidence in MI's earnings trajectory while retaining the financial capacity to capture future growth opportunities. Accordingly, MI's shareholder funds rose to Rs. 15.7 billion by 31st March 2026 up by 13.6% YoY (Refer 'Investor Relations' section on pages 360 to 366 for further investor information).

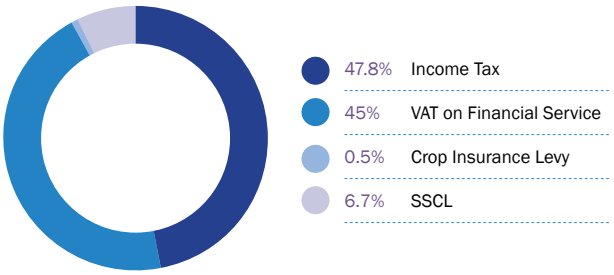
Investor Returns



Tax Expenditure

The Company's stronger earnings translated into a substantial increase in its contribution to the national revenue base. Total tax expenditure rose by 60% to Rs. 2,051 million during the year, with the effective tax rate increasing from 41% to 45%. Income tax increased from Rs. 533 million to Rs. 981 million, primarily reflecting higher taxable profits arising from increased non-deductible expenses and provision adjustments. VAT on Financial Services, representing 45% of the total tax contribution, increased year on year by 42% to Rs. 922 million, broadly reflecting the expansion in MI's business volumes and earnings. The Crop Insurance Levy stood at Rs. 11.2 million with a 4% year on year increase.

Tax Payments



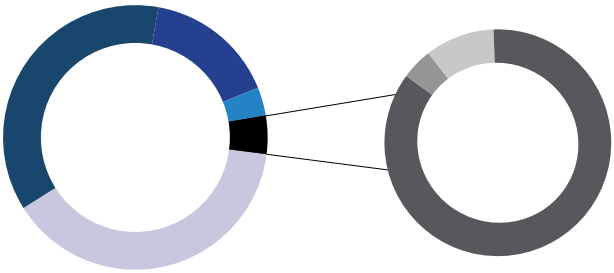
MI's tax contributions reflect its commitment to transparency, sound governance, and responsible corporate citizenship in support of national fiscal development. As the business continues its structured growth trajectory, the Company remains focused on creating sustainable stakeholder value while meeting its statutory obligations in full. (Refer to Financial Statements Note 15 for detailed tax disclosures.)

Gross Revenue Surge with Loan Book Expansion

MI's earnings engine gained significant momentum during FY 2025/26, with the loan book expanding notably by 91%, driving gross revenue up to Rs. 16.6 billion from Rs. 11.7 billion, despite a challenging and evolving macroeconomic environment. Core lending revenue advanced 47% to Rs. 15,258 million, contributing 92% to total revenue and reaffirming the growing scale and strength of MI's core franchise. This performance was anchored by a strong resurgence in lease and vehicle financing, alongside a remarkable 218% year-on-year expansion in gold-backed lending, reflecting the Company's ability to capture emerging demand across high-yield, secured asset classes.

The broadening of lending activity also supported a 10% increase in non-fund-based income to Rs. 778 million, further diversifying the revenue base. Conversely, the contributions derived from investment income from Treasury activities dropped from 5.3% to 3.5%, with the higher surplus position contracting somewhat on account of growing funding needs for core lending activities.

Composition of Gross Revenue



- 39.0% Income from Finance Leases
- 0% Income from Hire Purchase
- 36.8% Interest Income from Other Loans and Advances
- 16.1% Interest Income from Gold Loans
- 3.5% Interest Income from Treasury Bills, Bonds and Fixed Deposits
- 4.7% Non-fund Based Income
  - 4.0% Fee and Commission
  - 0.2% Dividend Income
  - 0.5% Other operating Income/ Profit/ (Loss)

Lease Financing

Leasing, MI's flagship traditional lending product, contributed 39% to gross revenue, growing by 10% year-on-year. The moderated pace reflects the accelerated expansion of the Company's other secured lending products, rather than any underlying moderation in the strength or relevance of the leasing business. Lease business was largely driven by the significant vehicle trade arising from vehicle imports and the continued demand for second hand vehicle ownership.

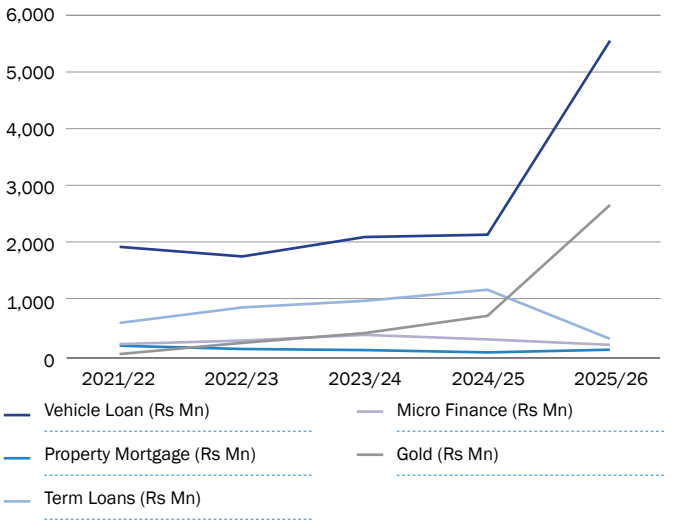
Term-Based Lending Revenue

Interest income from other loans and advances spanning vehicle financing, property mortgage loans, term loans, microfinance, and gold-backed lending contributed 52.8% to gross revenue, growing exceptionally by 95% year-on-year. This segment's acceleration reflects the breadth of MI's diversified lending strategy and the growing weight of secured, high-yield products in the revenue base.

Gold Loan Revenue

Gold-backed lending emerged as a key growth catalyst within MI's diversified portfolio, generating an exceptional 288% year-on-year increase in revenue. This strong performance was driven by robust market demand and the deliberate expansion of the product across the Company's growing branch network, further strengthening MI's presence in secured, high-yield lending and broadening the resilience of its earnings base.

Loans and Advances Revenue



Financial Wealth Contd.

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

Against a relatively moderate interest rate backdrop, MI strengthened its core earnings through sustained portfolio expansion and optimisation of its lending mix. The rapid scaling of the lending portfolio drove a robust 44% increase in interest income, while interest expense rose by 51% amid the expansion of the deposit and borrowing base and the gradual upward movement in market interest rates. Despite these funding cost pressures, MI delivered a resilient 38% growth in Net Interest Income, underscoring the strength of its business model.

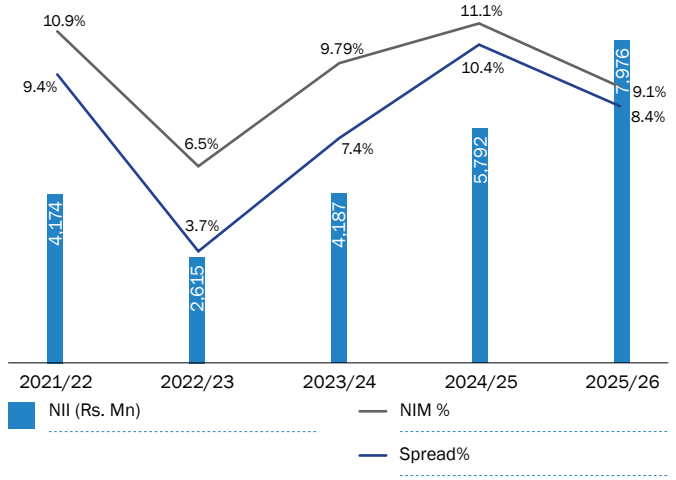
Building on this earnings momentum, MI remained firmly focused on strengthening margin resilience through a deliberate rebalancing of its lending product mix, combining moderate-yield products with higher-yield, secured lending products while proactively mobilizing funding optimally from both deposits and borrowings to meet both core business needs and also for tier 2 capital acceleration. This integrated approach enabled the Company to protect spreads, enhance earnings resilience, and create greater insulation against future market and pricing volatility. As a result, MI sustained a Net Interest Margin above 9% underscoring the strength of its pricing discipline, balance-sheet optimisation, and ability to preserve core profitability through changing market cycles.

Investment Income

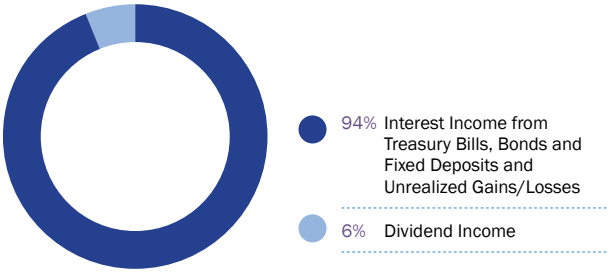
Investment income, comprising returns from Government securities, bank placements, unit trusts, and dividends, declined by 13.4% year on year and contributed 3.6% to gross revenue. The moderation was primarily a strategic outcome of redeploying surplus liquidity from Treasury bills and money market instruments towards higher-yielding lending opportunities, reflecting MI's deliberate focus on optimising capital deployment, strengthening earning capacity, and enhancing overall portfolio returns.

Amid Sri Lanka's continued economic recovery, improving equity market sentiment supported a favourable revaluation of MI's equity investments, generating unrealised fair value gains of Rs. 440 million during the year, despite the price volatility experienced with heightened geopolitical tensions. Consequently, the Other Comprehensive Income (OCI) reserve strengthened to Rs. 919 million as at 31 March 2026, reflecting the enhanced market value of the Company's investment portfolio. Beyond the immediate valuation uplift, these gains further strengthened shareholders' equity and enhanced the embedded long-term value of MI's strategic investments.

NII NIM Spread



Investment Income

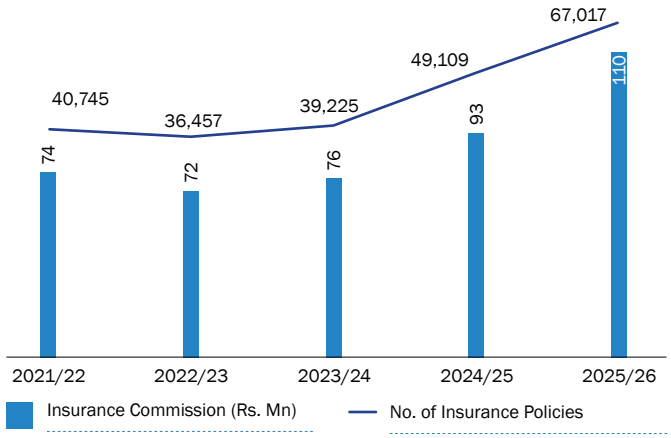


Insurance Services

With the continued expansion of MI's lease and vehicle financing portfolio, insurance referral income increased 18.55% to Rs. 110 million in FY 2025/26, from Rs. 92.6 million recorded a year before. This growth reflects the deeper integration of insurance solutions into the lending journey, enabling MI to unlock incremental fee-based revenue while delivering a more comprehensive and value-enhancing proposition to its customers.

Moreover, through a satisfactory track record of recovering insurance claims, which stood at Rs. 115.8 Mn for the year under review, we sustained sound customer retention levels, whilst attracting new clients, reinforcing MI's role as an integrated under one roof financial services provider.

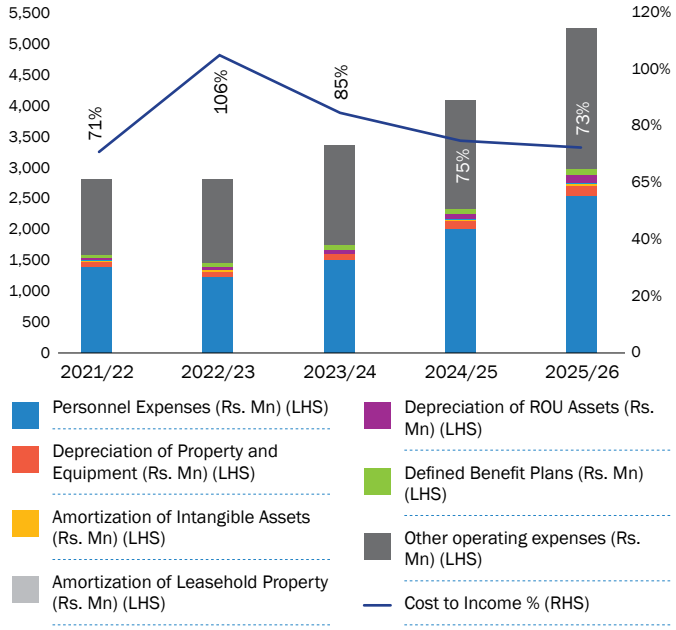
Insurance Commission vs No. of Insurance Policies



Driving Operational Efficiency and Optimizing Expenditure

MI maintained a strong discipline in expenditure management throughout FY 2025/26, balancing significant investments in its branch network, workforce, and Gold lending franchise with continued focus on operating efficiency.

Composition of operating Expenses vs Cost to Income Ratio



Operating expenses escalated by 28% to Rs. 5.3 billion from Rs. 4.1 billion, primarily reflecting the deliberate broad basing of the branch network and expansion of Gold operations. Importantly, the pace of cost growth remained below the expansion in earnings, enabling the Company to marginally improve its cost-to-income ratio to 72.6%. The ratio is expected to lower gradually as the company reaps greater revenue generation from an expanded book and through the consolidation of the expanded branch platform next year.

Financial Wealth Contd.

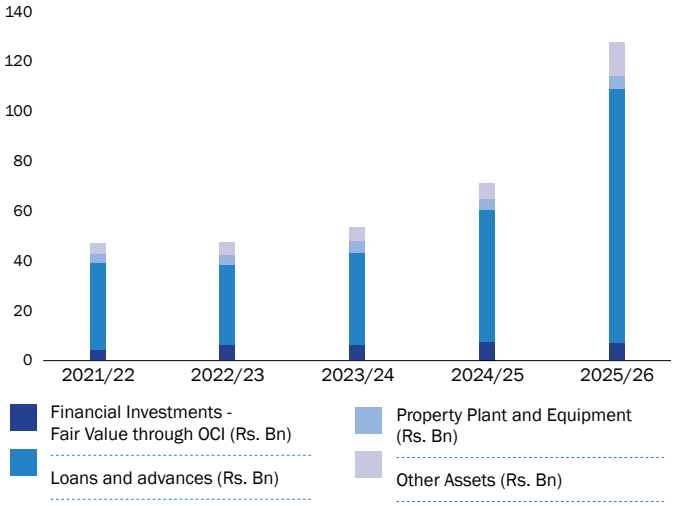
Capital Expenditure

Capital investments during FY 2025/26 were strategically directed towards strengthening the foundations for MI's next phase of growth, with a focus on expanding its physical reach, modernising IT infrastructure, and enhancing technology capabilities. A total of Rs. 470 million (FY 24/25 - 327 million) was invested in branch expansion, technology and IT infrastructure, and other strategic capital assets. These investments go beyond mere capacity expansion; they are deliberate enablers of a future-ready operating model, integrating an optimised physical footprint with advanced digital capabilities to enhance scalability, accessibility, operational agility, and sustainable long-term growth.

Financial Position, Strength, Blend, Asset Quality and Efficiency

MI achieved a transformational 79.5% growth in total assets, reaching Rs. 127,734 million as at 31 March 2026, an absolute asset value increase of Rs. 56.6 billion in a single year. This exceptional acceleration marks a defining milestone in MI's journey towards "Growing into Greatness", propelling the Company to a new level of scale, market reach and financial capacity, while firmly positioning MI among the sector's fastest-growing financial institutions. This significant expansion was underpinned by accelerated lending growth, supported by a strengthened deposit franchise and disciplined balance-sheet stewardship, enabling MI to convert funding momentum into productive assets while maintaining the resilience and quality of its financial position.

Total Asset Composition



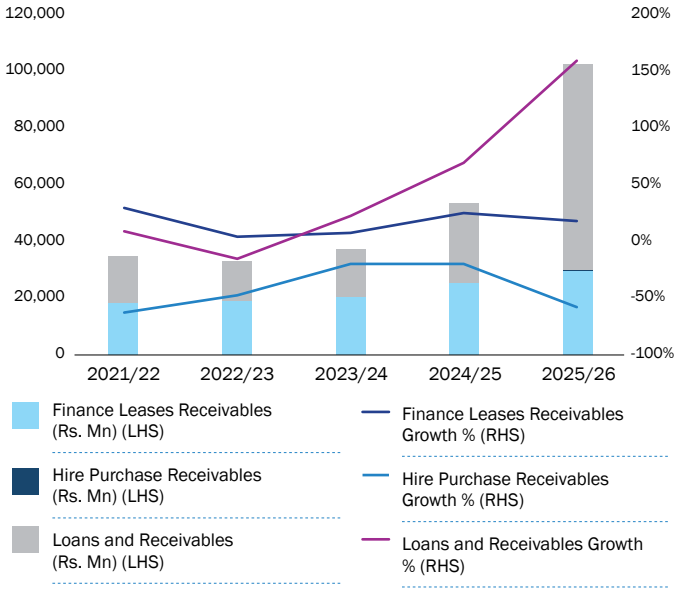
Loans and Advances

Loans and advances continued to anchor MI's earning-asset base, accounting for 80% of total assets as at 31 March 2026, reflecting a decisive deepening of the Company's lending orientation. The net lending portfolio crossed the Rs. 100 billion milestone for the first time, rising by 91% to Rs. 101,910 million, from Rs. 53,313 million a year earlier. This exceptional expansion demonstrates the strength of MI's core franchise and the successful execution of its strategy to tap into high-demand segments. We widened the reach to ensure greater financial inclusion and empower communities to uplift living standards and assist grass root level of society to take part in the reviving economy.

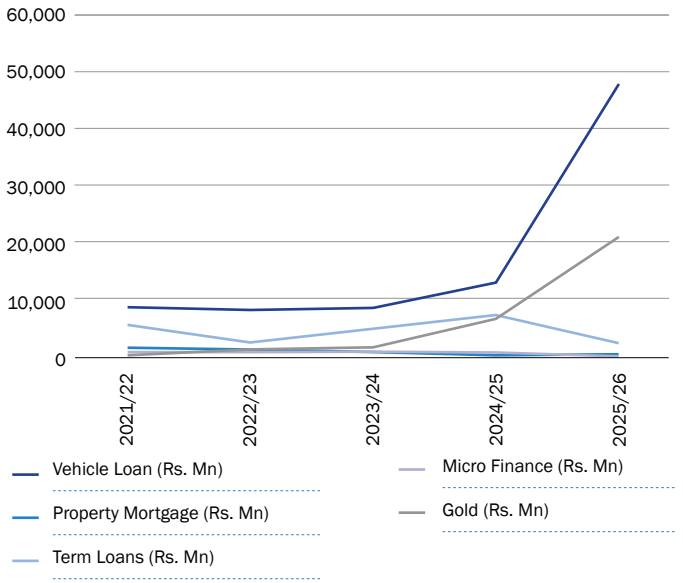
This growth was led by Gold and term-based lending, which expanded sharply to Rs. 72,166 million from Rs. 27,972 million within just 12 months, establishing these product lines as pivotal contributors to the portfolio's growth, further strengthening MI's secured-lending franchise. Within this, Gold Loans increased by an exceptional 218% to Rs. 21,123 million, reinforcing the segment as one of MI's fastest-growing and highest-yielding secured lending propositions.

Meanwhile, Finance Leasing, MI's longstanding flagship product, continued its steady expansion, increasing to Rs. 29,711 million from Rs. 25,261 million a year before, supported by resilient demand for vehicle financing. The combined momentum across these segments has strengthened MI's earning-asset base while laying the platform for higher revenue generation in the medium term.

Lending Portfolio vs Lending Growth



Loans and Advances - Portfolio



Upheld Impeccable Asset Quality Standards

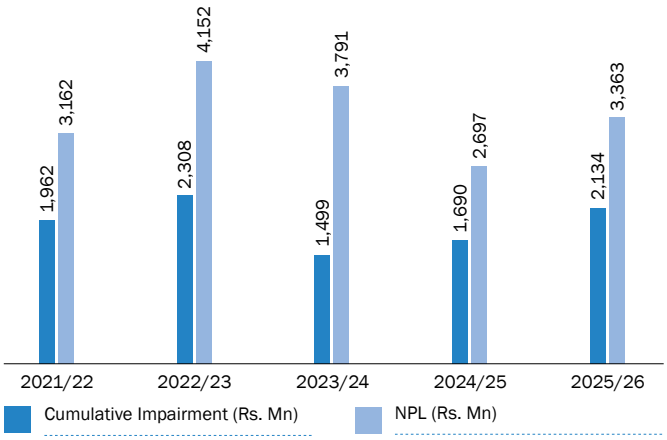
In the backdrop of rapid portfolio expansion, MI strengthened the quality and resilience of its loan book, with the 90-day Non Performing Loans (NPL) ratio improving significantly from 4.91% to 3.23%, well below the industry average. This improvement is particularly significant given the scale of lending growth achieved during the year, demonstrating the Company's ability to grow with discipline while keeping asset quality firmly at the centre of its growth agenda.

During the year, attention was firmly forwarded to strengthen recovery through early intervention, targeted campaigns, specialised operations and effective legal support, paving the way for faster and targeted actions on delinquent accounts. MI's dedicated Call Centre operations enhanced early-stage engagement, while targeted initiatives strengthened recoveries across higher-risk exposures. The Company's proprietary Auto Transact Digital Asset Disposal Platform further improved recovery on repossessed vehicles, enhancing transparency and optimising realisation values through a competitive bidding process. These measures underscore our ability to scale responsibly, maintaining high asset quality through rigorous underwriting standards, early warning mechanisms, and accelerated recovery efforts.

Impairment on Past Due Accounts

Despite a reduction in overall Non Performing Loan (NPL) exposure, the impairment charges recorded for the year increased to Rs. 476 million, up by 112% from previous year. The increase was principally a reflection of the rapidly expanded loan book and prudent forward-looking provisions made, rather than a deterioration in underlying credit quality standards.

Cumulative Impairment and NPL



MI continued to apply a disciplined Expected Credit Loss (ECL) framework, incorporating forward-looking risk assessments incorporating provisioning also for the risk elevated segments emerging from Ditwah, macroeconomic and geopolitical escalations and also considering the changing composition of its lending portfolio. Accordingly, the Stage 3 provision coverage ratio stood at 52.53% as at 31st March 2026, compared to the 57.6% coverage reported a year earlier. This reinforces the resilience of MI's asset quality and its commitment to a robust, forward-looking credit risk management framework.

Financial Wealth Contd.

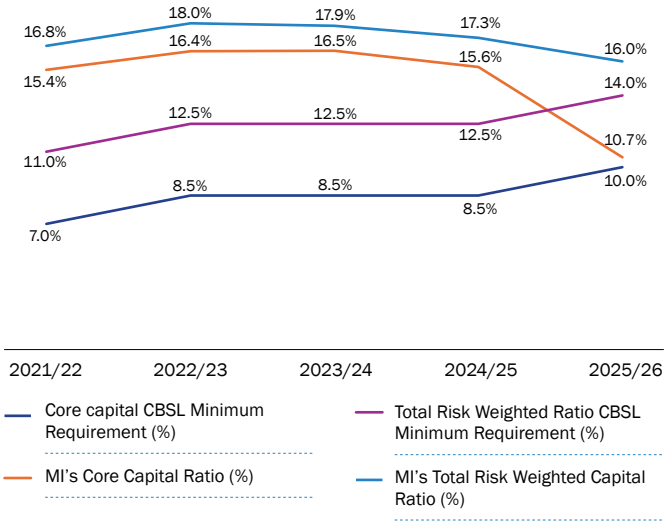
Capital Adequacy and Regulatory Compliance

MI's capital base strengthened further during the year, with shareholders' funds increasing 14% to Rs. 15.7 billion, providing a robust foundation to support the Company's exceptional balance-sheet expansion. This strengthened capital position enabled MI to maintain prudent capital buffers throughout the year while continuing to scale its lending franchise.

MI remained "Well Capitalised" under regulatory categorization, by maintaining healthy Tier 1 and Total Capital Ratios of 10.69% and 16.04%, respectively, as at 31 March 2026, above the regulatory minimums of 10% and 14% providing meaningful capacity to absorb potential shocks while supporting continued business growth. Though capital ratios moderated from the previous year, with the rapid expansion in lending book, we reinforced our capital buffers infusing Tier 2 capital up to Rs 4.6 billion, whilst making arrangements for a right issue to be concluded in May 2026 to facilitate future growth expansion and meet higher regulatory capital ratio requirements arising from surpassing the Rs. 100 billion total asset mark.

By keeping to the three-year corporate plan to generate strong profitability in the medium term, combined with required capital infusions, the company is well set for next phase to pursue its growth trajectory, balancing growth ambitions with resilience, risk capacity and long-term financial sustainability.

Capital Adequacy Position

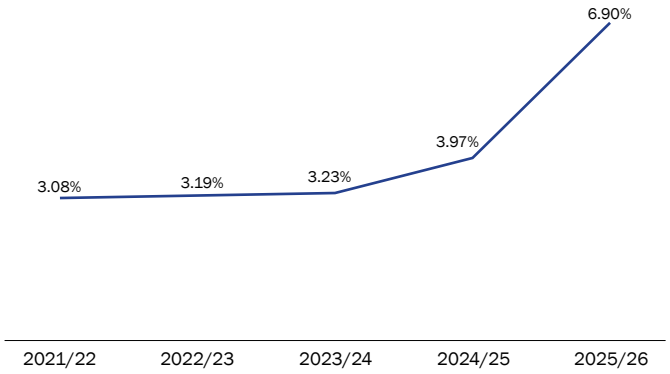


Disciplined Leverage Supporting Scaled Growth

MI's debt-to-equity ratio increased to 6.9 as at 31 March 2026, from 3.97, reflecting the deliberate use of leverage to support the rapid expansion in total assets and the near doubling of the lending portfolio. The increase is consistent with the Company's funding-led business model, where efficient leverage enables MI to scale its earning-asset base while optimizing on the use of accumulated capital.

Importantly, the higher leverage was accompanied by a strengthened capital base and continued compliance with regulatory capital requirements. MI's funding strategy remained anchored by a stable and growing deposit franchise, providing a resilient funding platform for core lending activities and supporting an efficient balance-sheet structure. As MI advances into its next phase of growth, its disciplined approach to leverage and funding provides the financial flexibility to expand sustainably, while preserving the capital strength and balance-sheet resilience required to withstand changing market conditions.

Debt to Equity Ratio



Liquidity

Short- and Medium-Term Liquidity

Throughout FY 2025/26, MI sustained a robust liquidity position while funding an exceptional expansion of its loan book, maintaining full compliance with all regulatory liquidity requirements without moderating the pace of growth. This discipline allowed the Company to manage the perennial trade-off between holding optimal liquidity and deploying funds into higher-yielding earning assets. MI's statutory liquidity ratio strengthened to 21.76% as at 31 March 2026, from 19.82% a year earlier, remaining well above the regulatory minimum of 10%. Accordingly, available liquid assets stood at Rs. 14,559 million including Rs. 5,413 million in government securities comfortably above the regulatory minimum of Rs. 2,978 million. This substantial surplus underscores MI's proactive financial stewardship and its capacity to respond swiftly to market developments and funding needs, even through a period of rapid balance-sheet expansion. (Refer to Notes to the Financial Statements, pages 350 to 352).

Long-Term Liquidity

Reflecting the rapid expansion of its lending portfolio, MI's one-year cumulative asset–liability position moved to a positive gap of Rs. 11.34 billion as at 31 March 2026 with maturing assets favorably exceeding maturing liabilities compared with a broadly matched position a year earlier. This strengthening is a direct corollary of mobilizing funds with longer durations while lending product mix comprised a combination of short and longer tenor product offerings. Same time unutilized short and long term funding lines totaled to Rs. 4,509 million, kept available to draw down, further strengthening liquidity. Under the guidance of the Assets and Liability Management Committee (ALCO), pricing was structured to both manage interest rate risks stemming from rate sensitive assets and liabilities and emerging liquidity needs.

Cash Flow Management

Through proactive liquidity monitoring and disciplined Treasury management, MI maintained strong cash flow resilience throughout the year, effectively balancing near-term funding obligations with longer-term growth requirements. As at 31 March 2026, cash and cash equivalents increased to Rs. 8,390 million, providing a significantly stronger liquidity buffer to support the Company's expanded balance sheet.

Cash Flows from Operating Activities

Operating activities recorded a net outflow of Rs. 26,246 million in FY 2025/26, widening from Rs. 9,497 million a year earlier. This outflow is the direct outcome of the year's lending surge, which saw advances to customers increasing by Rs. 49,073 million, partially met by customer deposit inflows of Rs. 18,678 million. The figure reflects cash deployed into the fast-growing earning-asset base through aggressive balance-sheet expansion at a greater pace than a year before.

Cash Flows from Investing Activities

Investing activities recorded a modest net outflow of Rs. 395 million. Continued investment in Property, Plant and Equipment, technology, and operational infrastructure was partially offset by dividends received and proceeds from asset disposals.

Cash Flows from Financing Activities

Financing activities generated a substantial net inflow of Rs. 32,996 million, driven principally by increased borrowings raised to fund the rapid expansion of the lending portfolio. During the year the Company raised Rs. 55,493 million in new borrowings, repaid Rs. 22,348 million, and distributed Rs. 149 million in dividends, a scale of activity that reflects active management of both its funding requirements and its capital structure.

Taken together, these movements trace a coherent and deliberate funding strategy: financing inflows channelled squarely into lending growth, while liquidity strength reflected from cash and cash equivalents rose to Rs. 6,354 million over the year, closing at Rs. 8,391 million against Rs. 2,037 million recorded a year earlier, leaving ample flexibility to support the next phase of expansion.

Alliances

At MI, Social and Relationship capital which we term as "Alliances" stand as a cornerstone of our culture, shaping our identity and sustaining our long-standing legacy within the financial services industry.

Over the decades, MI has cultivated a reputation grounded in integrity, prudence, personalized service and an unwavering commitment to the clients, communities, and markets we serve. In a financial services landscape where trust defines success, the strength of our relationships stands as one of our greatest strategic strengths. Our enduring legacy reflects responsible stewardship, disciplined risk management, and a client-centric approach that has enabled MI to successfully navigate economic cycles while maintaining resilience, stability, and credibility, Our enduring partnerships built on transparency, accountability, and ethical conduct continue to strengthen the trust that has defined MI as a trusted institution across generations.

At MI, our journey toward sustainable growth is shaped by the strength of our partnerships and the quality of our stakeholder engagement We are committed to deepening client relationships through tailored financial solutions, robust data protection frameworks, and advisory practices that prioritize long-term financial wellbeing. Within our organization, we cultivate a culture of collaboration, inclusion, and professional excellence, empowering our people to act with integrity and to deliver consistent value. Across our value chain, MI upholds rigorous standards in regulatory compliance, responsible lending and investment, and supplier partnerships, contributing to financial system stability and community resilience. Through ongoing discourse, financial literacy initiatives, and inclusive access to financial services, MI strives to create shared value, strengthen social foundations, and sustain meaningful relationships that support long-term economic progress.

Year in Review: Key Successes

CUSTOMER EXCELLENCE AND LOYALTY

Deposit Retention	Branch Network	Customers
80%	92	>175,000

STRATEGIC COLLABORATIONS

Suppliers base	New Suppliers	New Business Partnerships
218	45	04

EMPOWERING COMMUNITIES

Core Products	Sustainable Initiatives	Green Focused Lending
06	09	Rs. 1.3 Bn

Value Creation in Action

SUPPLIERS

Proactive and prudent supplier engagement

CUSTOMERS

Elevating transactions into enduring relationships

ENVIRONMENT

- Upholding nature protection when disbursing credit
- Expedite digitalization journey towards optimised resource usage

SOCIAL

Fostering inclusive growth and community wellbeing

Capital Interdependency and Strategy Position

Capital	Short Term	Medium Term	Strategy Map
Financial Wealth	Optimised returns through broad-based business relationships	Increase margins with wider business acquisitions	• Fully satisfied customer base guides continuous business growth
Human Strength	Social affection through various initiatives	Solid development in employee engagement	
Infrastructure	-	Building future ready infrastructure with greater cost efficiency	• Deploying a Road map of smart IT solutions
Intellect	Efficiency in business processes	Enhance brand image	
Nature	Nature-focused initiatives	Proper waste management strategy	• Central approach in expanding the branch network

Futuristic Priorities

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**

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

Human Strength

Human capital remains a pivotal strategic asset for MI and a primary determinant of sustainable growth aspirations and value creation.

The collective expertise, professional discipline, and recognized experience of our workforce directly influence our capacity to execute strategy effectively and adapt to evolving market conditions. MI upholds a structured and comprehensive talent management framework that emphasizes merit-based progression, leadership continuity, succession planning, and robust performance governance. Continuous investment in capability development, technical proficiency, and managerial effectiveness ensures that the organization maintains the depth of talent necessary to support operational excellence, risk management, and long-term value creation.

As we accelerated our journey towards sustainable growth trajectory, strategically expanding our branch network and product mix, we embedded strategic human resource management to our core strategic plan to ensure seamless execution of our long term strategic drive.

To support this, we fostered a dynamic, high-performance culture anchored in accountability, innovation, and agility empowering our people to consistently deliver exceptional value. Through forward-looking talent acquisition strategies, we attracted individuals who not only possess critical competencies but also align with our organizational purpose and values. Complementing this, our robust learning and development ecosystem fosters continuous professional growth, equipping our workforce with future-ready skills in an evolving business landscape. Moreover, strategic focus was placed on, employee engagement, diversity and inclusion as integral components of organizational strength.

Our distinctive culture and progressive HR approach enabled us to attract, nurture, and retain exceptional talent while delivering a compelling employee experience. By aligning individual ambition with our long-term vision, we cultivate a unified, high-performing workforce, positioning MI at the forefront of an increasingly competitive landscape.

Year in Review: Key Successes

EMPLOYEE DEVELOPMENT

Training Hours	Average Training Hours Per Employee	Employee Performance Appraisals Conducted
>39,000	>20	1,158

EMPLOYEE PRODUCTIVITY

Revenue Per Employee	Net Profit per Employee	Total Assets per Employee
Rs. 8.5 Mn	Rs. 0.6 Mn	Rs. 65.5 Mn

WORKFORCE

Total Employees	New Recruitments	Attrition Rate
1,949	899	28.9%

Value Creation in Action

SUPPLIERS

Strengthened transparency and accountability in business dealings

CUSTOMERS

Uniquely personalized service experience that fosters deep trust and lasting relationships.

ENVIRONMENT

Forward thinking approaches to minimize negative outcomes

SOCIAL

Greater participation in employee-led volunteer programs

Capital Interdependency & Strategy Position

Capital	Short Term	Medium Term	Strategy Map
Financial Wealth	Higher profit margin driving employee productivity	Reduction in cost to income ratio	• KPI-based digital dashboards for employee performances monitoring and rewarding
Alliances	Exceptional customer service	Transparent and highly profitable business relationships	
Infrastructure	Efficiency improvement with innovative procedures	Market share dominance with productive employees	• Promotion of overall employee wellbeing
Intellectual	Optimum usage of technological developments	Filling business opportunities in innovative approach	
Nature	Increase in employee voluntary hours	Notable reduction in waste generation	• Individual performance metrics linked with overall objectives

Futuristic Priorities

Short Term

- **Improve productivity with operational efficiency**
- **KPI evaluation of workforce with efficiency metrics**

Medium Term

- **Establishment of AI tool usage for Analysis**
- **Optimisation of employee value proposition**

Long Term

- **Fully automated HR initiatives**
- **Employer brand development**
- **Leverage workforce capabilities**

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

Intellect

Intellectual Capital constitutes one of the most strategically significant assets underpinning MI's long-term value creation.

Encompassing the institutional knowledge embedded within our workforce, the maturity of our operational systems, the equity inherent in our brand, and the breadth of our intangible capabilities, Mercantile Investments has been able to enhance the intellectual capabilities over the 60 years of being in the sector. It is a primary driver of organisational performance, competitive differentiation, and sustainable growth.

MI's approach to managing Intellectual Capital is firmly grounded in the principle that intellectual assets require continuous and deliberate stewardship to sustain and enhance their relevance over time.The organisation has strategically invested in robust governance structures, advanced knowledge management frameworks, targeted talent development practices, and enabling cultural conditions necessary to ensure that our intellectual assets remain current, accessible, and productive.

In a marketplace where technological advancement, evolving regulation, and shifting stakeholder expectations are redefining competitive parameters at pace, MI's intellectual foundation, reinforced through disciplined oversight and continuous refinement, remains among our most durable sources of advantage.

Year in Review: Key Successes

EMPLOYEE DEVELOPMENT

AML Trainings Participants	Soft Skills Training	Investment in Training
847	8,751 hrs	Rs.8.75 Mn

BRAND DEVELOPMENT

Number of New Customers	Number of Total Customers	Brand Development Investment
> 15,000	> 175,000	Rs 148 Mn

BUSINESS DIGITALIZATION

Cyber Security Awareness	New Digital Transformation Team	Leveraging the Latest Tech Advancements
10		

Value Creation in Action

SUPPLIERS

Forged strategic partnerships to accelerate digital transformation initiatives

CUSTOMERS

Enhanced organisational reputation for unwavering integrity and ethical business practices

ENVIRONMENT

Implemented advanced system enhancements, resulting in improved efficiency and optimised resource usage

SOCIAL

Engaged in collaborations with recognized industry leaders

Capital Interdependency & Strategy Position

Capital	Short Term	Medium Term	Strategy Map
Financial	Containing the rise in capital expenditure	Achieving a leaner cost-to-income ratio	• Reaching wider business milestones • Retaining skilled and knowledge-rich talent • Embedding Process Automations for increased efficiency
Human	Building stronger employee collaboration and drive	Enhance employee productivity	
Infrastructure	Expanding the depth of customer engagement	Converting engagement into lasting brand loyalty	
Alliances	Upholding the integrity of business partnerships	Opening new growth channels through digital alliances	
Nature	Substantially cutting paper consumption across operations	Embedding a credible commitment to environmental sustainability	

Futuristic Priorities

Short Term

- **Skill enhancement to address the demands of advancing technology**
- **Deepening integration with emerging technological advancements**
- **Establishing a dedicated Security Operations Centre (SOC) to strengthen cyber threat detection**

Medium Term

- **Expansion of the marketing approach through Artificial Intelligence-based capabilities**
- **Strategic allocation of resources to further strengthen cybersecurity resilience**

Long Term

- **Advancement towards high-technology automated customer touchpoints**
- **Advancing the economic and social prosperity of individuals and communities**

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

Infrastructure

The financial year 2025/2026 marked a defining chapter in MI's infrastructure story, one characterised by growth in scale and a deepening maturity in how that scale was governed, leveraged, and made to serve the organisation's long-term strategic purpose.

With a national branch network that now spans 92 locations, and with the formal establishment of a dedicated Digital Transformation function, MI's Infrastructure Capital has evolved from a platform of expansion into an engine of operational sophistication, supporting long-term value creation. The investments and strategic initiatives undertaken during the year represent a deliberate transition from building infrastructure to strengthening institutional capabilities, embedding disciplined operating practices, governance frameworks, and the technological capabilities required to sustain competitive advantage in an increasingly demanding operating environment.

This evolution is anchored in MI's recognition that infrastructure, in its broadest sense, is not a support function, but a strategic asset that strengthens operational resilience, enhances efficiency, and creates a scalable foundation for sustainable growth and long-term value creation.

Every branch opened, every digital process that was streamlined, and every governance mechanism that was strengthened during the year was a direct expression of the Company's commitment to delivering consistently superior customer value propositions whilst protecting operational integrity and long-term stakeholder value. The year also marked a significant milestone in MI's digital transformation journey with the establishment of a Digital Transformation unit to drive the 3 year digital roadmap of advanced applications to bring greater value addition to the product mix for competitive advantage.

Year in Review: Key Successes

ADVANCING CUSTOMER ACCESSIBILITY

New branch openings	New gold loan service centres	Total branch footprint
19	21	92

DEVELOPING FUTURE-READY INFRASTRUCTURE

Investment in PPE	Computer equipment maintenance	Office equipment maintenance
Rs. 413 Mn	Rs. 88 Mn	Rs. 24 Mn

STRENGTHENING OPERATIONAL AGILITY

System Developments	New System Integrations	Latest Technology Adaptations

Value Creation in Action

SUPPLIERS

- Broadened market horizons
- Maximised return through improved & convenient business opportunities

CUSTOMERS

Improved product features and service accessibility through branch network expansion and digital advancements

ENVIRONMENT

Streamlined resource usage through process optimisation

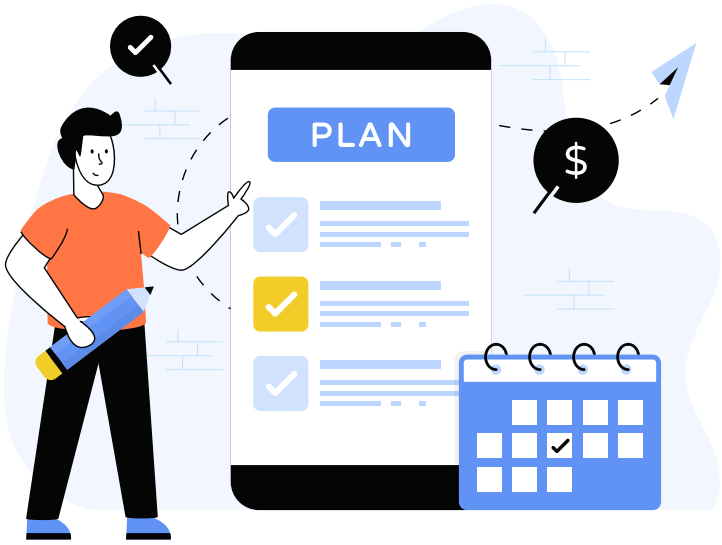
SOCIAL

Advanced economic empowerment via rural financial outreach

Capital Interdependency and Strategy Position

Capital	Short Term	Medium Term	Strategy Map
Financial	Increase in Capital expenditure for infrastructure development	Operating cost synergies and cash-flow growth	• Cycle time reduction • Infrastructure modernisation • Competitive dominance
Human	Elevate employee experience and satisfaction	Enhanced workforce performance and efficiency	
Alliances	Formation of synergistic partnerships	Deepened customer engagement and affinity	
Intellectual	Digital transformation acceleration	Strengthened brand loyalty and recognition	
Nature	Optimisation of resource consumption	Sustained decrease in greenhouse gas emissions	

Futuristic Priorities



Short Term

- **Implementing comprehensive digital ecosystems to optimise client engagement and accessibility.**

Medium Term

- **A holistic framework for identifying and mitigating systemic technical vulnerabilities.**
- **Leveraging data analytics to evaluate performance metrics and strategic objectives.**

Long Term

- **Deploying high-traffic digital hubs featuring autonomous service delivery.**
- **Integrating artificial intelligence to streamline and automate internal workflows.**

Detailed disclosures about our Infrastructure is made available in our website

Nature

MI's journey toward becoming a truly sustainable financial institution is deeply anchored in our commitment to environmental stewardship and responsible business practices.

We are progressively embedding environmental sustainability into our strategic priorities and decision-making processes, ensuring that environmental considerations support long-term value creation and responsible business growth. This approach reflects our recognition that long-term value creation is intrinsically linked to responsible environmental management and a forward-looking, sustainability-driven business model. We integrate environmental sustainability across our operations through robust regulatory compliance and alignment with internationally recognised standards and best practices.

By broadening access to sustainable financing solutions, our business model promotes environmentally responsible practices among customers while continuously reducing the environmental footprint of our own operations.

By fostering a green corporate culture, we have embedded environmentally responsible policies and practices into our daily operations, ensuring that sustainability is seamlessly integrated into every aspect of how we conduct business.

Although MI's operations as a financial services provider exert limited direct environmental impact, we remain proactive in managing and reducing our ecological footprint. Over the years, we have undertaken meaningful initiatives to strengthen our environmental contribution to society, guided by the strategic oversight and expertise of our Sustainability Governance Committee. Furthermore, we advocate the efficient utilization of renewable resources and continuously refine our operational processes to enhance resource efficiency, reduce waste, and minimize environmental impact, thereby reinforcing our commitment to responsible and sustainable business practices.

Year in Review: Key Successes

ECO FRIENDLY INITIATIVES

Waste Recycled	ISO Certifications	Broad based sustainable financing portfolio
2,512 Kg	14064-1:2018	

EMPLOYEE ENGAGEMENTS

Voluntary hours towards green initiatives	Empowering employees to drive resource efficiency	Sustained awareness on green initiatives
75.5 hrs		

ENVIRONMENTAL INVESTMENTS

Energy Efficient Business Actions	Wild Life Conservation	Marine life Conservation initiatives

Value Creation in Action

SUPPLIERS

Adoption of paperless, eco-conscious practices & Innovative and sustainable procurement solutions

CUSTOMERS

Access to responsible financial products

ENVIRONMENT

Prioritizing Recycling and environmental protection

SOCIAL

Cleaner communities & Reduced waste generation

Capital Interdependency & Strategy Position

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

Futuristic Priorities

Short Term

- **Enhance Scope 3 emissions measurement and ESG rating assessments for the Company's lending portfolio.**
- **Advance scenario analysis for climate and sustainability-related risks and opportunities.**

Medium Term

- **Enhance MI's business solutions to support an accelerated transition to a low-carbon economy, driving innovation and enabling sustainable practices across our operations and value chain.**

Long Term

- **Develop a low carbon transition strategy for the Company towards net zero emissions**

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

GRI Contents Index

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 2: General Disclosure								
Organizational details	2-1	Organisational details	Corporate Information	374-387				
	2-2	Entities included in the organisation's sustainability reporting	Momentum in focus	9				
	2-3	Reporting period, frequency and contact point	Momentum in focus	7, 10				
	2-4	Restatements of information	Momentum in focus	9, 86-87				
	2-5	External Assurance	Independent External Assurance	10				
	2-6	Activities, value chain and other business relationships	Powering MI's Journey to the next phase, Our Products and Services, Financial Highlights, Operating Highlights, MI's Value Creation Model in Action	9,14-15, 38-49				
			MI's Value Creation Model in Action		1-3			
			Alliances		12-14			
	2-7	Employees	Human stregnth		3-12			
	2-8	Workers who are not employees	Human stregnth		4-5			
	2-9	Governance structure and composition	Corporate Governance Report	90-99,108-110,116-117				
	2-10	Nomination and selection of the highest governance body	Board Nominations and Governance Committee Report	115, 132, 230-231				

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
	2-11	Chair of the highest governance body	Board of Directors	90-99				
	2-12	Role of the highest governance body in overseeing the management of impacts	MI's Compliance Stauts with Finance Business act No 5 of 2021	112, 116, 149				
	2-13	Delegation of responsibility for managing impacts	Chairman's Statement on Corporate Governance	112, 116, 119				
	2-14	Role of the highest governance body in sustainability reporting	Principles and Directions that Guide Us	17				
			The Corporate Management committee's role in governance	118, 119				
	2-15	Conflicts of interest	Corporate Governance Report	144, 174-175				
	2-16	Communication of critical concerns	Our Governance Structure	110				
	2-17	Collective knowledge of the highest governance body	Board Committee Report	111				
	2-18	Evaluation of the performance of the highest governance body	Board Nomination Committee Report	133, 230-231				
	2-19	Remuneration policies	Board Remuneration Committee Report	228-229				
	2-20	Process to determine remuneration	Board Remuneration Committee Report	228-229				
	2-21	Annual total compensation ratio					Confidentiality constraints	
	2-22	Statement on sustainable development strategy	Principles and Directions that Guide Us	17				
			Messege from the Chairman	24-29				

GRI Contents Index Contd.

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 2: General Disclosure								
	2-23	Policy commitments	Human Stregnth	121	38			
	2-24	Embedding policy commitments	Alliances		19			
			Human Strength		38			
	2-25	Processes to remediate negative impact	Momentum in Focus	7				
			Human Stregnth		38-39			
			Alliances		9-10			
	2-26	Mechanisms for seeking advice and raising concerns	Human Stregnth		38-39			
			Alliances		9-10			
	2-27	Compliance with laws and regulation	Key External Regulations	118				
	2-28	Membership associations	Memberships in Associations and Councils	112				
	2-29	Approach to stakeholder engagement	Stakeholder Engagement	38				
			MI's Value Creation Model in Action		4-6			
	2-30	Collective bargaining agreements	Human Stregnth		38-39			
GRI 3 :Disclosures on Material Topics								
	3-1	Process to determine material topics	Materiality Assessment	41	7-8	Grey cell areas indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available		
	3-2	List of material topics	MI's Value Creation Model in Action		9-30			
			Momentum in Focus	7				
	3-3	Management of material topics	MI's Value Creation Model in Action		9-30			

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 200: Economic Performance								
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Impact Management		12-15			
	201-2	Financial implications and other risks and opportunities due to climate change	Nature		15			
	201-3	Defined benefit plan obligations and other retirement plans	Notes to the Financial Statements	285-324				
	201-4	Financial assistance received from government	Impact Management		12-15			
GRI 202: Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Human Strength		32-33			
	202-2	Proportion of senior management hired from the local community	Human Strength		18-19			
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	Infrastructure		8			
	203-2	Significant indirect economic impacts	Impact Management		19-20			
GRI 204: Procurement Practices	204-1	Proportion of spending on local suppliers	Alliances		15			
GRI 205: Anti-corruption	205-1	Operations assessed for risks related corruption	Alliances		19-21			
GRI 200: Economic Performance								
	205-2	Communication and training about anti-corruption policies and procedures	Alliances		19-21			
			Human Strength		22-27			
	205-3	Confirmed incidents of corruption and actions taken	Alliances		19-21			

GRI Contents Index Contd.

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 207: Tax 2019	207-1	Approach to tax	Notes to the Financial Statements	288-289				
	207-2	Tax governance, control, and risk management	Notes to the Financial Statements	288-289				
	207-3	Stakeholder engagement and management of concerns related to tax	Notes to the Financial Statements	288-289				
	207-4	Country-by-country reporting	Notes to the Financial Statements	288-289				
GRI 300: Environmental Topics								
GRI 301: Material 2016	301-1	Materials used by weight or volume	Impact Management		25-26			
	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		4-7			
			Impact Management		27-28			
	302-3	Energy intensity	Impact Management		27-28			
	302-4	Reduction of energy consumption	Impact Management		27-28			

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Impact Management		28			
			Nature		7			
	303-2	Management of water discharge-related impacts	Impact Management		28			
			Nature		7			
	303-3	Water Withdrawal	Nature		6			
			Impact Management		28			
	303-3	Water discharge	Impact Management		28			
	303-5	Water consumption	Impact Management		28			
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Impact Management		29			
	306-2	Management of significant waste-related impacts	Impact Management		29			
			Nature		9-10			
	306-3	Waste generated	Impact Management		29			
	306-4	Waste diverted from disposal	Impact Management		29			
			Nature		9-11			
	306-5	Waste directed to disposal	Impact Management		29			
			Nature		9-11			
GRI 400: Social Topics								
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Human Strength		36-38			
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Strength		32-33			
	401-3	Parental leave	Human Strength		36			
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Human Strength		40			

GRI Contents Index Contd.

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Human Strength		34-35			
	403-2	Hazard identification, risk assessment,and incident investigation	Human Strength		34-35			
	403-3	Occupational health services	Human Strength		34-35			
	403-4	Worker participation, consultation, and communication on occupational health and safety	Human Strength		34-35			
	403-5	Worker training on occupational health and safety	Human Strength		34-35			
	403-6	Promotion of worker health	Human Strength		34-35			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Strength		34-35			
	403-9	Work-related injuries	Human Strength		35			
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Human Strength		20-22			
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Strength		22, 27-30			
	404-3	Percentage of employees receiving regular performance and career development reviews	Human Strength		31			
GRI 405: Diversity and Equal Opportunity 201	405-1	Diversity of governance bodies and employees	Human Strength		3-4			
	405-2	Ratio of basic salary and remuneration of women to men	Human Strength		32-33			

Category	Disclosure Number	Disclosures	Section in AR	Page Reference		Ommission		
				Book Page	Web Page	Requirements ommitted	Reason	Explanation
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Human Strength		12-13			
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Human Strength		40			
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Alliances		16-18			
			Impact Management		20-22			
	413-2	Operations with significant actual and potential negative impacts on local communities	Alliances		16-18			
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Alliances		8-9			
	417-2	Incidents of non-compliance concerning product and service information and labeling	Alliances		8-9			
	417-3	Incidents of non-compliance concerning marketing communications	Alliances		8-9			
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Alliances		10			

Independent Assurance Report on Sustainability

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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 FY2025/26

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 2026** (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 4 June 2026. 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.

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.

Partners: [illegible]
Principals: [illegible]
A member firm of Ernst & Young Global Limited

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.

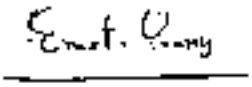
Emphasis of matter

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 2026, in order for it to be in accordance with the Criteria.



21 August 2026
Colombo

ADAPTING TO MOVE FORWARD

Every challenge has refined our ability to adapt and move forward.

Stewardship

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Board of Directors

GRI 2-9, 2-11

1. **Pandithasundara Dinuka Dilhan Perera**
   Chairman (Independent Non-Executive Director)
2. **Gerard George Ondaatjie**
   Managing Director (Executive)
3. **Shermal Hemaka Jayasuriya**
   Finance Director (Executive)
4. **Angeline Myrese Ondaatjie**
   Executive Director
5. **Travice John Ondaatjie**
   Executive Director
6. **Anil Lasantha Naomal Dias**
   Independent Non-Executive Director

7. **Eranjalie Deepthie Wickramasuriya**
   Independent Non-Executive Director

8. **Malwattage Kanchana Sujeewa Pieris**
   Non-Independent Non-Executive Director

9. **Brandon Philip Morris**
   Independent Non-Executive Director

10. **Dr. Sugeeth Patabendige**
    Independent Non-Executive Director

11. **Egoda Wiyannala Vajira Arjuna Wijesinghe**
    Independent Non-Executive Director

12. **Graham Anthony Fredrick Marshall**
    Independent Non-Executive Director

Board of Directors Contd.

GRI 2-11

Name of the Director	Date of Appointment to the Board	Date of Last Re-election as Director	Service period as a Director	Membership in Board Sub-Committees
1. **Pandithasundara Dinuka Dilhan Perera** Chairman (Independent Non-Executive Director)	21st February 2020	29th August 2025	6 years	• Related Party Transactions Review Committee • Nominations 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	32 years	• Executive Credit Committee
3. **Shermal Hemaka Jayasuriya** Finance Director (Executive)	05th January 2001	31st July 2023	25 Years	• Executive Credit Committee

Competencies			Qualifications/ Experiences	Present Directorship / position held with other Companies/ Positions	Number of Shares held in MI as at 31st March 2026
Expertise	Sector	Qualities			
• 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	96,923,000
• 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 Contd.

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** Executive Director	20th January 1992	30th June 2022	34 Years	

Competencies			Qualifications/ Experiences	Present Directorship / position held with other Companies/ Positions	Number of Shares held in MI as at 31st March 2026
Expertise	Sector	Qualities			
• 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. • 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	96,923,000

Board of Directors Contd.

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
5. **Travice John Ondaatjie** Executive Director	13th July 1995	31st July 2023	30 Years	
6. **Anil Lasantha Naomal Dias** Independent Non-Executive Director	26th March 2021	28th June 2024	5 Years	• Board Integrated Risk Management Committee • Board Audit Committee • Nominations & Governance Committee • Related Party Transactions Review Committee • Human Resources & Remuneration Committee
7. **Eranjalie Deepthie Wickramasuriya** Independent Non-Executive Director	26th March 2021	28th June 2024	5 Year	• Board Audit Committee • Related Party Transactions Review Committee • Nominations & Governance Committee • Board Integrated Risk Management Committee
8. **Malwattage Kanchana Sujeewa Pieris** Non-Independent Non-Executive Director	05th April 2021	29th August 2025	5 Years	• Human Resources and Remuneration Committee

Competencies			Qualifications/ Experiences	Present Directorship / position held with other Companies/ Positions	Number of Shares held in MI as at 31st March 2026
Expertise	Sector	Qualities			
• 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) 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	96,922,800
• Strategic Management • Financial Management • Auditing • Risk Management • Business process reengineering • Change Management	• Manufacturing • Trading • Financial Service	• 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, Trustees of the Church of Ceylon Trustee	Nil
• 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

Board of Directors Contd.

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
9. **Brandon Philip Morris** Independent Non-Executive Director	28th June 2024	29th August 2025	01 year and 09 months	
10. **Dr. Sugeeth Patabendige** Independent Non-Executive Director	28th June 2024	29th August 2025	01 year and 09 months	
11. **Egoda Wiyannala Vajira Arjuna Wijesinghe** Independent Non-Executive Director	25th July 2024	29th August 2025	01 year and 08 months	
12. **Graham Anthony Fredrick Marshall** Independent Non-Executive Director	25th July 2024	29th August 2025	01 year and 08 months	

Competencies			Qualifications/ Experiences	Present Directorship / position held with other Companies/ Positions	Number of Shares held in MI as at 31st March 2026
Expertise	Sector	Qualities			
• Strategic Management • Leadership • Business Networking • Human Resource Management • Business Process Management • Leasing	• Multinational organization • Trading and Non-banking Financial Sector • Automotive	• Strategic Thinker • Idea Generator • Visionary • Analytical	MBA (PIM - SJP) PGD (Marketing) - CIM (UK)	• 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 (CoI) BBA(CoI), FCMA (UK), CGMA PGD in Marketing (UK) PGD in Strategic Finance (CASL)	• Head – Department of Marketing Management, University of Kelaniya • Director of IDEATE Ventures (Pvt) Ltd & PBF Capital (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 at Incube 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
2. **Deva Anthony**
   Chief Financial Officer / Director (Non- Board)
3. **Sonali Pethiyagoda**
   Company Secretary
4. **Ravi Ekanayake**
   General Manager – Motor Division
5. **Priyantha Athukorala**
   General Manager – HR & Training
6. **Lahiru Dayananda**
   General Manager – Sales & Marketing

7. **Prasad Indika**
   General Manager - IT

8. **Roshini Induruwage**
   General Manager – Deposits Marketing, Sustainability and Service Quality

9. **Tharanga Deepal Peiris**
   General Manager – Gold Loans and Micro Finance

10. **Hirantha Bandara Tennakoon**
    General Manager - Recoveries

11. **Dinesh Prabhath**
    General Manager - Internal Audit

12. **Jeewantha Fernando**
    Deputy General Manager – Strategy and Operations

Corporate Management Team Contd.

13. Dinudaya Abeywardena
Deputy General Manager – Head of Credit

14. Suren Subramaniam
Assistant General Manger – Gold Loans

15. Chaturani Jayanetti
Assistant General Manager – Corporate Planning And Reporting

16. Hasuni Gayasha
Assistant General Manager – Finance

17. Nuwan Nilantha
Assistant General Manager – Treasury

18. Shyamali Pemarathna
Compliance Officer

19. Ajith Sooriyaarachchi
Chief Risk Officer

1. Laksanda Gunawardena

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

Areas of expertise and contribution: 32 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: 30 years of experience in the Finance and Accounting fields which encompasses Banking, Finance, Audit and Assurance.

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: 35 years experience in the Financial Service and tourism sector

4. Ravi Ekanayake

General Manager – Motor Division
Dipl. Engineering (UK)

Areas of expertise and contribution: 44 years experience in the automobile industry (in UK and Sri Lanka)
Directorships and memberships: Director of Mercantile Fortunes (Pvt) Ltd

5. Priyantha Athukorala

General Manager – HR & Training
MBA (UK)
MLRHRM (University of Colombo)
ICF Certified Transformative Coach, NLP Business Practitioner

Areas of expertise and contribution: 30 years experience in the Banking and Financial Service sector.

6. Lahiru Dayananda

General Manager – Sales & Marketing
MBA – (UK)

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

7. Prasad Indika

General Manager - *IT*
FBCS, Dip. (NIBM)

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

8. Roshini Induruwage

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

Areas of expertise and contribution: 28 years of experience in the banking and financial service sector

9. Tharanga Deepal Peiris

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

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

10. Hirantha Bandara Tennakoon

General Manager - Recoveries
MBA (UK)

Areas of expertise & contributions: 28 years experience in the Banking and Financial Service Sector

11. Dinesh Prabhath

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

Areas of expertise and contribution: 14 years experience in the Financial Service sector 3 years experience in audit and assurance sector

12. Jeewantha Fernando

Deputy General Manager – Strategy and Operations
FCA, MBA (PIM - USJP) , B.Sc. (ACC.SP) (USJP)

Areas of expertise & contributions: 13 years experience in Banking and Financial Services sectors

2 years experience in Audit & Assurance

Corporate Management Team Contd.

13. Dinudaya Abeywardena

Deputy General Manager – Head of Credit
MBA (PIM-USJP),ACMA (UK),CGMA, AIB(SL)

Areas of expertise & contributions: 21 years experience in the Banking and Financial Service Sector

14. Suren Subramaniam

Assistant General Manger – Gold Loans

Areas of expertise & contributions: 18 years of experience in the Non-Banking Financial Institution (NBFI) sector, with specialized expertise in gold loan portfolio management, retail lending, and branch network operations.

15. Chaturani Jayanetti

Assistant General Manager – Corporate Planning And Reporting
FCA, MBA (PIM - USJP), B.Sc. in ACC.SP) - First Class (USJP)

Areas of expertise & contributions: 11 years experience in the Financial Services Sector 9 years experience in Retail and Services Sector 4 years experience in Audit & Assurance Sector.

16. Hasuni Gayasha

Assistant General Manager – Finance
FCA, MBA (PIM - USJP) – Merit Pass, B.Sc. (FIN.SP), USJP – First Class, LLB (OUSL), AIB

Areas of expertise & contributions: 14 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.

17. Nuwan Nilantha

Assistant General Manager – Treasury
ACMA (UK), B. Com (SP) (USJP), Dip. In Treasury & Risk Management (IBSL)

Areas of expertise and contribution: 24 years of experience in the financial services sector specialising in treasury management, investment portfolio management, asset and liability management

18. Shyamali Pemarathna

Compliance Officer
B. Com (Sp) (USJP), Dip. in Compliance (IBSL), Dip. in Bank Integrated Risk Management (IBSL)

Areas of expertise & contributions: 11 years of experience in the Financial Services Sector, specializing in Compliance and Risk Management

19. 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: 02 years experience in the Financial Services Sector 23 years experience in the Banking Sector.

Corporate Governance Report

Chairman's Statement

The financial sector continues to operate within an increasingly multifaceted landscape, characterised by intensified competition, disruptive technological innovation, evolving demographic realities, and ever-heightening regulatory expectations. These forces, whilst presenting considerable challenges, give rise to significant opportunities for institutional growth and transformation. As the pace of change accelerates, stakeholders including regulators, investors, customers, and the wider public increasingly demand greater accountability, transparency, and ethical leadership from the financial institutions they entrust with their interests.

At Mercantile Investments (MI), corporate governance is deeply embedded in our organisational identity and constitutes the foundation upon which all strategic decisions are made. Our governance framework is not regarded as a static compliance structure, but as a dynamic and evolving system that reinforces stakeholder confidence, mitigates institutional risk, and underpins long-term resilience and sustainability. Every facet of our operations from Board deliberations and executive decision-making to risk management and stakeholder engagement is governed by the principles of integrity, transparency, and accountability.

As digital technology continues to advance, we remain committed to harnessing innovation responsibly, ensuring that our governance structures evolve in tandem with the changing environment. The responsible deployment of technology, the protection of customer data, and the rigorous management of cybersecurity risks have become integral imperatives of our governance agenda. We recognise that our responsibilities extend beyond financial performance, and remain steadfast in our commitment to generating enduring value for our customers, employees, the communities we serve, and the broader environment.

As Chairman of the Company, I wish to reaffirm that the embedding of robust corporate governance practices across every facet of our operations is not merely a strategic priority — it is an institutional imperative. In an environment of growing complexity, it is strong governance that serves as the most reliable safeguard of stakeholder interests. Transparency, accountability, and sound governance have firmly evolved beyond the boundaries of basic compliance; they are now indispensable pillars of long-term enterprise success and sustainability. As we reflect on more than six decades of entrepreneurship, it is these enduring principles that have defined MI's journey and that will continue to shape our path forward with confidence and purpose.

Reinforcing Governance Structures to Enhance Resilience

A resilient and well-structured governance framework is fundamental to navigating the complexities of an evolving financial landscape. During the year under review, MI took deliberate and meaningful steps to further strengthen its governance architecture, reaffirming its commitment to institutional integrity, regulatory compliance, and responsible operational conduct. In alignment with the regulatory directives of the CBSL, the Company achieved full adoption of the Guideline on Remuneration Policies and Disclosure Requirements, a milestone that reflects our commitment to ensuring that remuneration practices are transparent, equitable, and aligned with both regulatory expectations and sound governance principles.

The Board approved the Operational Risk Management Framework during the year, a significant step in fortifying the Company's ability to identify, assess, and manage operational risks in a structured and disciplined manner. Alongside this, the Company undertook a comprehensive review and update of its governance-related policies, ensuring that they remain current, relevant, and responsive to the evolving regulatory and business landscape, whilst continuing to reflect the values and principles that underpin MI's organisational culture.

Recognising the growing significance of data privacy and protection in the digital age, the Company also appointed a dedicated Data Protection Officer during the year. This appointment underscores our commitment to safeguarding the personal information of our customers and stakeholders, ensuring full compliance with applicable data protection requirements.

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.

Collectively, these initiatives represent a significant stride in the Company's ongoing efforts towards governance excellence and stand as a testament to the Board's resolve to build an institution that is compliant, resilient, and truly worthy of the trust placed in it by all its stakeholders.

Corporate Governance Report Contd.

Future Outlook: Governance Priorities

The road ahead is one of both promise and complexity. As the financial industry continues to evolve at an unprecedented pace, shaped by shifting economic conditions, emerging regulatory imperatives, and an increasingly dynamic political landscape, MI stands firm in its resolve to meet these challenges with integrity, preparedness, and purpose. Our people remain at the core of this commitment. We recognise that the true measure of a resilient organisation lies not only in the robustness of its frameworks but in the calibre and preparedness of the individuals who give life to those frameworks. Accordingly, we will continue to invest meaningfully in the development of our workforce, nurturing a culture in which every individual is empowered to exercise sound judgment, manage risk with confidence, and contribute to the governance objectives of the organisation.

Alongside this, we will maintain a sharp and proactive focus on the evolving regulatory environment. As new regulatory expectations emerge, we are committed to swift adoption, reinforcing a culture of accountability and operational excellence that is firmly embedded across every level of the organisation. It is with this sense of conviction and clarity that we look ahead, prepared, principled, and resolute in our pursuit of overnance excellence.

Declaration

On behalf of the Board of Directors and Management of MI, I reaffirm our collective commitment to leading the institution prudently towards its set objectives while upholding compliance to applicable regulatory and statutory requirements, ensuring that every decision aligns with governing laws, regulatory expectations, and the Company's internal policies, procedures, and Code of Conduct.

We remain dedicated to nurturing a culture where ethical behavior, transparency, and accountability are deeply embedded in our day-to-day operations and decision-making processes. These principles will remain consistently upheld across all levels of the organisation.

As we operate within an increasingly dynamic regulatory and business environment, our continued focus on strong governance, ethical leadership, and responsible corporate conduct will remain central to the next phase of MI's growth trajectory, while upholding stakeholder interests and obligations.

P. D. D. Perera
Chairman

24th June 2026

Strong Governance Ethics

At MI, corporate governance is embedded into the way the Company operates and makes decisions. It is not viewed merely as a regulatory requirement, but as a critical enabler of sustainable growth, sound risk management, and long-term value creation. The Board plays a central role in setting the tone at the top, ensuring that the Company is directed with integrity, prudence, and a clear strategic focus.

The governance framework of the Company is designed to support effective oversight while empowering management to execute business strategies within clearly defined boundaries. Through well-established structures, policies, procedures and committee mechanisms, the Board ensures that responsibilities are exercised with due care and that decision-making remains balanced, objective, and aligned with the interests of all stakeholders.

Integrity, transparency, accountability, and fairness are integral to the Company's governance culture. These principles guide interactions at every level of the organisation and shape how the Company engages with customers, employees, regulators, and shareholders. In particular, the Company remains committed to protecting shareholder interests, with due consideration given to minority shareholders, while maintaining high standards of disclosure and ethical conduct.

Governance Disclosures

The Company has included detailed disclosures on its compliance with key governance standards in the annexures below, in line with regulatory requirements and international best practices.

- Compliance with the Code of Best Practice on Corporate Governance 2023, issued by CA Sri Lanka, is disclosed on pages 123-148.
- Compliance with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance, issued by the CBSL, is disclosed on pages 149-182.
- Compliance with Section 9.0 (Corporate Governance) of the Listing Rules, issued by the CSE, is disclosed on pages 183-192.

Assurance of Effective Governance

- **Internal Assurance**

Through the Integrated Annual Report of the Board of Directors, together with the Board Sub-Committee Reports presented on pages 237-245 and 223-233, the Board reaffirms its commitment to accountability, integrity, and transparency across all aspects of the Company's operations. These reports reflect the Board's continued dedication to upholding a strong corporate governance culture.

- **External Assurance**

The Company has obtained an assurance statement from the external auditors, Ernst & Young, on its compliance with governance practices in line with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

Key Corporate Governance Highlights of 2025/26

Adoption of a Operational Risk Management Framework in Line with Regulations

Finance Business Act Direction No. 04 of 2024

- Reviewed and updated the operational risk management framework in line with the Finance Business Act Direction No.04 of 2024 issued by the CBSL.
- Established an Executive Integrated Risk Management Committee (EIRMC) to provide integrated oversight of the Company's risk management framework and ensure compliance with strategic and regulatory requirements. The functions of the Operational Risk Management Committee, as required by the CBSL Directions, are incorporated into the EIRMC to promote streamlined governance and effective decision-making.
- Developed an incident reporting mechanisms relating to Operational Risk Management.

IT Governance

Cybersecurity and Technology Risk Strengthening

- Appointed a Chief Information Security Officer (CISO) to lead the information security strategy and strengthen technology risk governance.
- Investments to strengthen information and cybersecurity systems.
- Strengthened the role of the Information Security Committee.
- Established a Cyber Security Risk Management Policy.

Review and Update of Policies and Procedures

Regulatory Alignment and Best Practice Updates

- Reviewed and updated the Board HR and Remuneration Committee TOR and the Board Remuneration Policy in line with the guideline issued by the CBSL on Remuneration Policies and Disclosure Requirements.
- Reviewed and updated the Corporate Governance Framework in line with regulatory requirements and industry best practices.
- Reviewed and updated the Related Party Transactions Policy in line with regulatory requirements.

Corporate Governance Report Contd.

Key Corporate Governance Highlights – 2025/26 contd.

System Implementation in Relation to AML/CFT

Strengthening the AML/CFT Framework

- Full implementation of the Scienter AML System for enhanced transaction monitoring, strengthening the detection of suspicious activities.
- Ongoing review and periodic update of AML/CFT policies and procedures to address emerging money laundering and terrorist financing risks and ensure continued regulatory compliance.
- Completion of the final stage of the politically exposed persons (PEP) screening system implementation, further enhancing customer due diligence and risk management controls.

Evolving Governance for Future Readiness

PDPA, IFRS S1/S2, ESG, and Recovery Planning

- Strengthening compliance with the Personal Data Protection Act (PDPA) through the appointment of a Data Protection Officer (DPO), ongoing review and enhancement of the Data Protection Policy, and effective implementation of the provisions of the PDPA.
- Established Sound Liquidity Risk Management Framework in line with the Finance Business Act Direction No. 03 of 2025.
- On going development and implementation of a formal Recovery Plan in accordance with the Banking Special Provisions Act.
- Working towards full implementation of IFRS S1 and IFRS S2 disclosure standards, enhancing transparency in sustainability reporting, improving climate-related risk management, and further integrating ESG considerations into strategic decision-making.

Integrated Governance Framework

GRI 2-9

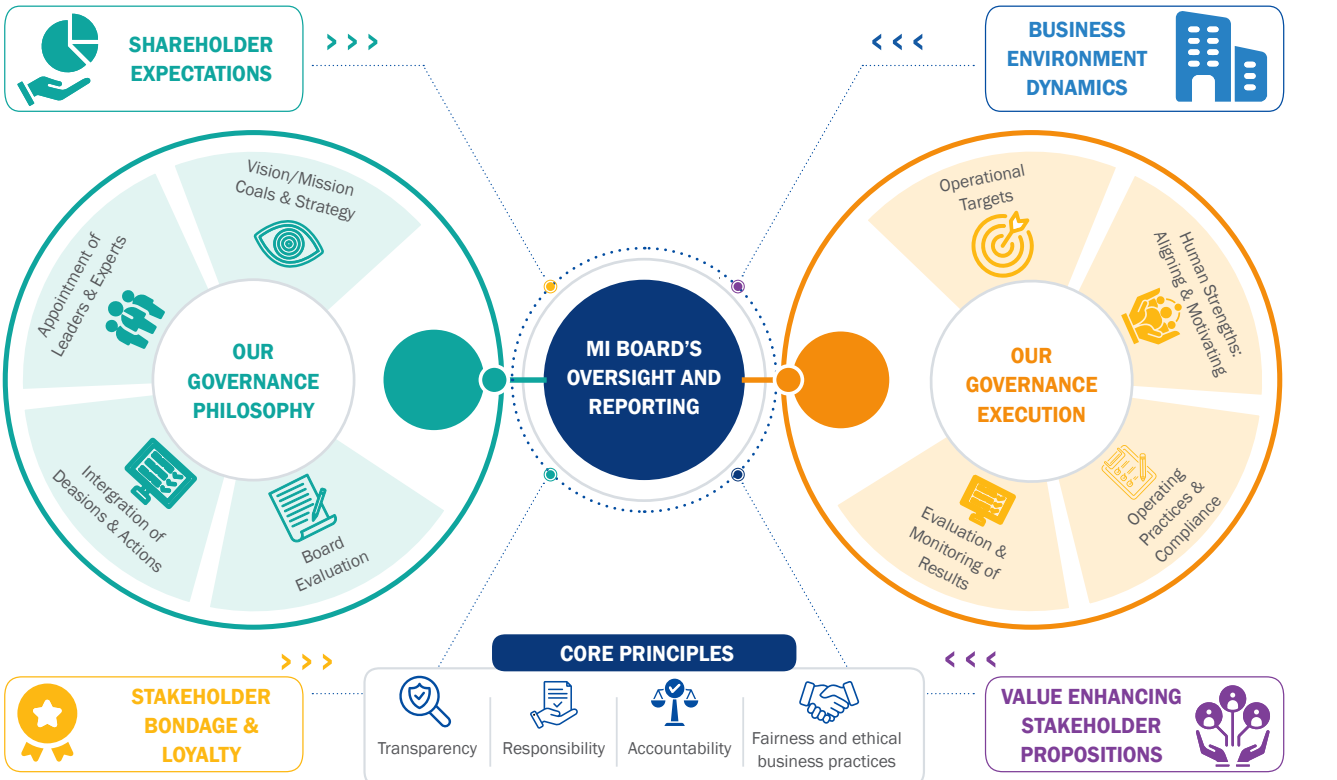
In response to heightened regulatory expectations and an increasingly complex business environment, the Company has strengthened its compliance approach through a structured and proactive governance strategy. This included a comprehensive review of the existing Governance Framework, followed by necessary enhancements to ensure alignment with the latest Corporate Governance requirements issued by the CBSL and the CSE, as well as relevant best practices recommended by CA Sri Lanka and the SEC.

Accordingly, the Company has updated its policies and procedures to ensure continued alignment with evolving regulatory requirements, emerging risks, and dynamic business conditions, thereby maintaining consistent governance standards across the organisation.

The Governance Framework is anchored in the Company's core values and organisational culture, providing a structured system of policies, processes, and internal controls that support responsible business conduct and regulatory compliance. Senior management plays a key role in driving these initiatives by fostering a strong culture of compliance and accountability throughout the organisation. The Board and Management remain actively engaged in continuously strengthening the governance framework, incorporating international best practices through regular reviews and ongoing enhancements.

In addition, developments in the economic, regulatory, and technological landscape have been integrated into the governance approach to enhance its effectiveness and responsiveness. The framework is subject to periodic evaluation to ensure it remains robust, relevant, and capable of supporting the delivery of high-quality service standards to meet shareholders interest.

Holistic View of MI's Governance Architecture



- **Vision, Mission, Goals, and Strategy**

The Board maintains ongoing responsibility for strategic planning over the short, medium, and long term, with regular refinements to ensure alignment with evolving industry dynamics and prevailing circumstances (pages 42-51).

- **Appointment of Leaders and Experts**

Following a thorough assessment of the skills required to achieve the Company's strategic objectives, the Nominations and Governance Committee undertakes a comprehensive evaluation and recommends suitable candidates for appointment to the Board (pages 230-231). Upon appointment, the Board establishes its Subcommittees, which play a critical role in overseeing key aspects of governance and supporting effective management of the Company's operations (page 116).

- **Integrity of Decisions and Policy**

To uphold transparency and support informed decision-making, the Board and its Subcommittees meet regularly, fostering open communication and effective knowledge sharing. During the year, expert insights and internal evaluations led to the revision of several existing policies and procedures, while new policies were introduced to address emerging requirements (pages 121-122). These enhancements have further strengthened the internal control environment and established a consistent framework to guide staff in alignment with the Company's strategic direction.

- **Board Evaluation**

The Board periodically evaluates the adequacy and effectiveness of the Board's decisions and policies in supporting the achievement of the Company's strategic objectives (page 134).

- **Board's Oversight and Reporting**

Under the leadership of the MD/CEO, the corporate management team functions as the key link between the Company's governance philosophy and its effective implementation. The Board exercises oversight over the execution of the governance framework and receives regular and structured updates on the Company's operational performance and key activities, ensuring effective monitoring and accountability (page 113).

- **Operational Targets**

The Company's vision, mission, and strategic objectives are translated into a clear and structured strategy that drives actionable outcomes. This is further supported by well-defined operational targets, which are systematically cascaded throughout the organisation to ensure alignment across strategic business units to support functions, enabling consistent execution (pages 50-51).

Corporate Governance Report Contd.

- **Human Strength Alignment and Nurturing**

The Company promotes a dynamic corporate culture by consistently investing in staff training and development, enabling employees to maintain up-to-date knowledge and competencies. This strengthens alignment between human capital and organisational values, thereby supporting the achievement of strategic goals (pages 70-71).

- **Operating Procedures, Practices, and Compliance**

The Company's operations are guided by Board-approved procedures encompassing all key business areas, ensuring compliance with internal controls, corporate policies, and the applicable regulatory framework.

- **Evaluation and Monitoring of Results**

Regular evaluations of the Company's operations facilitate continuous feedback to the Board and its Subcommittees. These insights are instrumental in guiding policy revisions and refining the Company's overall strategic direction (page 41).

- **Core Principles**

The Company's Corporate Governance Framework is built on the principles of transparency, accountability, responsibility, and fairness, supported by strong ethical standards that promote trust, integrity, and effective stakeholder engagement.

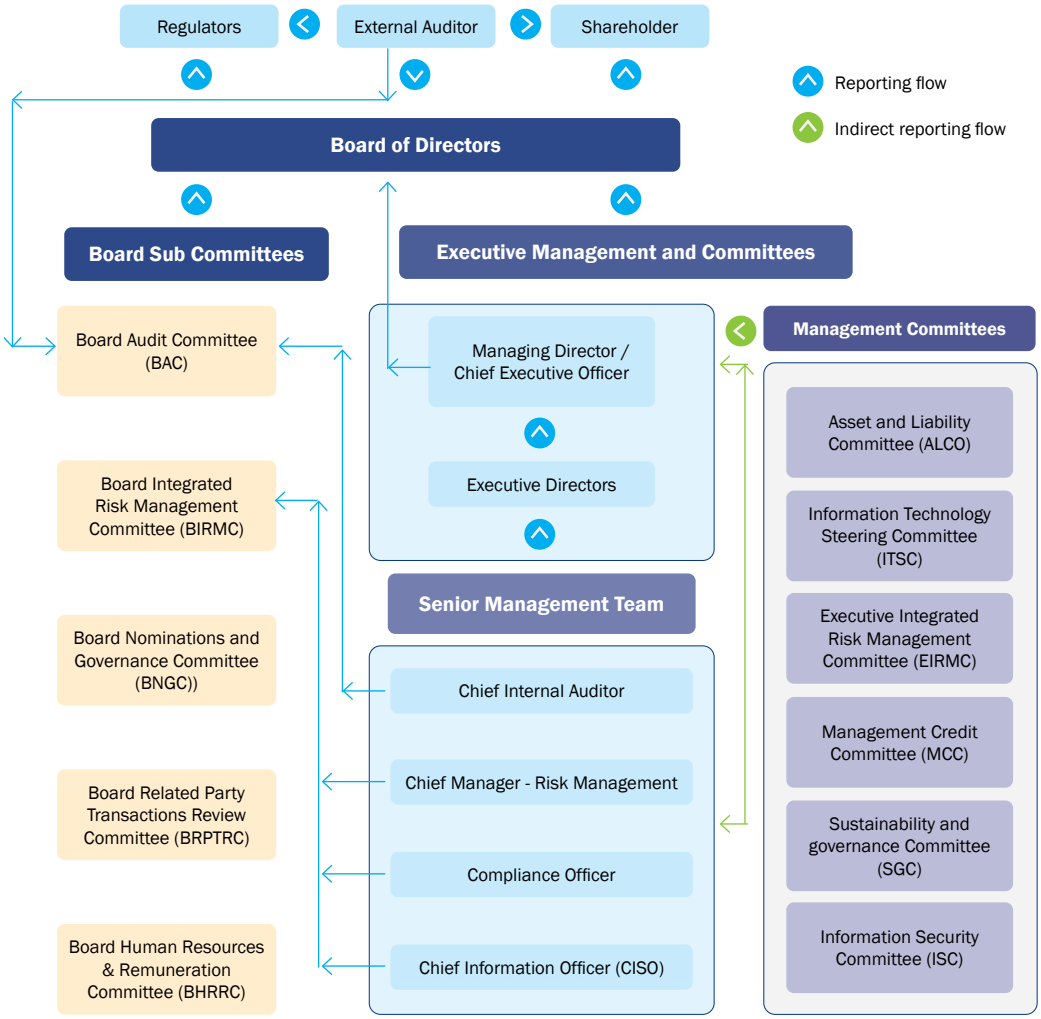
MI's Governance Framework Dimensions

GRI 2-16

The Company's Governance Framework clearly defines the roles and responsibilities of the Board, its Subcommittees, management, shareholders, and other key stakeholders, while also illustrating the interrelationships and collaborative mechanisms among these groups.

Positioned at the highest level of the corporate hierarchy, the Board holds ultimate oversight responsibility. While day-to-day operations are delegated to the corporate management team, the Board retains overall control through a structured and robust monitoring framework. The Board and its Subcommittees remain committed to promoting ethical conduct, transparency, and accountability, thereby strengthening the overall governance structure.

The management team provides regular updates on operational performance, progress, and key issues to the Board through the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC). This structured reporting mechanism ensures continuous and open communication between management and the Board on all material matters, reinforcing the Company's commitment to transparency, clearly defined authority, and disciplined governance practices.



Effective Governance Oversight

- **Internal Audit Function**

The internal audit division of the Company conducts regular audits to ensure compliance with internal policies, procedures, and applicable regulatory requirements. Led by a qualified Chartered Accountant with extensive business expertise, the division maintains high standards of independence, accuracy, and reliability in its audit processes. Key audit findings are reported to the Board through the BAC, together with recommendations, corrective actions, and process improvements, based on their significance and impact.

In response to a challenging operating environment and evolving regulatory expectations, the scope of the internal audit function was further enhanced during the year. With the expansion of branch operations and increasing business complexity, the audit team was strengthened to support broader audit coverage. This included more comprehensive reviews encompassing system audits and branch-level assessments, along with structural enhancements within the division to better align its activities with the Company's evolving risk profile and business requirements.

- **Risk Management Function**

Operating under the direct oversight of the BIRMC, the Company's risk management unit under the Chief Risk Officer plays a key role in identifying, assessing, and mitigating risks. The unit provides strategic recommendations to strengthen risk mitigation and enhance contingency planning, supported by continuous monitoring, stress testing, and advanced risk analytics. This proactive approach enhances the Company's resilience and preparedness to respond effectively to potential business disruptions. (For a detailed overview of the Company's risk management framework, please refer to the Risk Management Report on pages 193-222).

- **Compliance Function**

The Compliance Officer provides independent oversight across all divisions and business units to ensure adherence to applicable regulatory requirements. Division and branch heads are kept regularly informed of regulatory developments, updates, and enhancements through structured training programmes and formal communication channels.

The compliance Unit reports periodically to the Board through the BIRMC on the Company's compliance with key regulatory obligations. The compliance function was further strengthened during the year to meet its broader regulatory requirements.

Board-Level Governance Oversight

- The Board remained primarily responsible for driving sustainable business growth by approving the Company's overall strategy and overseeing its effective implementation. This is guided by clearly defined and measurable objectives set over a three-year horizon, with annual reviews to ensure continued relevance and responsiveness to changing business conditions. The medium-term strategic plan for FY 2025/26 to 2027/28, approved in March 2025, incorporated environmental and social considerations to support the Company's sustainability agenda and contribute to broader societal well-being.
- The Board established comprehensive risk management policies across the organisation. The BIRMC oversaw the effectiveness of the risk management framework and regularly reviewed the Risk Appetite Statement. Material risk issues were escalated to the Board on a timely basis, in addition to the regular quarterly reporting cycle, to facilitate prompt and informed decision-making.
- The Board undertook an annual self-assessment process, whereby each Director completes a structured evaluation. This assessment also considers the extent to which economic, social, and environmental factors are integrated into Board deliberations, ensuring alignment with the Company's sustainability objectives.
- MI is guided by a strong corporate culture and a set of core values that promote ethical, responsible, and professional conduct. The Board reinforced these principles through the implementation of a formal Code of Conduct and effective management of conflicts of interest, thereby setting the tone at the top.
- Succession planning, particularly for key management personnel (KMPs), remains a key priority of the Board. The performance of KMPs was evaluated bi-annually to ensure the organisation maintains a robust leadership pipeline with the appropriate mix of skills and expertise required to achieve its strategic objectives.
- To further strengthen organisational culture, the Board adopted a communication policy that promotes open and transparent engagement—both formal and informal—across stakeholders. In addition, the Board actively supported sustainable financing by integrating ESG considerations into strategic decision-making and business operations.
- The Board operated with a high degree of responsibility, exercising due care, diligence, and integrity in all its actions. Recognising the potential legal and fiduciary implications of its decisions, the Company remains firmly committed to safeguarding the interests of depositors, shareholders, and other stakeholders, while ensuring full compliance with all applicable regulatory requirements.

Corporate Governance Report Contd.

Board Oversight of Environmental and Social Responsibilities

GRI 2-12, 2-13

Despite the challenging economic conditions faced by the country, the Board remained steadfast in its commitment to sustainable business practices, guiding the Company through strategic decisions relating to internal processes, resource management, and policy development. During the year under review, the Company enhanced its support services particularly through improvements to the Call Center, while ensuring the availability of convenient digital payment options, including a payment gateway, and expanding its geographic presence.

The topic of Sustainability continued to be a key priority for the Board, which actively engaged with the Corporate Management Team and the Sustainability Governance Committee to drive value creation across economic, social, and environmental dimensions. The Board assumed overall responsibility for overseeing sustainability initiatives and performance and approved the Sustainability Report for the year.

Chairman's Role

Aligned with the Company's strategic focus on delivering value to stakeholders, the Chairman played a pivotal role in guiding the Board's deliberations and ensuring effective leadership. As an Independent Non-Executive Director with extensive financial expertise, he brings objectivity and independence to the Board's oversight function, supporting sound and balanced decision-making. (Further details on the Chairman's role, duties, and responsibilities are set out on pages 129-130 of this report.)

Our Board Structure and Dynamics

Diversity, Skills, and Composition

The Board consists of 12 Directors, representing a diverse and well-balanced mix of skills, experience, and gender representation. Collectively, the Directors bring extensive expertise spanning banking and finance, leisure, and accounting.

Memberships in Associations and Councils

GRI 2-28

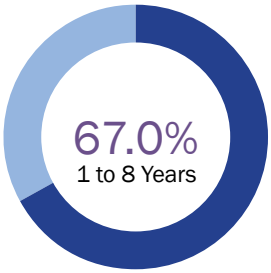
Member of the **Finance Houses Association** of Sri Lanka (FHA)

Member of the **Leasing Association** of Sri Lanka

Member of the **Ceylon Chamber of Commerce**

Member of **International Chamber of Commerce Sri Lanka**

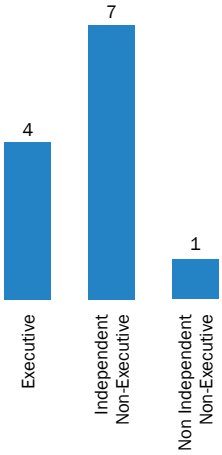
Length of Service



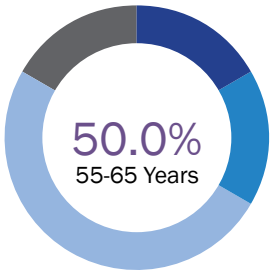
67.0% 1 to 8 Years

33.0% Above 8 Years

Director Category



Age Composition



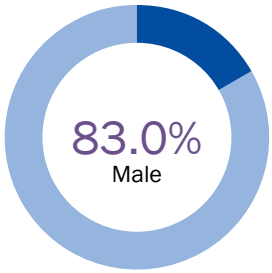
16.0% 40-50 Years

17.0% 50-55 Years

50.0% 55-65 Years

17.0% 65-70 Years

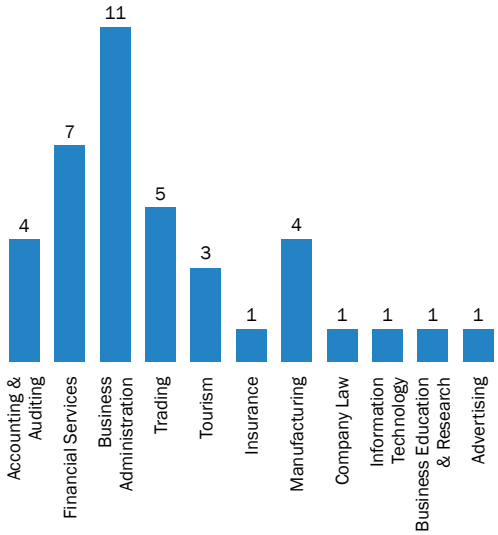
Gender Composition



17.0% Female

83.0% Male

Professional Background and Experience



Board Meetings

Board meetings follow a structured calendar and predetermined schedule, addressing key matters requiring Board review and approval. Monthly meetings were held during the year to evaluate business performance, guide strategic decisions, and ensure effective oversight of ongoing and planned initiatives.

Scheduling

- A total of 12 Board meetings were held during the year, ensuring effective and timely oversight of performance, regulatory compliance, and other key strategic matters.

Agenda

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

Papers Compiled and Distributed

- Board members are provided with the agenda and relevant documents at least seven days in advance, allowing sufficient time for review and preparation.
- The agenda, along with relevant circulars and information packs including monthly management accounts, key performance statistics, and trend analyses with recommendations for improvement are promptly circulated among Board members.
- Directors were empowered to include significant matters in the agenda and may, where necessary, seek the services of external consultants to obtain expert advice and support on matters deemed critical to decision-making.

Before the Meeting

- Management-level meetings were conducted regularly in advance of Board meetings to ensure that all matters submitted for Board consideration were comprehensively discussed and reviewed.
- Board Subcommittee meetings were held prior to Board meetings, with each Committee Chairperson presenting key matters and recommendations to the Board.

Board Meeting

- The Managing Director/Chief Executive Officer and Finance Director regularly updated the Board on the Company's operational, financial, and non-financial performance, LFC sector developments, external changes, and sustainability matters.
- Updates on the risk dashboard, including changes in the Company's risk profile, were presented to the Board periodically.
- Board papers submitted by divisional heads were reviewed, discussed, and approved by the Board.
- The Board's diverse and well-balanced mix of skills and experience supports meaningful discussions and informed, appropriate decision-making.

After the Meeting

- As a standard practice, minutes and matters arising from the meeting were circulated to the Directors for review.

Corporate Governance Report Contd.

Key Highlights of the Board's Special Reports Taken Up During the Annual Work Cycle FY 2025/26

2025 APR

- Future 6 month's cash flow forecast
- Phase II of the Masterplan for consolidation of finance companies (FCs) revised framework issued in December 2024 MI Score Review as at 31st March 2025
- MI's Compliance Status of the CBSL Regulations/Rules/Guideline and Circulars as at 15th April 2025

2025 MAY

- Go-Live Status of LMS, LOS, Insurance, GL Modules and Remaining Modules' Go-Live Plan
- Sanction Screening Procedure
- Board Approval for Central Bank – Required Debit Card Documentation

2025 JUN

- Management Accounts – May 2025
- Taxes, Statutory dues and levies payable – June 2025
- Purchases and Disposals of Fixed Assets

2025 JUL

- Management Accounts – June 2025
- Risk Assessment Report of BIRMC held on 23rd May 2025
- Updating Organization Chart (FY 2025/26)

2025 AUG

- Approval For VA-PT testing
- Customer Complaint Handling Policy
- Amendment of Article of Association

2025 SEP

- Top 25 Borrowers – August 2025
- Summary of scope, challenge, risk & implementation requirement of Personal Data Protection Act (PDPA)
- 6th Month Cash Flow Projection, Capital Adequacy & Funding Strategy

2025 OCT

- Review of Compliance Policy Version 3.0
- Review of Policies and Procedures on AML/CFT/CPF
- AML / CFT / CPF Risk Assessment as at 31st August 2025
- Liabilities under the personal data protect Act No.9 of 2022

2025 NOV

- Corporate Governance Framework
- Financial consumer protection policy (Version 1.0)
- Areas of authority and key responsibilities of the board
- Review of Related Party Transactions Policy Version 2.0

2025 DEC

- Capital Adequacy Planning (Tier 1 & Tier 2)
- Information security policy update and TOR for ISC
- Detailed Cadre Plan for the FY 2025/26

2026 JAN

- Capital Adequacy Assessment Process Version 1.0
- Procedure Manual for Annual Review of Credit Facilities
- KRP Succession Plan

2026 FEB

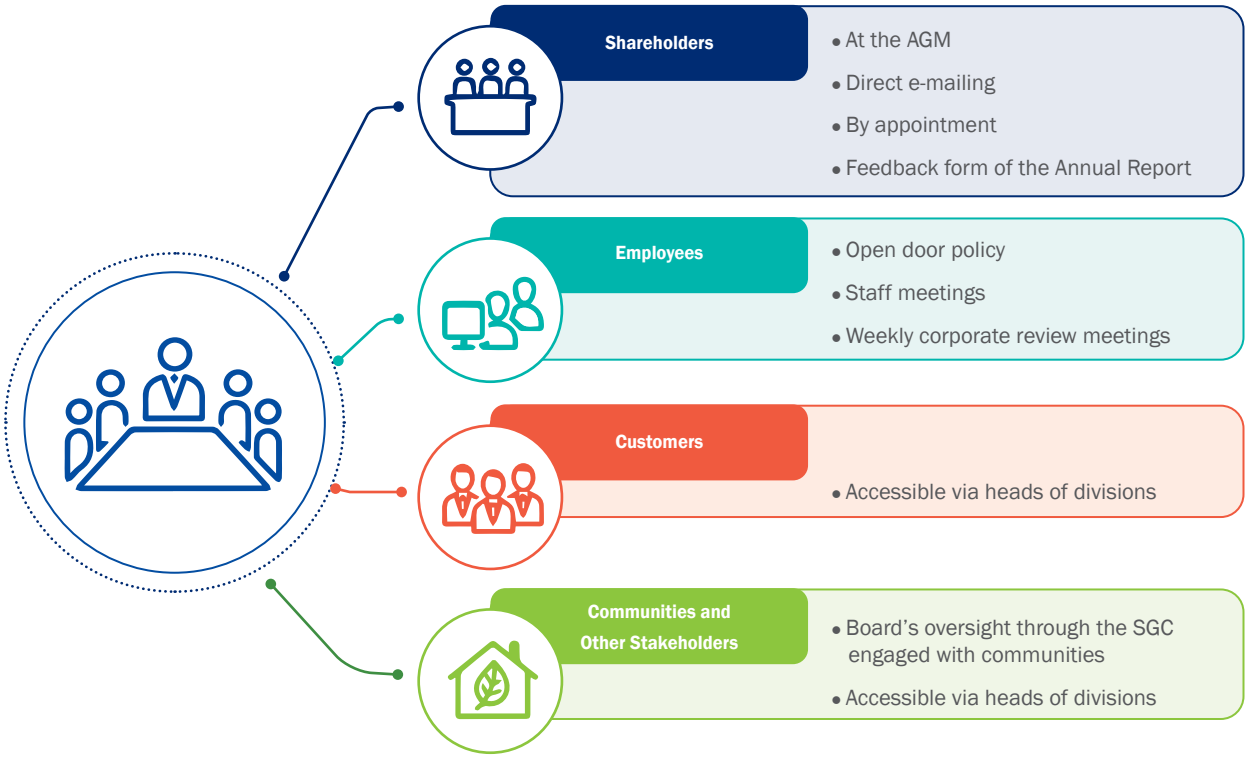
- Board Audit Committee Terms of Reference
- Risk Assessment Report of BIRMC held on 22nd January 2026
- Capital Planning – Tier I/II

2026 MAR

- Procedure Manual – Cash Operation
- Payment Procedure manual 2026
- 3 years strategic plan review and approval

Engagement Between the Board and Shareholders

GRI 2-17



Independent Selection of Board Members

GRI 2-10

An assessment of the Board's skills, capabilities, and experience is conducted to evaluate its readiness to address evolving and complex market challenges. Over time, the Company has benefited from a well-rounded Board comprising seasoned professionals whose diverse expertise and backgrounds have been instrumental in driving strong performance.

The Nominations and Governance Committee recommends suitable candidates for appointment to the Board following a comprehensive evaluation of their professional profiles, qualifications, and relevant experience. (Further information on the Nominations and Governance Committee is provided on pages 230-231).

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 and interactions 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.
- Records of the number of papers tabled and approved.

Corporate Governance Report Contd.

GRI 2-9, 2-12, 2-13, 2-17

Board Subcommittee's Overview

Committee Name	Composition	Area of oversight	Frequency of Meetings	Link to Capital	Reference to the Detailed Sub Committee Report
Board Audit Committee (BAC)	Mrs. E D Wickramasuriya (C) Mr.P D D Perera Mr. A L N Dias	• Reviewing the accuracy and integrity of the financial reporting • Internal and external assurance • Reviewing the design and effectiveness of internal control system and risk management	Bi-monthly	Finance Capital Manufacture Capital Intelectual Capital	Pages 223-225
Board Integrated Risk Management Committee (BIRMC)	Mr. A L N Dias (C) Mr.P D D Perera Mrs. E D Wickramasuriya	Oversight the Risk Management Framework • Carry out Risk measurement, monitoring and management • Compliance with regulatory and internal prudential requirements • Reviewing the business continuity planning	Bi-monthly	Finance Capital Manufacture Capital Intelectual Capital Human Capital Social and Relationship Capital Natural Capital	Pages 226-227
Board Nominations and Governance Committee (BNGC)	Mrs. E D Wickramasuriya (C) Mr.P D D Perera Mr. A L N Dias	• Review the Board structure, size, composition and competencies • Appointment of Board of Directors • Overseeing the Board and the Senior Management succession planning • Oversight the overall Governance Framework of the Company	Not less than one time a year	Human Capital Social and Relationship Capital	Pages 230-231
Board Human Resources and Remuneration Committee (BHRRC)	Mr. A L N Dias (C) Mrs. E D Wickramasuriya Mr.M K S Pieris	• Oversight the Remuneration policy • Remuneration and compensations of Directors, Senior Management and staff salaries in general • Structure for staff performance evaluation	Not less than one time a year	Finance Capital Human Capital	Pages 228-229
Board Related Party Transactions Review Committee (BRPTRC)	Mr. A L N Dias (C) Mr.P D D Perera Mrs. E D Wickramasuriya	• Oversight the Related party transaction policy • Providing independent review, approval and oversight of RPT • Ensuring relevant market disclosures	Quarterly	Finance Capital Human Capital Social and Relationship Capital	Pages 232-233

Attendance Matrix of the Board and Board Subcommittees

Name of the Director	Directorship Status	Attendance											
		Board		Board Integrated Risk Management Committee (BIRMC)		Board Audit Committee(BAC)		Board Human Resources and Remuneration Committee (BHRRC)		Board Nominations and Governance Committee (BNGC)		Board Related Party Transactions Review Committee (BRPTRC)	
		Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance	Membership Status	Attendance
Mr.P D D Perera	Independent Non Executive	C	12/12	M	6/6	M	16/16			M	5/5	M	4/4
Mr.G G Ondaatjie	Executive/ Managing Director	M	12/12										
Mr. S H Jayasuriya	Executive	M	12/12										
Ms. A M Ondaatjie	Executive	M	9/12										
Mr. T J Ondaatjie	Executive	M	11/12										
Mr. A L N Dias	Independent Non Executive	M	12/12	C	6/6	M	16/16	C	2/2	M	5/5	C	4/4
Mrs. E D Wickramasuriya	Independent Non Executive	M	12/12	M	5/6	C	15/16	M	2/2	C	5/5	M	4/4
Mr.M K S Pieris	Non Independent Non Executive	M	9/12					M	2/2				
Dr. S S J Patabendige	Independent Non Executive	M	12/12										
Mr. B P Morris	Independent Non Executive	M	12/12										
Mr. G A F Marshall	Independent Non Executive	M	12/12										
Mr. E W V A Wijesinghe	Independent Non Executive	M	11/12										

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

Corporate Governance Report Contd.

Management Committee Overview

GRI 2-13, 2-14

The board and sub committees are supported by management committees which are listed below

Executive Management Committee	Task	Frequency of Meetings	Committee activities during the year
Information Technology Steering Committee (ITSC)	Oversee and manage technology risks, IT performance, strategic planning, cybersecurity, compliance, continuity, outsourcing, and governance to ensure secure, competitive, and aligned IT operations with business goals.	Quarterly	• Reviewed and rectified the post implementation issues of Scienter system. • Reviewed the IT systems and controls and ensured there were no material adverse impacts on business operations or customers caused by failure of systems. • Monitored IT performance and recommended appropriate actions to ensure achievement of desired results. • Recommended current and futuristic technology IT solution to stay competitive whilst safeguarding information and system performance
Asset and Liability Committee (ALCO)	Oversee liquidity risk management by implementing strategy, monitoring balance sheet structure, funding gaps, cash flows, compliance, stress testing, interest rate risk, contingency planning, and reporting to the Board.	Monthly	• Monitored interest rate trends and advised the Treasury division on reprising risk • Provided information to the Board on material risks related to liquidity levels and liquidity planning based on forecast and best practices. • Reviewed liquidity risk and interest rate sensitivity of the Company and made recommendations on maintaining liquidity levels within risk appetite limits. • Reviewed Contingency Funding Planning Policy and Liqudity Risk Management Policy
Executive Integrated Risk Management Committee (EIRMC)	The EIRMC is central governance body for risk management, aligning strategy with regulatory requirements and integrating the Operational Risk Management Committee's scope for efficiency and stronger decisions.	Monthly	• Reviewed key risk including Credit, Strategic Capital Adequacy, Market, operational and Technology • Reviewed Root Cause analysis and operational risk events of customer complaints as the governance body for operational risk management • Reviwed progress of updating the Business Continuity Plan
Management Credit Committee (MCC)	Oversee credit risk management by implementing strategy, policies, controls, compliance, product reviews, reporting, succession planning, and ongoing monitoring to safeguard credit quality and align with Board directives.	Monthly Or Minimum Of 08 Meeting Per Annum.	• Reviewed and approved credit proposals as per the Board approved Delegation of Authority • Recommended credit proposals above Delegation of Authority to the Managing Director, Executive Credit Committee, and the Board of Directors as the delegation of authority specified • Reviewed and Recomended Credit Policies, Procedures & Guidelines for the approval of the Board

Executive Management Committee	Task	Frequency of Meetings	Committee activities during the year
Sustainability Governance Committee (SGC)	Oversee sustainability by aligning policies with business goals, ensuring ESG compliance and reporting, mitigating risks, embedding sustainability across operations, promoting stakeholder transparency, and continuously refining strategies for effectiveness.	Quarterly	• Launched Pragathi Sustainable Business Loan with LKR 250 Mn+ portfolio. • Obtained GHG verification under ISO 14064-1:2018 through the Sri Lanka Climate Fund. • Completed sustainability and CSR projects aligned with the United Nations SDGs. Integrated sustainability and ESG into company policies. • Partnered with third parties to promote circular economy and sustainable waste management practices(Under ISO 14001, ISO 45001 and ISO 9001) Introduced ESG disclosure clauses into legal documentation. • Ensured compliance through sustainability reporting to the Central Bank of Sri Lanka and other stakeholders.
Information Security Committee (ISC)	Provide strategic oversight of information security and cybersecurity by approving policies, monitoring compliance, reviewing incidents, overseeing response and continuity planning, and promoting staff security awareness and training.	Once In Every Two Months	• Reviewed and approved Information Security policies, standards, and procedures. • Provided strategic direction on information security initiatives • Conducted adequate training and awareness programs for staff on information security • Evaluateed emerging threats and recommended proactive measures.

Corporate Governance Report Contd.

Looking Ahead: Governance Beyond 2026

Looking beyond 2026, the Company remains firmly committed to strengthening its governance framework in alignment with evolving regulatory requirements, emerging risks, and international best practices. The forward-looking governance agenda continues to focus on enhancing resilience, risk responsiveness, regulatory compliance, and sustainable value creation.

A key priority is the continued implementation and embedding of the Liquidity Risk Management Framework in line with the CBSL requirements. This initiative will further strengthen the Company's capability to effectively measure, monitor, and manage liquidity risk under both normal and stressed conditions, thereby reinforcing financial stability and regulatory compliance.

In parallel, the Company is advancing its data governance agenda through the full implementation of the PDPA. This is supported by the appointment of a dedicated DPO, ensuring structured oversight of data protection obligations, enhanced safeguarding of customer information, and strengthened compliance with national data protection requirements.

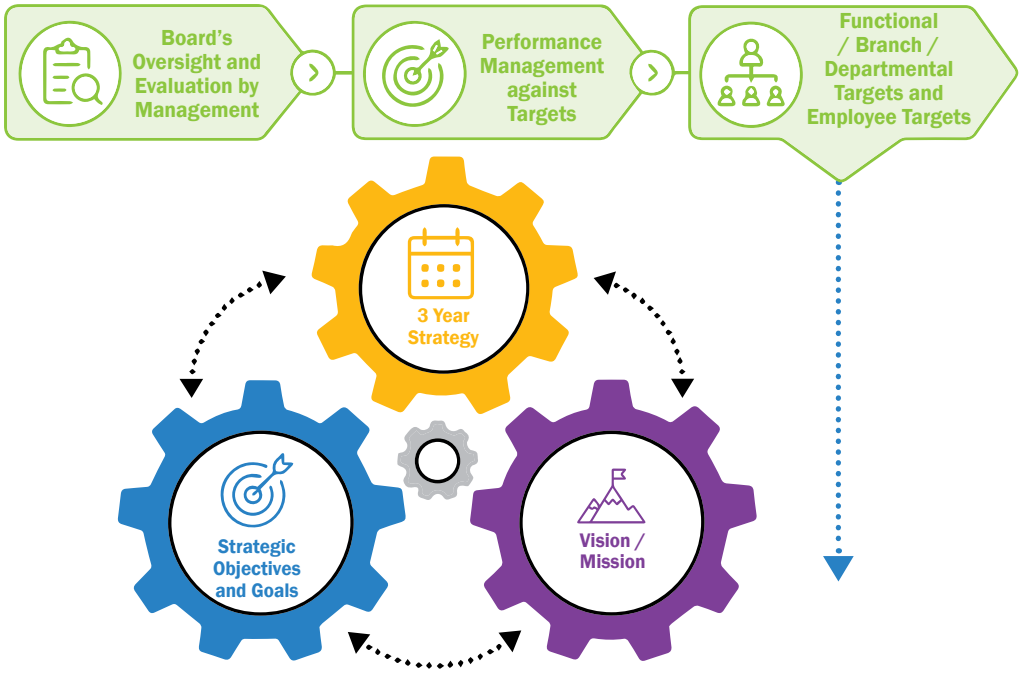
The Company is also progressing with the development and implementation of a formal recovery plan in accordance with the Banking Special Provisions Act. This initiative is aimed at enhancing the Company's preparedness to respond effectively to financial stress scenarios, thereby ensuring business continuity and safeguarding the interests of all stakeholders.

In addition, the Company is in the process of aligning its sustainability and climate-related governance practices with emerging regulatory expectations through the phased implementation of IFRS S1 and IFRS S2 disclosure standards. This will enhance transparency in sustainability reporting, improve climate-related risk management, and further integrate ESG considerations into strategic decision-making.

Collectively, these initiatives reflect the Company's continued commitment to strengthening governance maturity, enhancing risk management capabilities, and embedding sustainability and compliance at the core of its long-term strategy.

Strategic Planning Process Embraced

The Board approved its next three-year strategic plan on 27 March 2026. Accordingly, the Company's medium-term strategic direction is set out in the Board-approved Medium-Term Strategic Plan for FY 2026/27–2028/29, which provides a structured framework for addressing future challenges and opportunities. The plan incorporates precautionary measures for extreme economic and social conditions, along with strategic initiatives to support operational adjustments in response to volatile yet gradually improving market conditions.



Managing Director's Role

The authority for directing the detailed formulation and development of the corporate plan rests with the MD, who also serves as the CEO. He is responsible for steering the Company's overall operations in full compliance with applicable external regulations and internal policies. In addition, he ensures that the workforce and all business activities remain closely aligned with the Company's long-term and medium-term strategic priorities, thereby supporting sustainable growth and organisational success.

Governance Role of the Management Committees

- In addition to the Board Subcommittees, the Company has established several management-level committees to oversee risks associated with day-to-day operational activities. These include the Management Credit Committee, IT Steering Committee, Information Security Committee, Asset and Liability Committee, Executive Integrated Risk Management Committee, and the Sustainability Governance Committee.
- To enhance the shareholder value while embedding sustainable business practices across the organisation, the Sustainability Governance Committee (SGC) has been established, ensuring that broader stakeholder obligations are met and sustainability considerations are fully integrated into the Company's core business strategy.
- A key driver of the Company's ability to meet stakeholder expectations is its skilled and dedicated workforce. The organisation's workforce of 1,938 employees is effectively managed by the Corporate Management, with operational responsibilities delegated to Directors, General Managers, Assistant General Managers, and Managers. Regular performance appraisals are conducted to assess employees against key operational targets established at the beginning of each financial year, supporting continuous development and alignment with organisational objectives.

Employee Development: Regulatory Compliance and Knowledge Enhancement

New members of MI's workforce commence their journey through a comprehensive induction programme, which familiarises them with the Company's history, applicable regulatory framework, workplace conduct, and performance expectations. Following induction, employees undergo role-specific training tailored to their respective responsibilities. To support continuous professional development and adaptability, regular training programmes are conducted to ensure the workforce remains updated on industry developments and regulatory changes.

At the beginning of FY 2025/26, all branch heads were briefed on the Company's overarching business objectives as outlined in the Medium-Term Strategic Plan, together with clear expectations regarding their role in driving business growth. In addition, heads of divisions, along with the legal and compliance functions, conducted targeted branch-level training sessions to provide updates on regulatory developments, branch key performance indicators (KPIs), and AML requirements. These initiatives ensured that branch leadership remains well-informed, compliant, and effectively equipped to meet both operational and regulatory standards.

Performance Evaluation, Rewards and Recognition

- The Human Resources and Remuneration Committee annually evaluate the performance of Executive Directors and Senior Management, taking into consideration their respective roles and responsibilities.
- Based on this evaluation, the Committee determines a competitive remuneration package for each Executive Director, reflecting their expertise, contribution, and overall value to the Company.

Aligned with the Company's objectives and strategic plan, performance targets were set at the beginning of the year. Employee performance was periodically evaluated against these targets, and rewards were granted to recognise achievement and encourage continued performance.

Compliance

GRI 2-14

As a trusted financial services provider, MI remains committed to full compliance with all regulatory requirements while pursuing its strategic objectives and meeting stakeholder expectations. During the financial year, the Company made all statutory payments to the Government, regulatory authorities, and employees in a timely manner.

The Board of Directors maintained a strong and robust governance framework across the organisation, ensuring strict adherence to applicable laws and regulations, as well as internal policies and procedures. No material breaches were identified during FY 2025/26 that required separate disclosure.

Policy Framework

GRI 2-23

The Company maintains a comprehensive policy framework that is regularly reviewed and updated to reflect evolving regulatory requirements, industry best practices, and internal findings. The policies updated during the year are set out below:

Corporate Governance Report Contd.

Governance
- Corporate Governance Framework
- Related Party Transaction Policy
- Remuneration Policy for Board of Directors
- Remuneration Committee TOR
- Areas of authority and key responsibilities of the board

Compliance
- AML/CFT Policy and Procedures
- Compliance Policy
- Financial Consumer Protection Policy
- Customer Complaint Handling Policy

Risk Management
- Risk Appetite Statement
- Risk Management Policy
- Cyber Security Risk Management Policy

Liquidity and Capital Management
- Liquidity Risk Management Policy
- Investment Policy
- ALCO TOR
- Capital Adequacy Assessment Process

Human Resources
- Succession Plan for Senior Management
- Consequence Management Decision Matrix

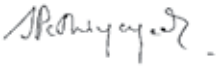
Credit
- Management Credit Committee TOR
- Executive Credit Committee TOR
- Procedure for Annual Review of Credit Facilities

Audit/IT
- Board Audit Committee TOR
- Information security policy update and TOR for ISC

Key External Regulations GRI 2-27	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 2023 issued by CA SL	✓
Finance Business Act Direction No. 05 of 2021 on Corporate Governance issued by the CBSL	✓
Listing Rules of the CSE	✓
Companies Act No. 07 of 2007 and amendments thereto	✓
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 as disclosed on pages 123-192 of this Integrated Annual Report.



S. Pethiyagoda
Company Secretary

S. Pemarathna
Compliance Officer

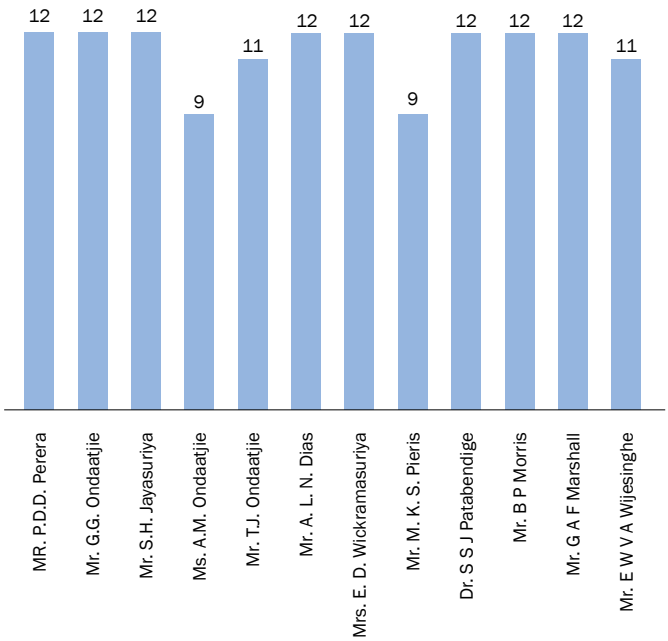
P. D. D. Perera
Board Chairman

Colombo
24 June 2026

MI'S COMPLIANCE WITH THE CODE OF BEST PRACTICES 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 is guided by a competent and experienced Board of Directors comprising individuals with diverse professional backgrounds and expertise. This diversity enables the Board to provide effective leadership and ensures the application of sound governance practices. Profiles of the Directors, including their qualifications, experience, and areas of expertise, are presented on pages 90-99. 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 structure promotes an appropriate balance between independence and executive involvement, thereby strengthening decision-making and governance effectiveness.
Board meetings.	Code – A. 1.1	Adopted	During the financial year 2025/26, the Board met 12 times, typically on a monthly basis, to review performance and deliberate on key matters affecting the Company. All Directors were provided with a formal notice of meetings, along with detailed agendas, at least seven days in advance through the Company Secretary, ensuring sufficient time for review and preparation.

Attendance at Board Meetings



Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Board responsibilities.	Code – A. 1.2	Adopted	The Board assumes overall responsibility for ensuring the effective and efficient utilisation of the Company's resources in achieving its strategic objectives. This includes setting the overall strategic direction, defining the Company's risk appetite, and establishing appropriate governance structures. Management-submitted capital and operational plans are reviewed and approved by the Board to ensure alignment with strategic priorities (refer pages 50-51). Through regular meetings, the Board evaluates both financial and non-financial performance, reviews key business developments, and participates in the annual strategic planning process, thereby fulfilling its governance and oversight responsibilities.
• Formulation and implementation of a sound business strategy.			The revised Medium-Term Strategic Plan for FY 2025/26 to 2027/28, approved by the Board on 31 March 2025, 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 2025/26, are disclosed in the Financial Highlights section on pages 18-19.
• 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.			The MD, Mr. Gerard Ondaatjie, functions as the CEO of the Company, overseeing day-to-day operations in collaboration with the Corporate Management team. Together, the MD and the Corporate Management team possess the necessary expertise, industry knowledge, and experience to effectively execute the Company's strategy and achieve its business objectives. Profiles of the Corporate Management team, including their qualifications and experience, are provided on pages 100-104.
• Adoption of an effective succession plan for the CEO and Senior Management.			A comprehensive succession plan for the MD/CEO, Executive Directors, and Key Management Personnel was approved by the Board on 30 January 2026 to ensure seamless business continuity. At MI, succession planning for key managerial positions (KMP) primarily emphasises internal development and grooming, thereby creating a strong pool of qualified candidates within the Company for future replacements.

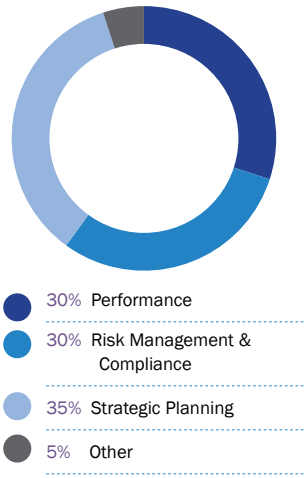
Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
• Approving budgets and major capital expenditure.			The Board is responsible for making key financial decisions relating to funding, pricing, liquidity management, and capital investments, in addition to approving the annual budget. For the financial year 2025/26, the Board approved the Medium-Term Strategic Plan, which formed the foundation for budget preparation, including planned capital expenditure allocations.
• Determining the matters expressly reserved for the Board and those delegated to the Management, including limits of authority and financial delegation.			The roles and responsibilities of the Board, including matters specifically reserved for its decision-making, are clearly documented in the 'Board Responsibility Document'. Executive Directors' responsibilities are defined through formal job descriptions. The Board has delegated authority for specific functions to Corporate Management, each led by Executive Directors or Senior Heads of Divisions. Such delegated powers are governed by corporate policies, procedures, and any additional directives issued by the Board from time to time.
• Effective systems to secure integrity of information, internal controls, cyber security, business continuity, and risk management.			The Board is ultimately responsible for overseeing risk management within the Company's operations. To support this, the Board has established the BIRMC and the BAC to provide focused oversight on risk-related matters and internal control systems. During the year, the Company strengthened its capabilities in operational risk management and cyber security risk management, in line with CBSL regulations. A comprehensive framework of Board-approved internal control policies is in place to promote prudent management practices, support effective risk identification and mitigation, and ensure compliance with applicable laws and regulations. This framework is designed to safeguard stakeholder interests, protect shareholder value, preserve Company assets, and ensure the accuracy, integrity, and confidentiality of information. Further details are provided in the following sections: Risk Management Report on pages 193-222 BIRMC Report on pages 226-227 BAC Report on pages 223-225 Directors' Statement on Internal Control on pages 253-254 Auditor's Assurance Report on adequacy of internal control on financial reporting on pages 255-256 Integrity of management information and its privacy on page 150.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
• Availability of an ICT roadmap aligned with the Company's business strategy, with the progress of implementation monitored through the ICT dashboard.			The Company's Board-approved medium-term strategic plan incorporates a comprehensive ICT roadmap aligned with overall business objectives. The implementation progress of this roadmap is regularly monitored by the IT Steering Committee through periodic reviews, supported by detailed progress reports and performance dashboards.
• Compliance with laws, regulations, and ethical standards.			The Board has implemented a comprehensive compliance framework within the Company, which is overseen by a qualified Compliance Officer. Regular monthly reports are submitted to the Board, highlighting key compliance matters requiring its attention and oversight. In addition, the Board has appointed suitably qualified and experienced professionals to lead key business divisions, ensuring adherence to applicable regulatory requirements. These officers independently report to the BIRMC in every two months, providing insights on various risk factors affecting the Company's operations, together with appropriate recommendations. They also report on the Company's overall compliance with the prevailing regulatory framework.
• All stakeholder interests are considered in corporate decisions.			Through its Board-approved Communication Policy, MI ensures that 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 (page 40) and Alliances (pages 68-69).
• Sustainable business development embedded in corporate strategy, decisions, and activities, while 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 developed a policy on Sustainable Finance Activities (approved on 26 March 2024), aligned with the Sri Lanka Sustainability Finance Roadmap. The policy incorporates ESG criteria into internal decisions related to lending, investment, and financing, and promotes sustainable activities among clients and business partners. MI's integrated business model articulated on pages 38-39 highlight the sustainable value generated through the Company's business process.

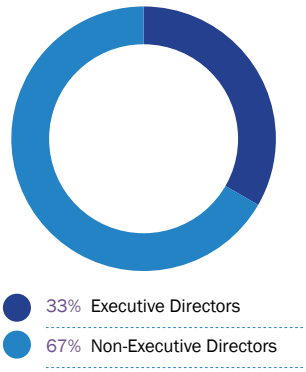
Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
• Ensuring the Company's values and standards are set, with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.			The Board and the BAC conducted 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 257-260, which affirms that the Company's financial statements are in line with applicable reporting standards and regulations, and to the Directors' Statement on Internal Control over Financial Reporting on pages 253-254.
• Establish a process for monitoring and evaluating progress on strategy implementation, budgets, plans, and related risks.			Regular reviews were conducted by the MD, Executive Directors, and the Corporate Management Team to monitor progress towards 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 departmental heads reviewed their plans and budgets, aligning them with strategic targets and risk profile changes, to ensure up-to-date evaluation of progress while establishing clear communication lines among employees (Refer Financial Wealth on pages 54-55).
• Process of corporate reporting on annual and quarterly basis or more regularly.			The Company ensured timely publication of its interim financial statements on a quarterly basis in compliance with regulatory deadlines and the State Language Policy. In addition, an Integrated Annual Report is issued for the benefit of investors and other stakeholders, while updated financial statements are promptly disclosed via the CSE, in line with applicable regulatory requirements. Furthermore, monthly financial reports are prepared and circulated to the Board to support informed and timely decision-making.
• Fulfilling other Board functions are vital given the scale, nature, and complexity of the organisation.			The Board committed throughout the year to 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.
Compliance with laws and access to independent professional advice.	Code – A. 1.3	Adopted	The Board collectively, and each Director individually, affirms their responsibility to comply with all applicable laws and regulations in the conduct of the Company's affairs. A formal declaration confirming such compliance is provided by the Directors on page 247. The Board has unrestricted access to all relevant information required for the effective discharge of its duties and may obtain independent professional advice, where necessary, at the Company's expense. This ensures that decisions of the Board are informed, objective, and supported by appropriate expert guidance.

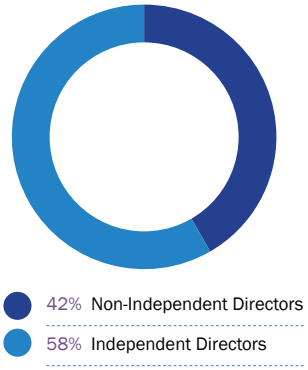
Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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 30 years of experience in the related field. Her services are available to all Directors, particularly the Non-Executive Directors, who need additional support to ensure they receive 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 Subcommittees, and are therefore involved in strategy formulation, financial compliance, and governance matters periodically. 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.
Dedication of adequate time and effort by the Board.	Code – A. 1.6	Adopted	All Directors have allocated sufficient time, enabling them to discharge their responsibilities effectively for Board and Board Subcommittee meetings, to fulfil their duties and obligations owed to the Company. Accordingly, the Directors have attended a majority of the meetings and have devoted their time adequately. Information pertaining to Directors' participation levels at Board meetings and Board Subcommittee meetings are given on page 117. **Board Meeting Discussion Composition** 

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
One-third of Directors can call for a resolution to be presented to the Board.	Code – A. 1.7	Adopted	No such resolution was called during the financial year 2025/26.
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 serve key committees, receive regular updates from the Corporate Management regarding matters that are specifically relevant to their respective committees. These updates 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 MD is granted executive authority to oversee business operations.
Division of responsibility between the Chairman and MD/CEO.	Code – A. 2.1	Adopted	The Chairman leads and guides the Board in effectively discharging its responsibilities and the MD, Mr. 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 keeps the Board apprised of the status of Company performance, proposes strategies, advises the Board on operational aspects on an on-going basis, and submits proposal recommendations and information necessary for the Board's direction and approval.
A.3 Chairman's Role.	Principle – A.3	Adopted	The Chairman of the Board, Mr. Dinuka Perera, is a Non-Executive Independent Director who continued to demonstrate leadership 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, Mr Perera 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-rounded 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 • Ensuring all Directors are aware of their duties and responsibilities, as well as the Board and committee structures through which responsibilities will be discharged • Encouraging all Directors to contribute effectively, within their respective capabilities, for the benefit of the company

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
			• Encouraging all Directors to seek the information they consider necessary to discuss matters on the meeting agendas 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 reflecting a record of such deliberations 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. A seasoned financial professional, Mr. Shermal Jayasuriya (Finance Director) has been advising the Board on financial matters since 2001. Each Director contributes a diverse set of skills and experience, including accounting and auditing, financial services and insurance, business administration, engineering, recoveries, legal, information technology, and human resources. Refer Directors' profiles on pages 90-99.
A.5 Board Balance	Principle – A.5	Adopted	As per the Finance Companies Corporate Governance Direction No. 05 of 2021 issued by the CBSL, the Board adheres to the relevant requirements, maintaining proper checks and balances between Executive and Non-Executive Directors as at the reporting date. This ensures that no individual or small group of individuals can dominate the Board's decision-making.
Presence of Non-Executive Directors.	Code – A. 5.1	Adopted	Eight out of twelve Directors on the 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	As at 31 March 2026, seven of the eight Non-Executive Directors have served as Independent Directors, while one served as a Non-Independent Director.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Criteria for evaluating the Independence of Non-Executive Directors.	Code – A. 5.3	Adopted	All seven Independent Non-Executive Directors maintain a separation from Management and are 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 CA SL guidelines during the financial year 2025/26. **Independent Vs. Non- Independent Directors** 
Signed Independence Declaration by the Non-Executive Directors.	Code – A. 5.4	Adopted	During the FY 2025/26, each Non-Executive Director of the Company made written submissions as to their independence as per CSE listing rules.
Determination of Independence of Non-Executive Directors.	Code – A. 5.5	Adopted	Based on the written submissions made by the following Non-Executive Directors and taking into account the criteria specified in Section 3.7 of the Corporate Governance Direction issued by CBSL, the Board deems the said Directors 'Independent' as at 31 March 2026. 1. Mr. P D D. Perera 2. Mr. A L N Dias 3. Mrs. E D Wickramasuriya 4. Mr. B P Morris 5. Dr. S S J Patabendige 6. Mr. G A F Marshall 7. 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 2025/26.
Senior Independent Director (SID).	Code – A. 5.7	Not Applicable	Chairman's and MD'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 times during FY 2025/26.
Recording of concerns in Board minutes.	Code – A. 5.10	Adopted	Concerns raised during Board meetings were discussed and recorded by the Company Secretary in the Minutes. There were no issues or concerns raised that could not be unanimously resolved, requiring same to be recorded.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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 analysed 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 Subcommittees information on risk appetite profile, emerging risks and analytics, credit exposures, and asset and liability management, including liquidity, compliance, and other vital matters. The Board Directors are 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 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.
A.7.Appointments to the Board. GRI 2-10	Principle – A.7	Adopted	MI has established a Nominations and Governance Committee to streamline new Director appointments and the 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 screening to identify suitable candidates who meet the eligibility criteria for new appointments to the Board, and subsequently puts 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 page 107, 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 2025/26 is given on pages 230-231.
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 are also reviewed by the Committee.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Succession plan for the CEO 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 the CSE.
Annual report disclosure regarding the work of the Nominations Committee.	Code – A.7.5	Adopted	Refer Nominations and Governance Committee report on pages 230-231.
Terms of Reference for nomination committees.	Code – A.7.6	Adopted	Terms of reference for the Nominations and Governance Committee were reviewed and approved by the Board on 28 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 other than the MD are required to stand for re-election at least once in every three years at each AGM. The MD shall not, while holding that office, be subject to retirement by rotation. The following Directors retire by rotation in the financial year 2025/26 and are eligible for reappointment: Ms. A. M. Ondaatjie Mr. T. J. Ondaatjie Mr. S. H. Jayasuriya
Resignation of Directors.	Code – A. 8.3	Adopted	No Board member resigned during FY 2025/26.
A.9 Appraisal of Board performance. GRI 2-18	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 with 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 2025/26. The assessment mainly focused on the Board's contribution towards developing and monitoring strategy; the mix of knowledge and skills within the Board and committees; its commitment to enhancing economic, social, and environmental value; the robustness of risk management; the quality of the relationships with Management, employees, and shareholders; and the proper functioning of Board Subcommittees. 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 committees.	Code – A. 9.2	Adopted	The Board annually appraises its own performance to ensure that it is discharging its responsibilities in a satisfactory manner. This process requires each Director to fill Board Performance Evaluation Forms in line with this section of the Code.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Process to review the participation, contribution, and engagement of individual Directors at the time of re-election.	Code – A. 9.3	Adopted	The Nomination 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 Subcommittee performance.	Code – A. 9.4	Adopted	The Chairman and the Company Secretary provided full support and led the 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 Nomination and Governance Committee is expected to consider future needs to strengthen Board resources and make recommendations promptly.
A.10 Disclosure of information in respect of Directors.	Principle – A. 10	Adopted	The disclosure of information pertaining to all Directors is made available to the shareholders through the Annual Report.
Director information	Code – A. 10.1	Adopted	The following information pertaining to Directors is provided in the Integrated Annual Report: **Information** — **Pages** Brief profile with qualification, experience, and expertise — 90-99 Composition of the Board Subcommittees — 117 Directors' interest in transactions — 246 Directors' shareholdings — 362 Directors' remuneration — 179 Directors' attendance at Board meetings — 117 Directors' attendance at Subcommittee meetings — 117
A.11 Appraisal of the CEO.	Principle – A. 11	Adopted	The performance of the MD/CEO was reviewed by the HR and Remuneration Committee through a formal appraisal process. Also, his remuneration package was decided by the Committee through a formal evaluation process.
Targets for the MD.	Code – A. 11.1	Adopted	Strategic goals, including reasonable financial and non-financial targets in line with the Company objectives, are set by the HR and Remuneration Committee for the MD. As the Chief Executive of the Company, the MD is entrusted by the Board to conduct day-to-day operations effectively to attain the set targets, after considering market realities and changes in relevant variables.
Evaluation of MD's performance.	Code – A. 11.2	Adopted	At the end of each financial year, the HR and Remuneration Committee evaluates the MD's performance, taking into account the Company's overall results and comparing actual outcomes with the financial and non-financial targets established at the start of the year.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
B. Directors' remuneration.	Principle – B.1	Adopted	The Board recognises that the existence of a formal and transparent remuneration procedure, effectively aligned with Directors' and shareholders' interests, is essential. Having clear processes and guidelines ensured no Director was involved in deciding his or her own remuneration package. In keeping with specific terms of reference, the Board established a HR and Remuneration Committee authorised to evaluate, assess, decide, and recommend, to the Board, the Executive Directors' remuneration. Refer the HR and Remunerations Committee Report on pages 228-229.
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 performance based on respective officers' targets and goals was appraised annually. Bonuses, increments, and career advancement opportunities were linked to appraisals.
Remuneration Committee to make recommendations to the Board on the Company's framework of remunerating.	Code – B.2.1	Adopted	In keeping with 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 pages 228-229 for the composition of the HR and Remunerations Committee.
Remuneration Committee's access to the MD 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 MD'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 carry out its duties for FY 2025/26.
MD's Remuneration.	Code – B.2.4	Adopted	The HR and Remuneration Committee ensures that the remuneration packages offered to Executive Directors, including the MD, are competitive with market expectations and sufficient to attract and retain high-calibre Directors essential for achieving the Company's goals. Additionally, the Committee aligns Executive Director remuneration with MI's overall business strategy.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Executive Directors' remuneration should be designed to promote the 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 iInstitutions.	Code – B.2.6	Adopted	In deciding the remuneration of the Directors, the HR and Remuneration Committee 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 associated risk factors. The remuneration structure of the Company is reviewed periodically, thereby upholding the competitiveness in the remuneration packages. This mechanism ensures that the remuneration packages of the Executive Directors are on par with the industry/market, while ensuring alignment of rewards with the 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 within its structure to draw upon for reference. However, the 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 2025/26.
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.
Early terminations clauses in service contracts 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	No early terminations were carried out during FY 2025/26.
Level of remuneration of Non-Executive Directors.	Code – B. 2.13	Adopted	Non-Executive Directors receive fees for attending main Board meetings and Board Subcommittee 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 2025/26.
Listing Chairman and members of the Remuneration Committee in the Annual Report.	Code – B. 2.15	Adopted	Refer HR and Remunerations Committee report on pages 228-229.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Terms of Reference for Remuneration Committee.	Code – B. 2.16	Adopted	Refer HR and Remunerations Committee report on pages 228-229.
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 228 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 Remunerations Committee composition with meetings held and participation status of members is provided on page 117. Details relating to remuneration paid to Executive and Non-Executive Directors in aggregate is disclosed on page 179.
Aggregate remuneration of the senior management personnel.	Code – B. 3.2	Adopted	Details relating to the aggregate of remuneration paid to senior management is disclosed on page 180.
C. Relations with shareholders. **C.1 Constructive use of the AGM and conduct of General Meetings.**	Principle – C.1	Adopted	The Board recognises 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 the AGM, 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 383 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 AGM. The Annual Report for FY 2024/25 was submitted to the CSE on 21 July 2025 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.
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 Directors' Report, Statement of Accounts, and the Auditors' Report contained in the Integrated 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 this Report covering this section.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Level of proxies at AGMs.	Code – C. 1.3	Partially 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, against or withheld for each resolution.
Availability of all Board Subcommittee Chairpersons at the AGM.	Code – C. 1.4	Adopted	At the AGM held for the previous financial year (2024/25), the Chairpersons of all the Board Subcommittees were present 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 2025/26 AGM, which includes the procedures governing voting, will be sent to shareholders at least 15 working days prior to the AGM.
C.2 Communication with shareholders.	Principle – C.2	Adopted	The Board recognises 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 40. 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 182 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 AGM 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, and 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 authorised 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.
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 major issues and concerns that impact them. All shareholders are encouraged to attend the AGM 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 Integrated Annual Report and sending it to the given contact point.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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 for 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 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 CSE. To strengthen transparency and oversight in this area, the 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 disposals 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 the Company's interim and Annual Reports, if it were to occur.
Disclosure of requirements and shareholder approval by special resolution as required by the 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 Integrated Annual Report together with additional disclosure in the corporate website, which includes audited financial statements and extensive financial and non-financial management commentary. The 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 2026, 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 CSE Listing Rules. During FY 2025/26, 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 Report Contd.

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	The 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 favourable and adverse outcomes. This is detailed in the Integrated Annual Report for the year under review (see pages 237-245). 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's (MD) and CFO's declaration on Financial Statements.	Code – D. 1.3	Adopted	The MD and Finance Director/CFO submitted a declaration statement confirming that the Financial Statements present a true and fair view and have been prepared in accordance with appropriate accounting standards. They also affirmed the effectiveness of the Company's risk management and internal control mechanism for the financial year under review. (Refer pages 251-252).
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 237-245).
Directors' and Auditors' responsibility statement.	Code – D. 1.5	Adopted	The Statement of Directors' Responsibilities is given on pages 249-250, while auditors' responsibility (clearly specified in the Auditors' Report of the Financial Statements issued by Messrs Ernst & Young, Chartered Accountants) is given on pages 257-260. The responsibility of Directors over internal controls is given in the Directors' Statement on internal controls disclosed in pages 253-254. In keeping with this section, the statement on internal controls issued by the Board provided from page 253 to page 254 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 38-77 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. 15 billion and was well above the mentioned requirement for the financial year 2025/26. 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 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 are 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 has established a Related Party Transactions Review Committee, aligning with the best practices recommended by the CA Sri Lanka 2023 Corporate Governance Code and other applicable regulations of the CBSL and CSE. (Refer Related Party Transactions Review Committee Report given on pages 232-233 for detailed committee information, and the Financial Statements given on pages 330-332 for details on related party transactions during FY 2025/26).
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 affecting the strategic objectives. This involves a process that 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 the 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 the internal control system.	Code – D. 2.1	Adopted	Periodic reviews of the adequacy and effectiveness of the Company's internal controls are carried out by MI's own internal audit team, together with external auditors, relating to audits of information technology general controls. Findings of audits are followed up by the higher-level BAC. The BAC comprises Non-Executive Directors who make an independent assessment on the adequacy and application of internal controls and provide feedback to the Board on matters deemed material. Directors' Statement on Internal Control over Financial Reporting on pages 253-254 complies with content of Schedule L of the Code. The 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 the External Auditors. Under the chairmanship of Mr. Anil Dias, Independent Non-Executive Director, the BIRMC continued to oversee MI's risk management procedures and assess its readiness to handle potential risks, with the aim of minimising any potential losses. The BIRMC Report on pages 226-227 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 193-222 in the Risk Management Report.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
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 with this section. Refer BIRMC report on pages 226-227.
Composition of the Risk Management Committee.	Code – D. 2.1.5	Adopted	Refer the composition of BIRMC on page 226.
Risk committee should have a written Terms of Reference.	Code – D. 2.1.6	Adopted	The BIRMC operates with a written TOR, which clearly elaborates its authority and duties. Refer the BIRMC report on pages 226-227.
The Annual Report should contain a report of the Risk Management Committee.	Code – D. 2.1.7	Adopted	Refer the BIRMC report on pages 226-227.
Applicable laws and regulations in determining the composition, scope, roles, and responsibilities of the Risk Management 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 the Entity's objectives.	Code – D. 2.2	Adopted	On behalf of the Board, the Company's Senior Management is responsible for designing, implementing, and monitoring internal control systems to provide reasonable assurance of achieving the Company'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 Subcommittees, especially the BIRMC and the 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 253-254 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 across the Company.

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 BAC monitors and reviews the internal control issues and risk management measures identified by the internal audit division and evaluates the adequacy and effectiveness of the Company's risk management and internal control system. 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 BAC, supported by the BIRMC and the Compliance Officer, continuously reviews the effectiveness of the risk management framework and internal controls deployed by the organisation. Any deficiencies or concerns are promptly reported to the Board, together with appropriate recommendations, to ensure the ongoing soundness of the risk management process and internal controls.
Statement of Internal Control.	Code – D. 2.2.4	Adopted	The Board Statement on Internal Controls given on pages 253-254 complies with the contents in schedule L of the Code. Some of the salient aspects highlighted therein are: • External auditors' review of the Board's internal control statements, affirming that the processes in place are consistent with the statements • The linkage between internal controls and financial reporting • The BAC's role in reviewing internal controls • Mechanisms in place to identify, evaluate, and manage risk • Processes to maintain the accuracy of financial reporting.
D.3 Audit Committee – A Committee to review financial reporting aspects, oversee internal controls, and maintain relationships with Company auditors.	Principle – D.3	Adopted	The BAC assists the Board of Directors in overseeing financial reporting, internal controls, risk management, and audit functions—both internal and external. MI's BAC 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 BAC comprises three Independent Non-Executive Directors. The names of members forming the BAC, their participation level, Secretary, and invitees of the Committee are disclosed on page 223.
Terms of Reference of the Audit Committee.	Code – D. 3.2	Adopted	The BAC operates within clearly-defined Board-approved TOR. The Committee's duties and responsibilities are set out in the said TOR and are in line with the Code and the directions issued by the CA Sri Lanka and SEC. Refer BAC Report on pages 223-225.

Corporate Governance Report Contd.

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	Refer BAC report on pages 223-225 The names of Directors forming the BAC and their participation level at meetings are disclosed on page 117. Report of the BAC is given on pages 223-225. 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 the BIRMC.
Composition of the Committee.	Code – D. 4.1	Adopted	Refer the composition of the BIRMC on page 226.
Terms of Reference of the Committee.	Code – D. 4.2	Adopted	The BIRMC operates within clearly-defined Board-approved TOR. Refer the BIRMC Report given on pages 226-227.
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. Chief Risk Officer Mr. Ajith Sooriyaacrachchi, who heads the risk unit and reports directly to the BIRMC, bears the Secretary position of the Committee.
Authority to seek external professional advice.	Code – D. 4.4	Adopted	As per the TOR, the Committee has the 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 226-227 for the BIRMC report.
D.5 Related Party Transactions Review Committee. GRI 2-15	Principle – D.5	Adopted	MI established a Related Party Transaction Review Committee in 2015 that periodically reviews all the Material Related Party Transactions of the Company.
Definitions of Related Party and Related Party Transactions.	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 KMP, refer page 330 Directors' interest in contract, refer page 246 These are in accordance with LKAS 24 and the regulations issued by the CBSL and the CSE.
Composition of Related Party Transaction Review Committee.	Code-D.5.2	Adopted	The composition and work of the Related Party Transaction Review Committee for the financial year 2025/26 are set out in the Committee Report on pages 232-233.
Terms of Reference of the Related Party Transaction Review Committee.	D.5.3	Adopted	The Related Party Transaction Review Committee operated under clearly defined TOR during the financial year 2025/26. The updated TOR, 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.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
D.6 Code of Business Conduct and Ethics.	Principle – D.6	Adopted	A thorough HR Policy document has been created and approved by the Board. This document outlines the policies and procedures that all employees must follow. It promotes best practices in managing human resources and expects employees to behave in an ethical and professional manner that upholds the reputation of the organisation. The ethical approach incorporated in 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 organisation.
Compliance with requirements on business conduct and ethics.	Code – D. 6.1	Adopted	The HR Policy on Business Conduct and Ethics, applicable to both Directors and employees, is incorporated into a 'Human Resource Handbook', which is issued to all Directors and employees. The Board-approved Customer Protection Policy specifies a Standard Operational Procedure (SOP) for customer handling by employees and a clear Code of Conduct to protect customer rights. The Board made a declaration in this year's Director's Report on page 245 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 above.
Policy and process for monitoring and disclosing Directors' and KMP's share purchases.	Code – D. 6.3	Adopted	Directors' and KMP's share purchases are informed to the Company Secretary for reporting to the CSE in accordance with the CSE Listing Rules.
Procedure to deal with complaints received from whistle-blowers in relation to non-compliance with the Company's Code of Business Conduct and Ethics.	Code – D. 6.4	Adopted	MI's whistle-blowing procedures form part of the Board-approved HR Management Policy. 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 BAC.
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.
Company-wide 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.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
Affirmation by Chairman that no individual has violated the 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 the Company's requirements on specified business conduct and ethics. This affirmation is given in the 'Chairman's Statement on Corporate Governance' on pages 105-106.
D.7 Corporate Governance Disclosure.	Principle – D.7	Adopted	The Board 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 105-192 sets out the manner in and the extent to which the Company has complied with the Code.
Section 2 – Shareholders: E. Institutional investors			
E.1 Shareholder Voting.	Principle – E.1	Adopted	MI's shareholder base consists of both individual and institutional investors. The Company achieved listing status on the CSE's Diri Savi Board in 2011. MI actively encourages all shareholders to participate in the 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 and adequate disclosures are communicated to all shareholders via the Annual Report and the AGM.
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 Integrated Annual Report offers comprehensive data to support in-depth analysis by potential investors. Additionally, MI publishes its quarterly financial statements on the CSE website, enabling retail investors to continuously assess the Company's performance.
F.2 Shareholder voting.	Principle – F.2	Adopted	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 cyber-attacks targeting the financial services sector have underscored the increasing need for institutions to strengthen their security frameworks and remain responsive to evolving cyber threats. In response, MI has recognised cybersecurity as a key emerging risk and has incorporated it into the Company's overall operational risk management framework. During the year under review, the Company further enhanced its cybersecurity risk management capabilities through the appointment of a Chief Information Security Officer (CISO) and the implementation of a formal Cybersecurity Risk Management Policy.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
G.2 Appointment of a CISO and implementation of a Cyber Security Risk Management Policy and process.	Principle – G.2	Adopted	During the year under review, the Company further enhanced its cybersecurity risk management capabilities through the appointment of a CISO and the implementation of a formal Cybersecurity Risk Management Policy.
G.3 Allocation of adequate time on Board agenda for cyber security.	Principle – G.3	Adopted	An Information Security Committee has been established to oversee matters relating to information technology and cybersecurity. The Committee reports on cyber-related risks and emerging threats to the Board through the BIRMC, ensuring appropriate oversight and timely escalation.
G.4 Effectiveness of cyber security risk management process.	Principle – G.4	Adopted	During the financial year under review, Vulnerability Assessment and Penetration Testing (VAPT) exercises were conducted on two occasions by an independent service provider to assess the adequacy and effectiveness of the Company's cybersecurity controls and their alignment with evolving technological requirements. In addition, the internal audit division carried out a comprehensive information systems (IS) audit to further evaluate the robustness of the Company's IT control environment.
G.5 Annual Report disclosure on process of cyber security risk identification.	Principle – G.5	Adopted	Refer risk management report on pages 193-222.
H. Sustainability: ESG risks and opportunities.	Principle – H.1, H.2, H.3, H.4, H.5	Adopted	The board takes sustainability and ESG risks and opportunities into account when shaping the company's business model, short- and medium-term plans, and long-term strategy, recognising that these factors can influence the company's future 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 the Company's strategy, business model, governance, and risk management. The published Annual Report contains comprehensive information that enables investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured, and reported as described in the following sections. • MI's vision, objectives, and principles embraced relating to sustainability is given on pages 16-17; • Stakeholder Engagement and Material Matters are given on pages 40-41 • Business model prescribing MI's sustainable value creation process are given on pages 38-39 • Management Discussion and Analysis is given on pages 38-77 • Governance and Risk Management is given on pages 105-222. MI's annual performance and progress for FY 2025/26 has once again been presented as an Integrated Annual Report. It covers all sustainability reporting parameters required by the GRI guidelines, which encompass wider economic, social, and environmental impacts, as set out on pages 78-85, in compliance with this section.

Corporate Governance Report Contd.

Corporate Governance Principles	Reference to SEC and ICASL Code	Adoption Status	MI's Extent of Adoption
I. Special considerations for listed entities.	Principle – I		
I.1 Establish and maintain policies relating to its governance and disclose them on the 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 31 March 2026, the requirements of this sector have been addressed through a range of policies and procedures, including the schedule of matters specifically reserved for Board 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 27 March 2026, the Board reviewed and approved the medium-term Strategic Plan, outlining the Company's direction for the next three-year period from the Financial Year 2026/27 to Financial Year 2028/29.
b) & c)	Approving and implementing the company's Governance Framework and assessing the effectiveness of the same on periodical basis.	The Board of MI periodically evaluates the effectiveness of its governance practices. In accordance with Section 2.1 of this Direction, a comprehensive review was carried out and the revised Governance Framework was formally approved by the Board in December 2025.
d)	Appointing the Chairperson and the Chief Executive Officer (CEO)	The roles of the Chairman and the Chief Executive Officer (Managing Director) of MI are clearly separated and operate independently. The Board has explicitly defined and approved their respective duties and responsibilities in line with the requirements of Sections 6.4 and 6.5 of this Direction.
1.3	Corporate Culture and Values	
a) & b)	Establishing the company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	A company-wide Code of Conduct and Ethics, aligned with MI's strategic direction and corporate values, has been formally established and applies to all employees. These values are effectively communicated through the publication of the Code on "Smile" the corporate intranet portal, and knowledge and awareness has been created through various HR-led sessions and staff development programs, providing clear guidance on expected standards of behavior. In addition, any conflicts of interest arising is duly managed in accordance with a Board-approved Conflict of Interest Policy.
c)	Promoting sustainable finance through appropriate environmental, social and governance (ESG) considerations	MI has established a Policy on Sustainable Finance, aligned with the Sri Lanka Sustainability Finance Roadmap. This policy seeks to integrate Environmental, Social, and Governance (ESG) considerations into internal decision-making processes relating to lending, investment, and financing, thereby promoting sustainable practices among MI's clients and business partners. Furthermore, appropriate resources have been allocated to broad base financially inclusive products aimed at social empowerment, as incorporated into the Company's Medium-Term Strategic Plan. In this context, the Board ensures that the Company's initiatives are consistently aligned with its sustainability objectives and broader strategic priorities to support sustainable growth and the creation of long-term value. At management level, "Sustainability Governance Committee " under a Board approved TOR is mandated to execute the sustainability road map set for next three years.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
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.
1.4	Risk Appetites, Risk Management and Internal Controls	
	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 further enhanced in the year under review and approved by the BIRMC and the Board. The Board reviews this statement annually. Latest review was done in September 2025, with the coordination of the CRO & relevant heads of departments.
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 Integrated Risk Management Committee (EIRMC) and the Board Integrated Risk Management Committee (BIRMC) review risks and systems that have been developed to manage and mitigate risks. ALCO reviewed core risk including market risk on a monthly basis and EIRMC & 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. The Board Integrated Risk Management Committee's Report on pages 226-227 provide further insights in this regard.
c)	Internal Control System and Management Information System	The adequacy and integrity of the Internal Control Systems and Management Information Systems are subject to continuous review by the Board's sub-committees, in particular the Board Audit Committee (BAC). Where necessary, these committees submit appropriate recommendations 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 deliberation and further action on key observations. Periodic external expert reviews were also commissioned as and when necessary, on specific areas.
d)	Business continuity and disaster recovery	Amid a highly challenging operating environment, MI's Business Continuity Planning (BCP) framework supported the Company in maintaining its ability to serve stakeholders with minimal disruption.
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 pages page 117. Refer the Composition of MI's Board Meeting Discussion topics & areas of focus given on page 128 (Code A 1.6- CA Sri Lanka Code of Best Practice on Corporate Governance)

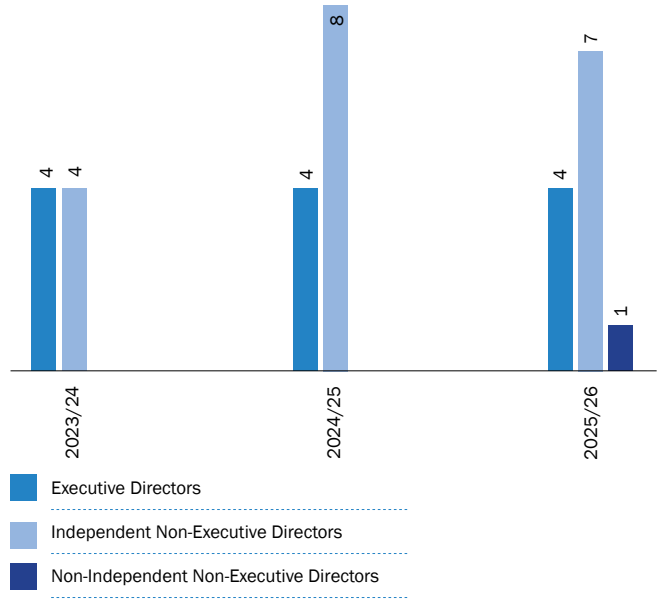
Section Reference	Requirement of the Direction	Extent of Adoption
b)	Possessing necessary qualifications, adequate skills, knowledge, and experience by the Board	Board members possess adequate experience, qualifications, skills and knowledge in the relevant fields to fulfill these roles on Board. Pages 90-99 provide brief profiles of MI's Directors, outlining their qualifications, experience and the positions they hold in other institutions.
c)	Regularly reviewing and agreeing the training and development needs of all members of the Board	All Directors of MI recognise the importance of continuous learning and remain committed to ongoing professional development, thereby strengthening their ability to effectively discharge their duties and responsibilities. During the year under review, Directors regularly updated their knowledge on developments in the non-banking finance sector, including evolving regulatory requirements and operational practices. Furthermore, Directors attended the Annual High-Level Awareness Programme on AML/CFT conducted by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (CBSL) in November 2025. In addition, Non-Executive Directors serving on key Board Committees were kept continuously informed by Corporate Management on matters relevant to their respective Committees.
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 133 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 discharging 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 towards conducting of business operations effectively.
c)	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge	The recruitment of Senior Management is undertaken by the Nominations and Governance Committee through a structured and streamlined selection process. In addition, all Key Management Personnel, as members of the senior corporate management team, are appointed subject to regulatory approval under the Fit and Proper criteria. A summary of Senior Management, including their qualifications and professional experience, is provided on pages 100-104.

Corporate Governance Report Contd.

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 regularly review business performance and key operational areas through departmental and monthly management meetings. In addition, significant matters are escalated through Board sub-committees established by the Board to provide oversight and monitor strategic and functional aspects of the business. The Managing Director, acting under delegated authority from the Board, is responsible for implementing Board decisions and overseeing the overall affairs of the Company. Operational responsibilities are further delegated to senior management heads, ensuring that activities are conducted within approved authority limits and aligned with performance expectations. The Directors, either directly or through Board sub-committees, also engage in periodic interactions with Senior Management. Department-specific meetings, including Credit, Deposit, and Recoveries forums, are held regularly to maintain operational focus and support the achievement of short-term targets, while ensuring alignment with the Company's strategic objectives and corporate values.
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 2026) 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 Senior Management to make informed strategic and operational decisions. Furthermore, members of the Senior Management make presentations to the Board and its sub-committees or to 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 the 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.
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 the 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.

Section Reference	Requirement of the Direction	Extent of Adoption
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 149 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 151 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.

Composition of MI Board Last 3 Years



Corporate Governance Report Contd.

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/months in position as at 31st March 2026**
		Mr. P D D Perera	Independent Non-Executive Director	6 Years and 1 month completed.
		Mr. A L N Dias	Independent Non-Executive Director	5 Years completed
		Ms. E D Wickramasuriya	Independent Non-Executive Director	5 Years completed
		Mr. M. K S Pieris	Non - Independent Non-Executive Director	4 Years and 11 months completed
		Mr. B P Morris	Independent Non-Executive Director	1 Year and 9 months completed
		Dr. S S J Patabendige	Independent Non-Executive Director	1 Year and 9 months completed
		Mr. G A F Marshall	Independent Non-Executive Director	1 Year and 8 months completed
		Mr. E W V A Wijesinghe	Independent Non-Executive Director	1 Year and 8 months completed
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights	As at the reporting date, none of the Non-Executive Directors of MI held any direct or indirect shareholding in the Company.		
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 2026, 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).	Mr. Gerard Ondaatjie is an Executive Director since 1993 and 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 October 2025, all Executive Directors of the Company have been assigned clearly defined functional reporting lines.		

Section Reference	Requirement of the Direction	Extent of Adoption
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 2026, none of the Executive Directors at MI held Executive Directorships or Senior Management positions in any other entity/s.
3.6	Non-Executive Directors	
a)	Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct	All Non-Executive Directors at MI are selected objectively based on their qualification and experience in their respective fields. Pages 90-99 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	Mr. 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 Seven (7) 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 90-99 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.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
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.
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 90-99 detailing Directorships held by each Director on the Board of Mercantile Investments in other companies as at 31 March 2026, 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 the recommendation of the Nominations and Governance Committee. Further details on the composition, responsibilities, and related aspects of the Committee, as well as the Board appointment procedures, are set out in Section A.7 on page 132 of the CA Sri Lanka Code. In addition, MI has established a formal succession planning process to ensure the orderly appointment of Directors to the Board. During the year under review, there were no new appointments or resignations of Directors. Further, a Board approved succession plan is in place for the appointments of Senior Management. All Directors resignations/ removals are prior approved by the Department of Supervision of Non-Bank Financial Institutions and are duly reported to the Colombo Stock Exchange (CSE) by the Company Secretary in compliance with this section and related provisions as per the CSE rules.

Section Reference	Requirement of the Direction	Extent of Adoption
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 149 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 Mr.P.D.D. Perera and the Managing Director/Chief Executive Officer Mr.Gerard Ondaatjie. A declaration has been obtained to this effect from the Chairman and Directors. However, Executive Directors Mr. Gerard Ondaatjie, Mrs. Angeline Ondaatjie and Mr. Travice Ondaatjie are members of the same family.
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 129-130.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
6.5	Responsibilities of CEO	
a) to g)	The CEO/MD shall function as the apex executive-in-charge of the day-to-day- management of the company's operations and business	Managing Director Mr. Gerard Ondaatjie functions as the apex executive in charge of managing routine operations of the Company (in place of a Chief Executive Officer). He works closely with fellow Executive Directors and Corporate Management to oversee daily operations of the Company. The CEO/MD's role and responsibilities are explicitly outlined and approved by the Board as follows; 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 his professional time to the service of the Company. He does not engage in any other business or employment, except for serving as a Non-Executive Director of other companies in which he holds directorships.
7	**Meetings of the Board**	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible	Twelve (12) Board meetings were held for the financial period 2025/26. Refer section A.1.1 of the CA Sri Lanka code given on page 123 for detailed disclosure in this regard. During Board Meetings, various papers relating to different functional areas were presented for the consideration and approval of the Board following detailed discussion. Urgent matters requiring the review and approval of the Directors between scheduled Board Meetings were communicated and processed by way of circular resolutions coordinated 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 guidance of the Chairman, the Company Secretary prepares the Board agenda by incorporating proposals submitted by all Directors. All Directors are provided with equal opportunity to propose and contribute to matters relating to significant business activities.
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 provided to all Directors for scheduled Board meetings. The Company Secretary also ensures that reasonable notice is given for any additional Board meetings convened outside the regular schedule.
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 provided with adequate notice of Board Meetings to enable them to review the relevant papers and proposals in advance and contribute effectively to discussions. Furthermore, Directors have access to Senior Management to seek clarification on matters under consideration and may obtain independent professional advice from external specialists, where necessary.

Section Reference	Requirement of the Direction	Extent of Adoption
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors	As per the attendance of the Board Meetings during the financial year 2025/26, 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 2025/26.
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	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 2025/26. 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 117.
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 since 2021 as and when the need arises and this procedure was reviewed in March 2025.

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Section Reference	Requirement of the Direction	Extent of Adoption
8	**Company Secretary**	
8.1 a)	The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations	The Company Secretary, Mrs. Pethiyagoda, is a senior management-level employee and a qualified Chartered Secretary with over 35 years of experience in the field. She provides support and guidance to all Directors, with particular emphasis on assisting Non-Executive Directors to ensure that they receive timely, accurate, and relevant information to effectively discharge their responsibilities. Her primary responsibilities include advising the Board on Board procedures, corporate governance matters, and compliance with applicable laws, regulations, and best practices.
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 held during the financial year 2025/26 and was readily accessible to all Directors requiring her advice, guidance, and support. Mrs. Pethiyagoda has over 35 years of experience in company secretarial practice and remains well versed in the laws, regulations, and best practices governing Board procedures, corporate governance, and other matters relating to the responsibilities of the Company Secretary.
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.

Section Reference	Requirement of the Direction	Extent of Adoption
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 of 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), Board Human Resource and Remuneration Committee (BHRC) , Board Nominations and Governance Committee (BNGC) and Board Related Party Transaction Review Committee (RPTRC). Refer the detail committee reports on pages 223-233.
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 delegated with appropriate authority limits to effectively execute their respective responsibilities. Pages 118-119 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 overall oversight of the Company's affairs to ensure effective discharge of its governance responsibilities. It periodically reviews the scope and limits of delegated authority, with particular focus on credit approval limits and other powers assigned to Board sub-committees. In addition, the Board has authorised Directors and designated signatories to approve payments and execute key binding documents, while maintaining restrictions on delegation in respect of selected 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)
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 sub-committees have been duly established and are in operation at MI, in accordance with the applicable requirements, including adherence to the prescribed meeting frequency. Further details of the Board sub-committees activities are set out in the reports on pages 223-233.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
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 Terms of Reference (TORs) that clearly define the committee's 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 223-233 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 223-233 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 composition on page 116 in this Annual Report.
f)	The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives	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 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.
c)	The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	As at the reporting date, the General Manager – Internal Audit, Mr. D Kumara, acts as the Secretary to the Board Audit Committee, keeping record of the meeting proceedings.

Section Reference	Requirement of the Direction	Extent of Adoption
d)	External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor	i) The Board Audit Committee (BAC) recommended the re-appointment of Ernst & Young, Chartered Accountants, as the External Auditor for the financial year 2025/26. Furthermore, the BAC approved the audit fee for the same financial year.
	ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, the company shall not use the service of the same external audit firm for not more than ten years consecutively	ii) This is the 9th consecutive undertaking of External Auditors within the given timespan of ten (10) undertakings. The audit partner was changed effective from 20th March 2026.
	iii. Audit partner of the company shall not be a substantial shareholder, director, senior management or employee of any finance company.	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 19th March 2026 for the financial year 2025/26.
	iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices	
	. v. Audit partner shall not be assigned to any non-audit services with the company during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework.	v) During the financial year under review, the audit partner has not been assigned to any non-audit services with the company. However, the BAC has developed a policy approved by the Board on the engagement of External Auditors to handle specific non-audit services permitted by regulation. Non-audit services obtained for FY 2025/26, were in line with the said policy.
	vi. The BAC shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit.	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.

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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.vii. The BAC shall review the financial information of the company, in order to monitor the integrity of the financial statements of the company in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.	vii) The Committee reviewed the Company's interim and annual Financial Statements prior to submission to the Board. The Committee reviewed the internal controls on the financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgmental areas and material audit judgments.
	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.	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 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.	Ix) The Committee reviewed the FY 2024/25 Management Letter issued by the External Auditors together with Management responses at the BAC meeting held on 25th September 2025 (within three months of submission of such) to ascertain existing material concerns that require their immediate attention for resolution, in the presence of the Finance Director and the CFO.
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 plan. The audit plan was prepared on a risk based approach while ensuring organization wide audit coverage. Audit plan for the financial year 2025/26, was reviewed and approved by the Board Audit Committee (BAC) on 28th March 2025. Further, regular monitoring was carried out by the committee to ensure planned audits are conducted and any amendment to the plan was approved by the committee after evaluating the requirements.

Section Reference	Requirement of the Direction	Extent of Adoption
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.
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)	i) MI has established an in house Internal Audit Function with a clear reporting hierarchy to the iii.
	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.	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. Further, the committee has ensured that the internal audit team has the sufficient expertise to conduct the set out Audit Plan.
	iii. The BAC shall take the following steps with regard to the internal audit function of the company;	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 observation effectively to ensure that corrective actions are promptly implemented.
	I. Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work	
	II. Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit	iii) II.The Audit Committee reviewed the findings of the Internal Audit team for the financial year 2025/26 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 Assess the performance of the head and senior staff members of the internal audit department	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.

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Section Reference	Requirement of the Direction	Extent of Adoption
	IV Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care	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.
	V. Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	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.
	VI. Examine the major findings of internal investigations and management's responses thereto.	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 2025/26.
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 the progress of the implementation of the Time-Bound Action Plan arising from the CBSL Statutory Examination, based on status updates provided by management, to ensure timely rectification of identified concerns.
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	i) The BAC met sixteen 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. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview	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. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present	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.

Section Reference	Requirement of the Direction	Extent of Adoption
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 Mr. Anil Dias has been appointed as the Chairman of the Committee. Managing Director, COO, 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 Chief Manager - 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 226-227 and Risk Management Report on pages 193-222 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.	A Board-approved Risk Appetite Statement (RAS) is in place. During the year under review, the RAS was reviewed and strengthened to ensure continued alignment with prevailing market conditions and emerging trends.
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 2025/26.
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 reviews the effectiveness of senior management-level committees. For further details on the Committee's scope, as well as a comprehensive overview of the Company's Risk Management Framework and its activities during the financial year 2025/26, refer to the BIRMC Report given on pages 226-227.

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Section Reference	Requirement of the Direction	Extent of Adoption
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 150 of this direction.
h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	The BIRMC conducted an annual performance assessment of the Compliance Officer and the Chief Risk Officer, as part of its oversight responsibilities.
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.	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. 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.	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. 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.	iii) N/A
	iv. The BIRMC shall ensure responsibilities of the compliance officer	iv) Roles and responsibilities of the company's compliance officer have been clearly defined in the company's Board approved compliance policy as well as the Job Description of the Compliance Officer.

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 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	i) A dedicated Risk Unit has been established, reporting directly to the Board Integrated Risk Management Committee (BIRMC). The Unit is responsible for identifying, assessing, and recommending mitigation measures for key risk areas, including credit, market, liquidity, operational, and strategic risks, using appropriate risk indicators. The Chief Risk Officer submits risk reports on a bi-monthly basis, with any breaches of predefined risk tolerance levels clearly highlighted and escalated to the BIRMC for appropriate attention and action. 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 Operational Risk management) and RAS in the year 2025/26 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.
	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.

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Section Reference	Requirement of the Direction	Extent of Adoption
	vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis	vi) In line with the Company's updated Risk Register, key risk concerns are identified and submitted for discussion at the BIRMC on a bi-monthly 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) The BIRMC circulates a risk assessment 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 Independent Non-Executive Director has been appointed as the committee Chairman. Refer the Nominations and Governance Committee report on pages 230-231
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 appointment of Senior Management personnel, excluding the Chief Internal Auditor (CIA), Chief Risk Officer (CRO), and Compliance Officer, is recommended by the Executive Directors under delegated authority from the Board and effected under the supervision of the Managing Director.
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 2026, all Key Responsible Persons at MI which include Directors and Corporate Management have obtained approval from 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.

Section Reference	Requirement of the Direction	Extent of Adoption
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.
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 2025/26 and are eligible for re-election; • Ms. A M Ondaatjie • Mr. T J Ondaatjie • S H Jayasuriya
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	The succession plan for senior management of the Company, has been reviewed by the Committee on an annual basis and that of the additional/ new expertise required.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
k)	A member of the Nominations committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Ms E D Wickramasuriya , Mr. P D D Perera and Mr. A L N Dias, members of the committee did not come up for re-election in the year under review.
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.	Refer the Board committee overview on page 116 for the composition of the HR and Remunerations Committee. The Committee is chaired by Mr. A. L. N. Dias who is an Independent Director.
b)	The secretary to the Human Resource and Remuneration Committee may preferably be the company secretary.	Mrs. S. Pethiyagoda (Company Secretary) acts as the secretary to the committee.
c)	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the company and fees and allowances structure for non-executive directors.	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.
d)	There shall be a formal and transparent procedure in developing the remuneration policy.	In formulating the Company's remuneration policy, the Committee has taken into consideration 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. Accordingly, the remuneration packages offered to Executive Directors and Senior Management are designed to remain competitive and are structured to align 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 in January 2026.

Section Reference	Requirement of the Direction	Extent of Adoption
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 172 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 performance of the Senior Management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) is evaluated by the committee at the end of each financial year by taking into consideration the performance results of the Company, evaluating the actual against the financial and non-financial targets set at the beginning of the financial year.
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 141.

Corporate Governance Report Contd.

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 is effectively 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 193-222 • Board IRMC Report on pages 226-227 • Board Audit Committee Report on pages 223-225 • Directors' Statement on Internal Control on pages 253-254 • Auditor's Assurance Report on adequacy of internal control on financial reporting on pages 255-256 • Integrity of management information and its privacy on page 150
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 are monitored through regular performance evaluations conducted under the established performance management framework, while periodic audits reinforce compliance and accountability with respect to the internal control mechanism in place.
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 as at 31st March 2026; • 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 at MI need to be prior reviewed and approved as per the Related Party Transaction policy.

Section Reference	Requirement of the Direction	Extent of Adoption
c)	The business transactions with a related party that are covered in this Direction shall be following; i. Granting accommodation. Creating liabilities to the company in the form of deposits, borrowings and any other payable. ii. Providing financial or non-financial services to the company or obtaining those services from the company. iii. 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, page 246 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
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. 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)	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.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
	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.	
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 Nuwara Eliya Hotels PLC" with common Directorships is considered as an independent establishment with separate legal, regulatory and governance responsibilities.
b)	The Board of the company shall; 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.	N/A

Section Reference	Requirement of the Direction	Extent of Adoption
	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.	
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
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.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
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 145.
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 146.
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 incorporated into the Board-approved Human Resource Management Policy. The policy establishes a formal mechanism for employees to confidentially report suspected violations of laws, regulations, or unethical conduct through designated whistle-blower channels. All reported matters are reviewed by the Audit Committee, which takes appropriate action where necessary. The policy further sets out a structured investigation process to ensure that all incidents are addressed with due diligence, while preserving the confidentiality of whistle-blowers and protecting them against retaliation or discrimination.
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 159 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.	A Policy on Managing Potential Conflicts of Interest with Related Parties has been established and implemented by the Company. The latest review of the policy was carried out in 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 pages 249-250 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 90-99 while their transaction details are disclosed under the Directors' Interest in Contracts on page 246 and in Related Party Disclosures in the Notes to the Financial Statements on pages 330-332. Attendance of Directors at Board Meetings and Sub-Committee meetings are given on page 117. **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 134) of CA Sri Lanka Code of Best Practice a separate section given 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 137. Detailed disclosures relating to remuneration paid to Directors and Senior Management are provided below in line with the Guideline on remuneration policies and the disclosure requirements issued by the CBSL. **Aggregate Remuneration paid to Directors** **Form of Remuneration** / **Amount (Rs.000)** Basic Salary 113,771 Board and sub-committee sitting fees 14,416 Fixed allowances 6,000 Variable allowances - Bonuses 37,837 Reimbursed expenses 33,187 Other monetary benefits (if any) - Non -monetary benefits (converted in to monetary terms) 960 **Total remuneration paid to directors** **206,171** In addition to above, company contribution for Directors EPF and ETF - Rs. 17.06 Mn

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption

Aggregate Remuneration paid to Senior Management

Form of Remuneration	Amount (Rs.000)
Basic Salary	144,479
Fixed allowances	48
Variable allowances	-
Bonuses	51,213
Reimbursed expenses	107,319
Other monetary benefits (if any)	-
Non -monetary benefits (converted into monetary terms)	960
Total remuneration paid to Senior Management	**304,019**

v) Related Party Transactions

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 Mr. Gerard Ondaatjie, Mrs. Angeline Ondaatjie, and Mr. 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 Mr. 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;

Category of Related Party	Net Accommodation granted (Rs. 000)	Net Accommodation Outstanding as of 31 March 2026 (Rs. 000)	% Against Company's Core capital
Senior Management including Executive Directors	14.254	11,534	Less than 1%
Associate company	Nil	Nil	N/A
Other related companies	4,160	4.259	Less than 1%

Section Reference	Requirement of the Direction	Extent of Adoption

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 2025/26 are detailed below;

Transaction type	Amount (Rs. 000)
Accommodations granted	14.254
Deposits made	57,966
Remuneration paid	304,019
Borrowings	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 117 of this annual report.

vii) Group Structure

The Corporate Structure of the Company is stated on page 192 (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 237-245 of this Annual Report.

- Declaration on not engaging in any activity, which contravenes laws and regulations
- All related party transactions with the company and directors abstained from voting on matters in which they were materially interested.
- Fair treatments to all stakeholders
- The business remains going concern with supporting assumptions
- Review of internal controls covering material risks to the Company and obtaining reasonable assurance of its effectiveness.

ix) Statement on Internal Control

A report by the Board on MI's internal control mechanism is given on pages 253-254 in this Annual Report.

The external auditor's assurance statement

Independent Assurance Report on the Directors' Statement on Internal Control is disclosed on pages 255-256 in this Annual Report.

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 237-245 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.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
		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 CBSL Corporate Governance Directions. Accordingly, the firm has issued a factual finding report in this regard for the financial year 2025/26. **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 145 of this Annual Report. **Chairperson's declaration on governance** Refer chairman's Statement on Corporate Governance on pages 105-106 given in this Annual Report. **xii) Management Report** 'Management Discussion and Analysis' given on pages 38-77 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, strategies, performance during the year 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 any matters or provide feedback.

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 extent of the Company's compliance with Section 9 of the Corporate Governance Listing Rules issued by the Colombo Stock Exchange (CSE) is presented in this section of the checklist.
9.2	Policies	
9.2.1	The company shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Committees - To mention regarding the TOR. (c) Policy on Corporate Governance, Nominations and Re- election. (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption	All these policies have been established by MI in accordance with this requirement, and their existence and the implementation has been duly disclosed on the Company's website.
9.2.2	Waivers and Exemptions	Currently, 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	Any of the above policies can be furnished to shareholders upon written request submitted to MI's Company Secretary.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
9.3	Board Committees	
9.3.1	Establishment of Board Committees	MI has established the Nominations and Governance Committee, Human Resources and Remuneration Committee, Board Audit Committee, Board Integrated Risk Management Committee, and Related Party Transactions Review Committee in compliance with 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, all Committees comply with the revised CSE Listing Rules. Each Sub-Committee operates under defined Terms of Reference and is supported by a designated Secretary, who, under the direction of the respective Chairperson, coordinates meetings, maintains minutes, and preserves records. Each Chairperson is responsible for the effective functioning of the Committee and reports periodically to the Board on key matters requiring attention. Committee Terms of Reference or Charters 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 addressed through established policies and procedures, including the Schedule of Matters 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.
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

Section Reference	Requirement of the Direction	Extent of Adoption
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 MD/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	Disclosures are made in the Annual Report of the Board of Directors given on pages 237-245.
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 2026.
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 complies with the requirement on the minimum number of Independent Directors. As at the end of the financial year under review, the Board comprised seven (7) 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.
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.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
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. 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	In the event of any new Board appointments, an immediate announcement is made to the market. There were no new Board appointments during the financial year 2025/26.
9.10.3	The company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees.	Any changes to the composition of Board Committees are communicated to the Colombo Stock Exchange (CSE) as required. There were no changes to the Board Sub-Committees during the financial year 2025/26.
9.10.4	Disclosures in relation to the Directors in the Annual Report	Refer pages 90-99 for the profiles of Directors. Refer page 117 for the Board meeting attendance and for Board committee meeting composition and attendance. Refer pages 90-99 for Directorships in other companies.
9.11	Board Nomination and Governance Committee	
9.11.1	The company shall have a Nominations and Governance Committee	The company has established a Nominations and Governance Committee 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 Nomination 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 230-231.
9.11.3	The Nomination and Governance Committee shall have a written Terms of Reference clearly defining the scope, authority, duties and matters pertaining to the quorum of meetings.	The Terms of Reference of the Committee have been duly established in compliance with the applicable requirements. Refer Report of the Board Nominations and Governance Committee on pages 230-231

Section Reference	Requirement of the Direction	Extent of Adoption
9.11.4	Composition of the Nomination and Governance Committee	
1	The members of the Nomination 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 230-231.
2	An Independent Director shall be appointed as the Chairperson of the committee	
3	The Chairperson and the members of the Nomination and Governance Committee shall be identified in the Annual Report	
9.11.5	The functions of the Nomination and Governance Committee	Refer Report of the Board Nominations and Governance Committee on pages 230-231
9.11.6	Contents of the Board Nomination 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 230-231.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
9.12	Remuneration Committee	
9.12.2	The company shall have a Remuneration Committee	The Human Resources (HR) and Remuneration committee has been established & operates as a Board Sub Committee.
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	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 in January 2026.
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 remuneration of Non-Executive Directors is determined by the HR and Remuneration Committee. 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 Board HR and Remuneration Committee on pages 228-229.
9.12.6	Composition of the Remuneration Committee	
	1) The members of the Remuneration Committee shall; a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. b) Not comprise of Executive Directors of the Listed Entity	Refer Report of the Board HR and Remuneration Committee on pages 228-229.
	2) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors	Refer Report of the Board HR and Remuneration Committee on pages 228-229.
9.12.7	The functions of the Remuneration Committee	Refer Report of the Board HR and Remuneration Committee on pages 228-229.
9.12.8	Disclosure in Remuneration Committee Report	Refer Report of the Board HR and Remuneration Committee on pages 228-229.
	• 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 179.
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 the Board Integrated Risk Management Committee (BIRMC) has been formed to perform the oversight of 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 Board Audit Committee on pages 223-225.

Section Reference	Requirement of the Direction	Extent of Adoption
9.13.3	1) The members of the Audit Committee shall; a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. b) Not comprise of Executive Directors of the Listed Entity.	
	2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.	Refer Report of the Board Audit Committee on pages 223-225.
	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.	
	4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	
	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.	Refer Report of the Board Audit Committee on pages 223-225.

Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
9.13.4	The functions of the Audit Committee	Refer Report of the Board Audit Committee on pages 223-225.
9.13.5	Disclosures in the Annual Report	Refer Report of the Board Audit Committee on pages 223-225.
	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	Related Party Transactions Review Committee (RPTRC) has been established.
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 232-233.
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 232-233.
	2. The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.	
	3. Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.	
	4. If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:	
	(a) be present while the matter is being considered at the meeting; and,	
	(b) vote on the matter	

Section Reference	Requirement of the Direction	Extent of Adoption
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	All related party transactions excluding exempted transactions as per this rule are prior reviewed by RPTRC.
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 Non-recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)	There were no such Related Party Transactions during the year under review.
9.14.8 (2)	Disclosures in the Annual Report Recurrent Related Party Transactions exceeding 10% of the gross revenue/income (in the specified format)	Refer Note 50 on pages 330-332 to the Financial Statements on "Related Party Disclosure".
9.14.8 (3)	Disclosures in Related Party Transactions Review Committee Report Names of the Directors comprising the Committee Statement that Committee has reviewed Related Party Transactions and communicated comments/ observations to the Board Policies and procedures adopted by the Committee	Refer the Report of the BRPTRC on pages 232-233.
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 pages 237-245.
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.

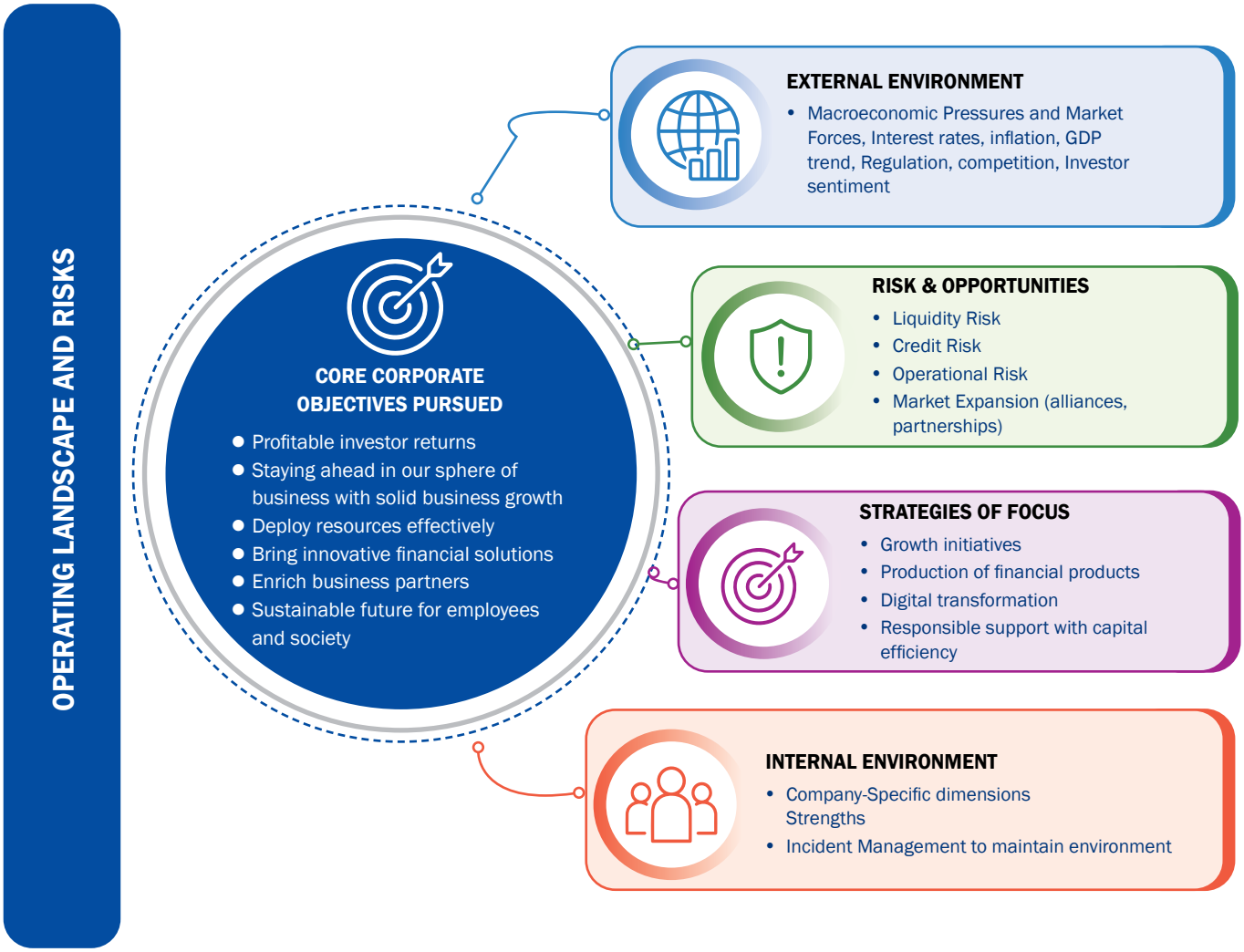
Corporate Governance Report Contd.

Section Reference	Requirement of the Direction	Extent of Adoption
9.17	Additional disclosures	
9.17	The following declarations by the Board of Directors to be included in the Annual Report; 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	Refer the Annual Report of the Board of Directors on pages 237-245.

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

Risk Management Report

Operated Landscape



Overview

During the financial year under review, economic growth was recorded as 5%. Even though the year 2024 marked a significant turnaround, economy encountered notable constraints in 2025. The impact of adverse weather conditions, devastating natural disasters and global uncertainties at the later part of the year under review challenged the pace of rapid growth, but nevertheless, overall economic activities remained resilient. These macro-level economic environment and continued policy consistency strengthened the overall investor confidence and ability to build buffers to climatic disruptions. These factors had a direct impact on financial sector stability, credit risk dynamics, and interest rate movements, all of which remained critical from a risk management perspective.

Risk Management Report Contd.

Economic Highlights and Risk Management Implications

Macroeconomic Recovery and GDP Growth

i. Real GDP maintained at 5.0% growth rate in 2025, reflecting continued broad-based expansion growth across industries.

ii. Risk Implication: Improved economic activity supported credit quality and reduced borrower defaults, though uneven recovery across sectors required close monitoring. Moreover, as inflation turned to positive figures by August 2025 following a deflationary period, the prevailing lower interest rates driven by relaxed monetary conditions drove substantial increase in credit.

iii. Towards the end of the financial year 2025/26, the escalation of tensions between the United States and Iran contributed to increased global uncertainty and higher oil prices. These developments adversely affected economies worldwide, including Sri Lanka, through increased costs and inflationary pressures. As a result, the country's economic growth faced potential moderation due to both direct and indirect impacts across various sectors.

Inflation and Monetary Easing

i. Inflation (Y-o-Y) was recorded at 2.2% for March 2026.

ii. Risk Implication: Acceleration in inflation led to a transition from a low-inflation environment, potentially introducing upward pressure on interest rates and funding costs. Although inflation remains within manageable levels and in line with policy expectations, this trend necessitates continuous monitoring to support effective ALCO strategies.

Exchange Rate Volatility

i. The Sri Lankan rupee depreciated from Rs. 293/USD at end-2024 to Rs. 310/USD by end of FY 2025, though pressures increased later in the year due to regional and global factors.

ii. Risk Implication: Foreign Exchange risk has moderated temporarily and remains sensitive to external sector dynamics; robust hedging policies and stress testing remain crucial due to sudden acceleration in crude oil prices.

Asset Quality Improvement

i. NBFI Sector NPL ratio declined from 14.7% (March 2024), 8.6% (March 2025) and 4.4% in (March 2026), supported by rising credit demand and lower borrowing costs.

ii. Risk Implication: Credit risk moderated, though pockets of sectoral stress remain (e.g., construction, export-oriented businesses).

Sector Profitability and Interest Margin Dynamics

i. NBFI Sector Interest income increased by 25% during the year, while interest expenses rose by 24%. As a result, net interest income recorded a growth of 26% compared to the previous financial year.

ii. Risk Implication: Interest rate risk shifted to reinvestment and margin compression concerns as rates stabilized at low levels.

Stock Market and Investor Sentiments

i. Equity market experienced high volatility in March 2026 but maintained a generally bullish sentiment with significant recovery in the latter half of the period. Despite global anxieties, local investors' demonstrated confidence with improved macro-economic indicators.

ii. Risk Implication: External global events mainly impacting energy costs caused sharp intraday drops. However markets remained attractive to the lower interest rates and projected primary surplus, which supported domestic investment.

Statement on Risk Management

As a licensed and regulated financial institution, Mercantile Investments and Finance PLC (MI) maintains a robust and a 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, we continue to strengthen our enterprise-wide risk culture, promote transparency in risk reporting. By embedding risk management into our decision-making processes, MI ensures the resilience of its operations and sustains its commitment to maintaining financial stability and stakeholder confidence in a continuously evolving environment.

MI's Risk Strategy

Mercantile Investments and Finance PLC (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 including the establishment of a dedicated risk unit.

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.

Deploying a Strong Risk Culture

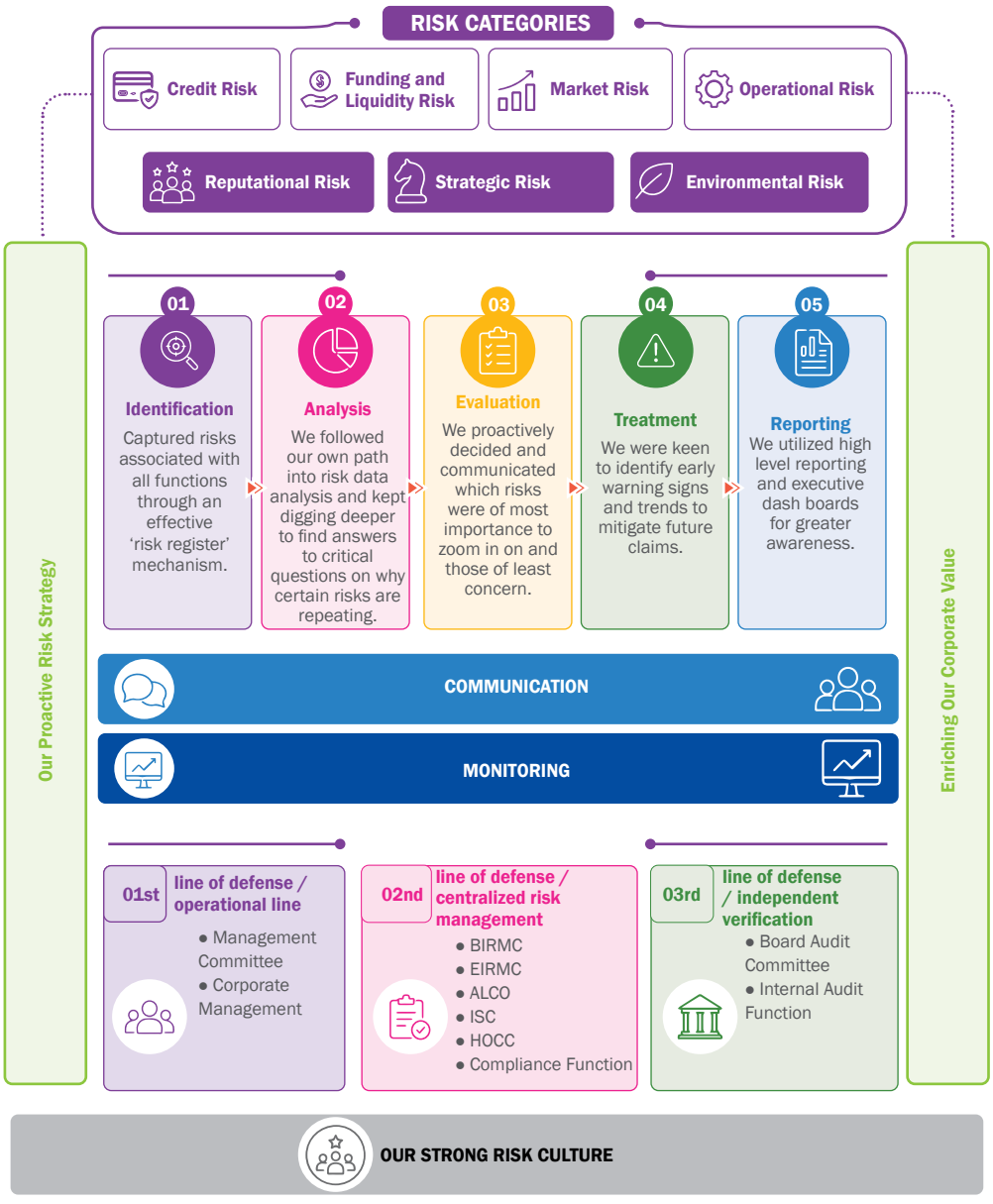
At the core of our risk management framework is a deeply embedded risk-aware culture, which encourages accountability at every level of the organization. Risk ownership is reinforced through clearly defined controls within our Standard Operating Procedures (SOPs), empowering employees to identify, assess,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

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, 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

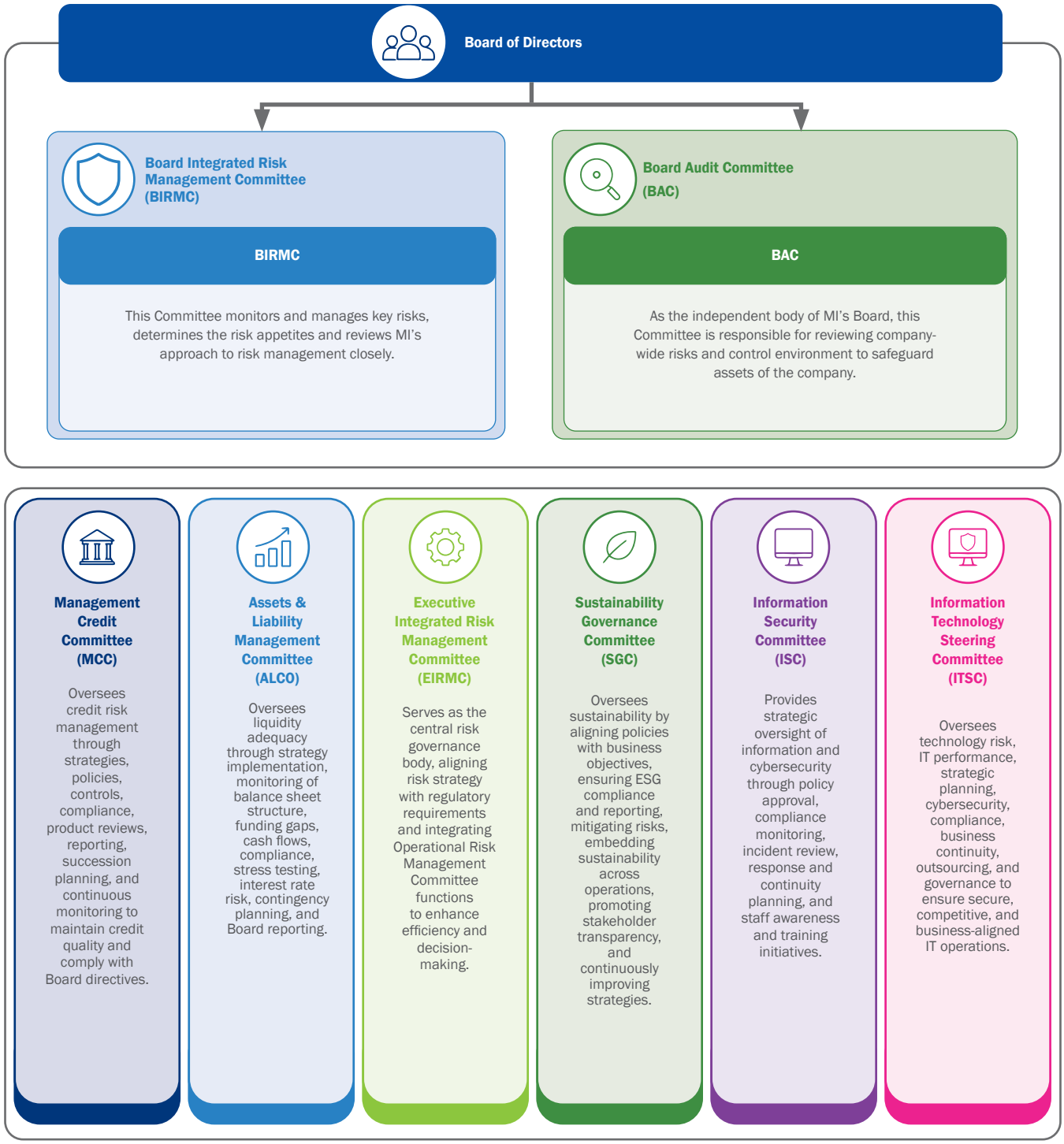
Oversight of the enterprise-wide risk management function is carried out by the Board Integrated Risk Management Committee (BIRMC), a subcommittee of the Board. The BIRMC plays a pivotal role in reviewing key risk exposures, ensuring alignment with regulatory expectations, and guiding the strategic direction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

MI's Integrated Risk Management Framework



Risk Management Report Contd.

Risk Management Oversight Process



Key Risk Management Developments for FY 2025/26

i. Alignment with Corporate Governance Requirements

The Risk Management Policy was revised in accordance with the CBSL Direction No. 04 of 2024 and Basel II incorporating enhancements in Operational Risk Framework and IT Cyber security Risk Management Framework, 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). Accordingly, the IT Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) have been established.

iii. Risk-Focused Product Reviews

Extensive New product-level risk assessments were conducted during the year, taking into account the diverse product categories. 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

During the financial year, the Risk Department established an Incident Reporting platform, including a Google Form to capture departmental operational loss data. Department heads were guided on loss event reporting in line with Central Bank of Sri Lanka requirements, including quarterly submissions. Incidents are identified at the department level and reported via the form, with the Risk Department reviewing submissions, obtaining clarifications where necessary, and submitting the final returns to the Central Bank of Sri Lanka.

v. Revision of the Risk Appetite Statement

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.

vi. Implementation of the Personal Data Protection Act, No. 9 of 2022 (PDPA)

The phased implementation of the Personal Data Protection Act, No. 9 of 2022 (PDPA) has introduced ongoing compliance obligations for the Company, requiring continuous enhancements to data handling practices, technical safeguards, and staff awareness. To strengthen PDPA compliance, the Company is developing a cross-functional governance framework to support coordinated implementation and oversight.

Risk Management Report Contd.

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.

Low	Moderate	High	Extremely High	Increasing	Decreasing	No Change

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

Credit Risk Management

CREDIT RISK

Credit risk arises when a borrower or counterparty fails to meet their financial or contractual obligations to the company. They 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 position.

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. In the FY 2025–26 operating environment, where interest rates largely stabilized following prior volatility, while credit demand is gradually recovering, the risk becomes more pronounced under the following conditions:

- Economic downturns or income shocks affecting borrower's repayment capacity.
- Sectoral concentration in vulnerable industries (eg:- tourism, agriculture) which remain exposed to external shocks and climate-related disruptions
- 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.

Key Highlights in Credit Risk Management

i. **Geographical Diversification of Credit Portfolio**

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

ii. **Strengthened Collection Efforts**

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

iii. **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.

iv. **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.

Statement on Credit Risk Appetites

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual FY 2025/26	Actual FY 2024/25
Total large credit exposure (above 10 Mn)	<20% of Gross portfolio	NA	13%	4%
Top 50 borrower exposure to total loan exposure	<20% of Gross portfolio	NA	3%	4%
Aggregate limit for related party transactions accommodation to related parties	<10% of Gross portfolio	NA	Value is less than 0.01%	0.06%
Single Borrower Limit (Largest exposure/ Core capital	< 15% of Capital	15%	0.92%	2%
Group Borrower limits/ Core capital	< 20% of Capital	20%	1.41%	2%
Aggregate Limit/ (Total of single borrowers > 10% of core capital)	< 20% of Capital	20%	3.50%	2%
Stage 3 Loans to Total Loans and Advances	<10%	NA	3%	5%
Stage 3 Impairment Coverage Ratio	>30%	NA	52.5%	57.6%

Comment: The Key Risk Indicators (KRIs) of Credit Risk demonstrated that the company operated within the established Risk Appetite and Tolerance thresholds and complied with all applicable regulatory limits during the reporting period.

Risk Management Report Contd.

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 2025/26

Improved Borrower Repayment Capacity

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

Enhanced Recovery Infrastructure and Coordination

Recovery effectiveness 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 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 was 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.

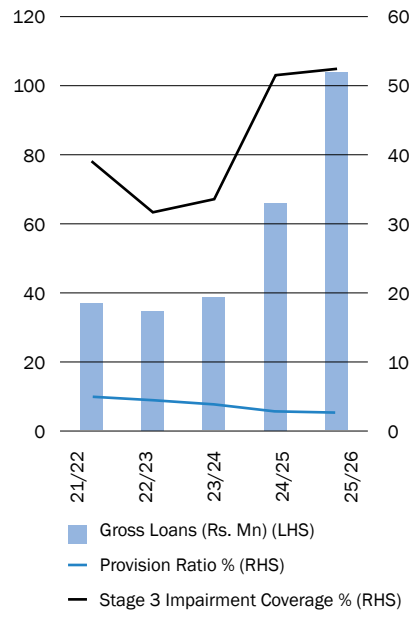
Business Unit-Level Risk Monitoring

The Board Integrated Risk Management Committee (BIRMC) 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.

Gross Loans and Impairment Provision



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 2025/26

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. The strategic expansion, diversification and consolidation of the branch network outside the Western Province have significantly mitigated this risk and strengthened the company's geographic risk profile.

What We Can Expect Going Forward

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 previous financial year. This segment continued to demonstrate stable performance and aligned well with the company's risk-return objectives.

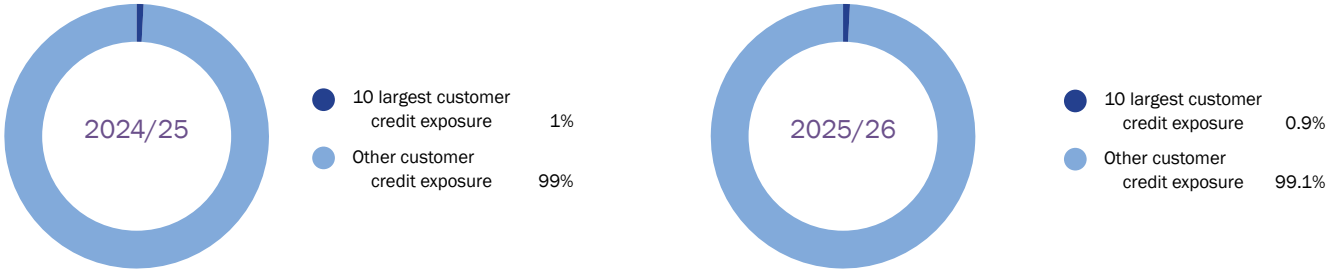
Targeted Approach to High-Risk Sectors

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.

Exposure of 10 Largest Customers



Risk Management Report Contd.

Credit Risk Dimension	Credit Concentration	Risk Severity	Moderate

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.

During the year under review, the Company further strengthened its credit risk management framework through the implementation of branch-level exposure limits and enhanced Delegation of Authority (DOA) controls.

Exposure limits have been established for Branch Managers, Regional Managers, and officers of higher grades, prescribing the maximum aggregate exposure that may be granted to a single customer under their respective approval authorities. Any credit facility request that exceeds the prescribed threshold is required to be escalated to the next level of approval in accordance with the approved Delegation of Authority framework. These measures ensure an appropriate segregation of approval powers, promotes prudent credit underwriting practices, and mitigates concentration risk at the branch level. The framework further strengthens oversight over customer exposures while facilitating timely escalation of higher-value credit proposals to the relevant approving authorities.

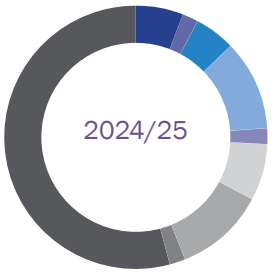
The Company implemented branch-level exposure limits as part of its strategy to strengthen credit risk governance and manage concentration risk. Exposure thresholds were established under the Delegation of Authority framework for Branch Managers, Regional Managers, and higher approving authorities, with proposals exceeding the prescribed limits being escalated for approval. This initiative reinforces prudent lending practices and supports sustainable portfolio growth.

Mitigating Geographic Concentration Risk

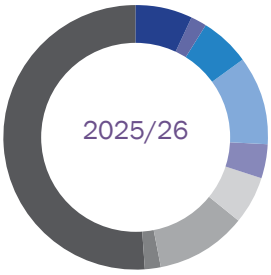
To address the overconcentration in the Western Province, new branches were strategically located in other regions, contributing to a more balanced geographic distribution of credit risk.

The Company mitigates geographic concentration risk by considering the geographic location of customers as part of the credit evaluation process and maintaining a well-distributed branch network across the country. Management periodically reviews the portfolio by region to identify any emerging concentration trends and, where deemed necessary, implements appropriate risk mitigation measures to ensure a balanced and resilient credit portfolio.

Geographical Concentration of Lending

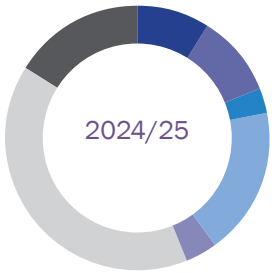


Central	6%
Eastern	2%
North Central	5%
North Western	11%
Northern	2%
Sabaragamuwa	7%
Southern	11%
Uva	2%
Western	54%

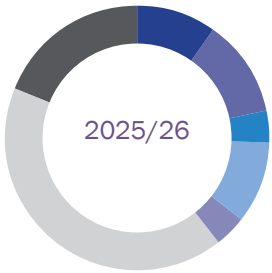


Central	7%
Eastern	2%
North Central	6%
North Western	11%
Northern	4%
Sabaragamuwa	6%
Southern	11%
Uva	2%
Western	51%

Sector Wise Lending Concentration



Agriculture	9%
Industrial	10%
Tourism	3%
Trading	18%
Construction	4%
Services	40%
Others	16%



Agriculture	10%
Industrial	12%
Tourism	4%
Trading	10%
Construction	4%
Services	42%
Others	18%

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 2025/26

MI's Credit Recovery Is at a Medium Level

Deteriorated Economic Environment

The rebound in economic activity, reflected in the 5.0% GDP growth both in 2024 and 2025, has enhanced the repayment capacity of borrowers across several key segments. This macro-level improvement has translated into better cash flows and improved collections. However, Due to Economic disruption, mainly driven by geopolitical changes, resulting impact are expected to cascade down to the Sri Lankan economy, creating challenges for recovery and increasing lending risk.

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. MI reviews and monitors the repayment bucket movement closely to maintain the asset quality.

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

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.

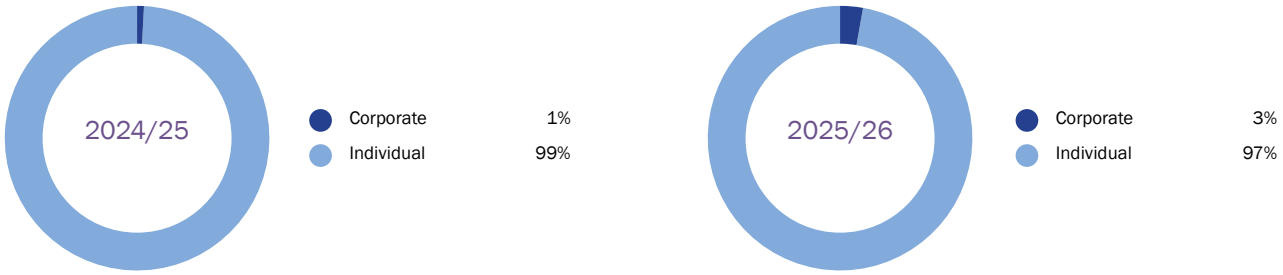
Targeted Oversight of Large-Ticket Borrowers

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.

Credit Exposure by Counterparty



Risk Management Report Contd.

Liquidity Risk Management

Funding and 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 and Finance PLC (MI) , 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.

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 on contractual terms and 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 and unutilized funding lines 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 CBSL'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:

- Fully implement the Finance Business Act Direction No. 03 of 2025 on Liquidity Risk Management enhancements in Treasury Management and Risk Review over Liquidity.
- Further optimize its asset-liability management (ALM) strategy, particularly under behavioral maturity mismatch assessments.
- Explore retail and institutional funding diversification to reduce concentration risks.
- Expand liquidity stress testing with scenario-based simulations reflecting macroeconomic and institution-specific shocks.

Liquidity Risk Management Actions

Liquidity Risk Dimension	Funding and 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 2025/26

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 96% of the total deposit 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 mobilizing divers funding options including bank borrowings and other funding strategies by 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. The Sound deposit renewal rates were maintained 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 identified, and rigorous liquidity stress testing was conducted to assess the company's ability to withstand adverse liquidity shocks. These tests helped evaluate contingency preparedness under both idiosyncratic 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.

Risk Management Report Contd.

Liquidity Risk Dimension	Funding and Liquidity Risk	Risk Severity	Moderate

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.

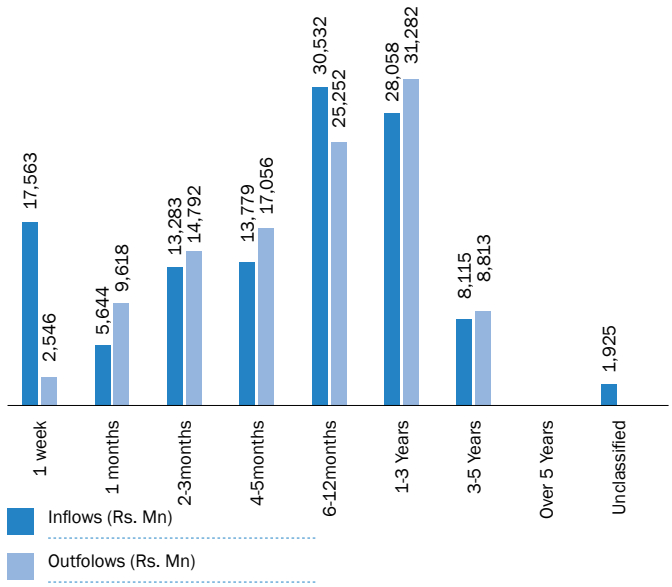
Securing Long-Tenor, Low-Cost Borrowings

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.

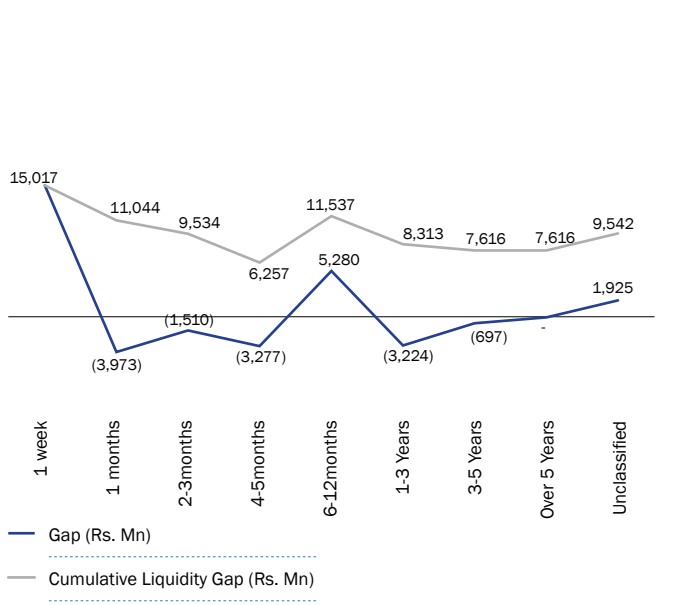
Improved Deposit Retention through Geographic Diversification

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.

Liquidity Gap Analysis



Liquidity Gap Analysis



Market Risk Management

Market Risk Overall Risk Severity

Market risk refers to the potential of a financial loss arising from adverse movements in market variables such as interest rates, equity prices, commodity prices, and foreign exchange rates. For Mercantile Investments, 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

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 at a Director Level 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. BIRMC has oversight over Interest Rate Risk with input of the Risk Unit to evaluate various stress situations.
- **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.

Risk Management Report Contd.

- **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 over 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:

- Enhance product mix with right blend of fixed and floating products.
- 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 2025/26	Actual Figure FY 2024/25
Net Interest Margin (NIM)	>8%	NA	>9.07%	>10%

Interest Rate Risk Management

Interest Rate Risk Dimension	Interest Rate Risk	**Risk Severity**	Extremely 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 2025/26

1. Favorable Repricing Gap Due to Falling Interest Rate Environment

Market Interest rates remained relatively stable during the FY 2025-26. Consequently the repricing gaps were maintained within acceptable levels.

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

Time deposits increased significantly (45% growth), now accounting for 96% of total deposits, while Deposit to funding ratio composition was recorded as 57%. This shift implies higher duration liabilities, which reprice less frequently, reducing short term funding cost sensitivity to rate cuts.

Based on the volatile market conditions since Middle East crisis emerging, Asset and Liability Committee (ALCO) conducts regular reviews including duration analysis, stress testing under rate shock scenarios, and dynamic Asset Liability assessments to sustaining resilience in shifting rate environment.

Interest Rate Risk Management Actions

Risk Mitigation Strategies

Interest Rate Risk Management Strategies in 2025 Context

Dynamic Pricing Oversight by ALCO

Regular monitoring and strategic pricing reviews by the ALCO ensured deposits rates remained cost efficient and market aligned, effectively managing 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

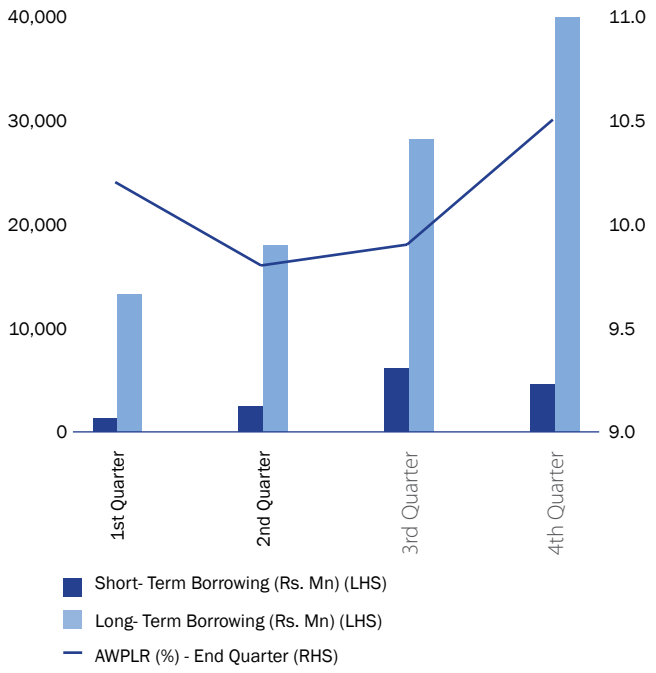
Lending rates were managed with high responsiveness to shifts in market interest rates and macroeconomic signals. This allowed the institution to remain competitive while safeguarding interest income, particularly during the downward interest rate cycle that emerged after the 2022 crisis.

Scenario-Based Margin Monitoring through ALCO and BIRMC

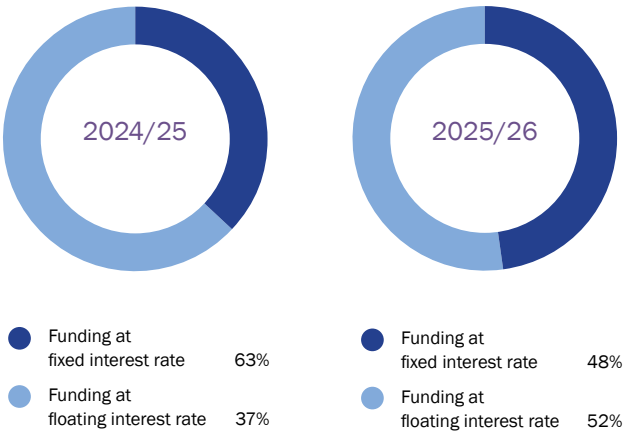
Periodic reporting to ALCO and BIRMC included quantitative impact assessments of interest rate movements on net interest margins and overall profitability. Stress Testing under multiple rate scenarios enable the institution to take preemptive actions, thereby strengthening balance sheet resilience and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

Risk Management Report Contd.

Short, long term borrowing and AWPLR



Floating and Fixed Interest rate borrowing



Market Risk Dimension	Equity Price Risk	Risk Severity	Moderate
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 2025/26

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.

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:

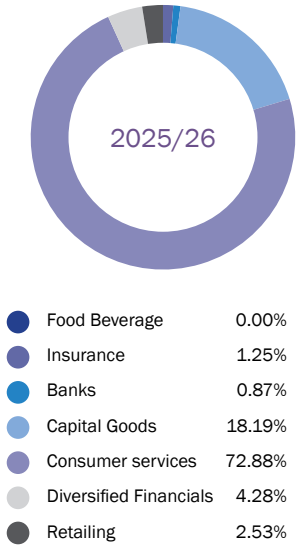
The ALCO conducted continuous monitoring of share price movements and market volatility, supported by risk analytics. Regular Insights and exception reports were escalated to the Board to support agile, risk-informed decision-making

Market Risk Dimension	Equity Price Risk	Risk Severity	Moderate

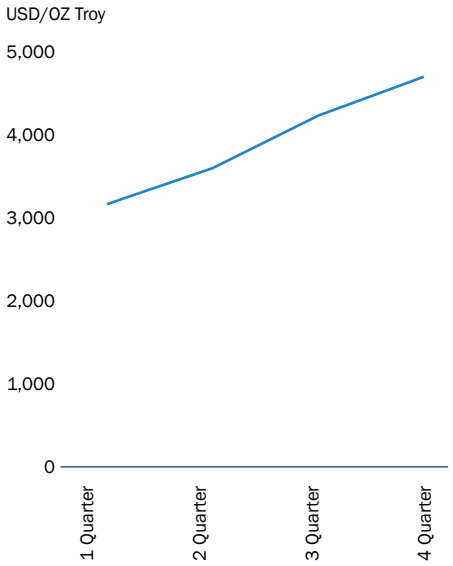
Risk Mitigation Strategies

- 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.

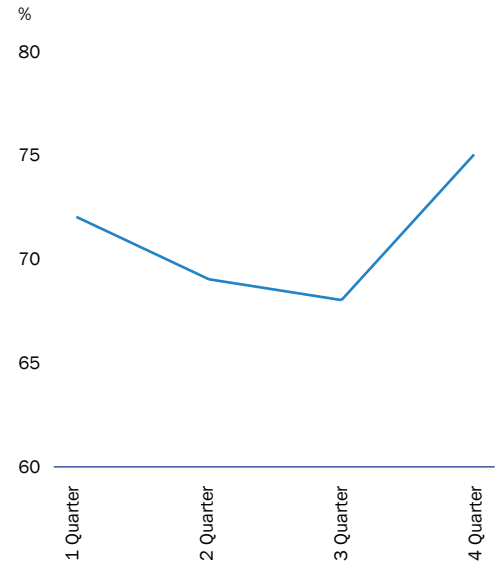
MI's Equity Portfolio



International gold price movement



Average Loan to Value Ratio of Gold Loans-New Disbursements



Risk Management Report Contd.

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 MI'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.
- **Business Continuity Planning (BCP)**

To manage disruption risks, MI 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 regulator guidelines on operational resilience and contingency preparedness.

Operational Key Risk Indicators against Appetitive Limits

- **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.

Key Risk Indicators	Approved Appetites/ Tolerance	Regulatory Limit	Actual Figure FY 2025/26	Actual Figure FY 2024/25
Internal Fraud (Internal and External)	< 5 Incidents	NA	8	1
Physical Assets Damages	< 2 Incidents	NA	6	0
Business Disruption Due to System Failures	< 2 Incidents	NA	1	2
Failure/Risk on New Products and Practices	< 1 Incidents	NA	0	0
Human Resources Related Risk	< 2 Incidents	NA	0	0

Comment: The majority of internal and external fraud incidents during the year were related to gold articles. These operational incidents were generally of low value, with losses either recovered, covered by insurance, or currently under litigation. Physical asset-related incidents occurred due to Cyclonic Storm 'Ditwah' and losses mostly covered by insurance.

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 2025/26

The following key scenarios illustrate current challenges of people risk 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 has 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 areas of the 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.

The company has a formalized succession plan and cross-functional exposure to build leadership depth and business continuity.

Risk Management Report Contd.

Operational Risk Dimension	People Risk and Workplace Safety	Risk Severity	Moderate

Way Forward: Strengthening People Risk Management

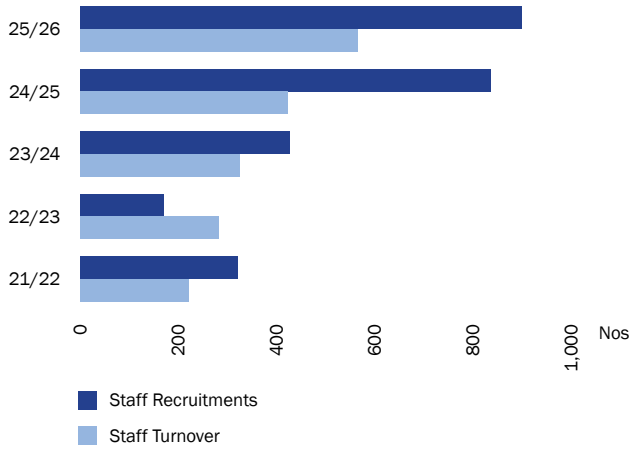
To address the above scenarios, MI is strengthening its human capital resilience through:

- 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.
- Efforts made to enhance the employee value proposition with events such as annual performance awards “MI Game Changers” to drive recognitions and motivations.
- Constant knowledge enhancement efforts: Process charts implemented across the functions to document technical knowledge thus reducing people risk.

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.
- Implemented a detailed performance assessment of all employees and introduced mentoring to minimise the effects of work related challenges stemming from a challenging environment.
- Peaceful and sociable work environment is in place encouraging loyalty and morale.
- A whistle-blowing policy along with strict disciplinary actions process is instilled in place to ensure discipline and compliance.
- Succession planning is deployed for all key positions to ensure continuity of business processes

Staff turnover vs. Staff recruitments



Operational Risk Management Actions

Operational Risk Dimension	Business Disruptions, System Failures and Information Security Risk	**Risk Severity**	Moderate
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 2025/26

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 2025:

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 2025, and this could pose threats to MI where the company expands its digital foot print. 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 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 business 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 Business Continuity Planning (BCP) was steered by the Board.
- Continuous monitoring process is in place for system downtimes and error reports against BCP appetites.

Risk Management Report Contd.

Legal and Compliance 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 2025/26

During the reporting period ending March 2026, 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 Risk under the Personal Data Protection Act, No. 9 of 2022 as amended (PDPA)

The phased implementation of the Personal Data Protection Act, No. 9 of 2022 as amended (PDPA) has introduced ongoing compliance obligations for the company. Evolving PDPA requirements necessitate continued enhancement of data handling processes, technical safeguards and staff awareness initiatives across relevant functions.

The Company is strengthening its PDPA governance framework through the development of a cross-functional team to support coordinated compliance.

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 formation of a PDPA compliance task force, and targeted legal training programs for staff in risk-sensitive functions.
- Data Protection Officer (DPO) to provide advisory and monitoring support on personal data protection and strengthen governance in line with the PDPA.

Legal and Compliance 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.

Strategic Risk Management

Strategic Risk Overall Risk Severity

Strategic Risk refers to the potential for adverse impacts on MI's long-term objectives and value creation due to flawed strategic drive resulting from changes to pre – determined parameters, 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 three 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 analytic. 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 peer 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.

Risk Management Report Contd.

Strategic Risk Management Actions

Strategic Risk Dimension	Strategic Risk	**Risk Severity**	Moderate
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 2025/26

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, peer analysis & benchmark and risk monitoring is essential in mitigating these strategic risks and sustaining growth.

Strategic Risk Dimension	Strategic Risk	Risk Severity	Moderate

Risk Mitigation Strategies

- Monitor of performance closely against targets in short, medium and long term via broad based MIs Matrix.
- Alignment of strategy across all functions of the company including employee performance management and rewarding.
- Stringent budgetary controls placed to monitor and control key expenditure.
- 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 or in progress for competition next year through the ongoing process of system migration.
- Deployed an aligned business strategy with sound risk management principles and parameters to remain within the tolerance risk levels.

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

- 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 Governance 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

Risk Management Report Contd.

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 2025/26

MI has effectively managed reputational risk by fostering strong, cordial public relationships and maintaining a consistent record of operational excellence over the 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 community benefitting 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.

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 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 in the organisation.
- Efficiency was increased, in customer handling 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. Our sustainability commitment includes implementing impactful CSR initiatives aligned with the United Nations Sustainable Development Goals (UN SDGs). Our sustainable lending solutions including Solar energy/Renewable energy financing, Agriculture loans, and Micro, Small and Medium Enterprises (MSME) loans, contribute towards achieving relevant SDG targets by supporting environmentally responsible practices, livelihoods, and economic development. MI promotes sustainable waste management practices within its own operations to minimize environmental impacts 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

- **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.

- **Branch expansion upholding bio-diversity**

  Branch expansion was carried out giving due consideration to bio-diversity protection, staying to bio-diversity regulations in designated area's.

- **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. The company has initiated the implementation of solar power projects across its branch network.

Risk Management Report Contd.

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 2025/26

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, openning 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 Audit Committee Report

The Board Audit Committee has been established by the Board of Directors in conformity with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 issued by Central Bank of Sri Lanka, Section 9 of the Listing Rules of Colombo Stock Exchange and Code of Best Practice on Corporate Governance (2023) published by CA Sri Lanka.

Composition of the committee

Name	Membership Status	Directorship status/ position held in the company
Mrs. 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

Mr. Dinesh Kumara, the Head of Internal Audit serves as the Secretary to the Committee.

During the year under review, the Finance Director, Chief Financial Officer, a member of the senior management team, and representatives from the Internal and External Auditors participated in Committee meetings by invitation. Profiles of the Committee members can be found on pages 90-99 of the Annual Report.

Committee Meetings

During the financial year 2025/26, the Committee held sixteen (16) meetings to fulfil its key objectives and discharge its responsibilities effectively. A detailed record of Committee members' attendance at these meetings is provided on page 117 of the Annual Report.

Terms of Reference

The Terms of Reference of the Committee, derived from the scope of the Board Audit Committee, have been established to assist the Board in fulfilling its oversight responsibilities. These encompass risk management, the integrity of Financial Statements, internal controls, regulatory compliance, the oversight of External Auditor engagements, and internal audit matters, among others.

Responsibilities of the Board Audit Committee

- Review the appropriateness of the Company's financial reporting systems to ensure the accurate, timely, and relevant dissemination of information to the Board, management, regulatory authorities, and other key stakeholders.
- Review risk management frameworks and internal control mechanisms to evaluate their efficiency and effectiveness in identifying and mitigating potential risks.
- Make recommendations regarding the appointment of External Auditors, including terms of engagement, service tenure, audit fees, and matters relating to the resignation or dismissal of auditors, while ensuring adherence to Central Bank guidelines, applicable accounting standards, and relevant regulatory requirements.
- Assist the Board in discharging its governance responsibilities by exercising effective oversight over financial reporting, internal control systems, and both internal and external audit functions.
- Review and monitor the independence, objectivity, and professional integrity of the External Auditors, as well as the overall effectiveness of the audit process.
- Develop and implement, with Board approval, a policy governing the engagement of External Auditors for permissible non-audit services, in accordance with applicable statutes, regulations, and regulatory guidelines.
- Review key financial information of the Company to safeguard the integrity of annual and interim financial statements and disclosures, with particular focus on significant judgmental areas, changes in accounting policies, material audit adjustments, going concern assumptions, and compliance with relevant accounting standards and legal requirements.
- Engage with the External Auditors to discuss issues, unresolved matters, and reservations arising from interim and final audits, as well as any other pertinent matters identified during the audit process.
- Review the External Auditors' management letter and evaluate the adequacy and appropriateness of management's responses to the findings therein.
- Review the adequacy of the scope, functions, and independence of the Internal Audit department, including the sufficiency of the internal audit program and its alignment with the Company's risk profile and control environment.
- Review the internal controls established to prevent the unauthorized disclosure or leakage of material information to parties not authorised to receive such information.

Board Audit Committee Report Contd.

Committee activities during the year

Financial Reporting

In discharging its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Board Audit Committee reviewed the quality of disclosures and other relevant matters pertaining to the interim and Annual Financial Statements, and made appropriate recommendations in consultation with both 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 undertook appropriate measures to safeguard the independence, objectivity, and effectiveness of the audit process, ensuring full compliance with applicable standards, regulations, and corporate governance requirements. In this regard, written confirmation was obtained from the External Auditors affirming their independence throughout the audit engagement, in conformity with all relevant professional and regulatory obligations.

The Committee further reviewed both audit and non-audit services rendered by the External Auditors, maintaining a clear distinction between services requiring an independent audit opinion and those of an advisory nature. Messrs. Ernst & Young, Chartered Accountants, provided non-audit services to the Company, consistent with the established policy governing the engagement of External Auditors in non-audit capacities.

In August 2024, the Committee recommended a revised policy governing the engagement of the External Auditors for both audit and non-audit services, for the consideration and approval of the Board. The Committee further ensured that the provision of non-audit services did not compromise or impair the independence or objectivity of the External Auditors in any manner.

All assignments were conducted and managed in a manner that effectively mitigated potential conflicts of interest. On the basis of these assessments, the Committee was satisfied that the independence of the External Auditors was fully maintained throughout the duration of the engagement period.

During the financial year 2025/26, the Committee convened two meetings exclusively with the External Auditors, held in the absence of Executive Directors, Senior Management, and staff, in order to facilitate open and independent dialogue. Furthermore, the Board Audit Committee reviewed and deliberated on the audit scope, approach, and audit plan with the External Auditors prior to the commencement of the audit for the financial year 2025/26. The Committee also reviewed the Management Letter issued by the External Auditors together with the corresponding responses provided by Management.

External Auditors, Messrs. Ernst & Young, Chartered Accountants, have served as the Company's External Auditors for Nine (9) consecutive years, with the current Audit Partner serving for only one (1) year.

The Board Audit Committee recommended to the Board of Directors the reappointment of Messrs. Ernst & Young, Chartered Accountants, as the External Auditors of the Company for the financial year ending 31st March 2026. This recommendation was subsequently ratified by the shareholders at the Annual General Meeting. The Committee's recommendation was founded upon a thorough assessment of the firm's professional competence, availability of requisite resources, and continued independence. The Committee further recommended the audit fees applicable to the financial year 2025/26, which were duly approved by the Board.

Internal Audit

The Committee ensured that the Internal Audit Division maintained its independence from the Company's operational activities, conducting its responsibilities with impartiality, diligence, and a high standard of professionalism.

The Annual Internal Audit Programme was formulated to provide comprehensive audit coverage across both Head Office and branch operations. The scope and frequency of audits were determined through a risk-based methodology, enabling the effective prioritization of high-risk areas and ensuring that audit resources were deployed where they were most needed.

The Audit Committee regularly reviewed internal audit reports, diligently monitored the implementation of audit recommendations, and maintained ongoing follow-up with Management on significant audit findings to ensure timely and appropriate resolution.

In addition, the Committee assessed the adequacy of resources allocated to the Internal Audit Department and conducted a review of the performance appraisal of the Head of Internal Audit, ensuring the continued effectiveness and capability of the internal audit function.

The Committee has also established a formal Audit Charter, approved by the Board of Directors, which serves as the foundational governing document defining the purpose, authority, responsibilities, and scope of the Internal Audit function within the Company.

Internal Control systems and Risk Management

The Committee has implemented various processes to enhance the efficiency and effectiveness of the Company's internal control environment. Key processes relating to risks and internal controls are regularly reviewed by the Internal Audit Department, which is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the Company's assets are appropriately safeguarded and that the financial statements present a true and fair view.

The Committee assessed the adequacy of information system controls based on findings from both internal and external audit reports, ensuring that all identified issues were appropriately addressed by Management in a timely manner. Where additional expertise was deemed necessary, Board members with specialised knowledge in information technology and system controls were invited to attend Audit Committee meetings to provide valuable insight and guidance 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 placed significant emphasis on the maintenance of robust governance practices and the upholding of ethical standards throughout the organisation. The Company's Code of Conduct and Whistle-Blowing Policy were actively enforced during the year, with continuous efforts undertaken to educate and encourage staff to report suspected misconduct or irregularities to designated independent officers. Appropriate measures were maintained to ensure the confidentiality of disclosures and to afford adequate protection to whistle-blowers at all times.

The Whistle-blowing procedure was last reviewed by the committee in September 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.

E. D. Wickramasuriya
Chairperson
Board Audit Committee

24 June 2026

Board Integrated Risk Management Committee Report

The Board Integrated Risk Management Committee (BIRMC) is entrusted by the Board to provide oversight of the Company's enterprise-wide risk management function. Its primary role is to ensure that the risk management framework is robust, effective, and aligned with the requirements of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021. To support this, the Company has established an independent risk management function responsible for monitoring, assessing, and managing all risk-related activities across the organisation.

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 MD/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 90-99 of the Integrated 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. The attendance of the Committee members at these meetings is detailed on page 117 of the Integrated Annual Report.

Terms of Reference

The Committee functions in accordance with a Terms of Reference approved by the Board, which clearly defines its roles and responsibilities in alignment with the requirements of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

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, capital adequacy, liquidity, operational, strategic, IT, and information security risks) at least 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 levels and types of risk that the Company is willing to accept or avoid in order to achieve its strategic business objectives.
- Review, at least annually, the Company's overall risk governance structure, including the RAS and the risk management policy and 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 risks in the event such risks exceed the prudent levels decided by the Board, based on the Company's policies and applicable regulatory and supervisory requirements.
- Submit a risk assessment report to the Board, following each BIRMC meeting, seeking the Board's view, concurrence, and/or specific directions.
- Oversee and review the outcomes of stress testing of the Company's 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.
- Approve major decisions impacting MI's risk profile or risk exposure, ensuring all key risks are addressed with necessary mitigation strategies within the authority and scope assigned to the Committee.

Committee Activities During the Financial Year 2025/26

Credit Risk

- Reviewed the overall credit risk exposure on a regular basis, using appropriate risk indicators including stress testing, assessing mitigation strategies, and making recommendations to strengthen the Company's risk management framework.
- Reviewed local and global macroeconomic developments to assess their potential impact on the Company, and identified and recommended appropriate proactive measures.
- Reviewed the RAS and recommended the addition of new criteria and the revision of existing risk limits to ensure that the Company operates within prudent risk tolerance limits.

Capital Adequacy

- Reviewed financial forecasts against the Company's growth trajectory, together with the results of stress testing performed by the Finance and Risk divisions, to ensure that adequate capital buffers are maintained to absorb unexpected shocks to Core Capital and Capital Adequacy.
- Reviewed the Capital Adequacy Assessment process and recommended it for the approval of the Board.

Liquidity and Market Risk

- Reviewed the stress-testing results on liquidity risk to assess the adequacy of liquidity reserves under stressed scenarios.
- Reviewed the Liquidity Risk Management Framework, including the Contingency Funding Planning Process and the Investment Policy, and recommended them for Board approval.
- Exercised oversight of Asset and Liability Management and the functioning of the Asset and Liability Committee (ALCO), including review of ALCO meeting minutes.
- Reviewed trends in key macroeconomic indicators and assessed the sensitivity of the Company's net interest income to interest rate fluctuations, in order to evaluate potential impacts on financial performance.

Operational Risk

- Reviewed the Operational Risk Management Framework and enhanced it in line with the Finance Business Act (Operational Risk Management Framework) Direction No. 04 of 2024, and recommended it for Board approval.
- Reviewed the Root Cause Analysis presented to the Committee on customer complaints.

IT and Information Security Risk

- The Cyber Security Risk Management Policy was reviewed and recommended for approval by the Board.
- Monitored the progress of initiatives and recommended necessary actions to strengthen internal controls in preparation for compliance with the Personal Data Protection Act No. 9 of 2022.
- Reviewed critical system availability and performance reports to ensure uninterrupted IT service delivery while supporting overall operational resilience and business continuity.

Compliance Function

- Reviewed the Risk-Based Compliance Plan for the financial year 2025/26, assessing its alignment with the Company's risk profile and regulatory obligations, and approved it for implementation.
- Reviewed the gap analysis presented by the Compliance Officer on new Directions issued by the CBSL during the period under review and monitored gap-closing actions for effective implementation.
- Assessed the Company's compliance with applicable laws, regulations, regulatory guidelines, CBSL Directions, and internal policies across all areas of business operations.
- Conducted a comprehensive review of the annual risk assessment of Money Laundering and Terrorist Financing (ML/TF) risks, covering customers, products, processes, and the overall operations of the Company, to ensure adequacy of risk identification and mitigation measures.
- Reviewed amendments to the Compliance Policy, AML/CFT Policy, Customer Complaint Handling Policy, and Financial Consumer Protection Framework and recommended them for Board approval.

Reporting to the Board

The Committee submitted risk assessment reports to the Board following each BIRMC meeting, seeking the Board's views, concurrence, and/or specific directions on key risk matters.

A. L. N. Dias
Chairman
Board Integrated Risk Management Committee

24 June 2026

Board Human Resources and Remuneration Committee Report

GRI 2-19, 2-20

The Board Human Resources and Remuneration Committee (BHRRC) is responsible for providing oversight and strategic guidance on the Company's human capital management. It is entrusted with responsibilities relating to remuneration frameworks, evaluation of executive performance, succession and talent development, and fostering a positive and performance-driven organisational culture.

BHRCC was established by the Board in compliance with Rule 9.12 of the Listing Rules of the CSE and Sections 10.1 and 10.5 of Finance Business Act Direction No.05 of 2021 on Corporate Governance issued by the CBSL.

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	Non-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 90-99 of the Integrated Annual Report.

Committee Meetings

The Committee met twice during the financial year 2025/26. Details of the attendance of Committee members at these meetings are provided on page 117 of the Integrated Annual Report.

The Managing Director, Head of Human Resources, and other members of the Corporate Management Team attend meetings by invitation, as required, to support the Committee's deliberations by providing relevant insights and information. However, they abstained from participating in discussions relating to their own remuneration or any matters in which they have a direct personal interest.

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 of the Committee

- Determine the remuneration policy, including salaries, allowances, and other financial benefits, for Executive Directors and Senior Management, as well as the fee and allowance structure for Non-Executive Directors.
- Review and recommend to the Board for approval the overall remuneration policy applicable to all employees, including salaries, allowances, and performance-based incentives.
- Review the goals and targets established for the MD/CEO, Executive Directors, and Senior Management on an annual basis.
- Evaluate the performance of MD/CEO, Executive Directors, and Senior Management (excluding the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer) against established goals and targets, and determine the basis for revisions to remuneration, benefits, and performance-related incentives.
- Establish policies governing the terms and conditions of employment of Executive Directors, including termination benefits and pension arrangements.
- Ensure that the Company maintains a remuneration structure that is competitive, equitable, and aligned with industry practices.

Remuneration Policy

To promote effective, transparent, and equitable remuneration practices, the Board has established a set of guiding principles that align the Company's remuneration framework with its broader strategic objectives:

- Establish a competitive and market-aligned remuneration structure that enables the Company to attract, motivate, and retain high-calibre professionals necessary to achieve its strategic goals in a dynamic and competitive environment.
- Incorporate appropriate safeguards to prevent conflicts of interest, ensuring that incentive structures do not encourage excessive risk-taking or behaviour driven by personal gain over the Company's interests.
- Conduct periodic performance evaluations and reviews to facilitate appropriate adjustments to remuneration, ensuring alignment with individual contributions and the overall performance of the Company.

Key Committee Activities during FY 2025/26

- Reviewed the Committee's Terms of Reference and the remuneration policy applicable to the Board of Directors, in line with the guidelines on remuneration policies and disclosure requirements issued by the CBSL.
- Oversaw the annual performance appraisal process of the Senior Management to ensure a robust and objective evaluation framework.
- Provided strategic guidance on annual remuneration adjustments, with due consideration to maintaining an appropriate balance between employee retention and cost efficiency.
- Evaluated the performance of the MD/CEO, Executive Directors, and Senior Management against established goals and targets, and approved the basis for revisions to remuneration, benefits, and performance-related incentives.
- Reviewed the goals and targets established for the Managing Director/Chief Executive Officer, Executive Directors, and Senior Management for the new financial year.
- Reviewed the gap analysis conducted on the remuneration policies and disclosure requirements to ensure that all applicable regulatory requirements are adequately incorporated into the Company's policies and practices.

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

24 June 2026

Board Nominations and Governance Committee Report

GRI 2-10, 2-18

The Board Nominations and Governance Committee (BNGC) is entrusted with overseeing the Nominations process for appointments to the Board and Senior Management, monitoring adherence to corporate governance practices, and ensuring that the Board maintains an appropriate balance of effectiveness, diversity, and suitability to fulfil its responsibilities.

The Committee has been constituted in line with the requirements of Section 10.4 of the Finance Business Act (Corporate Governance), Directions No. 05 of 2021, Section 9.11 of the Listing Rules of the CSE, and the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

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	28 June 2024
Mr. P. D. D. Perera	Member	Independent Non-Executive Director	28 June 2024
Mr. A. L. N. Dias	Member	Independent Non-Executive Director	28 June 2024

Ms. S. Pethiyagoda, the Company Secretary, serves as the Secretary to the Committee. Brief Profiles of the members are given on pages 90-99 of the Integrated Annual Report.

Committee Meetings

The Committee convened five times during the year 2025/26. The attendance of the Committee members at these meetings is detailed on page 117 of the Integrated 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 process for the selection, appointment, and re-appointment of Directors and Senior Management to meet the Company's leadership requirements.
- Periodically review the size, structure, and composition of the Board and make recommendations for any necessary changes.
- Ensure that the Board and Senior Management possess an appropriate balance of skills, knowledge, and experience, and that all members meet the "fit and proper" criteria as required by applicable statutes.
- Identify and assess the need for additional or new expertise at Board and Senior Management levels and recommend suitable candidates for appointment to the Board.
- Evaluate and recommend (or not recommend) the re-election of Directors, taking into consideration their performance, contribution to the Board's responsibilities, and alignment with the Company's strategic direction.
- Assess nominations submitted by shareholders against established criteria, including qualifications, experience, and key competencies, for appointment or promotion to the Board or Senior Management positions.
- Develop and maintain succession plans for the Board of Directors and Senior Management.
- Review and recommend enhancements to the Company's overall corporate governance framework, taking into account the Listing Rules, regulatory requirements, and industry best practices.
- Periodically review and update corporate governance policies and frameworks in line with legal and regulatory developments.
- Review Management reports on compliance with the corporate governance framework, including adherence to the SEC Act, Listing Rules, and other applicable laws, and evaluate any deviations or instances of non-compliance together with the justifications provided.

Key Actions During the FY 2025/26

- Reviewed the Corporate Governance Framework (Version 3.0) in line with applicable regulatory requirements and recommended the same for Board approval.
- Assessed the fitness and propriety of the Directors and the MD/CEO in accordance with the Finance Business Act (Corporate Governance), Direction No. 6 of 2021.
- Obtained declarations from all Independent Non-Executive Directors, in a prescribed format, confirming their independence in terms of the Listing Rules of the CSE and confirmed that all such Directors meet the independence criteria set out in Section 9.7.3 of the CSE Listing Rules.
- Reviewed the Succession Plan for Senior Management, which was presented on 12 December 2025, and recommended the same for approval.

- In accordance with the Articles of Association of the Company, one-third of the Directors (excluding the MD) retire by rotation at each AGM. Further, any Director appointed during the year holds office until the next AGM. After due consideration, the Committee recommended the reappointment of the retiring Directors.

Directors Eligible for Re-election at the Annual General Meeting

Name of the Director	Board Subcommittee Membership	Date of First Appointment as a Director	Date of Last Reelection as a Director	Directorships in Other Listed Entities	Material Relationships
Ms. A. M. Ondaatjie	N/A	20/01/1992	30/06/2022	Disclosed under Director's profiles on pages 90-99 of the Integrated Annual Report	Members of the Same Family
Mr.T. J. Ondaatjie	N/A	13/07/1995	31/07/2023		
Mr. S. H. Jayasuriya	N/A	05/01/2001	31/07/2023		None

Governance Enhancements

The 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 consists of individuals possessing a broad range of expertise, professional qualifications, and industry experience, enabling effective oversight and informed decision-making.

The composition of the Board reflects an appropriate balance of skills, age diversity, and gender representation, thereby fostering inclusive and well-rounded governance. (Refer to page 112 of the Corporate Governance Report for further details.)

Appointment and Reappointment of Directors

The Company has established a formal policy to ensure orderly succession in Board appointments, facilitating a structured and transparent process overseen by the Nomination and Governance Committee. New appointments to the Board are evaluated based on fitness and propriety, qualifications, experience, integrity, and alignment with the Company's strategic objectives. Re-appointments are determined based on performance evaluations and the continued suitability of Directors to discharge their responsibilities effectively.

Reporting to the Board

The minutes of the Committee meetings are duly submitted to the Board, ensuring that Board members are informed of the Committee's deliberations.

Declaration

The Company confirms its compliance with the Corporate Governance requirements outlined in Section 9 of the Listing Rules of the CSE, the Finance Business Act (Corporate Governance), Direction No. 05 of 2021 issued by the CBSL, and the Code of Best Practices on Corporate Governance issued by CA Sri Lanka. The details are provided on pages 123-192 of the Integrated Annual report.

E. D. Wickramasuriya
Chairperson
Board Nominations and Governance Committee

24 June 2026

Board Related Party Transactions Review Committee Committee Report

The Board Related Party Transactions Review Committee (BRPTRC) has been established to ensure that all related party transactions are conducted on an arm's length basis, in a transparent, fair, and equitable manner, safeguarding the interests of the Company and its shareholders.

The Committee was constituted by the Board in compliance with the Code of Best Practices on Related Party Transactions issued by the SEC, Section 9.14 of the CSE Listing Rules, and Section 12.1(a) of the Finance Business Act Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka.

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 90-99 of the Integrated Annual Report.

Meetings

During the financial year, the Committee held four meetings. The attendance of the Committee members at these meetings is detailed on page 117 of the Integrated Annual Report.

Terms of Reference

The Committee functions under a Board-approved Terms of Reference that clearly defines its roles and responsibilities in compliance with applicable regulatory requirements.

Scope of the Committee

The Committee is responsible for identifying all related parties of the Company and conducting a thorough review of related party transactions to ensure they are carried out on an arm's length basis, thereby promoting fairness and transparency. Its primary mandate is to provide independent and objective evaluation, approval, and ongoing oversight of such transactions in order to mitigate potential conflicts of interest.

Responsibilities of the Committee

- Establishing and implementing policies and procedures for the identification of related parties and the review of related party transactions, while periodically evaluating and overseeing the effectiveness of these policies and procedures.
- Conducting prior reviews and granting approval of all proposed related party transactions, except those explicitly exempted under the Related Party Transactions Policy.
- Identifying and reporting all recurrent and non-recurrent related party transactions, in accordance with Section 9.14.6 of the CSE Rules and obtaining shareholder approval where required.
- Making timely disclosures to the CSE in respect of all applicable related party transactions in accordance with regulatory requirements.
- Ensuring that related party transactions are appropriately disclosed in the Integrated Annual Report in line with CSE requirements.
- Escalating any transactions of concern to the Board for its consideration and further action.
- Ensuring that adequate, effective, and efficient processes and systems are in place within the Company to capture information on related party transactions relevant to the Committee's review function.

Activities Conducted by the Committee During FY 2025/26

- Reviewed and updated the Related Party Transactions Policy to reflect the latest regulatory changes.
- In compliance with Direction No. 12.1(b) of FBA Direction No. 5 of 2021, the Committee reviewed and recommended all related party transactions that required its prior review and recommendation.
- Conducted quarterly reviews of all recurrent and non-recurrent related party transactions entered into by the Company, confirming that such transactions were carried out on an arm's length basis without any preferential treatment. Based on this assessment, it was concluded that the value of non-recurrent related party transactions entered during the year was below the threshold requiring immediate disclosure under Rule 9.14.7(1) of the Listing Rules.
- Provided oversight on disclosures of related party transactions in annual financial reports.
- 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 on pages 330-332.

The Policies and Procedures

The Company has established a comprehensive Related Party Transactions Policy encompassing the following key areas:

- Procedures for the review, approval, and ratification of related party transactions.
- Compliance with all applicable reporting obligations pertaining to related party transactions.
- Adherence to disclosure requirements to ensure transparency and regulatory compliance in relation to 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 CSE pertaining to Related Party Transactions is given on page 243.

A. L. N. Dias
Chairman
Related Party Transactions Review Committee

24 June 2026

CREATING LASTING VALUE ACROSS ALL HORIZONS

creating lasting value for our customers, shareholders, employees, and the communities we serve.

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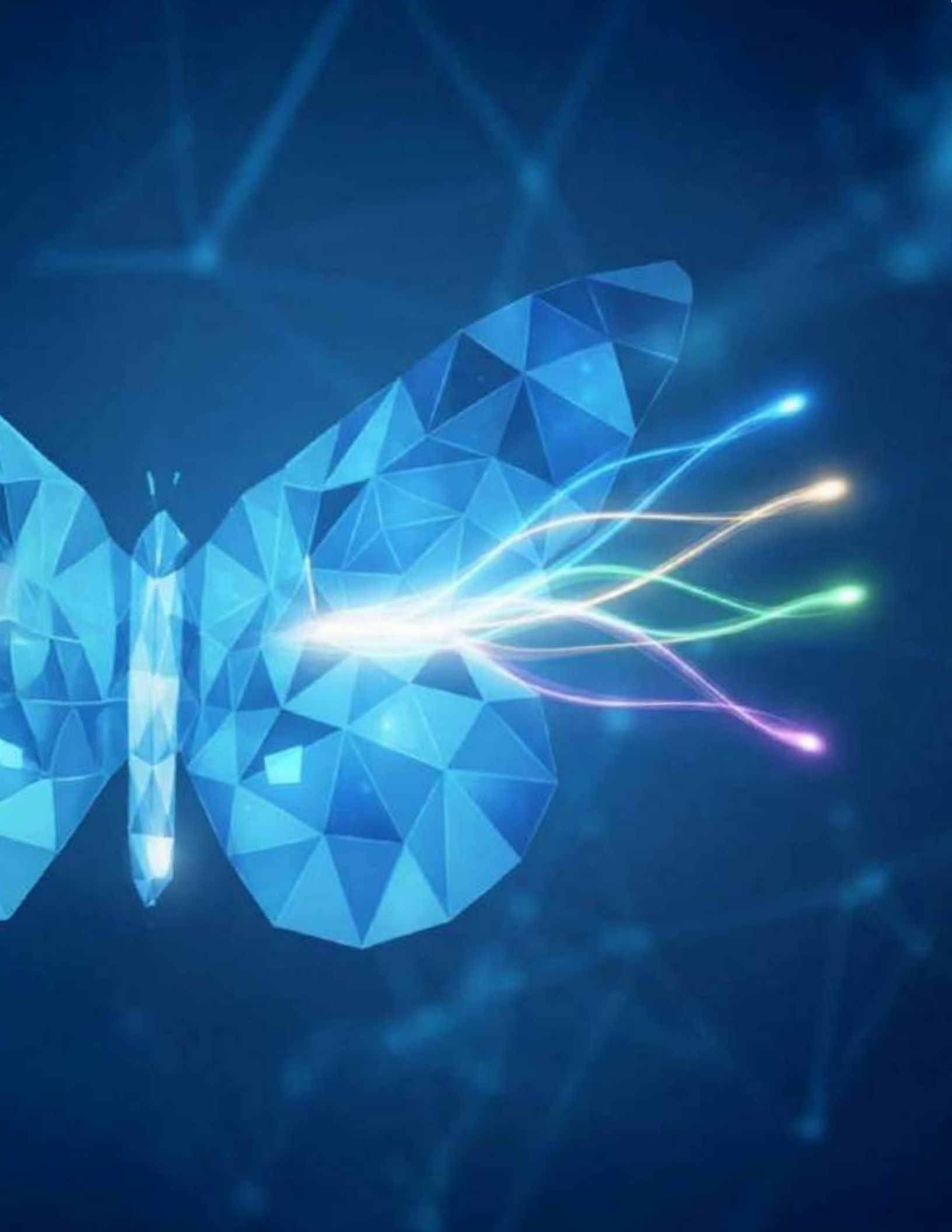


Financial Calendar

	2025/2026	2026/2027 (Proposed)
First interim dividend	23 January 2026	Yet to be decided
Second interim dividend	Yet to be decided	Yet to be decided
Annual report and the financial statements for the year signed/ to be signed	24 June 2026	31 May 2027
Annual General Meeting to be held	25 September 2026	30 June 2027

Submission of the Interim Financial Statements in terms of Rule 7.4 of the Colombo Stock Exchange and as per the requirements of the Central Bank of Sri Lanka	2025/2026 Submitted on	2026/2027 to be submitted on or before
For the 3 months ended 30 June - unaudited	30 July 2025	14 August 2026
For the 3 months ended 30 September - unaudited	14 November 2025	13 November 2026
For the 3 months ended 31 December - unaudited	13 February 2026	15 February 2027
For the 3 months ended 31 March - unaudited	29 May 2026	31 May 2027

Publication of Financial Statements as per Finance Business Act No. 42 of 2011	2025/2026 published on	2026/2027 to be published on or before
Semi annual publication of financial statements	28 November 2025	30 November 2026
Annual Audited Financial Statements	30 June 2026	30 June 2027

Annual Report of the Board of Directors

Annual Report of the Board of Directors on the affairs of the Company and Statement of Compliance with 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 therein during the accounting period	Section 168(1)(a)	Refer to page 265
II) The completed and signed Financial Statements of the Company for the accounting period	Section 168(1)(b)	Refer to pages 261 to 357
III) Auditor's Report on the Financial Statements of the Company	Section 168(1)(c)	Refer to page 257 to 260
IV) Any changes made to the accounting policies during the year under review	Section 168(1)(d)	Refer to pages 279 & 337 to 339
V) Particulars of the entries in the Interests Register of the Company during the accounting period	Section 168(1)(e)	Refer to page 238 to 239
VI) Remuneration and other benefits paid to Directors of the Company during the period	Section 168(1)(f)	Refer to page 285
VII) Total amount of donations made by the Company during the period	Section 168(1)(g)	Refer to page 239 & 287
VIII) Information on Directors of the Company during and at the end of the accounting period	Section 168(1)(h)	Refer to pages 242 to 243
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 287
X) The auditors' relationship with, or any interest in the Company	Section 168(1)(j)	Refer to page 244
XI) Acknowledgment of the contents of this report/ signatures on behalf of the Board by two Directors and the Company Secretary	Section168(1)(k)	Refer to page 245

The details set out herein provide the information required by Section 168 of the Companies Act No. 07 of 2007 and amendments thereto together with the recommended best practices in corporate reporting and governance.

1. GENERAL

The Directors of Mercantile Investments and Finance PLC are pleased to present to the shareholders this report together with the audited Financial Statements for the year ended 31 March 2026, and the auditors' report thereon, prepared in accordance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto, 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 Companies Act No. 07 of 2007 and a licensed finance company under the Finance Business Act No. 42 of 2011.

The ordinary shares of the Company is 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. With effect from 6 November 2025, the Company complied with Option 1 of Rule 7.13.1(i)(b) of the Colombo Stock Exchange (CSE) Listing Rules relating to the Minimum Public Holding requirement. Consequently, the Company's securities were transferred from the Second Board to the Diri Savi Board with effect from 12 November 2025.

Fitch Ratings Lanka Ltd. has assigned a BBB-(lka) with a 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 required under the Companies Act No. 07 of 2007 and amendments thereto, Finance Business Act Direction No. 05 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 24 June 2026.

Section 168 of the Companies Act No. 07 of 2007 and amendments thereto requires the following information to be published in the Annual Report prepared for the year under review (i.e., for the year ended 31 March 2026).

Annual Report of the Board of Directors Contd.

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, reflecting our commitment to high standards of business conduct and ethics.

2.2 Review on Operations of the Company

The Company has established branches across key regional hubs of the country. During the year, 19 new branches were added, bringing the total number of branches in the country to 92 as at 31 March 2026 (73 as at 31 March 2025).

A review of the Company's operations during the financial year and the results of those operations is contained in the Chairman's Message, the Managing Director's Review on pages 24 to 35 and Management Discussion and Analysis on pages 39 to 87 of this annual report.

Segment-wise contribution to revenue, results, assets and liabilities is disclosed in Note 53 to the Financial Statements on pages 333 to 335

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, microfinance, share trading, gold loans and mobilization of deposits.

2.2.2 Associate Company

The Company has a 26.12% (2025: 26.12%) holding in The Nuwara Eliya Hotels Company PLC, which is a quoted public company engaged in hotel operations. Details of the investments in associate are given in Note 29 to the Financial Statements on pages 304 to 305 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 signed by two Directors in compliance with the requirements of Sections 152 and 168(1)(b) of the Companies Act No. 07 of 2007, are included in this Annual Report on page 262 and form an integral part of this Report.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company which give a true and 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, Statement of Cash Flows, Material Accounting Policies and Notes thereto appearing on pages 261 to 357 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto. 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 249 to 252 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 over financial reporting of the Company in accordance with Section 16.1(ix) of Finance Business Act Direction No. 05 of 2021 on 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 253 to 254

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 pages 255 to 256

2.6 Auditors' Report

The Company's auditors, Ernst & Young, performed the audit of the Financial Statements for the year ended 31 March 2026, and the Independent Auditor's report on the Financial Statements is given on pages 257 to 260 of this Annual Report as required by Section 168(1)(c) of the Companies Act No. 07 of 2007 and amendments thereto.

2.7 Accounting Policies and Changes during the Year

The Company prepared its Financial Statements for all periods up to and including the year ended 31 March 2026 in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) applicable as at the reporting date.

The material accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 265 to 281 of the annual report as required by Section 168(1)(d) of the Companies Act No. 07 of 2007.

During the year, the Company made a voluntary change in an accounting policy, resulting in the restatement of comparative information and a prior period adjustment, as detailed in Notes 4 and 55 to the Financial Statements.

The Company revised its measurement basis under its accounting policy, as permitted by LKAS 16 – Property, Plant and Equipment. Accordingly, excess depreciation arising from the revaluation of property, plant and equipment is transferred from the Revaluation Reserve to Retained Earnings as the related assets are utilized.

2.8 Interest Register

The Interest Register is maintained by the Company, in accordance with Section 168(1)

(e) of the Companies Act No. 07 of 2007 and amendments thereto.

All Directors have made declarations as provided for in Section 192(1) and (2) of the Companies Act.

The relevant entries were made in the Interest Register during the year under review. The share ownership of Directors is disclosed on page 243 of this report.

Entries were made in the Interests Register relating to share transactions, Directors' interests in contracts, remuneration paid to the Directors, etc. The Interest Register is available for inspection by shareholders or their authorized representatives as required by Section 119(1)(d) of the Companies Act No. 07 of 2007 and amendments thereto.

2.9 Corporate Donations

During the year, the Company made donations amounting to Rs. 1,609,000 (2025: Rs. 546,000). No donations were made to government-approved charities from the above amount (2025: 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 and amendments thereto.

2.10 Future Developments

Future developments of the Company are discussed under the Managing Director's Review on pages 34 to 35 of this annual report.

3. GROSS INCOME

The income of the Company for the year ended 31 March 2026 was Rs. 16,610 Mn (year ended 31 March 2025: Rs. 11,708 Mn). An analysis of income is given in Notes 6 and 7 to the Financial Statements on page 282 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 31 March 2026 was Rs. 2,129 Mn (2025: Rs. 1,607 Mn), and the profit after tax for the year ended 31 March 2026 was Rs. 1,148 Mn (2025: Rs. 1,074 Mn).

The details of the Company's profit appropriation are tabled below.

	2026	2025
Profit before tax	2,129,281	1,607,332
Taxation	(980,716)	(532,665)
Profit after tax	1,148,565	1,074,666
Portion of other comprehensive income transferred to retained earnings	(33,711)	(63,539)
Retained Earnings balance brought forward	4,900,249*	3,122,457
Excess depreciation charge on revaluation, net of deferred tax (restatement) – Prior period adjustment	-	57,896
Available for appropriation	6,015,103	4,191,480
Transfer to statutory reserve	(229,800)	(54,000)
Transfer to retained earnings from Fair Value through OCI reserve	123,021	94,802
Transfer from Regulatory Loss allowance	336,894	730,628
Excess depreciation on revaluation, net of deferred tax – current year adjustment	12,541	12,489
Interim Dividend paid	(149,098)	(75,150)
Retained Earnings balance carried forward	6,108,661*	4,900,249*

**Restated*

4.2 Dividend on Ordinary Shares

Details of dividends are given in Note 17 to the Financial Statements on page 290

4.3 Provision for Taxation

Income tax for the year ended 31 March 2026 has been provided at the rate of 30% (2024/25: 30%) on the taxable income arising from the operations of the Company and has been disclosed in accordance with Sri Lanka Accounting Standards. The Company is also liable to Value Added Tax (VAT) on financial services at the rate of 18% and Social Contribution Levy (SSCL) on financial services at 2.5% (2025: 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 Sri Lanka Accounting Standard LKAS 12, 'Income Taxes'.

Information on income tax expenses and deferred taxes is given in Notes 15 and 37 to the Financial Statements on pages 288 to 289 and 321 to 322 respectively, of this Annual Report.

Annual Report of the Board of Directors Contd.

4.4 Reserves

A summary of the reserves of the Company as at 31 March 2026 is as follows.

	2026	2025 (Restated)
Statutory reserve fund	1,171,200	941,400
Revaluation reserve - Lands and Buildings	2,667,796	2,208,767
Associate Company reserve	726,881	718,388
General reserve	4,086,430	4,086,430
Fair Value Through OCI reserve	918,793	608,405
Regulatory loss allowance reserve	-	336,894
Retained earnings	6,108,661	4,900,249

The Company's total shareholders' funds as at 31 March 2026 amounted to Rs. 15,715 Mn (2025: Rs. 13,836 Mn). The movement in reserves is given on page 263 under the Statement of Changes in Equity and Notes 41 to 46 to the Financial Statements of this Annual Report.

5. PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD PROPERTY AND INTANGIBLE ASSETS

Capital expenditures incurred on property, plant and equipment, intangible assets and leasehold property are as follows.

	2026	2025
Property, Plant and Equipment	413 Mn	277 Mn
Leasehold Property	Nil	Nil
Intangible Assets	57 Mn	49 Mn

Details are given in Note 31 on page 308 to 316 of the Financial Statements. Capital expenditure approved and contracted for is given in Note 47 to the Financial Statements on page 329 of this annual report.

6. MARKET VALUE OF FREEHOLD PROPERTIES

The land and buildings were revalued during the financial year, and the results of such revaluation were incorporated in the Financial Statements as at 31 March 2026. The surplus arising from the revaluation was transferred to the revaluation reserve.

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 Note 31.3 to the Financial Statements on page 311

7. STATED CAPITAL AND DEBENTURES

The stated capital of the Company as at 31 March 2026 was Rs. 36 Mn, comprising 601,200,000 ordinary shares following the subdivision referred to below (2025: Rs. 36 Mn). The details of the stated capital are given in Note 40 to the Financial Statements on page 326 of this Annual Report.

a) Subdivision of Ordinary Shares

The Company effected a subdivision of its ordinary shares in the ratio of one (1) ordinary share to two hundred (200) ordinary shares on 9 December 2025. Prior to the share subdivision, the Company had 3,006,000 ordinary shares in issue ("Pre-Subdivision Shares"). Pursuant to the subdivision, the number of issued ordinary shares increased to 601,200,000 ordinary shares ("Post-Subdivision Shares"), with no change in the stated capital of the Company.

b) Rights Issue completed subsequent to the reporting date

On 11 February 2026, the Board of Directors resolved to issue up to 33,400,000 ordinary voting shares by way of a Rights Issue to raise Rs. 1,102 Mn, subject to the approval of the shareholders. The required shareholder approval was subsequently obtained at the Extraordinary General Meeting held on 21 April 2026.

The Rights Issue was undertaken with the objective of strengthening the Company's capital base and enhancing its capital adequacy ratios in support of its projected business growth and compliance with regulatory capital requirements.

The Rights Issue was offered at a price of Rs. 33 per ordinary share on the basis of 1 (one) new ordinary share for every 18 (eighteen) ordinary shares held by existing shareholders. The Company received total subscription proceeds amounting to Rs. 1,107 Mn during May 2026, and the Rights Issue was completed on 25 May 2026 with the final allotment of 33,400,000 ordinary shares.

The new ordinary voting shares issued pursuant to the Rights Issue were listed on the Colombo Stock Exchange on 4 June 2026.

c) Debentures

The Company did not issue any debentures during the financial year ended 31 March 2026.

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 the movement in the number of shares represented by the stated capital of the Company is given in the section titled 'Investor Relations' on pages 360 to 364.

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 360

8.3 Issue of shares

The Company did not issue any shares during the year under review. The Rights Issue referred to in 7.(b) above was approved after the reporting date and was completed on 25 May 2026.

	Voting ordinary shares	
	2026	2025
Number of shares issued	Nil	Nil

9. SUBSTANTIAL SHAREHOLDING AND TWENTY LARGEST SHAREHOLDERS

The list of the 20 largest shareholders as of 31 March 2026 is as follows.

Nilaveli Beach Hotels (Pvt) Ltd	125,916,000
Mr. G. G. Ondaatjie (Managing Director)	96,923,000
Ms. A. M. Ondaatjie	96,923,000
Mr. T. J. Ondaatjie	96,922,800
Mercantile Fortunes (Pvt) Ltd	47,032,400
Tangerine Tours (Pvt) Ltd.	40,716,800
Mrs. C. A. Ondaatjie	33,244,800
Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	16,419,178
Mr. A. S.G.H. Jafferjee	8,211,000
Mr. S. S. Jafferjee	8,211,000
J.B. Cocoshell (Pvt) Ltd	2,732,000
Mr. N. H. V. Perera	2,004,000
Mr. R. M. D. Abeygunewardena	2,004,000
Mr. J. A. S. S. Adhihetty	1,980,000
Invenco Capital (Pvt) Limited	1,370,000
Union Assurance PLC – Universal Life Fund	1,331,800
East India Holding (Pvt) Limited	975,200
Lynear Wealth Management/ Dr. J.T.V.S. Weerawarana	814,400
I. A. H. Esufally	793,200
Union Assurance PLC/ No.-01 A/C	765,000

Under the share subdivision, shareholders received 200 shares for every one share held prior to the subdivision.

Float-adjusted market capitalization as of 31 March 2026 is Rs. 2,892,319,092 (2025: Rs. 789,375,600).

Names of the top twenty shareholders, shares, percentages of their respective holdings, percentage holdings of the public, etc., are given in the section titled 'Investor Relations' on page 361

9.1 Equitable Treatment of All Shareholders

The Company has at all times ensured that all shareholders are treated fairly and equitably, while recognising the importance of protecting the rights and interests of all shareholders.

Annual Report of the Board of Directors Contd.

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 at 31 March 2026 comprised twelve (12) Directors (Twelve Directors as at 31 March 2025), with extensive financial and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors – Profile' on pages 90 to 99 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 at the end of the year are as follows. There were no Directors who ceased to hold office during the 2025/26 financial year.

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	Non- 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

**Mr. M. K. S. Pieris became a Non-Independent Director of the Company with effect from 5 August 2025, with the approval of the Central Bank of Sri Lanka.*

10.1.2 New Appointments and Resignations

During the financial year, there were no new appointments or resignations.

10.1.3 Recommendation for Re-election/ Re-appointment of Directors

In terms of Article 23(7) of the Articles of Association, Ms. A M Ondaatjie, Mr. T J Ondaatjie and Mr. S H Jayasuriya retire by rotation and, being eligible, offer themselves for re-election.

10.1.4 Directors' Meetings

Details of the meetings of the Board of Directors are presented on page 113

10.1.5 Board Sub-Committees

The Board, while maintaining overarching responsibility and accountability for the oversight of the Company's management, has constituted sub-committees 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 sub-committees is given under Corporate Governance on pages 105 to 192 of this Annual Report.

Board Audit Committee
All members of the Board Audit Committee are non-executive Directors. The Managing Director/CEO, senior management members and internal and external auditors attend the meetings by invitation. The Board Audit Committee report is given on pages 223 to 225 of this Annual Report.

Board Integrated Risk Management Committee
The Board of Directors has established a comprehensive risk management system for 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 226 to 227 of this Annual Report.

Board Human Resource and Remuneration Committee
The Report of the Board Human Resource and Remuneration Committee is given on pages 228 to 229 of this Annual Report.

Board Nominations and Governance Committee
The Report of the Board Nominations and Governance Committee is given on pages 230 to 231 of this Annual Report.

Board Related Party Transactions Review Committee
The Report of the Board Related Party Transactions Review Committee is given on pages 232 to 233 of this Annual Report.

10.1.6 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company for the financial year ended 31 March 2026, are given in Note 11.1 to the Financial Statements on page 285 of this Annual Report as required by Section 168(1)(f) of the Companies Act No. 07 of 2007 and amendments thereto.

11. DISCLOSURES OF DIRECTORS' DEALINGS IN SHARES

11.1 Directors' Interests in Ordinary Shares of the Company

Name of the Director	2026	%	2025	%
Mr. P. D. D. Perera (Chairman)	-	-	-	-
Mr. G. G. Ondaatjie (Managing Director)	96,923,000	16.12	484,615	16.12
Mrs. A. M. Ondaatjie	96,923,000	16.12	484,615	16.12
Mr. T. J. Ondaatjie	96,922,800	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	-	-	-	-
Dr. S. S. J. Patabendige	-	-	-	-
Mr. G. A. F.Marshall	-	-	-	-
Mr. E.W.V.A. Wijesinghe	-	-	-	-

Under the share subdivision, shareholders received 200 shares for every one share held prior to the subdivision.

11.1.1. Mr. Gerard G. Ondaatjie serves as the Managing Director and Chief Executive Officer of the Company.

11.1.2 The number of ordinary shares held by the public as at 31 March 2026 was 96,721,000 shares (2025: Pre-subdivision shares - 303,605) representing 16.09% (2025: 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 or the end of the year.

12. DIRECTORS' INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND RELATED PARTY TRANSACTIONS

Directors have no direct or indirect interests in any contract or proposed contract with the Company for the year ended 31 March 2026, other than those disclosed in the Financial Statements given on pages 246 to 248 of this Annual Report. The Directors have also disclosed transactions, if any, that could be classified as related party transactions in terms of Sri Lanka Accounting Standard – LKAS 24 'Related Party Disclosures'. Refer to Note 50 to the Financial Statements on pages 330 to 332 for details of such transactions. These interests have been declared at the Board Related Party Transactions Review Committee meetings.

There were 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 complied with the requirements of the Listing Rules of the Colombo Stock Exchange on related party transactions.

The Board 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 interests in other companies and refrained from voting on matters 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 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 employees have been paid up to date in a timely manner.

Annual Report of the Board of Directors Contd.

16. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that would require adjustment to or disclosure in the Financial Statements, other than the Rights Issue referred to below.

Subsequent to the reporting date, the Company completed its Rights Issue on 25 May 2026, with the final allotment of 33,400,000 ordinary voting shares. Further details are given in Section 7. (b) of this Report and Note 52 to the Financial Statements on pages 332 to 333 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 plan, is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company have been prepared on the going concern basis.

18. APPOINTMENT OF EXTERNAL AUDITORS

In accordance with the Guidelines issued by the Governing Board of the Central Bank of Sri Lanka under Section 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.

Ernst & Young, Chartered Accountants, served as the auditors during the year under review and also provided audit-related and non-audit services.

A resolution to authorize 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. 5,550,000 is payable by the Company to the auditors for the year under review, comprising Rs. 4,710,000 in audit fees and Rs. 840,000 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 have also provided a declaration confirming that they are not aware of any relationship with or interest in the Company that, 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 AND SYSTEM OF INTERNAL CONTROLS

20.1 Risk Management

Specific steps taken by the Company to identify, evaluate and manage both business and financial risks are detailed on pages 193 to 222 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 appropriate controls are in place to safeguard the assets of the Company, to mitigate the risk of fraud and irregularities, to ensure that proper records are maintained, and to ensure that the Financial Statements presented are reliable. Monthly management accounts are prepared, providing management with relevant, reliable and up-to-date financial information and key performance indicators.

The Board Audit Committee reviews, on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place. More details in this regard can be seen in the 'Board Audit Committee Report' on pages 223 to 225 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 1.5(d) of the Finance Business Act Direction No. 05 of 2021 on Corporate 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 sub-committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007 and amendments thereto, Finance Business Act Direction No. 05 of 2021 on Corporate Governance, the 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 a Board meeting.

Board evaluations for the year under review were tabled at the Board meeting held on 30 April 2026.

20.4 Board Audit Committee

The composition of the Board Audit Committee and its report are given on pages 223 to 225 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 any activity contravening the relevant laws and regulations.
- In terms of Rule 9.16(i) of the Listing Rules of the CSE, the Directors have declared all material interests 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 all stakeholders, in particular depositors, are treated fairly and equitably.
- The Board of Directors has reviewed the Company's corporate and 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 on the going concern basis.
- The Board has conducted a review of internal controls covering financial, operational and compliance controls and risk management and has obtained reasonable assurance of their effectiveness and proper adherence.
- To the best of their knowledge, there has not been any violation of the Company's Code of Business Conduct and Ethics.

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 Colombo Stock Exchange and the Central Bank of Sri Lanka are given in the section titled 'Corporate Governance' on pages 105 to 192

22. HUMAN RESOURCES

The Company continues to regard communication with its employees as a key aspect of its human resource practices. Information is made available to employees on employment matters and on 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 70 to 71 of this Annual Report.

The Board also declared that all members of the Board of Directors and key management personnel have complied with the Company's Code of Conduct and instructions relating to ethics.

23. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

To the best of their knowledge, the Board of Directors confirms that 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's legal advisers, litigation currently pending against the Company will not have a material impact on the reported financial position, performance or future operations of the Company.

Further information is provided in Note 48 to the Financial Statements on page 329

25. CONTINGENT LIABILITIES

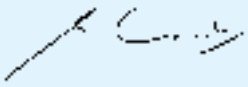
Except as disclosed in Note 48 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

26. NOTICE OF MEETING

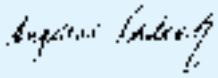
The details of the Annual General Meeting are given in the Notice of Meeting on page 383 of this Annual Report.

27. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

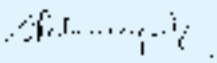
As required by Section 168(1)(k) of the Companies Act No. 07 of 2007 and amendments thereto, the Board of Directors hereby acknowledges the contents of this report.



Gerard G.Ondaatjie
Managing Director



Angeline M. Ondaatjie
Director



Sonali Pethiyagoda
Company Secretary

Colombo
24 June 2026

Directors' Interests in Contracts with the Company

Related party disclosures as required by Sri Lanka Accounting Standard LKAS 24, "Related Party Disclosures," are detailed in Note 50 to the Financial Statements. In addition, the Company carries out transactions in the ordinary course of business with entities in which a Director of the Company also serves as a director, as detailed below.

Lending, deposits and other business transactions with the Company

Director/Company	Relationship	Nature of the transactions	As at 31.03.2026 Rs. '000	As at 31.03.2025 Rs. '000
(a) Mr. G.G Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Chairman	Deposits	511,004	-
		Motor vehicle hire, repairs and others	7,911	2,107
Tangerine Beach Hotels PLC	Director	Deposits	20,000	40,000
		Motor vehicle hire, repairs and others	873	163
Royal Palms Beach Hotels PLC	Director	Deposits	65,900	10,000
		Motor vehicle hire, repairs and others	1,125	593
The Nuwara Eliya Hotels Company PLC	Deputy Chairman	Deposits	1,811,999	1,568,398
		Motor vehicle hire, repairs and others	799	153
Tangerine Tours (Pvt) Limited	Director	Motor vehicle hire, repairs and others	515	567
		Loans	4,259	5,515
Nilaveli Beach Hotels (Pvt) Limited	Director	Deposits	314,497	276,188
		Motor vehicle hire, repairs and others	73	-
Security Ceylon (Pvt) Limited	Chairman	Deposits	14,558	13,358
		Motor vehicle hire, repairs and others	195	138
		Security expenses	4,758	3,258
Mercantile Orient (Pvt) Limited	Chairman	Deposits	8,731	8,731
		Motor vehicle hire, repairs and others	3	-
Global Films Limited	Chairman	Deposits	2,154	2,133
		Motor vehicle hire, repairs and others	6	-
Fair View Hotel (Pvt) Limited	Chairman	Deposits	239,571	216,513
		Motor vehicle hire, repairs and others	73	-
Mercantile Fortunes Insurance brokers (Pvt) Limited	Chairman	Deposits	140,772	65,885
		Motor vehicle hire, repairs and others	5,617	3,934
		Insurance commission receivable	52,730	35,839
		Insurance premium payable	199,613	170,767
Tangerine Vacations (Pvt) Limited	Director	Motor vehicle hire, repairs and others	102	-
Nilaveli Hotel (Pvt) Ltd.	Director	Motor vehicle hire, repairs and others	3	-

Director/Company	Relationship	Nature of the transactions	As at 31.03.2026	As at 31.03.2025
			Rs. '000	Rs. '000
(b) Ms. A. M. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Director	Deposits	511,004	-
		Motor vehicle hire, repairs and others	7,911	2,107
Tangerine Beach Hotels PLC	Chairperson	Deposits	20,000	40,000
		Motor vehicle hire, repairs and others	873	163
Royal Palms Beach Hotels PLC	Chairperson	Deposits	65,900	10,000
		Motor vehicle hire, repairs and others	1,125	593
The Nuwara Eliya Hotels Company PLC	Director	Deposits	1,811,999	1,568,398
		Motor vehicle hire, repairs and others	799	153
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		Motor vehicle hire, repairs and others	195	138
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Mercantile Orient (Pvt) Limited	Director	Deposits	8,731	8,731
		Motor vehicle hire, repairs and others	3	-
Global Films Limited	Director	Deposits	2,154	2,133
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Fair View Hotel (Pvt) Limited	Director	Deposits	239,571	216,513
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	140,772	65,885
		Motor vehicle hire, repairs and others	5,617	3,934
		Insurance commission receivable	52,730	35,839
		Insurance premium payable	199,613	170,767
Tangerine Vacations (Pvt) Limited	Chairperson	Motor vehicle hire, repairs and others	102	-
Nilaveli Hotel (Pvt) Ltd.	Director	Motor vehicle hire, repairs and others	3	-

Director/Company	Relationship	Nature of the transactions	As at 31.03.2026 Rs. '000	As at 31.03.2025 Rs. '000
(c) Mr. T. J. Ondaatjie				
Mercantile Fortunes (Pvt) Limited	Director	Deposits	511,004	-
		Motor vehicle hire, repairs and others	7,911	2,107
Tangerine Beach Hotels PLC	Director	Deposits	20,000	40,000
		Motor vehicle hire, repairs and others	873	163
Royal Palms Beach Hotels PLC	Director	Deposits	65,900	10,000
		Motor vehicle hire, repairs and others	1,125	593
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		Loans	4,259	5,515
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		Motor vehicle hire, repairs and others	73	-
Security Ceylon (Pvt) Limited	Director	Deposits	14,558	13,358
		Motor vehicle hire, repairs and others	195	138
		Security expenses	4,758	3,258
Mercantile Orient (Pvt) Limited	Director	Deposits	8,731	8,731
		Motor vehicle hire, repairs and others	3	-
Global Films Limited	Director	Deposits	2,154	2,133
		Motor vehicle hire, repairs and others	6	-
Fair View Hotel (Pvt) Limited	Director	Deposits	239,571	216,513
Tangerine Vacations (Pvt) Limited	Director	Motor vehicle hire, repairs and others	102	-
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	140,772	65,885
		Motor vehicle hire, repairs and others	5,617	3,934
		Insurance commission receivable	52,730	35,839
		Insurance premium payable	199,613	170,767
Nilaveli Hotel (Pvt) Ltd.	Chairman	Motor vehicle hire, repairs and others	3	-
(d) Mr. S.H Jayasuriya				
Mercantile Fortunes (Pvt) Limited	Director	Deposits	511,004	-
		Motor vehicle hire, repairs and others	7,911	2,107
Security Ceylon (Pvt) Limited	Director	Deposits	14,558	13,358
		Motor vehicle hire, repairs and others	195	138
		Security expenses	4,758	3,258
Mercantile Fortunes Insurance brokers (Pvt) Limited	Director	Deposits	140,772	65,885
		Motor vehicle hire, repairs and others	5,617	3,934
		Insurance commission receivable	52,730	35,839
		Insurance premium payable	199,613	170,767

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.

In terms of Sections 148(1), 150(1), and 151 of the Companies Act, No. 07 of 2007, the Directors are responsible for ensuring that the Company maintains proper books of account that accurately record all transactions, and for preparing financial statements that present a true and fair view of the state of affairs of the Company, its financial performance, and cash flows for the year.

Accordingly, the Directors have exercised due diligence in guiding the Company to maintain proper books of account, and have reviewed the financial reporting system through regular Board meetings and via the BAC. The BAC Report is presented on pages 223-225 of this Integrated Annual Report.

The Directors are also responsible for preparing financial statements that present fairly the financial position of the Company as at the end of each financial year and its financial performance for the year then ended. The financial statements comprise the Statement of Financial Position as at 31 March 2026, 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, together with the accompanying Notes.

The Financial Statements included in this Integrated Annual Report have been prepared in accordance with the requirements of the Companies Act, No. 07 of 2007, Sri Lanka Accounting Standards, and the Finance Business Act, No. 42 of 2011, and are consistent with the underlying books of account.

Accordingly, the Board of Directors confirms that the financial statements provide a true and fair view of the financial position of the Company as at 31 March 2026, and of its financial performance and cash flows for the year then ended.

Further, the Directors are responsible for ensuring that the Company maintains adequate accounting records to disclose with reasonable accuracy the financial position of the Company. In preparing the financial statements set out on pages 257-357, the Directors confirm that appropriate accounting policies have been selected and applied consistently and that judgments and estimates made are reasonable and prudent so as to properly reflect the substance of underlying transactions.

The financial statements of the Company were also approved by the Board of Directors prior to their release, following review and recommendation by the BAC.

The Directors have assessed the Company's ability to continue as a going concern and are satisfied that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The Directors are further responsible for ensuring adequate oversight, control, and administration of the affairs and business of the Company.

In addition, the Board of Directors is responsible for maintaining an adequate and effective system of internal controls within Mercantile Investments and Finance PLC. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives and provides reasonable but not absolute assurance regarding the effectiveness of internal controls and against material misstatement or loss.

The Directors are responsible for taking reasonable steps to safeguard the assets of the Company and, in this regard, for giving due consideration to the establishment of appropriate internal control systems with aimed at preventing and detecting fraud and other irregularities, as well as ensuring the accuracy and completeness of accounting records and the timely preparation of reliable financial information during the financial year under review. This process is primarily carried out through the BAC. Management assists the Board in implementing policies and procedures relating to internal control over financial reporting.

Furthermore, the Directors have established a comprehensive and effective risk management framework to identify, assess, and manage the key risks faced by the Company. This function is primarily carried out through the BIRMC (refer to the BIRMC Report on pages 226-227).

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements presented in this Integrated 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, adequately provided for.

The Company's auditors, Messrs. Ernst & Young, Chartered Accountants, conduct their audit in accordance with applicable auditing standards and consider the Company's internal control systems to the extent necessary to design audit procedures appropriate to the circumstances for the purpose of expressing an opinion on the Financial Statements.

In terms of Section 166 (1), read together with Sections 168 (1), (b), and (c), and Section 167 (1) of the Companies Act, the Directors shall cause a copy of the aforesaid financial statements, together with the Annual Report of the Board of Directors prepared in accordance with Section 166 (1), to be sent to every shareholder not less than 15 working days before the date fixed for holding the AGM.

Directors' Responsibility for Financial Reporting Contd.

The above obligation is discharged by the Directors by publishing the Annual Report on the Company's official website and the CSE website. As per Rule 7.5(b) of the Listing Rules of the CSE, printed copies of the Annual Report will be made available to shareholders on request.

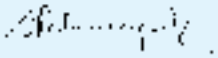
After due consideration of the Company's financial position, performance, operating conditions, regulatory requirements, and other relevant factors, including the Code of Best Practices on Corporate Governance issued by CA Sri Lanka, the Board is satisfied that the Company has adequate resources to continue in operation for the foreseeable future.

The Company's external auditors, Messrs. Ernst & Young, have examined these financial statements together with the relevant financial records and related information, and have expressed their opinion thereon, which is presented on pages 257-260 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

24 June 2026

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 regulations:

- 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') and amendments thereto,
- 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 under the Finance Business Act No. 42 of 2011,
- Listing Rules of the Colombo Stock Exchange 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 financial statements included in both the Integrated Annual Report and the interim reports have been prepared in accordance with the formats prescribed by the CBSL. The Company has applied its material accounting policies consistently throughout the financial year under review, while ensuring compliance with all relevant Sri Lanka Accounting Standards.

Where necessary, comparative figures have been reclassified to align with the current year's presentation. Key accounting policies, along with estimates requiring significant judgment and complexity, were reviewed and discussed with the external auditors and the BAC.

There were no changes to the accounting policies during the financial year ended 31 March 2026, except for the voluntary change in accounting policy adopted as permitted by LKAS 16 – Property, Plant, and Equipment, which allows excess depreciation arising from revalued property, plant, and equipment to be transferred from the revaluation reserves to the retained earnings as the related assets are utilised. The related disclosures are made in Notes 4, 41, 44, and 55.

The Board of Directors and Management acknowledge their responsibility for the preparation and fair presentation of these financial statements, to the best of their knowledge and belief.

Estimates and judgments applied in the preparation of these financial statements have been made with due care and prudence so as to present a true and fair view of the Company's financial position, financial performance, changes in equity, and cash flows of the Company in accordance with SLFRS/LKAS. The substance of underlying transactions has been appropriately reflected to represent the Company's state of affairs. In support of this, the Company has established and maintained an effective system of internal controls and proper accounting records to safeguard assets and to prevent and detect fraud and other irregularities. These controls are subject to continuous review and improvement.

The Board confirms that it is responsible for maintaining adequate accounting records, and for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future and has therefore adopted the going concern basis in preparing the financial statements. It is further confirmed that no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern have been identified.

The Internal Auditors conducted periodic reviews to provide reasonable assurance that the Company's established policies and procedures were adhered to on a consistent basis. Nevertheless, it is acknowledged that any system of internal control and accounting is subject to inherent limitations, which should be considered when evaluating the level of assurance provided.

In line with the requirements of Corporate Governance Direction No. 5 of 2021, the Board assessed the effectiveness of the Company's internal controls over financial reporting for the year ended 31 March 2026. The Board concluded that the internal controls over financial reporting were adequate and operating effectively during the year under review, subject to inherent limitations of such systems. The detailed assessment is presented on pages 253-254 of this Integrated Annual Report under the 'Directors' Statement on Internal Controls'.

This process provides assurance that transactions are recorded accurately and in full within the accounting records, while ensuring compliance with SLFRS/LKAS and all applicable regulatory requirements relating to financial reporting and disclosures.

The BAC convened regularly with both the internal and external auditors to review how their responsibilities were discharged. These meetings also facilitated discussions on audit findings and any identified deficiencies in internal controls that could affect the accuracy and completeness of the financial reporting process. The Company's financial statements were audited by Messrs. Ernst & Young, Chartered Accountants, and their independent audit report is presented on pages 257-260 of this Integrated Annual Report.

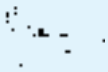
The BAC has reviewed and recommended to the Board the scope and fees relating to both audit and non-audit services provided by the external auditors, ensuring that such

Managing Director's and Chief Financial Officer's Statement of Responsibility Contd.

engagements do not compromise their independence or objectivity. Both internal and external auditors are provided with unrestricted access to the BAC to raise and discuss any significant matters. The BAC Report is set out on pages 223-225 of this Integrated Annual Report.

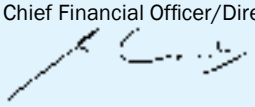
We confirm that, to the best of our knowledge and belief,

- 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 at 31 March 2026 have been paid or, where relevant, provided for.
- The financial statements have been prepared on a going concern basis, and the Board confirms that this basis remains appropriate.
- The Board further confirms that proper books of account have been maintained and that the financial statements are based on such records and supported by appropriate documentation.
- The Board also confirms that no material events occurring after the reporting date have been identified that require adjustment to or disclosure in the financial statements, other than those already disclosed in the notes to the financial statements on page 332.



Deva Anthony

Chief Financial Officer/Director (Non- Board)



Gerard Ondaatjie
Managing Director

24 June 2026

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 bears the overall responsibility for ensuring that the Company maintains adequate and effective internal control and risk management systems. These systems are intended to identify and manage key risks within an acceptable level of tolerance, rather than to completely eliminate all risks. Accordingly, MI's internal control framework offers reasonable but not absolute assurance regarding the reliability of financial and management information as well as safeguarding the Company against potential financial losses.

The Board has established a formal framework to identify, assess, and manage material risks faced by the Company. This framework is continuously strengthened to ensure alignment with evolving business conditions and regulatory requirements. Management supports the Board by implementing approved risk management and control policies, systematically identifying and evaluating key risks, and establishing, maintaining, and monitoring effective internal controls to mitigate those risks.

Process for Applying and Reviewing the Internal Control System on Financial Reporting

To uphold the integrity and accuracy of financial reporting, the Company has established a comprehensive internal control framework with clearly defined roles, responsibilities, and oversight structures.

Heads of Divisions are accountable for maintaining a sound control environment within their respective functions. They ensure that all transactions are properly recorded within a structured and reliable information system that supports accurate financial reporting. Each functional area operates in line with documented procedures, incorporating specific risk controls that must be adhered to by staff. All transactions are processed in accordance with Board-approved procedures and formalised through procedure manuals and Standard Operating Procedures (SOPs), thereby promoting accountability and strong governance practices.

The Finance Department, under the direction of the Finance Director and the Chief Financial Officer, is responsible for the preparation of the Company's Annual Financial Statements and other periodic financial reports, ensuring compliance with Sri Lanka Accounting Standards and all relevant regulatory requirements.

The Internal Audit Division functions independently and is responsible for carrying out periodic audits to evaluate compliance with internal policies and procedures, as well as the effectiveness of the Company's internal control systems. Audit findings are reported to the BAC for review and follow-up, ensuring independent oversight of the control framework.

The Annual Internal Audit Plan is reviewed and approved by the BAC, with all branches and operational units subject to audit under a risk-based approach. This ensures objective and independent assurance across the organisation. During the financial year, the BAC convened seven meetings with the Internal Auditors, during which audit reports were comprehensively reviewed and discussed. Relevant Heads of Divisions were invited to provide updates on corrective actions taken by Management in response to audit findings and recommendations.

The BAC meets regularly to review internal audit observations relating to internal controls and matters raised by External Auditors during the statutory audit. The Committee assesses the adequacy and effectiveness of the Company's risk management and internal control systems. It also evaluates the scope and quality of internal audits, the independence of the Internal Audit function, and the adequacy of resources allocated. The Committee engages with Management to address concerns and reports to the Board on significant matters, including any unresolved issues, along with appropriate recommendations.

In addition to reviewing internal audit reports, the BAC examines disciplinary actions taken by Management in response to breaches of internal control procedures. Internal investigations are conducted in accordance with the Company's Board-approved Consequence Management Policy and Inquiry Handling Procedure, and the outcomes are presented and discussed at Audit Committee meetings.

Other Board-appointed sub-committees support the Board by overseeing specific functional areas and providing feedback on their effectiveness. Through ongoing monitoring, these Committees ensure that operations remain aligned with the Company's strategic objectives, policies, and established procedures.

Under the guidance of the Compliance Officer, policies and procedures across all functional areas are periodically reviewed and updated by respective Heads of Departments. As a standard practice, such updates are submitted annually for approval by the Board or relevant Board-approved sub-committees, ensuring continued compliance with regulatory requirements and adherence to internal governance standards.

To strengthen reporting capabilities, the Company implemented appropriate IT controls and expanded the range of management information reports during the financial year 2025/26,

Report by the Board on Internal Control Over Financial Reporting Contd.

enabling more informed decision-making and effective oversight. The BAC reviewed the adequacy of information system controls based on reports submitted by both Internal and External Auditors, ensuring that identified issues were appropriately addressed by Management. Where necessary, Board members with expertise in information systems were invited to BAC meetings to provide input on IT-related matters.

Observations made by the External Auditors in prior years regarding internal controls over financial reporting were revisited, and appropriate corrective actions have been undertaken to address those matters.

The Compliance Officer submitted monthly compliance reports to the Board, covering adherence to all applicable regulatory requirements issued by the CBSL.

The Company adopts Sri Lanka Accounting Standards, including LKAS and SLFRS, and continuously refines its processes to ensure compliance with recognition, measurement, classification, and disclosure requirements. Financial reporting and management information systems have been further strengthened through ongoing monitoring and adaptation to evolving business and market conditions, with continuous improvements planned annually.

Policies and charters across all functional areas are developed, reviewed, and enhanced by the respective Heads of Divisions or designated Committees, and are subsequently recommended to and approved by the Board. These policies and charters are subject to annual review and reapproval to ensure their continued relevance and effectiveness.

Confirmation by the Board on Financial Reporting

Based on the internal control framework described above, the Board affirms that the Company's financial reporting system is appropriately designed to provide reasonable assurance on the reliability and accuracy of financial information. The preparation and presentation of financial statements for external reporting purposes are carried out in compliance with Sri Lanka Accounting Standards, as well as the regulatory requirements of the CBSL and the CSE.

External Auditors Review of the Statement

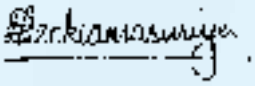
The external auditors, Messrs. Ernst & Young, have reviewed the above report for the year ended 31 March 2026. They reported to the Board that nothing had come to their attention to suggest that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the design and effectiveness of the Company's internal control system over financial reporting.

Statement on Prudential Requirements, Regulations, and Laws

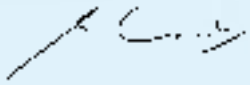
The Board of Mercantile Investments and Finance PLC presents this report on compliance with prudential requirements, regulations, and laws, in accordance with Section 16 (1) (ix) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

- 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.
- The Board confirms that there are no regulatory or supervisory concerns, lapses in the Company's risk management function, or instances of non-compliance with the Acts, rules, and directions.

By order of the Board,



E. D. Wickramasuriya
Chairperson – Board Audit Committee



Gerard Ondaatjie
Managing Director

24 June 2026

Independent Assurance Report on the Directors' Statement on Internal Control over Financial Reporting

Shape the future with confidence

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
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Colombo 03, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

UM/ TJC

TO THE BOARD OF DIRECTORS OF MERCANTILE INVESTMENT & 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 2026 ("The Statement") included in the annual report for the year ended 31 March 2026.

Management's responsibility

Management is responsible for the preparation and presentation of the statement in accordance with the paragraph 16 (1) (ix) of Finance Business Act Direction No 05 of 2021- Corporate Governance issued by the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements 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 License Finance Company/Finance Leasing Company on Directors' Statement on Internal Control, issued by the institute of Charted Accountants of Sri Lanka.

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

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

Summary of work performed

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

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

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

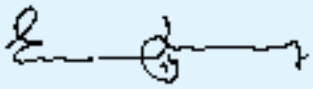
[illegible]

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.



24 June 2026
Colombo

Independent Auditor's Report

Ernst & Young
Chartered Accountants
Mercantile Investments
No. 1/2, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 2500
Fax: +94 11 768 7860
Email: mail@lk.ey.com
ey.com/lk

UM/TJC/DM

TO THE SHAREHOLDERS OF MERCANTILE INVESTMENTS AND FINANCE PLC

Report on the audit of the 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 2026, 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 2026 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 the audit of the financial statements of the current period. These matters were addressed in the context of the 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.

[illegible]

Independent Auditor's Report contd.

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 amortized 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 estimation uncertainty involved in assessing the future recoverability of loans and lease receivables; and • the materiality of the reported amount of Allowances for expected credit losses. 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 included determining whether significant increase in credit risk has occurred, use of a broad range of forward-looking macroeconomic inputs and their associated weightages which 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.	In addressing 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 with the underlying methodology and related accounting policies, based on the best available information up to the date of our report. • 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 agreeing details to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of qualitative and quantitative factors used in 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: • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. • Tested the arithmetical accuracy of the underlying individual impairment calculations. 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.

Key Audit Matter	How our audit addressed the key audit matter
Information Technology (IT) systems related internal controls over financial reporting Company's financial reporting process is significantly reliant on IT systems and with automated processes and 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 processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved our internal specialized resources and; • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and 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 Finance 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 2026 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2026 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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 skepticism 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,

Independent Auditor's Report contd.

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.

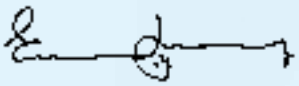
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken 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 8913.



24 June 2026

Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March	Note	2026	2025
		Rs.'000	Rs.'000
Gross income	6	16,610,726	11,708,896
Interest income	7.1	15,832,103	10,998,708
Interest expenses	7.2	(7,855,428)	(5,206,139)
Net interest income		7,976,675	5,792,568
Fee and commission income		666,329	530,236
Fee and commission expense		(21,214)	(21,238)
Net fee and commission income	8	645,115	508,998
Other operating income	9	112,293	179,952
Total operating income		8,734,083	6,481,518
Impairment charge for loans and receivables and other financial assets	10	(475,898)	(224,648)
Net operating income		8,258,185	6,256,871
Less: Operating expenses			
Personnel expenses	11	(2,659,751)	(2,093,207)
Depreciation of PPE and Right-of-use assets and amortization of intangible assets	12	(334,994)	(255,511)
Other operating expenses	13	(2,286,799)	(1,762,464)
Total operating expenses		(5,281,544)	(4,111,181)
Operating profit before tax on financial services		2,976,641	2,145,689
Tax on financial services	15.2	(1,059,410)	(737,622)
Operating profit after tax on financial services		1,917,231	1,408,066
Add: Share of associate company's profit net of tax	14	212,050	199,266
Profit before taxation from operations		2,129,281	1,607,332
Less: Income tax expenses	15	(980,716)	(532,665)
Profit for the year		1,148,565	1,074,666
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) to be rec lassified to profit or loss in subsequent periods			
Changes in fair value of Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)		(6,848)	(8,600)
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods		(6,848)	(8,600)
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	46.1	440,257	630,994
Net change in revaluation surplus on Land & Buildings	41.1	673,672	-
Deferred tax effect on revaluations surplus on Land & building	37	(202,102)	-
Share of other comprehensive income of associates (net of tax)	29.1	8,493	113,091
Actuarial loss on retirement benefit obligation	38.2	(48,159)	(65,004)
Deferred tax effect on actuarial gain	37	14,448	1,465
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		886,609	680,546
Other comprehensive income for the year (net of tax)		879,761	671,946
Total comprehensive income for the year (net of tax)		2,028,326	1,746,612
Earnings per share			
Basic earnings per share (Rs.)	16	1.91	1.79
Diluted earnings per share (Rs.)	16	1.91	1.79
Dividend per ordinary share (Rs.)	17	0.25	0.13

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 265 to 357 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	31.03.2026 Rs.'000	Restated 31.03.2025 Rs.'000	Restated 01.04.2024 Rs.'000
Assets				
Cash and balances with banks	20	9,303,037	2,724,044	2,492,057
Placement with banks at Amortized cost	21	37,059	37,254	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	22.1	6,988,446	7,199,933	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	22.2 & 22.3	349,833	344,772	329,519
Financial assets at amortised cost - Loans and advances	23	72,166,154	27,972,014	16,591,202
Financial assets at amortised cost - Finance lease receivables	24	29,710,908	25,260,543	20,302,868
Financial assets at amortised cost - Hire purchase receivables	25	33,690	80,729	101,631
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	22.1 a)	70,427	70,427	70,427
Other financial assets	26	311,007	284,228	289,256
Inventories	27	184,749	73,839	101,181
Other non financial assets	28	271,399	222,488	179,494
Investment in associates	29	1,937,126	1,716,582	1,404,225
Investment Property	30	236,727	258,390	260,056
Property, Plant and Equipment	31	5,427,668	4,512,330	4,391,241
Right-of-use assets	31.15	599,662	327,439	215,306
Leasehold property	32	37,929	38,397	38,866
Intangible assets	33	68,044	51,167	32,094
Total assets		127,733,865	71,174,574	53,230,714
Liabilities				
Bank overdrafts		912,248	687,242	317,122
Financial liabilities at amortised cost - Deposits due to customers	34	62,011,916	42,775,086	36,104,935
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	35	45,496,293	11,418,919	2,441,542
Other financial liabilities	36 a)	938,265	590,886	430,673
Current tax liabilities	36 b)	532,858	194,269	236,812
Deferred tax liabilities	37	776,260	685,588	750,164
Other liabilities	36 c)	212,962	94,972	114,914
Retirement benefit obligations	38	586,182	489,083	396,405
Lease Liability	39	551,119	401,997	273,077
Total liabilities		112,018,104	57,338,041	41,065,644
Shareholders' funds				
Stated capital	40	36,000	36,000	36,000
Revaluation reserve - Land and Buildings	41.1	2,667,796	2,208,767	2,221,256
Revaluation reserve - Associate Company reserve	41.2	726,881	718,388	605,297
Statutory reserve fund	42	1,171,200	941,400	887,400
General reserves	43	4,086,430	4,086,430	4,086,430
Retained earnings	44	6,108,661	4,900,249	3,180,353
Regulatory loss allowance reserve	45	-	336,894	1,067,522
Fair Value through OCI reserve	46	918,793	608,405	80,812
Total shareholders' funds		15,715,761	13,836,533	12,165,070
Total liabilities and shareholders' funds		127,733,865	71,174,574	53,230,714
Net assets per share (Rs.)		26.14	23.01	20.23
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.
Approved and signed on behalf of the Board of Directors by,

Gerard G. Ondaatjie
Managing Director

Shermal H. Jayasuriya
Finance Director

The material accounting policies and the notes from pages 265 to 357 form an integral part of these financial statements.

24 June 2026
Colombo

Statement of Changes in Equity

Year ended 31 March	Stated Capital	Revaluation Reserves Land and Buildings	Associate Company Reserve	Statutory Reserves	General Reserves	Regulatory Loss Allowance Reserves	Fair Value through OCI Reserve	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'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	12,165,070
Excess depreciation charge on revaluation, net of deferred tax (restatement)	-	(57,896)	-	-	-	-	-	57,896	-
Balance as at 1st April 2024 (Restated)	36,000	2,221,256	605,297	887,400	4,086,430	1,067,522	80,812	3,180,353	12,165,070
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	1,011,127	1,746,613
Dividends paid to equity shareholders	-	-	-	-	-	-		(75,150)	(75,150)
Transfer to retained earnings	-	-	-	-	-	-	(94,802)	94,802	-
Excess depreciation charge on revaluation, net of deferred tax (restatement)	-	(12,489)	-	-	-	-	-	12,489	
Transfer from regulatory loss allowance reserve	-	-	-	-	-	(730,628)	-	730,628	-
Transfer to statutory reserve	-	-	-	54,000	-	-	-	(54,000)	-
As At 31st March, 2025 (Restated)	36,000	2,208,767	718,388	941,400	4,086,430	336,894	608,405	4,900,249	13,836,533
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,148,565	1,148,565
Other comprehensive income/ (expenses)	-	471,570	8,493	-	-		433,409	(33,711)	879,761
Total comprehensive income/ (expenses)	-	471,570	8,493	-	-	-	433,409	1,114,854	2,028,326
Dividends paid to equity shareholders	-	-	-	-	-	-		(149,098)	(149,098)
Transfer to retained earnings	-	-	-	-	-	-	(123,021)	123,021	-
Excess depreciation charge on revaluation, net of deferred tax	-	(12,541)	-	-	-	-	-	12,541	-
Transfer from regulatory loss allowance reserve	-	-	-	-	-	(336,894)	-	336,894	-
Transfer to statutory reserve	-	-	-	229,800	-	-	-	(229,800)	-
As At 31st March, 2026	36,000	2,667,796	726,881	1,171,200	4,086,430	-	918,793	6,108,661	15,715,761

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 265 to 357 form an integral part of these financial statements.

Statement of Cash Flows

Year ended 31 March	Note	2026	2025
		Rs.000	Rs.000
Cash flows from operating activities			
Profit before tax		2,129,281	1,607,332
Capital gain from sale of quoted shares and treasury bonds	9	10,334	8
Unrealized loss from investments of FVTPL	9	(2,631)	414
Dividend from investing securities	9	(35,034)	(75,557)
Share of profit of associate investments	14	(212,050)	(199,266)
Profit on sale of Property, Plant and Equipment	9	(1,379)	(3,286)
Depreciation of Property, Plant and Equipment	12	154,080	126,084
Depreciation and impairment of Investment Property	12	16,665	1,665
Depreciation of ROU assets	12	138,629	97,199
Amortization of leasehold property	12	468	468
Amortization of intangible assets	12	40,153	30,095
Provision for impairment of loans and receivables	10	475,898	209,549
Interest expense	7.2	7,855,428	5,206,139
Provision for retirement benefit obligations	38.2	100,937	86,721
Retirement benefit paid	38.2	(51,997)	(59,047)
Operating profit before changes in operating assets and liabilities (Note A)		10,618,782	7,028,520
(Increase) / decrease in operating assets			
Deposits held for regulatory purposes		616,308	(1,093,192)
Funds advanced to customers		(49,073,365)	(16,286,536)
Other receivables		(153,310)	(10,625)
Increase / (decrease) in operating liabilities			
Other payables		331,076	13,700
Deposits from customers		18,678,032	6,670,151
		(18,982,477)	(3,677,984)
Interest paid		(6,306,912)	(5,035,867)
Payment of lease liabilities		(184,439)	(130,682)
Income taxes paid		(772,400)	(652,920)
Net cash (used in)/from operating activities		(26,246,228)	(9,497,452)
Cash flows from investing activities			
Dividends received	9	35,034	75,557
Dividends received from associates	29.1	-	-
Purchase of Equity securities		21,436	(24,229)
Proceeds from sale of equity securities		(5,416)	918,244
Disposal of investment property		5,000	
Purchase of Property, Plant and Equipment	31	(413,297)	(277,497)
Proceeds from sale of Property, Plant and Equipment		18,932	33,609
Acquisition of intangible assets	33	(57,030)	(49,168)
Net cash from/(used in) investing activities		(395,341)	676,518
Cash flows from financing activities			
Borrowings obtained during the year		55,492,986	9,957,419
Borrowings repaid during the year		(22,348,333)	(1,199,467)
Dividends paid		(149,098)	(75,150)
Net Cash from financing activities		32,995,555	8,682,801
Net increase in cash and cash equivalents		6,353,988	(138,134)
Cash and cash equivalents at the beginning of the period		2,036,802	2,174,936
Cash and cash equivalents at the end of the period (Note B)		8,390,789	2,036,801
Reconciliation of profit before tax with cash inflows from operating activities (Note A)			
Cash and cash equivalents at the end of the period (Note B)			
Cash in hand	20	850,856	700,076
Balances with bank	20	828,648	257,967
Money market balances	20	7,623,533	1,766,001
Bank Overdrafts		(912,248)	(687,242)
		8,390,789	2,036,802
Operational Cash flows from Interest			
Interest Received		15,649,779	11,239,866
Interest payments		(6,306,912)	(5,035,867)

The material accounting policies and the notes from pages 265 to 357 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 2026 was 1,949 (1,613 as of 31st March 2025).

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, gold lending, fleet management and share trading.

Associates

The principal activity of the company's associate, namely Nuwara Eliya Hotels Company PLC was the provision of hotel services.

There were no significant changes in the nature of the principal 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 2026 (including comparatives) were approved and authorized for issue by the Board of Directors on 24 June 2026.

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 the 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 provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for the financial statements in the statement of financial position on page 262

These financial statements include the following components:

- Statement of comprehensive income providing information on the financial performance of the company for the year under review (refer to page 261).
- Statement of financial position providing information on the financial position of the company as at year end (refer to page 262).
- A statement of changes in equity depicting all changes in shareholders' equity during the year under review (refer to page 263).
- Statement of cash flows providing information about the ability of the company to generate cash and cash equivalents and the need for utilization of those cash flows (refer to page 264)
- Notes to the financial statements which comprise accounting policies used and other explanatory information (refer to pages 265 to 357).

Notes to the Financial Statements contd.

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 FVPL	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 amortized 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 of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 54 to the financial statements.

2.6 Materiality and aggregation

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

Notes to the financial statements are presented in a systematic manner, which ensures the understandability and comparability 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 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 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 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.

The reclassification of comparative figures to correspond with the current year's classification, carried out for better presentation, is disclosed in Note 55.

2.10 Going concern basis of accounting

When preparing the financial statements, 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, 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 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 or 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 instruments is given in 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 advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should 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

Notes to the Financial Statements contd.

these instruments or whether 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 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 to 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 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 about 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 2026. The key assumptions used to determine the fair value of the land and buildings are provided in 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 every three years unless market changes are observed requiring a shorter review period 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 and buildings, 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 statements is based on 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 a 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.

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 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 5

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

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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 Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instrument'.

Transaction costs in relation to financial assets and financial liabilities at fair value through profit or 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 including 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 the 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 objectives.

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 (Solely Payments of Principal and Interest) test

As a second step of its classification process, the Company assesses the contractual terms of financial instruments 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 more than 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 FVPL.

(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 debt instruments, including Government securities, are measured at fair value through other comprehensive income ("FVOCI") when the instruments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

Changes in the fair value of such investments are recognized in other comprehensive income, except for interest income, impairment gains or losses, and foreign exchange gains or losses, which are recognized in profit or loss. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings in the Statement of Changes in Equity.

(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).

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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 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.

Measurement of uncertainty – Economic Factor Adjustment (EFA)

The recognition and measurement of Expected Credit Losses (ECL) require the application of significant judgement, estimates and assumptions. The estimation of ECL incorporates key parameters such as Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and the assessment of a range of forward-looking macroeconomic scenarios.

The estimation process is inherently complex, particularly during periods of heightened economic volatility and uncertainty, as it requires management to evaluate the potential impact of changing economic conditions on credit risk exposures. The Company applies a probability-weighted approach by developing multiple economic scenarios based on available economic forecasts and market information to estimate future credit losses and derive an unbiased ECL estimate.

Management judgement is applied in determining the assumptions underlying the models, selecting and weighting economic scenarios, and addressing limitations in available data, model methodologies and credit risk assessments.

During the reporting period, the Company used three forward-looking economic scenarios to reflect the exceptional nature of the prevailing economic environment and to capture management's assessment of the range of possible economic outcomes. Given current market conditions, economic forecasts remain subject to a high degree of uncertainty, and actual results may differ from those estimated.

(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 the 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 57 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 banks.

Details of loans and receivables are given in the following notes to the financial statements.

Items	Note No.
Loans and receivables	23
Finance leases receivables	24
Hire purchase receivables	25
Placement with Banks	21

3.2.2 Cash and cash equivalents

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Details of cash and cash equivalents are given in 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 in the statement of financial position are given in Note 18 to the financial statements.

3.2.4 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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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 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 derecognition 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 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 and other financial instruments not held at FVPL, 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, 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 ECLmodels, including the various formula
- 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'.

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Collective Assessment of Impairment

If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system, 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 Product (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 collateral 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 the books of accounts unless the company has taken those assets 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 to determine 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 the 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 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 exceed 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 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 whether 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 the incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on amounts 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 for 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 a 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 a purchase option, the ROU asset is depreciated over the underlying asset's useful life. The ROU assets are adjusted for certain remeasurements 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 the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise 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

Notes to the Financial Statements contd.

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 rate 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 revision to 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 and 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 and 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 Notes 9, 26 and 31 to the financial statements.

3.3.2 Finance leases

3.3.2.1 Finance leases – Company as a lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The company does not have any finance leases as a lessee.

3.3.2.2 Finance leases – company as a lessor

When the company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'finance leases receivables. The finance income receivable is recognized in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Details of 'finance leases receivables are given in 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 Note 31. to the financial statements.

3.5.1 Depreciation

Details of depreciation of Property, Plant and Equipment are given in Note 31.1 to the financial statements.

3.6 Intangible assets

Details of intangible assets are given in 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 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, the Company recognizes it as a provision in accordance with LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties associated with the obligation. Where the effect of the time value of money is material, provisions are measured at the present value of the expected future cash outflows using an appropriate pre-tax discount rate.

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 Note 38 to the financial statements.

3.10.2 Defined contribution plan

Details of the defined contribution plans and amounts recognized in the statement of comprehensive income as expenses on defined contribution plans are given in Note 11 to the financial statements.

3.11 Recognition of income and expenses

Details and recognition criteria of income and expenses are given in Notes 6 to 13 to the financial statements.

3.12 Income tax expenses

Details of income tax expense are given in Note 15 to the financial statements.

4. PRIOR PERIOD ADJUSTMENT/ RESTATEMENT OF COMPARATIVE INFORMATION DUE TO VOLUNTARY CHANGE IN AN ACCOUNTING POLICY

During the year ended 31 March 2026, the Company revised its current accounting policy and adopted a measurement basis as permitted under LKAS 16 – Property, Plant and Equipment, whereby the excess depreciation arising on revalued property, plant and equipment is transferred from the Revaluation Reserve to Retained Earnings as the related assets are utilized.

Excess depreciation represents the difference between depreciation calculated based on the revalued carrying amount of an asset and depreciation calculated based on its original historical cost. In accordance with paragraph 41 of LKAS 16, such transfers may be made directly from the Revaluation Reserve to Retained Earnings and are recognized entirely within equity without affecting profit or loss.

Refer to Note 55 for the details.

5. 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 1 January 2025 (unless otherwise stated).

The amendments to the following Accounting Standards, did not have an impact on the Financial Statements of 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.

Notes to the Financial Statements contd.

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.

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/amendments to existing accounting standards that became effective during the year.

5 b). ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31ST MARCH 2026

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 2026.

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 them have been early adopted by the Company.

SLFRS 18 – Presentation and Disclosure in Financial Statements

SLFRS 18 replaces LKAS 1 and introduces significant changes to the presentation of primary financial statements. Key requirements include:

- Standardised subtotals in the statement of profit or loss
- Aggregation and disaggregation of information
- Enhanced disclosures for management-defined performance measures.

There are specific presentation requirements and options for entities, such as banks, that have specified main business activities.

SLFRS 18 is effective for annual reporting periods beginning on or after 1st January 2027.

While the measurement of assets and liabilities remains unchanged, the new presentation and disclosure requirements under

SLFRS 18 will significantly reshape how the Company communicates financial performance to stakeholders.

Upon its introduction in 2027, the Company will be required to restate prior- period financial statements to align with the revised presentation and disclosure framework.

SLFRS S1-General requirements for disclosure of sustainability related financial information and SLFRS S2 -Climate related disclosures

Recognising the increasing importance of sustainability-related information to stakeholders, the International Sustainability Standards Board (ISSB) issued its first two sustainability disclosure standards:

IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures.

In alignment with these developments, the Institute of Chartered Accountants of Sri Lanka issued the localised versions of these standards, namely SLFRS S1 and SLFRS S2, in 2024.

SLFRS S1-General requirements for disclosure of sustainability related financial information

SLFRS S1 requires entities to disclose information about their sustainability- related risks and opportunities that is useful to the primary users of general-purpose financial reports in making resource allocation decisions.

SLFRS S2-Climate-related disclosures

SLFRS S2 requires entities to disclose information about their climate-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making resource allocation decisions.

Additional disclosures on sustainability and climate-related risks have been included in the non-financial section of the Annual Report.

Based on the Company not being classified among the top 100 companies by market capitalization as at 1 January 2025 and listed on the Diri Savi Board, the Company will comply with the applicable regulatory requirements with effect from the financial year 2026/2027.

SLFRS 19 – Subsidiaries without Public Accountability Disclosures

SLFRS 19 provides reduced disclosure requirements for eligible subsidiaries that do not have public accountability, while continuing to apply full SLFRS recognition and measurement principles. The standard is intended to improve reporting efficiency and reduce compliance costs, while maintaining the quality, consistency and reliability of financial information in group financial reporting.

SLFRS 19 is effective for annual reporting periods beginning on or after 1st January 2027.

This standard is 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 2026, 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 2026 in the preparation of the Financial Statements for the year ended 31st March 2026.

Notes to the Financial Statements contd.

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 the revenue can be reliably measured. The specific recognition criteria is given under the respective income notes.

For the year ended 31st March	2026	2025
	Rs.'000	Rs.'000
Interest income (Note 7.1)	15,832,103	10,998,708
Fee and commission income (Note 8)	666,329	530,236
Other operating income (Note 9)	112,293	179,952
Total	16,610,726	11,708,896

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). The 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 excludes 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 relating to 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. 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.

For the year ended 31st March	2026	2025
	Rs.'000	Rs.'000
7.1 Interest income		
Income from finance lease	6,478,338	5,867,619
Income from hire purchase	3,573	-
Income from other loans and receivables	8,775,916	4,511,297
Income from treasury bills and bonds	405,538	454,432
Income from fixed deposits ,unit trust and money market investments	168,738	165,360
Total	15,832,103	10,998,708
7.2 Interest expenses		
Interest on fixed deposits	5,087,283	4,538,534
Interest on savings deposits	8,998	8,096
Interest on bank and securitized borrowings	2,702,149	609,239
Interest on lease liability	56,998	50,271
Total	7,855,428	5,206,139
Net interest income	7,976,675	5,792,568

8. NET FEE AND COMMISSION INCOME

FEE AND COMMISSION INCOME

Accounting policy

The Company earns fee and commission income from insurance referral business and loans and advances related business.

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 31st March	2026	2025
	Rs.'000	Rs.'000
Insurance Commission Income	109,803	92,626
Credit related fees and commissions	556,526	437,610
	666,329	530,236

FEE AND COMMISSION EXPENSE

For the year ended 31st March	2026	2025
	Rs.'000	Rs.'000
Payment gateway related fees	21,214	21,238
	21,214	21,238
Net fee and commission income	645,115	508,998

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 that is identified for trading and classified as FVPL.

Recovery of bad and doubtful debts written off

Recovery of amounts written off as bad and doubtful debts is recognized on a cash basis.

Operating lease rental income

Income arising on operating leases is accounted for on a straight line basis over the lease term.

Notes to the Financial Statements contd.

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Dividend from FVOCI - Financial Investments	35,034	75,557
Capital gain/(loss on Government Securities & Equity Securities FVPL - Financial Investments	(10,334)	(8)
Unrealized gain/(loss) on Government Securities & Equity Securities FVPL - Financial Investments	2,631	(414)
Rental income from Properties /Investment properties	18,697	18,828
Net gain/(loss) on disposal of Property, Plant and Equipment	1,379	3,286
Other income	64,785	80,013
Bad debts recovered	101	2,690
Total	112,293	179,952

10. IMPAIRMENT CHARGES AND OTHER LOSSES / (REVERSALS)

Accounting policy

The Company recognizes the changes to the impairment provision which is assessed based on the Expected Credit Loss method (ECL) in accordance with Sri Lanka Accounting Standard -SLFRS 09 (Financial Instruments).The methodology adopted by the Company is explained in Note 3.2 (v) to these Financial Statements.

10.1 For the year ended 31st March

	2026 Rs.'000	2025 Rs.'000
Charges / (reversals) to Profit (Loss)		
- Loans and receivables (Note 23.4)	237,993	(71,302)
- Finance lease receivables (Note 24.3)	172,301	288,810
- Hire purchase receivables (Note 25.3)	39,942	(7,959)
-Other financial assets	25,662	15,099
Total	475,898	224,648

10.2 Analysis of Impairment Charges and Other Losses

	2026				2025			
	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	47,689	160,092	30,212	237,993	42,666	23,310	(137,280)	(71,302)
Finance leases receivables	8,487	155,723	8,092	172,301	(790)	(7,924)	297,524	288,810
Hire purchase receivables	(23,224)	-	63,167	39,942	23,259	(16)	(31,202)	(7,959)
Other financial assets	-	-	25,662	25,662	-	-	15,099	15,099
Total	32,951	315,814	127,133	475,898	65,135	15,370	144,141	224,648

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 of 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 it becomes 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 whereas the Company contributes 3% of the salary to the Employees' Trust Fund.

Defined benefit plan - gratuity

Defined benefit plan obligations 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 31st March	2026	2025
	Rs.'000	Rs.'000
Salaries and bonus	2,022,590	1,568,491
Directors' emoluments (Note 11.1)	222,276	206,739
Employer's contribution to EPF	210,257	151,960
Employer's contribution to ETF	52,467	36,884
Defined benefit plan (Note 38)	100,937	86,721
Other allowances and staff related expenses	51,224	42,412
Total	2,659,751	2,093,207

11.1 Directors' emoluments

Directors' emoluments represent the fees, salaries and allowances paid to both Executive and Non-Executive Directors of the Company.

Notes to the Financial Statements contd.

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 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 Note 31 to the financial statements.

Depreciation of Investment Property

Investment property includes land and buildings. Depreciation on building is 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 their 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 of 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 Note 33 to the financial statements.

Amortization of leasehold property

Leasehold property includes a land on a 99-year lease which is amortized over the lease period using the straight line method.

For the year ended 31st March	2026	2025
	Rs.'000	Rs.'000
Depreciation of Investment Property (Note 30)	1,665	1,665
Depreciation of Property, Plant & Equipment (Note 31)	154,079	126,084
Depreciation of ROU Assets (Note 31.15)	138,629	97,199
Amortization of Leasehold Property (Note 32)	468	468
Amortization of Intangible Assets (Note 33)	40,153	30,095
Total	334,994	255,511

The Company has reviewed the residual value and the useful lives of the assets as at 31st March, 2026 and there were no 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 and 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)

In terms of 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 31st March	2026	2025
	Rs.'000	Rs.'000
Auditors' remuneration	4,710	4,147
Non Audit releated services	840	2,293
Professional and legal expenses	59,921	26,493
Deposit insurance premium	70,789	54,252
General Insurance expenses	49,619	35,371
Donations	1,609	546
Office and building maintenance	112,856	90,235
Computer equipment maintenance	87,639	89,310
Office administraion and establishment expenses	1,729,826	1,316,861
Advertising and business promotion expenses	147,721	102,982
Bank charges	10,064	29,174
Crop Insurance Levy	11,205	10,800
Total	2,286,799	1,762,464

Notes to the Financial Statements contd.

14. SHARE OF ASSOCIATES COMPANY'S PROFIT/(LOSS) AFTER TAXATION

Accounting policy

Investment in associate company is accounted for by using the equity method of accounting in terms of the Sri Lanka Accounting Standard - LKAS 28 - Investment in Associates and Joint Ventures.

The Company's share of profit/(loss) of an associate is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

	2026	2025
	Rs.'000	Rs.'000
The Nuwara Eliya Hotels Co. PLC share of Profit after tax (Note 29.1)	212,050	199,266
Total	212,050	199,266

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 the 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 that 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 estimates of deferred tax are available in 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 Note no 15.2 o f the Financial statements.

For the year ended 31st March	2026	2025
	Rs.'000	Rs.'000
Income tax expenses on profit for the year (Note 15.1)	964,149	637,626
(Over)/ under provision in respect of previous year	113,498	(41,850)
Deferred tax (reversal)/ charged (Note 37.1)	(96,983)	(63,111)
Total tax expense for the year	980,716	532,665

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.

Operating profit after tax on financial services before Associate's share of profit	1,917,231	1,408,066
Income tax expense on 12 months accounting PBT @ 30%	575,169	422,420
Add: Tax effect on non-deductible expenses	567,645	378,738
Less: Tax effect on deductible expenses	(178,665)	(163,532)
	964,149	637,626
Effective tax rate (including deferred tax)	45.23%	40.80%
Accounting profit before tax on financial services	2,976,641	2,145,689
Effective tax rate (excluding VAT on financial services)	32.95%	24.82%

Current year income tax expense has been recorded for on the taxable income at the rate of 30%.(2025 - 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 Tax on financial services

	2026	2025
	Rs.'000	Rs.'000
Value Added Tax on Financial Services (VAT on FS)- 18%	922,165	647,858
Social Security Contribution Levy on Financial Services (SSCL)- 2.5%	137,244	89,764
	1,059,409	737,622

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 - 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	2026	2025
	Rs.'000	Rs.'000
Amount used as the numerator		
Net profit after tax attributable to equity holders of the company	1,148,565	1,074,666
Net profit after tax attributable to equity holders of the company for basic and diluted earnings per share	1,148,565	1,074,666
	Nos.'000	Nos.'000
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares	601,200	601,200
Weighted average number of ordinary shares used for basic and diluted earnings per share (post-split)	601,200	601,200
Basic earnings per share (Rs.)	1.91	1.79
Diluted earnings per share (Rs.)	1.91	1.79

Share sub-division

The Company effected a subdivision of its Ordinary Shares in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares on 9 December 2025. Accordingly, the earnings per share (EPS) for the comparable year has been retrospectively adjusted to reflect the impact of the share subdivision, as required by LKAS 33.

Notes to the Financial Statements contd.

17. DIVIDEND PER ORDINARY SHARE

Accounting policy

Provision for final dividends is recognized at the time the divided is recommended and declared by the Board of Directors, and approved by the shareholders. Interim dividends payable are recognized when the Board approves such dividend in accordance with the Companies Act No 7 of 2007.

For the year ended 31st March	2026			2025		
	Gross Dividend	Dividend Tax	Net Dividend	Gross Dividend	Dividend Tax	Net Dividend
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interim dividend						
Out of dividend received - free of tax	64,629	-	64,629	75,150	-	75,150
Out of normal profits	84,469	12,670	71,799		-	-
Total dividend	149,098	12,670	136,428	75,150	-	75,150
Dividend per ordinary share (Rs.)	0.25		0.23	0.13		0.13

A dividend of Rs. 16.60 per share (pre-split) on ordinary shares was approved as the second interim dividend for the financial year ended 31st March 2025 and this was paid on 14th July 2025. This dividend was distributed in respect of 3,006,000 ordinary shares in issue (the "pre-subdivision shares").

The Board of Directors of the Company declared an interim dividend of Rs. 0.165 per share for the financial year ending 31 March 2026 on 22 December 2025, and the payment was made in January 2026. The interim dividend was paid subsequent to the sub division of shares, and accordingly, the dividend was calculated based on 601,200,000 ordinary shares in issue at the time of payment (the "post-subdivision shares")

In accordance with Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors confirmed that the Company satisfied the solvency test as required under Section 57 of the Companies Act No. 57 of 2007, and obtained a certificate from the auditors prior to the declaration the interim dividend.

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 and by headings given in the Statement of Financial Position.

18.1 Analysis of financial instrument by measurement basis as at 31st March 2026

	Financial Instruments at Amortized Cost	Financial Instruments at Fair Value through Profit and Loss	Financial Instruments at Fair Value through Other Comprehensive Income	Total
	(AC)	(FVPL)	(FVOCI)	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Cash and cash equivalents	9,303,037	-	-	9,303,037
Placement with banks at Amortized cost	37,059	-	-	37,059
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	7,058,873	7,058,873
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	349,833	-	349,833
Financial assets at amortised cost - Loans and advances	72,166,154	-	-	72,166,154
Financial assets at amortised cost - Finance lease receivables	29,710,908	-	-	29,710,908
Financial assets at amortised cost - Hire purchase receivables	33,690	-	-	33,690
Other financial assets	311,007	-	-	311,007
Total financial assets	111,561,855	349,833	7,058,873	118,970,561

18.1 Analysis of financial instrument by measurement basis as at 31st March 2026

	At Amortized Cost	Total
	Rs.'000	Rs.'000
Financial liabilities		
Bank overdraft	912,248	912,248
Financial liabilities at amortised cost - Deposits due to customers	62,011,916	62,011,916
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	45,496,293	45,496,293
Other financial liabilities	938,265	938,265
Total financial liabilities	109,358,722	109,358,722

Notes to the Financial Statements contd.

18.2 Analysis of financial instrument by measurement basis as at 31st March 2025

	Financial Instruments at Amortized Cost	Financial Instruments at Fair Value through Profit and Loss	Financial Instruments at Fair Value through Other Comprehensive Income	Total
	(AC)	(FVPL)	(FVOCI)	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Cash and cash equivalents	2,724,044	-	-	2,724,044
Placement with banks at Amortized cost	37,254	-	-	37,254
Financial investments - At FVOCI (quoted)	-	-	7,270,360	7,270,360
Financial investments - At FVPL	-	344,772	-	344,772
Loans and receivables at Amortized Cost	27,972,014	-	-	27,972,014
Finance leases receivables at Amortized Cost	25,260,543	-	-	25,260,543
Hire purchase receivables at Amortized Cost	80,729	-	-	80,729
Other financial assets	284,228	-	-	284,228
Total financial assets	56,358,811	344,772	7,270,360	63,973,943

	At Amortized Cost	Total
	Rs.'000	Rs.'000
Financial liabilities		
Bank overdraft	687,242	687,242
Deposits due to customers at Amortized Cost	42,775,086	42,775,086
Debt instruments issued and other borrowings at Amortized Cost	11,418,919	11,418,919
Other financial liabilities	590,886	590,886
Total financial liabilities	55,472,132	55,472,132

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	2026				2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non- financial assets								
Property, Plant and Equipment								
Land and buildings (note 19.3.1)	-	-	4,433,000	4,433,000	-	-	3,783,166	3,783,166
	-	-	4,433,000	4,433,000	-	-	3,783,166	3,783,166
Financial assets								
Financial investments- (FVOCI)								
Quoted investments	1,920,001	-	-	1,920,001	1,801,156	6,541	-	1,807,697
Unquoted investments (note 19.3.2)	-	-	70,427	70,427	-	-	70,427	70,427
Government debt securities	5,068,445	-	-	5,068,445	5,392,237	-	-	5,392,237
Financial investments- (FVTPL)								
Quoted investments	349,833	-	-	349,833	344,772	-	-	344,772
	7,338,279	-	70,427	7,408,706	7,538,165	6,541	70,427	7,615,133

19.3.1 The fair value of the land & buildings are based on the valuation done by a professionally qualified independent professional valuer on 31st March, 2025 & 31st March, 2026.

19.3.2 Value of unquoted shares as at 31st March, 2026 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 transfers between Level 1 and Level 2 during the year 2025 and 2026

Notes to the Financial Statements contd.

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	Note	2026					2025				
		Level 1	Level 2	Level 3	Total fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets											
Cash and cash equivalents		-	-	-	9,303,037	9,303,037	-	-	-	2,724,044	2,724,044
Placement with banks		-	-	-	37,059	37,059	-	-	-	37,254	37,254
Loans and receivables		-	73,471,938	-	73,471,938	72,166,154	-	30,092,429	-	30,092,429	27,972,014
Finance leases receivables		-	31,758,140	-	31,758,140	29,710,908	-	26,782,766	-	26,782,766	25,260,543
Hire purchase receivables		-	33,690	-	33,690	33,690	-	80,718	-	80,718	80,729
Other financial assets		-	-	311,007	311,007	311,007	-	-	284,228	284,228	284,228
Total financial assets		-	105,263,768	311,007	114,914,871	111,561,856	-	56,955,913	284,228	60,001,439	56,358,811
Financial liabilities											
Bank overdraft		-	-	-	912,248	912,248	-	-	-	687,242	687,242
Deposits due to customers		-	62,011,916	-	62,011,916	62,011,916	-	42,671,088	-	36,352,317	42,775,086
Debt instruments issued and other borrowings		-	45,496,293	-	45,496,293	45,496,293	-	11,418,919	-	11,418,919	11,418,919
Other financial liabilities		-	-	938,265	938,265	938,265	-	-	590,886	590,886	590,886
Total financial liabilities		-	107,508,209	938,265	109,358,722	109,358,722	-	54,090,007	590,886	49,049,364	55,472,133

19.5 Reclassification of financial assets

No transfers or reclassifications between fair value hierarchy levels were made during the financial years ended 31 March 2026 and 2025.

20. CASH AND BALANCES WITH BANKS

Accounting policy

Cash and cash equivalents comprise of 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	2026	2025
	Rs.'000	Rs.'000
Cash in hand	850,856	700,076
Balances with the banks	828,648	257,967
Money market balances	7,623,533	1,766,001
	9,303,037	2,724,044

Net Cash & Cash Equivalents for the purpose of Cash Flow Statement

For the purpose of the 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	2026	2025
	Rs.'000	Rs.'000
Fixed deposit	37,059	37,254
	37,059	37,254

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 include 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).

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 ins in equity will be transferred to retained earning in the statement of changes in equity.

Notes to the Financial Statements contd.

22.1 Government securities, Unit trust and quoted investments

As at 31st March	2026 Rs.'000	2025 Rs.'000
Government debt securities (Note 22.1.b)	5,068,445	5,392,237
Equities (Note 22.1.c)	1,920,001	1,801,156
Unit Trust Investment (Note 22.1.d)		6,541
	6,988,446	7,199,933
22.1 (a) Unquoted investments		
Equities (Note 22.1.e)	70,427	70,427
	70,427	70,427
Total financial investments	7,058,873	7,270,360
22.1 (b) Government Debt Securities		
Treasury Bill - FVOCI	5,068,445	5,392,237
Treasury Bond - FVPL	344,703	341,776
	5,413,148	5,734,012

22.1.(c) Equities (quoted)

	2026			2025		
	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	648	70	132	648	70	95
Sampath Bank PLC	114,878	10,025	16,686	114,878	10,026	14,073
		10,095	16,818		10,096	14,168
Capital Goods						
Aitken Spence PLC	15,000	343	2,085	15,000	343	1,916
John Keells Holdings PLC	16,657,370	301,872	306,496	16,657,370	301,872	336,479
Hayleys PLC	-	-	-	636,893	72,205	87,254
ACL Cables PLC	489,792	19,811	41,632	245,406	29,778	29,940
		322,026	350,213		404,198	455,589
Consumer Services						
Royal Palms Beach Hotels PLC	8,576,700	124,582	433,981	8,576,700	124,582	283,031
Tangerine Beach Hotels PLC	3,899,644	26,343	394,839	3,899,644	26,343	272,975
Hayleys Leisure PLC	1,933,440	60,070	54,910	1,933,440	60,070	54,523
The Light House Hotel PLC	7,736,677	224,407	504,431	7,736,677	224,407	449,501
Hotel Sigiriya PLC	13,340	556	947	13,340	556	1,025
Palm Garden Hotel PLC	200,000	25,913	11,760	200,000	25,913	12,700
The Fortress Resorts PLC	100,000	2,844	2,160	100,000	2,844	2,450
		464,715	1,403,028		464,715	1,076,205

	2026			2025		
	No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
22.1.2('c) Diversified Finacials						
Singer Finance (Lanka) PLC	296,760	14,357	13,681	296,760	14,357	7,093
LOLC Holdings PLC	100,000	100,528	52,975	100,000	100,528	59,475
LOLC Finance PLC	2,000,000	56,829	10,600	2,000,000	56,829	11,800
		171,714	77,256		171,714	78,368
Food Beverage & Tobacco						
Renuka Foods PLC	203	4	6	203	4	2
		4	6		4	2
Insurance						
HNB Life PLC	200,000	12,336	24,050	200,000	12,336	15,540
		12,336	24,050		12,336	15,540
Material						
Swisstek (Ceylon) PLC		-	-	250,000	11,623	11,650
		-	-		11,623	11,650
Real Estate						
East West Properties PLC		-	-	50,000	2,471	655
		-	-		2,471	655
Retailing						
United Motors Lanka PLC	1,500,000	18,701	45,000	150,000	18,701	12,780
Odel PLC	300,000	11,943	3,630	300,000	11,943	3,210
		30,644	48,630		30,644	15,990
Telecommunication services						
Dialog Axiata PLC		-	-	9,300,000	102,123	132,990
		-	-		102,123	132,990
Total		1,011,534	1,920,001		1,209,923	1,801,156

	2026		2025	
	Cost Rs.'000	Market Value Rs.'000	Cost Rs.'000	Market Value Rs.'000
22.1.(d) Unit Trust Investment				
NDB Wealth Management Ltd	-	-	6,511	6,541
	-	-	6,511	6,541

22.1.(e) Equities (non-quoted)

As at 31st March	2026			2025		
	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

Notes to the Financial Statements contd.

22.2 Financial assets measured at Fair Value Through Profit or Loss (FVTPL)

Financial investments at FVPL are comprised of equity investments and Government Security Investments which are intended to be sold to realize a capital gain with favorable market condition movements.

Unrealized gains and losses are recognized directly in the statement of Profit or Loss .When the financial investments are disposed of, the cumulative gain or loss is recognized in the statement of Profit or Loss.

As at 31st March	2026			2025		
	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
Diversified Financials						
Singer Finance (Lanka) PLC	111,285	2,949	5,130	-		
		2,949	5,130		2,568	2,996

22.3 Government Debt Securities

	2026 Rs.'000	2025 Rs.'000
Treasury Bond - FVPL	344,703	341,776
	344,703	341,776
Total Financial Investments at Fair Value through Profit and Loss (FVTPL)	349,833	344,772

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 was treated as 'day 1' difference and amortized as staff cost over the loan period by using the Effective Interest Rate (EIR). The staff loans were subsequently measured at amortized cost.

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 no 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	2026	2025
	Rs.'000	Rs.'000
Gross loans and receivables	80,482,487	31,944,740
Unearned interest	(7,439,487)	(3,338,373)
Allowance for impairment (Note 23.3)	(810,128)	(574,048)
Interest in suspense	(66,718)	(60,304)
Net loans and receivables	72,166,154	27,972,014

As at 31st March	2026	2025
	Rs.'000	Rs.'000
23.1 Loans and receivables-within one year		
Gross loans and receivables	57,928,186	22,887,043
Unearned interest	(3,544,681)	(1,658,714)
Loans and receivables	54,383,505	21,228,329
23.2 Loans and receivables-from one to five years		
Gross loans and receivables	22,554,302	9,057,697
Unearned interest	(3,894,805)	(1,679,660)
Loans and receivables	18,659,497	7,378,037
23.3 Movement in allowance for impairment		
Balance at the beginning of the year	574,048	653,728
Bad debts written off during the year	(1,913)	(8,378)
Charge/(reversal) to the Statement of Profit or Loss and Other Comprehensive Income	237,993	(71,302)
Balance at the end of the year	810,128	574,048

Stage-wise impairment provision movement of loan and receivables is disclosed in Note 10 of the financial statements.

23.3.1 Movement in Individual impairment		
Balance at the beginning of the year	256,905	362,447
Bad debt written off during the year	(1,913)	(8,378)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	59,808	(97,164)
Balance at the end of the year	314,800	256,905
23.3.2 Movement in Collective impairment		
Balance at the beginning of the year	317,143	291,281
Charge to the Statement of Profit or Loss and Other Comprehensive Income	178,185	25,862
Balance at the end of the year	495,328	317,143

Notes to the Financial Statements contd.

As at 31st March	2026	2025
	Rs.'000	Rs.'000
23.4 Sector wise analysis of loans and receivables		
Agriculture	7,907,478	2,804,570
Industrial	9,445,965	3,068,618
Tourism	3,013,992	1,031,085
Trading	7,682,597	5,801,612
Construction	3,575,996	1,383,498
Services	33,601,902	12,765,422
Others	15,254,557	5,089,935
	80,482,487	31,944,740

24. 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 leases net of initial rentals received, unearned interest and provision for impairment are classified as finance leases receivables in the Statement of Financial Position.

After initial measurement, 'finance 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	2026	2025
	Rs.'000	Rs.'000
Gross finance leases receivables	40,857,972	34,117,540
Unearned interest	(9,854,548)	(7,764,932)
Allowance for impairment (note 24.3)	(1,108,363)	(939,037)
Interest in suspense	(184,153)	(153,028)
Net finance leases receivables	29,710,908	25,260,543
24.1 Finance leases receivable-within one year		
Gross finance leases receivables	17,396,201	14,981,172
Unearned interest	(5,646,554)	(4,737,586)
Finance leases receivables	11,749,647	10,243,586
24.2 Finance leases receivable-from one to five years		
Gross finance leases receivables	23,461,771	19,136,368
Unearned interest	(4,207,994)	(3,027,346)
Finance leases receivables	19,253,777	16,109,022
24.3 Movement in allowance for impairment		
Balance at the beginning the year	939,037	653,974
Bad debt written off during the year	(2,976)	(3,747)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	172,301	288,810
Balance at the end the year	1,108,362	939,037

Stage-wise impairment provision movement for lease receivables is disclosed in Note 10 of the financial statements.

As at 31st March	2026	2025
	Rs.'000	Rs.'000
24.3.1 Movement in individual impairment		
Balance at the beginning of the year	711,548	430,108
Bad debt written off during the year	(2,976)	(3,747)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	85,079	285,187
Balance at the end of the year	793,651	711,548

	2026	2025
	Rs.'000	Rs.'000
24.3.2 Movement in collective impairment		
Balance at the beginning of the year	227,489	223,866
Bad debt written off during the year	-	-
Charge to the Statement of Profit or Loss and Other Comprehensive Income	87,224	3,623
Balance at the end of the year	314,713	227,489

24.4 Sector wise analysis of finance leases receivables

Agriculture	6,210,996	4,488,133
Industrial	5,086,954	4,120,036
Tourism	1,124,452	1,097,012
Trading	4,067,702	5,697,227
Construction	1,839,976	1,855,713
Services	18,120,660	15,309,432
Others	4,407,232	1,549,987
	40,857,972	34,117,540

Notes to the Financial Statements contd.

25. FINANCIAL ASSETS AT AMORTISED COST - HIRE PURCHASE 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	2026	2025
	Rs.'000	Rs.'000
Gross hire purchases receivables	275,763	287,388
Unearned interest	1,943	(486)
Allowance for impairment (note 25.3)	(216,009)	(176,853)
Interest in suspense	(28,007)	(29,320)
Net hire purchases receivables	33,690	80,729

25.1 Hire purchases receivable-within one year

Gross hire purchases receivables	275,763	193,594
Unearned interest	1,943	-
Hire purchases receivables	277,706	193,594

25.2 Hire purchases receivable-from one to five years

Gross hire purchases receivables	-	93,794
Unearned interest	-	(486)
Hire purchases receivables	-	93,308

25.3 Movement in allowance for impairment

Balance at the beginning the year	176,853	191,193
Bad debt written off during the year	(787)	(6,381)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	39,942	(7,959)
Balance at the end the year	216,009	176,853

Stage-wise impairment provision movement for hire purchase receivables is disclosed in the Note 10 of the financial statements.

	2026	2025
	Rs.'000	Rs.'000
25.3.1 Movement in individual impairment		
Balance at the beginning of the year	48,260	92,547
Bad debt written off during the year	(787)	(6,381)
Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	168,536	(37,906)
Balance at the end of the year	216,009	48,260
25.3.2 Movement in collective impairment		
Balance at the beginning of the year	128,593	98,646
Bad debt written off during the year	-	-
Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	(128,593)	29,947
Balance at the end of the year	-	128,593

25.4 Sector wise analysis of hire purchases receivables

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Agriculture	14,293	15,897
Industrial	28,869	22,324
Tourism	1,792	1,979
Trading	32,307	34,531
Construction	78,439	79,252
Services	104,829	118,683
Others	15,234	14,723
	275,763	287,389

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 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.

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Insurance receivables	52,730	229,177
Investments (Note 26.1)	9,307	9,307
Other receivables	248,970	45,744
	311,007	284,228

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 at after making an impairment provision of Rs 627 Million up to 31st March 2024. No additional provisions have been made thereafter up to 31st March 2026.

27. INVENTORIES

Accounting policy

Inventory consists of spare parts, lubricants, stationery 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 the weighted average cost formula. The cost of inventory is determined at actual cost.

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Spare parts	8,200	5,149
Lubricant and others	1,379	1,653
Stationary	12,792	10,767
Vehicle Stock	160,160	53,712
Maintenance Stock	2,218	2,558
	184,749	73,839

Notes to the Financial Statements contd.

28. OTHER NON FINANCIAL 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	2026	2025
	Rs.'000	Rs.'000
Other receivables	43,270	115,385
Deposits and prepayments	228,129	107,103
	271,399	222,488

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 the 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 retained investment and proceeds from disposal is recognized in the Statement of Comprehensive Income.

The Company has a 26.12% (2025-26.12%) holding in The Nuwara Eliya Hotels Company PLC which is a quoted public company and involved in the business of the hoteliering.The principal place of business is located in Nuwara Eliya.

The profits and income of The Nuwara Eliya Hotels PLC, arising on provision of tourism related services is liable for taxation at the rate of 30 % whereas income from other sources is taxed at the rate of 30% .

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Investment in associates - quoted (29.1)	1,937,126	1,716,582
Total	1,937,126	1,716,582

29.1 Investment in associates - quoted

The Nuwara Eliya Hotels Company PLC

Carrying value at the beginning of the year	1,716,582	1,404,225
Add: Share of associates Profit after tax (29.1.1)	212,050	199,266
Less : Dividend received from associates	-	-
Current year retained profit net of tax	212,050	199,266
Share of Other Comprehensive Income	8,494	113,091
Carrying value at the end of the year	1,937,126	1,716,582

Summary of associate's statement of financial position	As per audited financial statements	As per audited financial statements
As At 31st March	2026	2025
	Rs.'000	Rs.'000
Current assets	3,809,998	3,136,715
Non-current assets	5,302,852	5,102,073
Current liabilities	(498,187)	(463,057)
Non-current liabilities	(1,198,407)	(1,203,824)
Net assets	7,416,256	6,571,907
Holding percentage of the company	26.12%	26.12%
Share of net assets of the company	1,937,126	1,716,582
Market value per share (Rs.)	4,499.25	2,185.75
Total market value of the investment (Rs.'000)	2,569,466	1,248,049

Market value of the investment has increased compared to the previous year. This investment will be held in the long term considering its strategic advantage in future and is measured as an investment in associates on the equity method as per LKAS 28.

29.1.1 Summary of Associate's Revenue and Profit after Tax

	2026	2025
	Rs.'000	Rs.'000
Revenue	2,450,197	2,355,665
Profit after tax	811,831	762,885
Share of associate's Profit after tax	212,050	199,266

Notes to the Financial Statements contd.

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 the 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 up to the date of disposal. Estimated useful life of buildings classified as investment property ranges from 40 to 75 years.

De-recognition

Investment properties are derecognized when they are disposed, 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.

	2026	2025
	Rs.'000	Rs.'000
Cost		
Balance at the beginning of the year	276,702	276,702
Disposals during the year	(5,000)	-
Balance at the end of the year	271,702	276,702
Less : Accumulated Depreciation		
Balance at the beginning of the year	18,311	16,646
Charge for the year	1,665	1,665
Provision for impairment	15,000	-
Balance at the end of the year	34,976	18,311
Carrying value	236,726	258,390

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	2026	2025
	Rs.'000	Rs.'000
Rental income derived from investment properties	8,497	10,068
Direct operating expenses incurred generating rental income	(1,472)	(1,552)
Profit arising from investment properties	7,025	8,516

The company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

30.1 Information on the investment property of the company

As At 31st March	Extent	Building	No of	2026		2025	
	(Perches)	(Square Feet)	Buildings	Cost	Fair Value	Cost	Fair Value
Location				Rs.'000	Rs.'000	Rs.'000	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	15,000	2,500	10,000
Peliyagoda							
151/3A Negombo Road, Peliyagoda.	-	-	-	-	-	5,000	10,000
Kollupitiya							
No 75A-23/2, Kollupitiya Road, Colombo 03.	-	2,636	1	83,234	161,000	83,234	126,900
Gampaha							
No 735/1,Jonikkuwatte Road,Kohalwila.	19.7	-	-	12,300	35,000	12,300	30,000
Nugegoda							
No 19,Sigiri Mawatha,Kohuwala,Nugegoda.	66	-	-	60,000	240,000	60,000	100,000
Kandana							
No 72, Theresa Mawatha, Kandana.	9.7	-	-	10,000	9,000	10,000	7,000
Nawagamuwa							
No 737/7,Sri Sumanatissa Mawatha,Kaduwela, Nawagamuwa.	47	-	-	10,168	30,000	10,168	15,000
Kelaniya							
No 108/1/A Old kandy road, Dalugama, Kelaniya	26.25	-	-	34,500	98,050	34,500	39,000
Total				271,702	675,650	276,702	425,500

The fair value of the investment properties as at 31st March, 2026 was based on market valuations carried out in the year 2025/2026 by a professionally qualified independent valuer Mr. E.G. Jayatissa, Chartered Valuation Surveyor, BSc (Hons) Estate Management, Panel Valuer at Banks & Institutes and Fellow Member of the Institute of Valuers of Sri Lanka.

30.2 Valuation technique

The following table shows the valuation techniques used in measuring fair value of investment property, as well as the significant unobservable input used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market Comparable Method	Value of a perch in the property portfolio	The estimated fair value would increase/ (decrease) if per perch value was higher/ (lower).
Cost Approach	Replacement cost and physical depreciation.	Higher replacement cost increases fair value. Higher depreciation or obsolescence adjustments decrease fair value.
Investment Method (Income Approach / DCF)	Discount rate, capitalization rate, long-term growth rate, expected rental income, occupancy rate, forecast cash flows	Higher projected cash flows, rental income, occupancy rates, or growth rates increase fair value. Higher discount rates or capitalization rates decrease fair value.

Notes to the Financial Statements contd.

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 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 the 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, Plant and 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 them 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 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 the 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 the 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 freehold land and building as at 31st March, 2026.

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, Plant 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 derecognition 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 the Company 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

2026- Current year	At valuation		At cost							
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating leases	Capital work-in- progress	Total
	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)
Cost/ valuation										
Balance as at 01.04.2025	2,615,000	1,191,931	450,188	62,583	303,555	297,584	300,757	9,500	-	5,231,098
Additions during the year	-	-	107,548	7,439	100,857	95,773	101,680	-	-	413,297
Disposals during the year	-	-	(41,276)	-	(2,354)	(88)	-	-	-	(43,718)
Derecognition	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property	596,000	77,672	-	-	-	-	-	-	-	673,672
Transfers/ adjustments	-	(47,603)	-	-	-	-	-	-	-	(47,603)
Cost/ valuation as at 31.03.2026	3,211,000	1,222,000	516,460	70,022	402,058	393,269	402,437	9,500	-	6,226,746
Accumulated depreciation										
Balance as at 01.04.2025	-	23,765	213,408	50,200	216,970	102,278	102,645	9,500	-	718,766
Charge for the year	-	23,839	23,146	4,674	42,952	30,462	29,008	-	-	154,079
Disposals during the year	-	-	(23,928)	-	(2,154)	(83)	-	-	-	(26,165)
Derecognition	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	(47,603)	-	-	-	-	-	-	-	(47,603)
Accumulated depreciation at 31.03.2026	-	-	212,626	54,874	257,767	132,658	131,653	9,500	-	799,078
Net book value as at 31.03.2026	3,211,000	1,222,000	303,834	15,148	144,291	260,610	270,784	-	-	5,427,668

Notes to the Financial Statements contd.

2025 - previous year	At valuation		At cost							
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating leases	Capital work-in- progress	Total
	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)
Cost/valuation										
Balance as at 01.04.2024	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)
Surplus on revaluation of property	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-	-
Cost/ valuation as at 31.03.2025	2,615,000	1,191,931	450,189	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	236,781	12,383	86,588	195,305	198,112	(1)	-	4,512,331

31.2 Revaluation of Property, Plant and Equipment

The land and buildings were revalued during the financial year 2025/2026 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. Such assets were valued on an open market value for an existing use basis. The surplus arising from the revaluation was transferred to the revaluation reserve.

31.3 Information on the Freehold Land and Building of the Company

As required by Rule No. 7.6 (VIII) of the continuing listing requirements of the Colombo Stock Exchange

Location	Extent (Perches)	Buildings (Square Feet)	No of Buildings	Revalued Amount of Buildings	Revalued Amount of Land	Net Book Value as at 31.03.2026	As a % of Total NBV as at 31.03.2026	Net Book Value as at 31.03.2025	As a % of Total NBV as at 31.03.2025
				(Rs. '000)	(Rs. '000)	(Rs. '000)		(Rs. '000)	
Kollupitiya - No. 236, Galle Road, Colombo 03	32.56	46,777	1	561,000	895,000	1,456,000	32.84%	1,363,780	36.05%
Maharagama - No. 176, Lake Road, Maharagama	168.74	10,919	2	52,000	759,000	811,000	18.29%	598,960	15.83%
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama	104.00	17,359	3	61,000	364,000	425,000	9.59%	308,780	8.16%
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala	78.91	27,543	2	102,000	512,000	614,000	13.85%	547,080	14.46%
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala	17.80	1,700	1	10,000	62,000	72,000	1.62%	60,720	1.61%
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	9.46	6,264	1	89,000	137,000	226,000	5.10%	213,900	5.65%
Negombo - No. 36, Colombo Road, Negombo	13.87	3,961	1	47,000	42,000	89,000	2.01%	84,060	2.22%
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	-	1,210	1	74,000	-	74,000	1.67%	49,980	1.32%
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	-	3,583	1	226,000	-	226,000	5.10%	151,906	4.02%
Negombo - No. 36/1, Colombo Road, Negombo	16.22	-	-	-	40,000	40,000	0.90%	32,000	0.85%
Kollupitiya - 171 &173, Kollupitiya Road, Colombo 03	16.94	-	-	-	400,000	400,000	9.02%	372,000	9.83%
Total				1,222,000	3,211,000	4,433,000	100%	3,783,166	100%

Notes to the Financial Statements contd.

31.4. 1 Effective Date of Valuation as at 31st March, 2026

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation as at 31 March, 2026		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	538,560	895,000	561,000	81,000	22,440
	Price per perch of land	27,500,000						
	Price per square foot for building	15,000						
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis		548,000	49,920	759,000	52,000	211,000	2,080
	Price per perch of land	4,500,000						
	Price per square foot for building	4,762						
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis		249,000	58,560	364,000	61,000	115,000	2,440
	Price per perch of land	3,500,000						
	Price per square foot for building	3,560						
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis		404,000	140,160	512,000	102,000	108,000	(38,160)
	Price per perch of land	6,500,000						
	Price per square foot for building	5,307						
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis		47,000	13,440	62,000	10,000	15,000	(3,440)
	Price per perch of land	3,500,000						
	Price per square foot for building	8,500						
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	Open Market Basis		111,000	100,800	137,000	89,000	26,000	(11,800)
	Price per perch of land	16,000,000						
	Price per square foot for building	16,800						
Negombo - No. 36, Colombo Road, Negombo	Open Market Basis		38,000	45,120	42,000	47,000	4,000	1,880
	Price per perch of land	3,000,000						
	Price per square foot for building	12,000						
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method		-	48,960	-	74,000	-	25,040
	Gross Annual Rentals	4,200,000						
	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		-	148,808	-	226,000	-	77,192
	Gross Annual Rentals	6,800,000						
	Years purchase(Present value of 1 unit per period)	23.5 Y.P						

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation as at 31 March, 2026		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
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis		32,000	-	40,000	-	8,000	-
	Price per perch of land	2,500,000						
	Price per square foot for building	-						
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis		372,000	-	400,000	-	28,000	-
	Price per perch of land	25,000,000						
	Price per square foot for building	-						
Total			2,615,000	1,144,328	3,211,000	1,222,000	596,000	77,672

31.4. 2 Effective Date of Valuations as at 31st March, 2026

Narrative descriptions on the sensitivity of fair value measurement to changes in significant unobservable inputs are presented 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 derived from prevailing real estate market conditions.	• 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)

Notes to the Financial Statements contd.

31.4.3 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						
	Price per square foot for building	15,000						
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis		548,000	50,940	-	-	-	-
	Price per perch of land	3,250,000						
	Price per square foot for building	4,762						
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis		249,600	59,780	-	-	-	-
	Price per perch of land	2,400,000						
	Price per square foot for building	3,560						
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis		404,000	143,080	-	-	-	-
	Price per perch of land	4,750,000						
	Price per square foot for building	5,307						
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis		47,000	13,720	-	-	-	-
	Price per perch of land	2,650,000						
	Price per square foot for building	8,500						
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						
	Price per square foot for building	16,800						
Negombo - No. 36, Colombo Road, Negombo	Open Market Basis		38,000	46,000	-	-	-	-
	Price per perch of land	2,750,000						
	Price per square foot for building	12,000						
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method			49,980	-	-	-	-
	Gross Annual Rentals	2,904,000						
	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						
	Years purchase(Present value of 1 unit per period)	23.5 Y.P						

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
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis		32,000	-	-	-	-	-
	Price per perch of land	2,000,000						
	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						
	Price per square foot for building	-						
Total			2,615,600	1,168,086	-	-	-	-

Although valuations were obtained from a professional valuer, no valuation gains or losses were recorded as there were no significant price variation as of 31 March 2025. Accordingly, the net book value (NBV) as at 31st March 2025 is considered to represent fair value as of that date.

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	2026			2025		
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	126,845	176,352	297,274	120,922	176,351
	457,795	126,845	336,873	457,795	120,922	336,872

31.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value (excluding capital work-in-progress) of Rs.413,296,962/- (2025 - Rs.277,496,732/-)

31.7 Property, Plant and Equipment include assets under operating leases, where the company is a lessor. The net carrying amount of those assets as at 31st March 2026 was nil. (2025 - Nil), on which the accumulated depreciation as at 31st March 2026 was Rs 9,500,000/- (2025 - Rs. 9,500,000/-) .

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 the Statement of financial position.

31.9 Fully depreciated Property, Plant and Equipment

The cost of Property, Plant and Equipment as at the reporting date includes the fully depreciated assets amounting to Rs. 612,836,134/- (2025- Rs.536,663,993/-)

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 Hatton National Bank PLC and National Development Bank PLC respectively.

Notes to the Financial Statements contd.

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 the reporting date except for the properties at Sri Vajiragnana Mawatha, Maharagama and No.28, Sunethradevi Road, Kohuwala pledged as securities for overdraft facilities obtained from Hatton National Bank PLC and National Development Bank PLC respectively.

31.12 Compensation from third parties for items of Property, Plant and Equipment

There were no compensation received or 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, 2026.

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 leasehold rights except for short-term leases, which are held for use in the provision of services.

Basis of Measurement

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

31.15.a Movement in right -of- use assets

	2026	2025
	Rs.'000	Rs.'000
Cost		
Balance at the beginning of the year	684,644	513,475
Additions/renewal of operating leases during the year	410,852	209,332
Expiration during the year	(122,067)	(38,162)
Balance at the end of the year	973,429	684,644
Accumulated amortization and impairment		
Balance at the beginning of the year	357,205	298,168
Amortization for the year	138,629	97,199
Expiration during the year	(122,067)	(38,162)
At the end of the year	373,767	357,205
Net book value as at 31st March	599,662	327,439

32. LEASEHOLD PROPERTY

	2026	2025
	Rs.'000	Rs.'000
Cost		
At the beginning of the year	46,354	46,354
At the end of the year	46,354	46,354
Accumulated amortzation and impairment		
At the beginning of the year	7,957	7,488
Amortization for the year	468	468
At the end of the year	8,425	7,957
Net book value as at 31st March	37,929	38,397

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 benefits 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 for which 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/amortization rate of the computer software is disclosed in Note 12 of the financial statements.

Notes to the Financial Statements contd.

Derecognition of intangible assets

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their 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.

	2026	2025
	Rs.'000	Rs.'000
Cost		
At the beginning of the year	230,229	181,061
Additions	57,030	49,168
Disposal	-	-
At the end of the year	287,259	230,229
Accumulated amortization and impairment		
At the beginning of the year	179,062	148,967
Amortisation for the year	40,153	30,095
Disposal	-	-
At the end of the year	219,215	179,062
Net book value as at 31st March	68,044	51,167

33.1 Net book value of intangible assets reported as of 31st March 2026 solely comprised of computer software which was acquired from the market.

33.2 Fully amortized Intangible assets

The cost of intangible assets as at the reporting date includes the fully amortized assets amounting to Rs 174,597,374/- (2025- Rs. 146,691,304/-)

34. FINANCIAL LIABILITIES AT AMORTISED COST - 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 is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Fixed deposits (note 34.1)	61,820,174	42,539,201
Savings deposits	191,742	235,884
	62,011,916	42,775,086

34.1 Analysis of fixed deposits by maturity date

01 to 90 days	16,855,209	4,602,172
91 to 365 days	30,796,434	23,676,503
More than 365 days	14,168,531	14,260,526
	61,820,174	42,539,201

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. 70,788,755/- as the insurance premium during the financial year (2024/2025: Rs. 54,252,263/-).

35. FINANCIAL LIABILITIES AT AMORTISED COST - DEBT 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	2026	2025
	Rs.'000	Rs.'000
Bank loans - short-term (Note 35.1)	4,245,477	300,000
Bank loans - long-term (Note 35.2)	29,827,832	6,499,626
Securitizations	5,414,111	4,135,638
Unlisted, unsecured, subordinated term loan (Note 35.3)	4,592,499	-
Other borrowings	340,000	340,000
Interest payable	1,076,374	143,655
	45,496,293	11,418,919

Reconciliation of opening to closing balance	2026	2025
	Rs.'000	Rs.'000
Bank loans - short-term		
Opening Balance	300,000	-
Addition	18,520,000	300,000
Repayment	(14,574,523)	-
Closing Balance	4,245,477	300,000
Bank loans - long-term		
Opening Balance	6,499,626	1,637,900
Addition	29,750,000	5,480,613
Repayment	(6,421,794)	(618,887)
Closing Balance	29,827,832	6,499,626

35.1 Bank loans - short-term

	Terms of Repayment		2026	2025
	Period	Payment terms	Rs.'000	Rs.'000
Hatton National Bank PLC	1 Year	Fixed Installment	-	300,000
Nations Trust Bank PLC	4 Months	At maturity	997,949	-
Seylan Bank PLC	1 Month	At maturity	499,999	-
DFCC Bank PLC	1 Month	At maturity	599,562	-
Commercial Bank of Ceylon PLC	1 Month	At maturity	200,000	-
Hatton National Bank PLC	3 Months	At maturity	250,000	-
Pan Asia Banking Corporation PLC	1 Year	At maturity	499,209	-
Cargills Bank PLC	3 Months	At maturity	500,000	-
Union Bank of Colombo PLC	3 Months	At maturity	698,758	-
			4,245,477	300,000

As at 31st March 2026, the company had available Rs.4,509 Million (2025-Rs.2,559 Million) of undrawn borrowing facilities.

Notes to the Financial Statements contd.

35.2 Bank loans - long-term

As at 31st March	Terms of Repayment			2026	2025
	Interest Rate	Period	Payment terms	Rs.'000	Rs.'000
Sampath Bank PLC	Floating Rate	3 Years	Fixed monthly installment	53,600	221,000
Hatton National Bank PLC	Floating Rate	4 Years	Fixed monthly installment	-	48,500
Cargills Bank PLC	Floating Rate	3 Years	Fixed monthly installment	16,574	116,667
Cargills Bank PLC	Floating Rate	4 Years	Fixed monthly installment	156,119	258,333
Pan Asia Banking Corporation PLC	Floating Rate	3 Years	Fixed monthly installment	166,688	333,344
Hatton National Bank PLC	Floating Rate	4 Years	Variable Installment	404,600	593,000
Nations Trust Bank PLC	Floating Rate	3 Years	Variable Installment	206,995	375,000
Hatton National Bank PLC	Fixed Rate	3 Years	Fixed Installment	438,649	776,000
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	527,791	861,115
National Savings Bank	Floating Rate	3 Years	Variable Installment	582,541	916,667
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	669,819	1,000,000
Hatton National Bank PLC	Fixed Rate	3 Years	Fixed Installment	663,576	1,000,000
Hatton National Bank PLC	Floating Rate	3 Years	Variable Installment	746,907	-
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	1,554,053	-
Sampath Bank PLC	Fixed Rate	3 Years	Fixed Installment	1,552,556	-
National Development Bank PLC	Floating Rate	3 Years	Variable Installment	1,211,834	-
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	1,662,313	-
Nations Trust Bank PLC	Floating Rate	2 Years	Variable Installment	1,494,253	-
Peoples Bank	Fixed Rate	2 Years	Fixed Installment	2,371,949	-
Cargills Bank PLC	Fixed Rate	2 Years	Fixed Installment	675,302	-
Bank of Ceylon	Fixed Rate	3 Years	Fixed Installment	1,884,356	-
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	1,883,691	-
National Development Bank PLC	Floating Rate	4 Years	Variable Installment	2,928,815	-
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	995,244	-
Hatton National Bank PLC	Floating Rate	3 Years	Variable Installment	1,996,756	-
Sampath Bank PLC	Floating Rate	4 Years	Variable Installment	4,982,852	-
				29,827,832	6,499,626

35.3 Unlisted, unsecured, subodinated term loan

The Company has obtained unlisted, unsecured, subordinated term loans amounting to Rs. 4,605 million with a maturity period of five years. The principal amount is repayable at maturity, while interest is payable annually. The facilities were obtained for the purpose of strengthening the Company's Tier 2 capital base in compliance with the applicable regulatory capital requirements.

Maturity analysis of borrowings and assets pledged details are given in note 51 and 54 to the financial statements respectively.

36. a) OTHER FINANCIAL LIABILITIES

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Vendor payable	13,326	37,689
Insurance payable	228,190	170,767
Stamp duty / WHT payable	66,264	76,961
Rentals received in advance	552,906	240,597
Other payable	77,579	64,871
	938,265	590,886

36. b) CURRENT TAX LIABILITIES

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Income tax payable	448,792	145,125
Financial Services VAT payable	84,065	49,143
	532,857	194,268

36. c) OTHER LIABILITIES

This mainly consists of unidentified deposits,cheque collected pending realization and RMV payable amounting to Rs 212 million (2026) and Rs 94 million (2025).

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.

Notes to the Financial Statements contd.

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 is also recognized in equity, and not in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	2026		2025	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Summary of net deferred tax liability	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	(2,285,294)	(685,588)	(2,500,548)	(750,165)
Amount originating/(reversing) during the year (Refer Note 15)	(927,752)	(278,326)	210,370	63,111
Deferred tax effect on revaluation surplus on PPE	673,672	202,102	-	-
Deferred tax effect on actuarial gain	(48,159)	(14,448)	4,884	1,465
Balance at the end of the year	(2,587,533)	(776,260)	(2,285,294)	(685,588)
Deferred tax asset				
Retirement benefit obligation	538,023	161,407	489,083	146,725
Unclaimed impairment provision	1,274,983	382,495	806,215	241,864
Lease Liability	(48,541)	(14,562)	74,559	22,368
	1,764,465	529,340	1,369,857	410,957
Deferred tax liability				
Accelerated depreciation for tax purpose - leased assets	(218,278)	(65,483)	(248,395)	(74,518)
Accelerated depreciation for tax purpose - owned assets	(991,417)	(297,425)	(264,454)	(79,336)
Deferred tax effect on revaluation surplus	(3,142,303)	(942,692)	(3,142,303)	(942,691)
	(4,351,998)	(1,305,600)	(3,655,151)	(1,096,545)
Net temporary difference and deferred assets/(tax liability)	(2,587,533)	(776,260)	(2,285,294)	(685,588)

37.1 Deferred tax (reversal)/ charged

	2026	2025
	Rs.'000	Rs.'000
Deferred tax charge to the statement of profit or loss	(96,983)	(63,111)
Deferred tax charge to the statement of Other comprehensive income	187,653	1,465
	90,670	(61,646)

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 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 annually.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with 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 a half month of last drawn salary for each number of years completed to the employees who completed 5 years upon termination of the employment.

As at 31st March	2026	2025
	(Rs.'000)	(Rs.'000)
38.1 Provision for retirement benefit obligations		
Balance at the beginning of the year	489,083	396,405
Income / Expenses recognized during the year (note 38.2)	149,096	151,725
Payments made during the year	(51,997)	(59,047)
Past service cost	-	-
Balance at the end of the year	586,182	489,083
38.2 Expenses recognized in the Statement of Profit or Loss and Other Comprehensive Income		
Interest cost - Statement of Profit or Loss and Other Comprehensive Income	48,908	53,118
Current service cost - Statement of Profit or Loss and Other Comprehensive Income	52,029	33,603
	100,937	86,721
Actuarial loss - Other Comprehensive Income	48,159	65,004
	149,096	151,725

Actuarial valuation of the gratuity liability was carried out as at 31st March, 2026 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 has 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.

Notes to the Financial Statements contd.

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. (2025- 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 10%).

Salary increases

A 10% p.a salary increment rate has been used in respect of the active employees. (Previous year 10%).

38.4 Sensitivity analysis

In order to show the significance of the salary escalation rate and discount rate used in the actuarial valuation as at 31st March 2026, sensitivity analysis has been carried out as follows:

Discount Rate	Salary Escalation Rate	Present Value of Defined Benefit Obligation	
		2026	2025
		(Rs.'000)	(Rs.'000)
1% Increase	As the Rate Above	563,677	467,898
1% Decrease	As the Rate Above	610,849	512,380
As the Rate Above	1% Increase	612,745	510,442
As the Rate Above	1% Decrease	561,514	469,282

38.5 Maturity profile of the Defined Benefit Obligation

	2026	2025
	(Rs.'000)	(Rs.'000)
Within the next 12 Months	118,520	48,311
Between 01 - 02 years	167,960	186,246
Between 02 - 05 years	146,808	116,834
Beyond 05 years	152,894	137,692
	586,182	489,083

Weighted average duration of Defined Benefit Obligation as at 31st March 2026 is 4.9 years. (4.9 years in 2025).

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 10.28%. (2025 -11%)

	2026	2025
	Rs.'000	Rs.'000
Lease Liability (Note 39.1)	551,119	401,997

39.1 Movement in lease liabilities

	2026	2025
	Rs.'000	Rs.'000
Balance/Restated Balance as at 01st April	401,997	273,077
Additions/renewal operating leases during the year	276,562	209,332
Accretion of the Interest	56,998	50,271
Payment to lease creditors	(184,439)	(130,682)
Balance at the end of the year	551,119	401,997

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 31st March 2026.

Increase/(Decrease) in Incremental Borrowing Rate	2026 Rs 000		2025 Rs 000	
	Sensitivity effect on Lease Liability Increase / (Reduction) in the Liability	Sensitivity effect on Interest Expense Increase / (Reduction) in profit for the year	Sensitivity effect on Lease Liability Increase / (Reduction) in the Liability	Sensitivity effect on Interest Expense Increase / (Reduction) in profit for the year
1bp Up	5,550	(1,535)	(6,292)	2,724
1bp Down	(5,502)	1,863	6,459	(2,888)

39.3 Contractual Maturity Analysis of Lease Liability

As at 31 March 2026	With in One Year	1 - 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Lease Liability	25,418	433,569	92,133	551,119

As at 31 March 2025	With in One Year	1 - 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Lease Liability	124,934	277,063	-	401,997

Notes to the Financial Statements contd.

40. STATED CAPITAL

As at 31st March	2026 (Rs.'000)	2025 (Rs.'000)
Value		
Ordinary shares	36,000	36,000
	36,000	36,000

	2026 No's	2025 No's
Number of shares in issue		
Ordinary shares - pre-split	-	3,006,000
Ordinary shares - post-split	601,200,000	-
	601,200,000	3,006,000

The Company effected a subdivision of its Ordinary Shares in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares on 9 December 2025.

Prior to the share subdivision, the Company had 3,006,000 Ordinary Shares in issue ("Pre-Subdivision Shares"). Pursuant to the subdivision in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares, the number of issued Ordinary Shares increased to 601,200,000 Ordinary Shares ("Post-Subdivision Shares"), with no change in the stated capital of the Company.

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.

41.1 Revaluation Reserve- Company

	2026 (Rs.'000)	Restated 2025 (Rs.'000)
Balance at the beginning of the year (previously reported)	2,279,152	2,279,152
Prior year adjustment - Transfer of cumulative excess depreciation from revaluation reserve to retained earnings, net of deferred tax	(70,385)	(57,896)
Balance at the beginning of the year (restated)	2,208,767	2,221,256
Increase during the year due to revaluation	673,672	-
Deferred tax effect	(202,102)	-
Transfer of excess depreciation charge on revaluation to retained earnings	(12,541)	(12,489)
Balance at the end of the year	2,667,796	2,208,767

During the year, the Company adopted a policy of transferring excess depreciation arising on revalued property, plant and equipment from the revaluation reserve to retained earnings in accordance with LKAS 16. Consequently, cumulative excess depreciation relating to prior years amounting to Rs. 57.896 million was transferred from the revaluation reserve to retained earnings as an opening equity adjustment as at 1 April 2024. The adjustment has no impact on profit or loss, total equity, net assets or cash flows. Refer to note 55 to the financial statements.

41.2 Associate Company Reserve

	2026 (Rs.'000)	2025 (Rs.'000)
Balance at the beginning of the year	718,388	605,297
Increase during the year through FVOCI	8,493	113,091
Transfer out realized gain on disposed revalued building	-	-
Deferred tax effect	-	-
Balance at the end of the year	726,881	718,388

Revaluation reserve (Company & Associates) can be utilized for dividend distribution upon realization

42. STATUTORY RESERVE FUND

	2026 Rs.'000	2025 Rs.'000
Balance at the beginning of the year	941,400	887,400
Transfers during the year	229,800	54,000
Balance at the end of the year	1,171,200	941,400

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued under the Finance Companies Act (amended) applicable to Registered Finance Companies. In terms of the said Direction, every Registered Finance Company is required to maintain a reserve fund, out of the net profit for each year. A minimum of 5% of the net profit shall be transferred to the reserve fund where the capital funds are not less than 25% of total deposit liabilities. Where the capital funds are less than 25% of total deposit liabilities (but, not less than 10% thereof), a minimum of 20% of the net profit shall be transferred to the reserve fund.

Accordingly, the Company transferred 20% of its net profit to the statutory reserve fund during the year ended 31 March 2026, compared to 5% transferred during the comparative year.

43. GENERAL RESERVE

	2026 Rs.'000	2025 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.

Notes to the Financial Statements contd.

44. RETAINED EARNINGS

	2026	2025
	Rs.'000	Rs.'000
Balance at the beginning of the year (previously reported)	4,829,865	3,122,457
Excess depreciation charge on revaluation, net of deferred tax (restatement)	70,384	57,896
Balance at the beginning of the year (restated)	4,900,249	3,180,354
Profit for the year	1,148,565	1,074,666
Other comprehensive income - Acturial gain / (Loss)	(33,711)	(63,539)
Transfer to statutory reserve	(229,800)	(54,000)
Transfer from OCI reserve	123,021	94,802
Transfer from/ (to) regulatory loss allowance reserve	336,894	730,628
Excess depreciation charge on revaluation	12,541	12,489
Dividend paid	(149,098)	(75,150)
Balance at the end of the year	6,108,661	4,900,249

During the year, the Company adopted a policy of transferring excess depreciation arising on revalued property, plant and equipment from the revaluation reserve to retained earnings in accordance with LKAS 16. Consequently, cumulative excess depreciation relating to prior years amounting to Rs. 57.896 million was transferred from the revaluation reserve to retained earnings as an opening equity adjustment as at 1 April 2024. The adjustment has no impact on profit or loss, total equity, net assets or cash flows. Please refer to note 55 to the financial statements.

45. REGULATORY LOSS ALLOWANCE RESERVE

In terms of Section 7.1.3 of Finance Business Act Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities issued by the Central Bank of Sri Lanka, a Licensed Finance Company is required to maintain a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings where the loss allowance for expected credit losses recognized under SLFRS 9 is lower than the regulatory provision requirement.

As at 31 March 2026, the loss allowance recognized under SLFRS 9 exceeded the regulatory provision requirement. Accordingly, no Regulatory Loss Allowance Reserve was required to be maintained as at the reporting date (2025: Rs. 336.89 million).

Consequently, the Regulatory Loss Allowance Reserve maintained as at 31 March 2025 amounting to Rs. 336.89 million was transferred to retained earnings during the year in accordance with Section 7.1.3 of the Direction.

	2026	2025
	Rs.'000	Rs.'000
Balance at the beginning of the year	336,894	1,067,521
Transfer from retained earnings	(336,894)	(730,628)
Balance at the end of the year	-	336,894

46. FAIR VALUE THROUGH OCI RESERVE

	2026	2025
	Rs.'000	Rs.'000
Balance at the beginning of the year	608,405	80,812
Transfer to retained earning	(123,021)	(94,802)
Net gain / (losses) on remeasuring of FVOCI (note 46.1)	433,409	622,395
Balance at the end of the year	918,793	608,405

46.1 Net gain / (losses) on remeasuring of FVOCI

Government securities unrealised gain / (losses)	(6,848)	(8,600)
Equity investments gain / (losses)	440,257	630,994
	433,409	622,395

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 2026.

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 their 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. Litigations 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 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 there are no 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 activities in the nature of a trust which may have an impact on its financial results, financial position or liquidity.

Notes to the Financial Statements contd.

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 arm's length basis.

50.1 Parent and ultimate controlling party

The Company does not have an identifiable parent.

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 directors) 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 purposes. Current year depreciation Rs. 3.02Mn (FY 2025 - 3.02Mn)

For the year ended 31st March	2026	2025
	Rs.'000	Rs.'000
Short - term employee benefits	189,090	163,234
Other cost - Directors	33,187	43,505
	222,276	206,739
As at 31st March		
Retirement benefit obligations	167,167	140,126

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 the KMP.

Statement of financial position	2026	2025
	Rs.'000	Rs.'000
Liabilities		
Deposits	728,439	812,763
Borrowings	340,000	340,000
Interest Payable	2,267	2,267
	1,070,706	1,155,030
Statement of profit or loss and other comprehensive income		
Interest expenses	51,510	122,379
Other Expenses	6,033	239
Other transactions		
Dividend paid on shareholding	65,983	36,346

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	2026	2025
	Rs.'000	Rs.'000
Assets		
Loan & Advances	4,259	5,515
Insurance commision receivable	52,730	35,839
Other Receivables	17,294	7,655
Total	74,283	49,009
Accommodation as a % of capital funds	0.72%	0.41%
Liabilities		
Deposits	1,317,187	2,201,206
Insurance premium payable	199,613	170,767
Accrued expenses	4,758	3,258
	1,521,558	2,375,231

Statement of profit or loss and other comprehensive income	2026	2025
	Rs.'000	Rs.'000
For the year ended 31st March		
Interest Income on Loans & Advances	559	189
Rent Income	8,400	8,760
Insurance Commision Income	109,803	92,626
Other Income	4,245	9,063
Interest Expenses on Fixed Deposit	70,384	186,634
Security Expenses	52,469	40,649
Other Expenses	1,341	2,186
Other Transactions		
Dividend Paid on shareholdings	51,373	31,214

50.4.2 Transactions with Associate

Statement of financial position

As at 31st March	2026	2025
	Rs.'000	Rs.'000
Assets		
Other Receivables	799	153
Liabilities		
Deposits	1,811,999	1,568,398

Statement of profit or loss and other comprehensive income	2026	2025
	Rs.'000	Rs.'000
For the year ended 31st March		
Interest expenses on fixed deposits	154,546	129,967
Rent income	1,800	1,800
Other income	4,275	2,094
Other Expenses	607	9

Notes to the Financial Statements contd.

50.5 Disclosures on related party transactions according to the section 9 of the listing rules

During the year the Company has entered into 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 paid to Mercantile Fortune Insurance Brokers (Pvt) Ltd.	2,149,413	12.94%	Premium paid at market rate

51. ASSETS PLEDGED

The following assets have been pledged as security for banking and other secured borrowings.

Nature of the assets	Nature of the liabilities	Included under	As at 31.03.2026 (Rs. 000)	As at 31.03.2025 (Rs. 000)
Loans and advances	Financial liabilities at amortised cost - Debt instruments issued and other borrowings + bank overdrafts	Financial assets at amortised cost - Loans and advances	37,601,491	9,124,517
Finance lease receivable		Financial assets at amortised cost - Finance lease receivables	15,739,685	3,819,450
Freehold land and building		Property, Plant and Equipment	614,000	517,080
Investment in quoted shares		Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	309,711	190,246

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 in 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, except for the following.

a) Rights Issue completed in May 2026

On 11 February 2026, the Board of Directors of the Company resolved to issue up to 33,400,000 ordinary shares by way of a Rights Issue to raise Rs. 1,102 million, subject to shareholder approval. Shareholder approval for the Rights Issue was subsequently obtained at the Extraordinary General Meeting held on 21 April 2026. The Rights Issue was undertaken with the objective of strengthening the Company's capital base and enhancing its capital adequacy ratios in line with projected business expansion and regulatory capital requirements.

The shares were offered at a price of Rs. 33/- per ordinary share on the basis of 1 (one) new ordinary share for every 18 (eighteen) ordinary shares held by existing shareholders.

The Company received subscription proceeds amounting to Rs. 1,107 million from shareholders during May 2026, and the Rights Issue was completed on 25th May 2026 with the final allotment of shares.

Following the completion of the Rights Issue, the stated capital of the Company increased from Rs. 36 million represented by 601,200,000 ordinary shares to Rs. 1,138 million represented by 634,600,000 ordinary shares.

The new ordinary shares issued under the Rights Issue were listed on 4 June 2026.

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, 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 have been identified based on the products and services offered by the company whose level of risk and rewards are significantly different from one another and management believes that information about the segment would be useful to users of the financial statements.

The operating businesses 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 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 and 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 of a reasonable basis. The accounting policies adopted for segment reporting are those adopted for preparing financial statements of the company. Inter-segment transfers are accounted at arm's length basis.

Business Segments

The following table presents the income, profit, assets and liability information on the Company business segments for the year ended 31st March, 2026 and comparative figures for the year ended 31st March, 2025.

Notes to the Financial Statements Contd.

53. 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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
External operating income				
Interest income	6,478,338	5,867,619	3,573	-
Interest expenses	3,210,862	2,735,364	1,654	-
Net interest income/(expenses)	3,267,476	3,132,255	1,919	-
Fee and commission income	39,027	169,742	-	-
Capital gains/ (losses)	-	-	-	-
Dividends	-	-	-	-
Others	-	-	-	-
Total operating income	3,306,504	3,301,997	1,919	-
Impairment charge/(reversal) for loans and receivables / Equity Investments	172,301	288,810	39,942	(7,959)
Net operating income	3,134,203	3,013,186	(38,024)	7,959
Personnel expenses	1,043,577	1,079,303	572	-
Commission	-	-	-	
Depreciation and amortisation	131,438	131,747	72	-
Disallowed VAT on expenses	48,935	60,444	27	-
Other overheads	848,311	848,321	465	-
	2,072,261	2,119,815	1,136	-
Operating profit before value added tax on financial services	1,061,942	893,371	(39,160)	7,959
Value added tax and NBT on financial services	415,669	380,334	228	-
Operating profit after value added tax on financial services	646,274	513,037	(39,387)	7,959
Share of associate company's profit before taxation				
Profit before taxation from operations				
Income tax expenses				
Profit for the year				
Segment assets	29,710,908	25,260,543	33,690	80,729
Segment liabilities	26,055,421	20,372,097	29,545	64,984
Net assets	3,655,487	4,888,446	4,145	15,745

Loans & Advances		Investments		Others		Total	
2026	2025	2026	2025	2026	2025	2026	2025
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
8,775,916	4,511,297	574,276	619,790	-	-	15,832,103	10,998,708
4,299,718	2,112,913	277,289	305,817	65,905	52,046	7,855,428	5,206,140
4,476,198	2,398,384	296,988	313,973	(65,905)	(52,046)	7,976,676	5,792,568
511,930	267,867	-	-	115,371	92,626	666,329	530,235
-	-	(10,334)	-	-	-	(10,334)	(8)
-	-	35,034	75,557	-	-	35,034	75,557
-	-	-	-	87,594	104,403	87,594	104,403
4,988,128	2,666,251	321,688	389,530	137,060	144,983	8,755,299	6,502,755
237,993	(71,302)	-	-	25,662	15,099	475,898	224,648
4,750,135	2,737,554	321,688	389,530	111,398	129,884	8,279,401	6,278,107
1,487,193	854,375	95,910	124,308	32,499	35,223	2,659,751	2,093,207
		-	-	21,214	21,238	21,214	21,238
187,312	104,291	12,080	15,174	4,093	4,300	334,995	255,511
69,737	47,848	4,497	6,962	1,524	1,973	124,720	117,226
1,208,921	671,529	77,964	97,704	26,418	27,685	2,162,079	1,645,238
2,953,162	1,678,042	190,450	244,148	85,749	90,418	5,302,759	4,132,420
1,796,973	1,059,512	131,237	145,382	25,649	39,466	2,976,642	2,145,687
592,366	301,071	38,202	43,805	12,945	12,412	1,059,410	737,622
1,204,607	758,440	93,035	101,578	12,704	27,054	1,917,232	1,408,066
						212,050	199,266
						2,129,282	1,607,331
						(980,716)	(532,665)
						1,148,565	1,074,666
72,166,154	27,972,014	9,382,932	9,027,981	16,440,181	8,833,311	127,733,865	71,174,574
63,287,177	22,523,733	8,228,501	7,266,964	14,417,460	7,110,267	112,018,104	57,338,041
8,878,977	5,448,281	1,154,431	1,761,017	2,022,721	1,723,044	15,715,761	13,836,533

Notes to the Financial Statements contd.

54. CURRENT AND NON-CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of Assets and Liabilities analyzed according to when they are expected to be recovered or settled.

As at 31st March	2026			2025		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Financial assets						
Cash and cash equivalents	9,303,037	-	9,303,037	2,724,044	-	2,724,044
Placement with banks	37,059	-	37,059	37,254	-	37,254
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	5,063,315	1,925,131	6,988,446	6,173,641	1,026,292	7,199,933
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	349,833	-	349,833	344,772	-	344,772
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquote	-	70,427	70,427	-	70,427	70,427
Financial assets at amortised cost - Loans and advances	54,200,519	17,965,635	72,166,154	20,193,083	7,778,931	27,972,014
Financial assets at amortised cost - Finance lease receivables	11,839,926	17,870,982	29,710,908	9,771,279	15,489,264	25,260,543
Financial assets at amortised cost - Hire purchase receivables	33,690	-	33,690	3,209	77,520	80,729
Other financial assets	-	311,007	311,007	-	284,228	284,228
Total financial assets	80,827,380	38,143,182	118,970,562	39,247,282	24,726,662	63,973,944
Non-financial assets						
Inventories	184,749	-	184,749	-	73,839	73,839
Investment in associates	-	1,937,126	1,937,126	-	1,716,582	1,716,582
Other non financial assets	-	271,399	271,399	-	222,488	222,488
Property, plant and equipment	-	5,427,668	5,427,668	-	4,512,330	4,512,330
Leasehold property	-	37,929	37,929	-	38,397	38,397
Intangible assets	-	68,045	68,045	-	51,167	51,167
Investment property	-	236,726	236,726	-	258,390	258,390
Right-of-use assets	-	599,661	599,661	-	327,439	327,439
Total non-financial assets	184,749	8,578,554	8,763,303	-	7,200,632	7,200,632
Total assets	81,012,129	46,721,735	127,733,865	39,247,282	31,927,294	71,174,574
Liabilities						
Financial liabilities						
Bank overdraft	912,248	-	912,248	687,242	-	687,242
Financial liabilities at amortised cost - Deposits due to customers	47,847,258	14,164,658	62,011,916	33,595,432	9,179,654	42,775,086
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	19,229,288	26,267,005	45,496,293	4,920,614	6,498,306	11,418,919
Other financial liabilities	938,265	-	938,265	-	590,886	590,886
Total financial liabilities	68,927,058	40,431,663	109,358,723	39,203,287	16,268,845	55,472,132
Non-financial liabilities						
Current tax liabilities	532,858	-	532,858	194,269	-	194,269
Deferred tax liability	-	776,260	776,260	-	685,588	685,588
Other liabilities	212,961	-	212,961	-	94,972	94,972
Retirement benefit obligation	-	586,182	586,182	-	489,083	489,083
Lease Liability	-	551,119	551,119	-	401,997	401,997
Total non-financial liabilities	745,819	1,913,561	2,659,380	194,269	1,671,640	1,865,909
Total liabilities	69,672,878	42,345,224	112,018,104	39,397,556	17,940,485	57,338,041
Net assets/ liabilities	11,339,251	4,376,509	15,715,761	(150,274)	13,986,809	13,836,533

55. RESTATEMENT OF FINANCIAL STATEMENTS

Voluntary change in Accounting Policy

During the year ended 31 March 2026, the Company revised its accounting policy as permitted under LKAS 16 – Property, Plant and Equipment, whereby the excess depreciation arising on revalued property, plant and equipment is transferred from the Revaluation Reserve to Retained Earnings as the related assets are utilized.

Excess depreciation represents the difference between depreciation calculated based on the revalued carrying amount of the asset and depreciation calculated based on its original historical cost. In accordance with paragraph 41 of LKAS 16, such transfers may be made directly from the Revaluation Reserve to Retained Earnings and are recognized entirely within equity without affecting profit or loss.

Accordingly, cumulative excess depreciation amounting to Rs. 57.896 million relating to prior years has been recognized as an opening equity adjustment as at 1 April 2024. The same adjustment for the year ended 31 March 2025 is Rs. 12.489 million. The adjustment resulted in a decrease in the Revaluation Reserve and a corresponding increase in Retained Earnings. The adjustment had no impact on profit or loss, total equity, net assets or cash flows.

55.1 Impact on the Statement of Financial Position as at 31st March 2025

	Previously Reported	Adjustment	Restated
	Rs'000	Rs'000	Rs'000
Assets			
Cash and balances with banks	2,724,044	-	2,724,044
Placement with banks at Amortized cost	37,254	-	37,254
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	27,972,014	-	27,972,014
Financial assets at amortised cost - Finance lease receivables	25,260,543	-	25,260,543
Financial assets at amortised cost - Hire purchase receivables	80,729	-	80,729
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	70,427
Other financial assets	284,228	-	284,228
Inventories	73,839	-	73,839
Other assets	222,488	-	222,488
Investment in associates	1,716,582	-	1,716,582
Investment Property	258,390	-	258,390
Property, Plant and Equipment	4,512,330	-	4,512,330
Right-of-use assets	327,439	-	327,439
Leasehold property	38,397	-	38,397
Intangible assets	51,167	-	51,167
Total assets	71,174,574	-	71,174,574
Liabilities			
Bank overdrafts	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	590,886	-	590,886
Current tax liabilities	194,269	-	194,269
Deferred tax liabilities	685,588	-	685,588
Other liabilities	94,972	-	94,972
Retirement benefit obligations	489,083	-	489,083
Lease Liability	401,997	-	401,997
Total liabilities	57,338,041	-	57,338,041

Notes to the Financial Statements contd.

	Previously Reported	Adjustment	Restated
	Rs'000	Rs'000	Rs'000
Shareholders' funds			
Stated capital	36,000	-	36,000
Revaluation reserve - Land and Buildings	2,279,152	(70,385)	2,208,767
Revaluation reserve - Associate Company reserve	718,388	-	718,388
Statutory reserve fund	941,400	-	941,400
General reserves	4,086,430	-	4,086,430
Retained earnings	4,829,864	70,385	4,900,249
Regulatory loss allowance reserve	336,894	-	336,894
Fair Value through OCI reserve	608,405	-	608,405
Total shareholders' funds	13,836,533	-	13,836,533
Total liabilities and shareholders' funds	71,174,574	-	71,174,574

55.2 Impact on the Statement of Financial Position as at 01 April 2024

	Previously Reported	Adjustment	Restated
	Rs'000	Rs'000	Rs'000
Assets			
Cash and balances with banks	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	6,427,831	-	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	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
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	70,427
Other financial assets	289,256	-	289,256
Inventories	101,181	-	101,181
Other assets	179,494	-	179,494
Investment in associates	1,404,225	-	1,404,225
Investment Property	260,056	-	260,056
Property, Plant and Equipment	4,391,241	-	4,391,241
Right-of-use assets	215,306	-	215,306
Leasehold property	38,866	-	38,866
Intangible assets	32,094	-	32,094
Total assets	53,230,714	-	53,230,714
Liabilities			
Bank overdrafts	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
Current tax liabilities	236,812	-	236,812
Deferred tax liabilities	750,164	-	750,164
Other liabilities	114,914	-	114,914
Retirement benefit obligations	396,405	-	396,405
Lease Liability	273,077	-	273,077
Total liabilities	41,065,644	-	41,065,644

	Previously Reported	Adjustment	Restated
	Rs'000	Rs'000	Rs'000
Shareholders' funds			
Stated capital	36,000	-	36,000
Revaluation reserve - Land and Buildings	2,279,153	(57,896)	2,221,256
Revaluation reserve - Associate Company reserve	605,297	-	605,297
Statutory reserve fund	887,400	-	887,400
General reserves	4,086,430	-	4,086,430
Retained earnings	3,122,457	57,896	3,180,353
Regulatory loss allowance reserve	1,067,522	-	1,067,522
Fair Value through OCI reserve	80,812	-	80,812
Total shareholders' funds	12,165,070	-	12,165,070
Total liabilities and shareholders' funds	53,230,714	-	53,230,714

56. RECLASSIFICATIONS

(a). Fee and Commission Income and Fee and Commission Expenses

The following reclassification has been made to more appropriately reflect the nature of the underlying revenue. Accordingly, comparative figures for the year ended 31 March 2025 have been reclassified as follows:

	Previously reported 2025	Adjustments 2025	Reclassified 2025
	Rs.'000	Rs.'000	Rs.'000
Interest income	11,643,483	(644,775)	10,998,708
Fee and commission income	92,626	437,610	530,236
Other operating income	215,892	(35,941)	179,951
Other operating expense	1,976,395	(213,931)	1,762,464
Interest Expense	5,256,552	(50,413)	5,206,139
Fee and commission expense	-	21,237	21,237

(b). Financial Assets at amortised cost and Financial liabilities

Excess installment payment made by customers in respect of loans and advances, lease receivables and hire purchase receivables of the company has been reclassified in comparative information for better presentation as follows,

	Previously reported 2025	Adjustments 2025	Reclassified 2025
	Rs.'000	Rs.'000	Rs.'000
Financial assets at amortised cost - Loans and advances	27,931,006	41,008	27,972,014
Financial assets at amortised cost - Finance lease receivables	25,060,964	199,579	25,260,543
Financial assets at amortised cost - Hire purchase receivables	80,718	11	80,729
Other financial liabilities	350,288	240,598	590,886

Notes to the Financial Statements contd.

57. FINANCIAL RISK MANAGEMENT

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57.2 Introduction

To manage evolving risks from on-going business growth and industry dynamics led risk environment , MI ('Mercantile Investments and Finance PLC') board has established a strong approach to risk management. Additional measures were taken to strengthen the framework and governance to ensure effective proactive measures are instilled in a prompt manner to avoid losses and impacts. 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.

57.2.1 Board's Role in Risk Management

MI's Risk Management overseeing from Board level is carried out through the 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), Information Security committee (ISC), 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 assist the BIRMC directly or indirectly in ensuring sound risk governance prevails across key functions of MI's business operation.

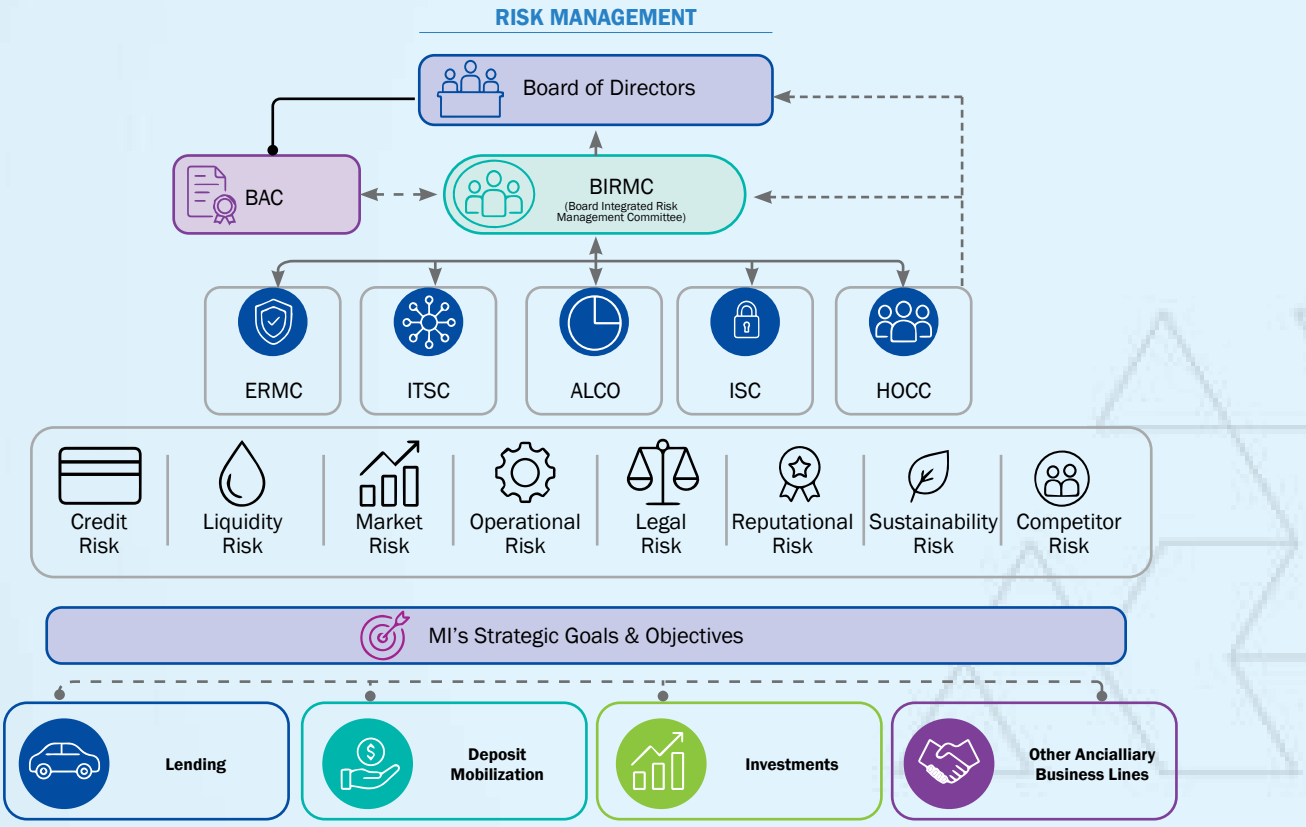
MI's risk management policies and procedures are properly aligned to our overall businesses strategy to safeguard and counter against material risks, in keeping to sound governance practices and finance industry standards, Based on proper understanding of our operating context, management has established 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.

57.2.2 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. For each type of Risk the actual reach level versus level down tolerance limits with deviations is illustrated in the Statement of Risk Appetites 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 illustrated provides an insight on various risks MI is exposed due to its types of business and how the derived respective risk measurement outputs are monitored and escalated upward from Chief Risk Officer (CRO) through Board Integrated Risk Management Committee (BIRMC) to the Board.

57.2.3 MI's Integrated Risk Management Framework



Notes to the Financial Statements contd.

57.3 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 importance and a vital element in MI's overall risk management strategy. As the company's loan book exceeds Rs. 100 billion it is therefore necessary to maintain a strong monitoring system and deploy effective, preemptive and prompt actions , including measures to maintain asset quality where it is threatened.

Management takes into account of all indicators of credit risk exposures (This includes product risk, individual borrowers 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).

57.3.1 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 2025/26 in keeping to SLFRS 9.

57.3.1. A Credit Quality by Class of Financial Assets - As at 31st March 2026 (as per SLFRS 9)

Financial Assets	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash and Cash Equivalents	9,303,037	-	-	-	9,303,037
Placements with banks	37,059	-	-	-	37,059
Financial Assets Measured at FVOCI (quoted)	6,988,446	-	-	-	6,988,446
Financial Assets Measured at FVPL	349,833	-	-	-	349,833
Loans & Receivables	-	50,604,543	21,367,356	1,071,351	73,043,249
Finance Lease Receivables	-	12,998,334	15,986,841	2,018,249	31,003,423
Hire Purchase Receivables	-	3,986	-	273,720	277,706
Financial Assets Measured at FVOCI (unquoted)	70,427	-	-	-	70,427
Other Financial Assets	311,007	-	-	-	311,007
	17,059,809	63,606,862	37,354,197	3,363,319	121,384,188

Commentary

Out of MI's total loan portfolio, 61% comprises of ECL stage 1 assigned loans and receivables, (FY 2024/25 -79%) comprising of loans contracts not credit impaired and deemed higher credit quality standing, based on day's post due basis adopted to identify staging level. Despite the growth in loan book , stage 3 ECL credit impaired improved to 3% compared to 5% in the year before, indicating controlled non performing movement.

57.3.1.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 2026 (as per SLFRS 9)

	Neither Past Due Nor Impaired - High Grade	Past due not impaired Age analysis		
		ECL Stage 1	ECL Stage 2	ECL Stage 3
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Loans & Receivables	22,947,085	27,657,457	21,367,356	1,071,351
Finance Lease Receivables	8,675,975	4,322,359	15,986,841	2,018,249
Hire Purchase Receivables	58	3,928	-	273,720
	31,623,117	31,983,745	37,354,197	3,363,319

Commentary

30% of MI's loan book was classified under the "high grade performing" category with no past due amounts, compared to 58% recorded in previous year. The reduction was observed due to contracts shifting mainly to stage 1 and 2 ,deemed temporary on accounts of economic impact immerging from 'Ditwa' , middle east conflicts and domestic factors.

Measurement Assumptions

Credit quality is measured in terms of the collection status and categorized for risk analysis. Below definitions are used to define different stages of the credit collection cycle.

- Impairment: The amount by which the recoverable amount of an asset is less than its carrying amount.
- Individual Impairment: Significant lending contracts are assessed individually for impairment. Assets are tested under individual impairment if the carrying value of a credit contract is greater than a pre-determined threshold specified for product categories. This enables the Company to take a greater prudent approach to the credit risk of high exposure contracts.
- Collective Impairment: All the lending contracts other than contracts which are considered for Individual Impairment, are assessed under collective basis.
- Past Due: MI considers any amount uncollected one day or more beyond their contractual due date are 'past due'.
- Neither past due nor impaired: High grade customer group with zero past due basis.
- Stage 1 : Company determines 12 month ECL from customers who are not significantly credit deteriorated, (i.e. 0 to 30 days past due).
- Stage 2 : Significant credit deterioration is measured through the rebuttable presumption of more than 30 days and less than or equal to 90 days past due in line with the requirements of the standard.
- Stage 3 : Credit impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard.

57.3.1.C Credit Quality by Class of Financial Assets - As at 31st March 2025 (as per SLFRS 9)

Financial Assets	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Total
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash and Cash Equivalents	2,724,044	-	-	-	2,724,044
Placements with banks	37,254	-	-	-	37,254
Financial Assets Measured at FVOCI (quoted)	7,199,933	-	-	-	7,199,933
Financial Assets Measured at FVTPL	344,772	-	-	-	344,772
Loans & Receivables		24,539,639	3,308,489	717,232	28,565,360
Finance Lease Receivables	-	18,724,565	5,735,738	1,692,726	26,153,029
Hire Purchase Receivables	-	310	-	286,582	286,892
Financial Assets Measured at 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

57.3.1.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 2025 (as per SLFRS 9)

	Neither Past Due Nor Impaired - High Grade	Past due not impaired Age analysis		
		ECL Stage 1	ECL Stage 2	ECL Stage 3
	Rs. 000	Rs. 000	Rs. 000	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

Notes to the Financial Statements contd.

57.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2026

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	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash and Cash Equivalents					
Gross carrying amount as at April 1, 2025	2,724,044	2,724,044	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	6,578,993	6,578,993	-	-	-
Financial assets derecognized or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2026	9,303,037	9,303,037	-	-	-
Placements with banks					
Gross carrying amount as at April 1, 2025	37,254	37,254	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	(195)	(195)	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2026	37,059	37,059	-	-	-
Financial assets measured at FVOCI (quoted)					
Gross carrying amount as at April 1, 2025	7,199,933	7,199,933	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	(211,487)	(211,487)	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2026	6,988,446	6,988,446	-	-	-
Financial assets measured at FVPL					
Gross carrying amount as at April 1, 2025	344,772	344,772	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	5,061	5,061	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2026	349,833	349,833	-	-	-
Financial assets at amortised cost – Loans & Receivables					
Gross carrying amount as at April 1, 2025	28,565,360	-	24,539,639	3,308,489	717,232
Transfer to Stage	(0.0)	-	(2,392,533)	2,158,838	233,694
New assets originated or purchased	85,526,734	-	57,876,587	27,057,526	592,621
Financial assets derecognised or repaid (excluding write-offs)	(41,046,931)	-	(29,419,150)	(11,157,497)	(470,283)
Write-offs	(1,913)	-	-	-	(1,913)
As at March 31, 2026	73,043,249	-	50,604,543	21,367,356	1,071,351

	Carrying Amount	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial assets at amortised cost – Finance lease receivables					
Gross carrying amount as at April 1, 2025	26,153,029	-	18,724,565	5,735,738	1,692,726
Transfer to Stage	-	-	(5,414,670)	4,869,267	545,403
New assets originated or purchased	24,078,549	-	11,025,471	12,873,461	179,616
Financial assets derecognised or repaid (excluding write-offs)	(19,225,178)	-	(11,337,032)	(7,491,625)	(396,520)
Write-offs	(2,976)	-	-	-	(2,976)
As at March 31, 2026	31,003,423	-	12,998,334	15,986,841	2,018,249
Financial assets at amortised cost – Hire Purchase receivables					
Gross carrying amount as at April 1, 2025	286,892	-	310	-	286,582
Transfer to Stage	-	-	3,676	-	(3,676)
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(8,399)	-	-	-	(8,399)
Write-offs	(787)	-	-	-	(787)
As at March 31, 2026	277,706	-	3,986	-	273,720
Financial assets measured at FVOCI (unquoted)					
Gross carrying amount as at April 1, 2025	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, 2026	70,427	70,427	-	-	-
Other Financial Assets					
Gross carrying amount as at April 1, 2025	284,228	284,228	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	26,779	26,779	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2026	311,007	311,007	-	-	-

Notes to the Financial Statements contd.

57.3.1.F Provision for Impairment (ECL) Movement (as per SLFRS 9)- As at 31st March 2026

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)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Total
			Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial assets at amortised cost – Loans & Receivables						
Provision for impairment (ECL) as at April 1, 2025			107,230	50,850	415,970	574,050
Transfer to Stage			(37,764)	14,291	23,473	-
Net remeasurement of impairment			122,029	88,638	423	211,091
New assets originated or purchased			58,299	191,540	60,690	310,529
Financial assets derecognised or repaid (excluding write-offs)			(95,399)	(133,854)	(54,376)	(283,629)
Write offs and Recoveries			-	-	(1,913)	(1,913)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2026	23	298	154,395	211,465	444,267	810,128
Financial assets at amortised cost – Finance lease receivables						
Provision for impairment (ECL) as at April 1, 2025			64,471	52,195	822,380	939,046
Transfer to Stage			(80,995)	38,091	42,904	-
Net remeasurement of impairment			48,102	95,192	117	143,410
New assets originated or purchased			56,948	82,855	15,536	155,339
Financial assets derecognised or repaid (excluding write-offs)			(15,568)	(60,414)	(50,474)	(126,456)
Write offs and Recoveries			-	-	(2,976)	(2,976)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2026	24	300	72,958	207,919	827,486	1,108,363
Financial assets at amortised cost – Hire Purchase receivables						
Provision for impairment (ECL) as at April 1, 2025			23,274	-	153,579	176,853
Transfer to Stage			3,676	-	(3,676)	-
Net remeasurement of impairment			(26,900)	-	66,844	39,944
New assets originated or purchased			-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)			-	-	-	-
Write offs and Recoveries			-	-	(787)	(787)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2026	25	302	50	-	215,959	216,009

57.3.2 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, 2026	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Stage 3 loans and advances of customers as at April 1,	717,232	1,692,727	286,582	2,696,541
Newly classified as impaired loans and advances during the year	592,621	179,616	-	772,238
Net change in already impaired loans and advances during the year	233,694	545,403	(3,676)	775,421
Net payment, write-off and recoveries and other movement during the year	(472,197)	(399,497)	(9,186)	(880,880)
Impaired loans and advances of customers as at March 31,	1,071,351	2,018,250	273,720	3,363,320

As at March 31, 2025	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
	Rs'000	Rs'000	Rs'000	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	1,692,727	286,582	2,696,541

Stage 3 loans comprise of contracts with over 90 days past due status deemed impaired in accordance with the ECL methodology adopted by the company in adhering to SLFRS/LKAS.

57.3.3 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 2026 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 2026 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	8,902	9,161	407	18,470	(18,470)
PD 1% decrease across all age buckets *	(8,902)	(9,161)	(407)	(18,470)	18,470
LGD 5% increase	55,212	174	33	55,419	(55,419)
LGD 5%decrease	(55,212)	(174)	(33)	(55,419)	55,419
Probability weighted Economic Scenarios					
Base case 10% increase, worst case 5% decrease and best case 5% decrease	98	270	80	448	(448)
Base case 10% decrease, worst case 5% increase and best case 5% increase	(98)	(270)	(80)	(448)	448

The PD/LGD decrease is capped to 0%, if applicable.

Commentary

Based on the "Sensitivity analysis carried out on impairment parameters and its effects, the Statement of Financial Position [Increase/ (Decrease) in impairment provision]", Rs. 18.5 Million and Rs.55.4 Million charge respectively will have to be accounted in the Income Statement. Accordingly, the impact to the Capital Adequacy Ratio would be negligible.

Notes to the Financial Statements contd.

57.3.4 Types of Collateral Taken to Minimise Credit Exposure

57.3.4.A Collateral Held

Type of Lending	Collateral generally obtained
Lease & Hire Purchase	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	Personal Guarantees from Individual and/or Corporate guarantees. Any movable and non movable property
Micro Finance, Cheque Loans	Promissory notes and Personal Guarantees
Gold Loans	Gold articles

57.3.4.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 2025/26 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							
	2025/26				2024/25			
	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
	-	1,447,021	-	1,447,021				
0-20	515,338	88,698	-	604,036	375,744	162,005	-	537,749
20-40	3,735,543	773,846	-	4,509,389	2,130,199	1,115,768	-	3,245,967
40-60	16,202,329	3,436,871	-	19,639,200	6,207,398	4,274,241	-	10,481,639
60-70	30,279,841	11,236,676	-	41,516,517	9,302,571	9,764,387	-	19,066,958
70-80	15,936,689	2,892,642	-	18,829,330	24,702,536	4,476,152	-	29,178,688
80-90	6,307,274	-	-	6,307,274	-	-	-	-
90-100	2,597	-	-	2,597	1,048,000	-	-	1,048,000
	72,979,610	19,875,753	-	92,855,364	43,766,447	19,792,553	-	63,559,000

Commentary

LTV remained below 80% for approximately 92% of new lending business carried out during the year, indicating adequate collateral backing to cover against the remaining credit exposure. The Company strictly adhere to CBSL Directions issued on motor vehicles. The Company strictly adhere to CBSL Directions issued on motor vehicles.

57.3.4. 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 2026		31st March 2025	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Cash and Cash Equivalents	9,303,037	9,303,037	2,724,044	2,724,044
Placements with banks	37,059	37,059	37,254	37,254
Financial Assets Measured at FVOCI (quoted)	6,988,446	6,988,446	7,199,933	7,199,933
Financial Assets Measured at FVPL	349,833	349,833	344,772	344,772
Loans & Receivables	72,166,154	-	27,972,014	-
Finance Lease Receivables	29,710,908	-	25,260,543	-
Hire Purchase Receivables	33,690	-	80,729	-
Financial Assets Measured at FVOCI (unquoted)	70,427	70,427	70,427	70,427
Other Financial Assets	311,007	311,007	284,228	284,228
	118,970,562		63,973,942	

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. As an additional safeguard, guarantors are required particularly for lease and hire purchase contracts.

Measurement Assumptions

- The value of collateral represents the market value of the collateral asset at the time of granting the credit facility.
- Net exposure was arrived by deducting the total value of the collateral from the total carrying value.

57.3.5 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.

57.3.5. A. Sector Wise Analysis

Sector wise analysis of loans and receivables

Sector	Rs.'000
Agriculture	7,907,478
Industrial	9,445,965
Tourism	3,013,992
Trading	7,682,597
Construction	3,575,996
Services	33,601,902
Others	15,254,557
Total	80,482,487

57.4 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.

Notes to the Financial Statements contd.

57.4.1 Exposure to Liquidity Risk

Ratio	2026	2025
Net Loans & Advances /Customer Deposits	164%	124%
Net Loans & Advances /Total Assets	80%	75%

Commentary
The rapid loan book growth was sourced from primarily deposit mobilization and in parallel relatively higher funding contribution derived from borrowings resulting in the Net Loan and Advance to customer Deposit Ratio moving up. From the envisaged shift in greater deposit mobilization from branches. Management expects this ratio to move down in the medium term.

57.4.2 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 2026.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances and renewal of fixed deposits.

	On demand	Up to 3 Months	4-12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Unclassified	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets								
Cash & Cash Equivalents	9,303,037	-	-	-	-	-	-	9,303,037
Placement with Banks	-	37,059	-	-	-	-	-	37,059
Financial Investments FVOCI	-	496,831	4,566,484	-	-	-	1,925,131	6,988,446
Financial Investments FVPL	-	13,032	-	336,801	-	-	-	349,833
Loans and Receivables	6,461,463	15,581,066	32,157,991	12,789,119	5,176,516			72,166,154
Finance Lease Receivables	1,765,179	2,488,154	7,586,593	14,932,218	2,938,764			29,710,908
Hire Purchase Receivables	33,690							33,690
Other Financial Assets	-	311,007	-	-	-	-	-	311,007
Total Financial Assets	17,563,369	18,927,149	44,311,068	28,058,138	8,115,280	-	1,925,131	118,900,135
Financial Liabilities								
Bank Overdraft	912,248	-	-	-	-	-	-	912,248
Financial liabilities at amortised cost - Deposits due to customers	1,081,073	15,969,751	30,796,433	12,822,720	1,341,939	-	-	62,011,916
Debt Instruments Issued and Other Borrowings	-	8,055,150	11,511,231	18,459,210	7,470,702	-	-	45,496,293
Other Financial Liabilities	552,906	385,358	-	-	-	-	-	938,265
Total Financial Liabilities	2,546,227	24,410,260	42,307,665	31,281,930	8,812,641	-	-	109,358,722
Total Net Financial Assets/ Liabilities	15,017,142	(5,483,111)	2,003,403	(3,223,792)	(697,360)	-	1,925,131	9,541,413
Cumulative of Net Financial Assets/Liabilities	15,017,142	9,534,031	11,537,434	8,313,642	7,616,282	7,616,282	9,541,413	9,541,413

Measurement Assumptions

- Liquidity gap analysis is prepared based on the contractual maturity of assets and liabilities as at 31st March 2026.
- 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 2026 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 2.7 billion (FY 2024/25 - Rs. 3.9 Bn). From assets side, the disbursement of higher levels of shorter tenor credit through Gold Loans , I product, and other shorter tenor lending , helped maintain a positive assets and liability positions was better managed this year.

57.4.3 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 13.63% 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.

57.4.4 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 2026	Actual as at 31st March 2026	CBSL minimum requirement as at 31st March 2025	Actual as at 31st March 2025
Total liquid assets (Rs.000)	6,697,362	14,558,838	4,323,445	8,546,627
Statutory liquid assets ratio (%)	10.00	21.76	10.00	19.82
Minimum approved securities (Rs.000)	2,977,712	5,413,148	2,519,039	5,734,012

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 21.76% well above the regulatory minimum of 10%.

Notes to the Financial Statements contd.

57.4.5 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 92 MI locations.

57.5 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.

57.5.1 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.

57.5.1. 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 2026. 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	3 to 12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Interest Sensitive	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets							
Placement with other banks	37,059	-	-	-	-	-	37,059
Financial Investments -at FVOCI	1,925,131	2,324,258	2,744,188	-	-	-	6,993,576
Financial Investments -at FVTPL	-	5,130	-	344,703	-	-	349,833
Loans and Receivables	23,363,700	34,564,236	16,749,779	5,804,772	-	-	80,482,487
Finance Lease Receivables	7,816,493	9,579,397	20,158,358	3,303,724	-	-	40,857,972
Hire Purchase Receivables	277,706	-	-	-	-	-	277,706
Total Financial Assets	33,420,090	46,473,020	39,652,325	9,453,198	-	-	128,998,633
Financial Liabilities							
Bank Overdraft	912,248	-	-	-	-	-	912,248
Deposits Due to Customers	16,855,210	30,796,433	12,826,187	1,341,939	-	-	61,819,769
Debt Instruments Issued and Other Borrowings	9,095,106	14,010,377	21,798,965	7,877,369	-	-	52,781,817
Total Financial Liabilities	26,862,564	44,806,811	34,625,152	9,219,308	-	-	115,513,834
Total Interest Sensitivity Gap	6,557,526	1,666,210	5,027,172	233,891	-	-	13,484,799
Cumulative of Total Interest Sensitivity Gap	6,557,526	8,223,736	13,250,909	13,484,799	13,484,799	13,484,799	13,484,799

Measurement Assumptions

- The interest rates movements have been applied on the basis that both assets & liabilities pricing rates are on a fixed basis. i.e. Assumed minimal impact from floating rates applicable.
- The market rates are predicted with no material changes in the foreseeable future.
- The lending and deposit volumes are assumed to remain unchanged.
- Non interest earning assets and liabilities are excluded.

57.5.1. B Interest Rate Sensitivity Analysis

Given below is a sensitivity analysis carried out as at 31st March 2026 that demonstrates possible impact to the company's Net Interest Income applying 5% and 10% increase and decrease by parallel rate shocks with in one year 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)	Parallel decrease of market rates by 5% effect to the Interest Income/ (Expenses)	Parallel increase of market rates by 10% effect to the Interest Income / (Expenses)	Parallel decrease of market rates by 10% effect to the Interest Income/ (Expenses)
	(Rs. 000)	(Rs.000)	(Rs. 000)	(Rs.000)
Effect on Rate sensitive Assets	2,333,415	(2,333,415)	3,795,460	(4,666,830)
Effect on Rate sensitive Liabilities	(2,014,359)	2,014,359	(2,854,486)	4,028,717
Sensitivity/ effect to Net Interest Income	319,056	(319,056)	940,974	(638,112)

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.128.9 billion and rate sensitive liabilities of Rs. 115.5 billion. Based on the sensitivity analysis (with in a year), an interest rate fluctuation of 10%+ or (10%) will result in a worse case Rs. 435 Million impact to Net Interest Income. This moderate impact will not result in negative profitability and minimal impact to of 5% total capital position.

57.5.2 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.1.9 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.

Notes to the Financial Statements contd.

57.5.2.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.

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	7,884	8,934	1.14
Capital Goods	280,805	69,408	8.86
Consumer services	779,539	623,489	79.59
Diversified Financials	51,527	30,859	3.94
Food Beverage	1	5	0.00
Insurance	11,060	12,990	1.66
Materials	-	-	-
Real Estate	-	-	-
Retailing	10,950	37,680	4.81
Telecommunication	-	-	-
	1,141,766	783,365	100

Commentary

Based on the estimated stressed impact , any fall in share prices to last 2 years lowest will result in an impact of Rs.783 Mn to the OCI. However this worse case scenario impact will not lower the regulatory capital adequacy ratios as the impact will be recorded under OCI reserves which is excluded for regulatory purposes.

The table below summarises the impact on Other Comprehensive Income due to 10% change in equity market prices.

	2025/26 Financial investments - at Fair Value through OCI Rs. '000	2024/25 Financial investments - at Fair Value through OCI Rs. '000
Stress Level	Impact on OCI	Impact on OCI
Shock of 10% on equity price (upward)	192,513	180,116
Shock of 10% on equity price (downward)	(192,513)	(180,116)

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 prevailing macro economic challenges, the maximum amount of equity risk affect to the other comprehensive statement of income (OCI) stood at Rs. 192 million as at the end of 31 March 2026 with no impact to regulatory capital adequacy ratios.

57.6 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.

57.6.1 Nature of Relationship between the Associate and the Company

MI has a 26.12% stake in The Nuwara Eliya Hotels Co. PLC; being accounted for as an associate of the company. The Nuwara Eliya Hotels Co. PLC 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.

57.6.2 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.

57.7 Capital Management Risk

57.7.1 Capital Management Objectives

As a finance company, Capital Adequacy remains a pivotal 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 a volatile market setting. Right level of capital buffers provide 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.

57.7.2 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 above Rs 100 Billion.

Components of Capital Asset Base	FY 24/25 Audited Total Assets Base Below 100 Bn	FY 25/26 Audited Total Assets Base Above 100 Bn
Tier 1 Capital	8.50%	10.00%
Total Capital	12.50%	14.00%

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.

Notes to the Financial Statements contd.

MI's Tier 1 Capital & Total capital position as at 31st March 2026 (with comparison) and the capital adequacy ratio position is given in Note 55.7.4

57.7.3 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 above Rs 100 Billion.

PCA capital category	Capital Adequacy Ratio (CAR)
Well capitalized	CAR>=16%
Adequately capitalized	14%<=CAR<16%
Undercapitalized	10%<=CAR<14%
Significantly undercapitalized	7%<=CAR<10%
Critically undercapitalized	CAR<7%

57.7.4 Total Capital Base Computation

Item	31st March 2026	31st March 2025
Tier 1 Capital	11,402,291	9,893,694
Stated Capital/assigned capital	36,000	36,000
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	1,171,200	941,400
Audited retained earnings/(Losses)	6,108,661	4,829,864
(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	103,185	75,467
Goodwill (net)	-	-
Other intangible assets (net)	68,045	51,167
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	35,140	24,300
Shortfall of capital in Financial subsidiaries	-	-

Item	31st March 2026	31st March 2025
Tier 1 Capital (after adjustments)	11,299,106	9,818,227
Tier 2 Capital	5,685,172	1,080,172
Instruments Qualifying Tier 2 capital	4,605,000	
Revaluation gains	1,080,172	1,080,172
General provisions/ Collective impairment allowance	-	-
Eligible Tier 2 Capital	5,685,172	1,080,172
Total adjustment to eligible Tier 2 Capital	35,140	24,300
50% Investment in banking & financial subsidiary companies	-	-
50% of investment in other banking & financial institutions	35,140	24,300
Eligible Tier 2 Capital after adjustments	5,650,032	1,055,872
Total Capital	16,949,138	10,874,099

57.7.4.1 Capital Adequacy Ratios

As at 31st March		Regulatory Ratios	2026	2025
		%	%	%
Core Capital Ratio =	Tier 1 Capital	10.00	10.69	15.60
	Risk Weighted Assets			
Total Risk Weighted Capital Ratio =	Capital Base	14.00	16.04	17.27
	Risk Weighted Assets			

Commentary

Based on current and projected performance targets and plans for Tier 1 and Tier 2 Capital Infusions, MI is confident of maintaining its Tier 1 and Total Risk Weighted Capital Ratios well above the minimum requirment to maintain MI's 'A' Grade level capitalized status.

EXPANDING WINGS

With a network of over 90 branches across Sri Lanka... growing into an organisation that is more resilient, more connected.

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Investor Relations

Stock Exchange Listing

The issued ordinary shares of Mercantile Investments and Finance PLC are listed on the Colombo Stock Exchange.
The audited financial statements for the year ended 31 March 2026 have been submitted to the Colombo Stock Exchange within three months from the financial year-end.

The Colombo Stock Exchange code for Mercantile Investments & Finance PLC is “MERC”.

MI’s Investor Base

Subdivision of Ordinary Shares

The Company effected a subdivision of its ordinary shares in the ratio of one (1) ordinary share into two hundred (200) ordinary shares on 9 December 2025. Prior to the share subdivision, the Company had 3,006,000 ordinary shares in issue (“Pre-Subdivision Shares”). Pursuant to the subdivision, the number of issued ordinary shares increased to 601,200,000 ordinary shares (“Post-Subdivision Shares”), with no change in the stated capital of the Company.

The Company’s investor base currently comprises 601,200,000 voting shares, distributed among a number of investors, as set out in the table below. The total number of shareholders was 1,078 in 2025/2026 (2024/2025 - 16). There were no non-voting shares issued or held by the Company. The subdivision did not result in any change to the stated capital of the Company.

Distribution of Ordinary Shareholders

	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	612	184,627	0.03	1	151	100.00	613	184,778	0.03
1,001 - 10,000	305	1,049,010	0.17	-	-	-	305	1,049,010	0.17
10,001 - 100,000	111	3,622,245	0.60	-	-	-	111	3,622,245	0.60
100,001 - 1,000,000	33	14,357,189	2.39	-	-	-	33	14,357,189	2.39
Over 1,000,000	16	581,986,778	96.80	-	-	-	16	581,986,778	96.80
Total	1,077	601,199,849	100.00	1	151	100.00	1,078	601,200,000	100.00

Analysis of Shareholders

(01) Resident / Non-Resident

	31 March 2026			31 March 2025		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	1,077	601,199,849	100.00	16	3,006,000	100.00
Non-Resident	1	151	0.00	-	-	-
Total	1,078	601,200,000	100.00	16	3,006,000	100.00

Under the share subdivision, shareholders received 200 shares for every one share held prior to the subdivision.

(02) Individuals/ Institutions

	31 March 2026			31 March 2025		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	1,014	359,492,483	59.80	13	1,757,449	58.46
Institutions	64	241,707,517	40.20	3	1,248,551	41.54
Total	1,078	601,200,000	100.00	16	3,006,000	100.00

Under the share subdivision, shareholders received 200 shares for every one share held prior to the subdivision.

Public Holding

As per Rule 7.6(iv) of the Listing Rules of the Colombo Stock Exchange, the information pertaining to the public holding is as follows.

	2025/2026	2024/2025
Public holding percentage	16.09%	10.10%
Number of public shareholders	1,072	10
Float-adjusted market capitalization (Rs.)	2,892,319,092	789,375,600

Minimum Public Holding

With effect from 6 November 2025, the Company complied with Option 1 of Rule 7.13.1(i)(b) of the Colombo Stock Exchange (CSE) Listing Rules relating to the Minimum Public Holding requirement. Consequent to such compliance, the Company's securities were transferred from the Second Board to the Diri Savi Board with effect from 12 November 2025.

Twenty Major Shareholders of the Company as at 31 March 2026

Name of the shareholder	Holding % on total capital	No. of Ordinary Voting Shares as at 31 March 2026
1. Nilaveli Beach Hotels (Pvt) Ltd	20.94	125,916,000
2. G G Ondaatjie	16.12	96,923,000
3. A M Ondaatjie	16.12	96,923,000
4. T J Ondaatjie	16.12	96,922,800
5. Mercantile Fortunes (Pvt) Ltd	7.82	47,032,400
6. Tangerine Tours (Pvt) Ltd	6.78	40,761,800
7. C A Ondaatjie	5.53	33,244,800
8. Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	2.73	16,419,178
9. A S G H Jafferjee	1.37	8,211,000
10. S S Jafferjee	1.37	8,211,000
11. J.B. Cocoshell (Pvt) Ltd	0.45	2,732,000
12. N H V Perera	0.33	2,004,000
13. R M D Abeygunawardena	0.33	2,004,000
14. J A S S Adhihetty	0.33	1,980,000
15. Invenco Capital Private Limited	0.23	1,370,000
16. Union Assurance PLC - Universal Life Fund	0.22	1,331,800
17. East India Holding (Pvt) Ltd	0.16	975,200
18. Lynear Wealth Management /Dr. J T V S Weerawarana	0.14	814,400
19. I A H Esufally	0.13	793,200
20. Union Assurance PLC/NO-01 A/C	0.13	765,000
Sub Total	97.36	585,334,578
Balance held by others	2.64	15,865,422
Total number of shares	100.00	601,200,000

Under the share subdivision, shareholders received 200 shares for every one share held prior to the subdivision.

Investor Relations Contd.

Twenty Major Shareholders of the Company as at 31 March 2025

Name of the shareholder	Holding % on total capital	No. of Ordinary Voting Shares as at 31 March 2025
1. Nilaveli Beach Hotels (Pvt) Ltd	20.94	629,580
2. G.G. Ondaatjie	16.12	484,615
3. A.M. Ondaatjie	16.12	484,615
4. T.J. Ondaatjie	16.12	484,614
5. Mercantile Fortunes (Pvt) Ltd	13.81	415,162
6. Tangerine Tours (Pvt) Ltd	6.78	203,809
7. C.A. Ondaatjie	5.53	166,224
8. A.S.G.H.Jafferjee	1.37	41,055
9. S S Jafferjee	1.37	41,055
10. P.R. Divitotawela / R.D.Madugalle	0.42	12,525
11. P.R. Divitotawela / A.D.Galagoda	0.42	12,525
12. N.H.V. Perera	0.33	10,020
13. J.A.S.S. Adhihetty	0.33	10,020
14. R.M.D. Abeygunawardena	0.33	10,020
15. A.M. Dominic & J.S. Dominic	0.01	151
16. R.Vaseeharan	0.00	10
Total	100.00	3,006,000

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS AS AT 31 MARCH 2026

		31 March 2026		31 March 2025	
Name	Position	No. of Shares held	%	No. of Shares held	%
Mr. P D D Perera	Chairman	-	0.00%	-	0.00%
Mr. G G Ondaatjie	Managing Director/CEO	96,923,000	16.12%	484,615	16.12%
Ms. A M Ondaatjie	Director	96,923,000	16.12%	484,615	16.12%
Mr. T J Ondaatjie	Director	96,922,800	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%

Under the share subdivision, shareholders received 200 shares for every one share held prior to subdivision.

SHARE TRADING

Following the listing of the Company's ordinary shares on the Colombo Stock Exchange and the subsequent transfer to the Second Board on 15 November 2019, trading in the Company's shares remained limited. Following the share subdivision on 9 December 2025, trading activity increased significantly, with broader participation from a diverse range of investors. The share trading details for the year are set out below.

	2025/2026	2024/2025
Number of transactions	5,951	Not Traded
Number of shares traded	5,542,298	Not Traded

MARKET VALUE

	Highest	Lowest	Year End
	Rs.	Rs.	Rs.
2025/2026	10,999*	28.20**	29.90**
2024/2025	Not Traded	Not Traded	Not Traded

**The highest market price during the year occurred prior to the share subdivision.*
***Share prices subsequent to the 1:200 share subdivision.*

Market Capitalisation as at 31 March

	Capital & Reserves	MI Market Capitalisation	CSE Market Capitalisation	MI Market Capitalisation as a percentage of CSE Market Capitalisation
	Rs 000	Rs 000	Rs 000	
31 March 2026	15,715,761	17,975,880	7,522,004,086	0.24%
31 March 2025	13,836,532	7,815,600	5,606,370,000	0.14%

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 2025/26 did not exceed 10% of the equity or 5% of the total assets as at 31 March 2026, whichever is lower.

Recurrent related party transactions: The aggregate value of the recurrent transactions carried out by the Company with Related Parties during FY 2025/26 that exceeded 10% of the gross revenue/income for the year ended 31 March 2026 has been disclosed on page 332 of the Annual Report under Note 50.5.

The related party transactions that took place during the year ended 31 March 2026 did 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 2026 and 31 March 2025.

Investor Relations Contd.

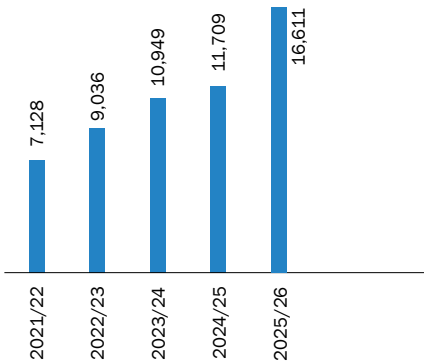
The following table presents the important disclosures made by the Company to the Colombo Stock Exchange during the year 2025/2026.

Date of Disclosure	Description of disclosures
29-May-25	Submission of unaudited interim financial statement for the quarter ended 31 March 2025
23-Jun-25	Second Interim Dividend for the year ended 31 March 2025
21-July-25	Submission of Annual Report for the year ended 31 March 2025
30-Jul-25	Submission of unaudited interim financial statement for the first quarter ended 30 June 2025
12-Aug-25	Reclassification of the designation of Director
27-Aug-25	Annual Rating Review
8-Sep-25	Resolution adopted at the Annual General Meeting
23-Sep-25	Proposed Subdivision of Ordinary Shares
7-Oct-25	Extraordinary General Meeting
13-Oct-25	Disclosure of Dealings by Directors
31-Oct-25	Resolution adopted at the Extraordinary General Meeting
6-Nov-25	Subdivision of Shares – Key Dates
11-Nov-25	The Securities of the Company will be transferred from the Second Board of the CSE in terms of Rule 7.13.2 (i) of the CSE Listing Rules with effect from 12th November 2025 due to compliance with the Minimum Public Holding Requirement stipulated in Rule 7.13.1.(i) (b).
14-Nov-25	Submission of unaudited interim financial statement for the Second quarter ended 30 September 2025
18-Nov-25	Market Disclosure - Asset Base Growth to LKR 100 Bn
19-Nov-25	Extraordinary General Meeting
9-Dec-25	Resolution Adopted at the Extraordinary General Meeting
23-Dec-25	Interim Dividend for the year ending 31st March 2026
12-Feb-26	Rights Issue of Ordinary Voting Shares
13-Feb-26	Submission of unaudited interim financial statement for the third quarter ended 31 December 2025
17-Mar-26	Key Dates Pertaining to the Rights Issue of Ordinary Voting Shares
26-Mar-26	Extraordinary General Meeting

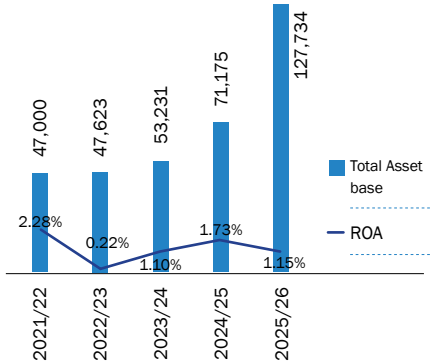
Decade at a Glance

For the year ended 31st March	2026	Restated 2025	Restated 2024	2023	2022	2021	2020	2019	2018	2017
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Operating Results										
Income	16,610,726	11,708,896	10,948,958	9,035,723	7,127,706	6,496,631	7,610,170	7,638,497	6,984,093	5,645,532
Interest expense	7,855,428	5,206,139	6,441,603	6,134,824	2,586,220	3,219,671	3,842,380	3,861,878	3,703,776	3,136,218
Non Interest expenses	6,626,016	4,895,424	3,687,575	2,768,079	3,072,566	2,449,459	3,075,999	2,989,966	2,441,730	2,299,829
Profit before tax	2,129,282	1,607,333	819,780	132,820	1,468,920	827,501	691,791	786,653	858,771	313,679
Income tax expenses	980,716	532,665	263,966	26,767	457,370	213,358	320,082	328,580	344,706	111,664
Profit for the year	1,148,566	1,074,667	555,814	106,053	1,011,550	614,143	371,708	458,073	514,065	202,015
Dividends	149,098	75,150	60,120	-	345,690	-	60,120	-	45,090	-
As at 31st March										
Assets										
Liquid assets	14,753,244	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
Investments	1,995,558	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
Debentures	-	-	-	-	-	-	-	-	-	10,200
Advances	101,910,752	53,313,286	36,995,701	32,746,812	34,702,466	29,738,640	32,759,173	31,944,477	31,935,118	28,645,275
Other assets	767,155	529,238	585,059	1,105,373	626,453	737,306	640,205	619,565	638,866	656,452
Property, plant & equipment	5,427,668	4,512,330	4,391,241	3,930,649	3,952,290	3,279,866	3,105,781	2,848,159	2,691,612	1,790,296
Right-of-use assets	599,662	327,439	215,306	139,667	181,499	180,357	223,255	-	-	-
Leasehold Property	37,929	38,397	38,866	39,334	39,802	40,270	40,739	41,207	41,672	42,140
Intangible Assets	68,044	51,167	32,094	9,335	28,235	47,299	45,987	64,211	48,979	12,578
Investment Property	236,727	258,390	260,055	227,219	220,717	237,381	246,166	198,431	172,795	158,340
Investment in Associates	1,937,126	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
Total Assets	127,733,865	71,174,574	53,230,714	47,623,304	46,999,575	41,749,548	43,171,119	41,354,565	40,355,948	37,492,664
Liabilities										
Bank overdraft	912,248	687,242	317,122	93,518	395,159	86,451	86,567	186,276	254,238	1,092,434
Borrowings	45,496,293	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
Deposits from customers	62,011,916	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
Other liabilities	3,597,647	2,456,794	2,202,044	1,423,978	2,258,078	1,935,561	2,242,319	2,361,514	2,017,656	1,349,453
	112,018,104	57,338,041	41,065,644	36,607,298	36,025,239	31,439,978	34,272,792	32,681,701	31,672,862	29,625,399
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	15,679,762	13,800,533	12,129,070	10,980,006	10,938,336	10,273,570	8,862,327	8,636,864	8,647,086	7,831,265
	15,715,762	13,836,533	12,165,070	11,016,006	10,974,336	10,309,570	8,898,327	8,672,864	8,683,086	7,867,265
Total shareholders' funds & total liabilities	127,733,865	71,174,574	53,230,714	47,623,304	46,999,575	41,749,548	43,171,119	41,354,565	40,355,948	37,492,664

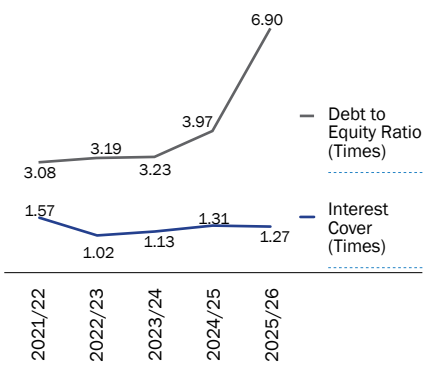
Gross Revenue (Rs. Mn)



Total Asset Base (Rs. Mn) & ROA



Debt to Equity & Interest Cover

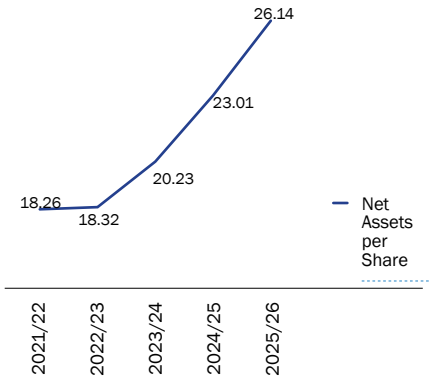


Decade at a Glance Contd.

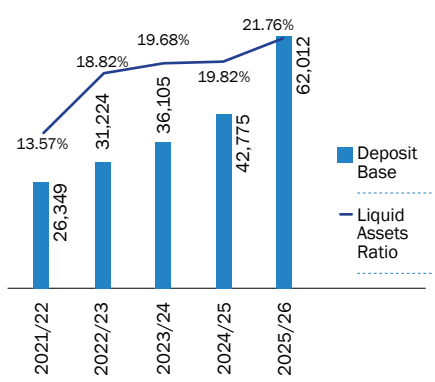
For the year ended 31st March	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Financial Position										
Total Assests to Shareholders funds (Times)	8.13	5.13	4.38	4.32	4.28	4.05	4.85	4.77	4.65	4.77
Debt to Equity (Times)	6.90	3.97	3.23	3.19	3.08	2.86	3.60	3.50	3.42	3.59
Liquid assets as a % of deposits	23.79	19.98	19.87	18.99	13.55	17.07	16.63	9.59	11.51	10.94
Investor										
Return on shareholders' funds (%)	7.77	8.27	4.80	0.96	9.51	6.39	4.23	5.28	5.92	2.57
Return on Average Assets (%)	1.15	1.73	1.10	0.22	2.28	1.45	0.88	1.12	1.32	0.57
Net Assets per share (Rs.)*	26.14	23.01	20.23	18.32	18.26	17.15	14.80	14.43	14.45	13.08
Earnings per Share (Rs.)*	1.91	1.79	0.92	0.18	1.68	1.02	0.62	0.76	0.86	0.34
Dividend per Share (Rs.)*	0.25	0.13	0.10	-	0.58	-	0.10	-	0.08	-
Dividend Cover (Times)	7.70	14.30	9.25	-	2.93	-	6.18	-	11.40	-
Dividend Payout (%)	12.98	6.99	10.82	-	34.17	-	16.17	-	8.77	-
Interest Cover (Times)	1.27	1.31	1.13	1.02	1.57	1.26	1.18	1.20	1.24	1.10
Growth										
Growth in income (%)	41.86	6.94	21.17	26.77	9.71	(14.63)	(0.37)	9.37	23.71	25.45
Growth in Interest Expenses (%)	50.89	(19.18)	5.00	137.21	(19.67)	(16.21)	(0.50)	4.27	18.10	49.46
Growth in Other Expenses (%)	35.35	32.75	33.22	(9.91)	25.44	(20.37)	2.88	22.45	8.55	36.01
Growth In Profit before Tax (%)	32.47	96.07	517.21	(90.96)	77.51	19.62	(12.06)	(8.40)	180.21	(60.92)
Growth in Profit after Tax (%)	6.88	93.35	424.09	(89.52)	64.71	65.22	(18.85)	(10.89)	154.47	(60.00)
Growth In Total Assets (%)	79.47	33.71	11.77	1.33	12.58	(3.29)	4.39	2.47	7.64	10.39
Growth in advances (net) (%)	91.15	44.11	12.97	(5.64)	16.69	(9.22)	2.55	0.03	11.48	14.34
Growth in Deposit Base (%)	44.97	18.47	15.63	18.50	14.26	1.08	7.74	5.50	17.95	7.60
Growth in Shareholders Funds (%)	13.58	13.74	10.43	0.38	6.45	15.86	2.60	(0.12)	10.37	2.78
Statutory ratios										
Core Capital Ratio (%) (Minimum - 10% - 2025/2026)	10.69	15.60	16.49	16.45	15.45	15.31	13.56	14.98	16.24	17.17
Total Capital Adequacy Ratio (%) (Minimum - 14%- 2025/2026)	16.04	17.27	17.88	18.02	16.84	17.07	15.25	16.69	17.36	14.26
Liquid assets (%)	21.76	19.82	19.68	18.82	13.57	17.07	16.63	14.77	11.40	10.81

**Share Split Adjustment - Net Assets per Share, Earnings per Share and Dividends per Share have been restated to reflect the effect of the share split effected on 9 December 2025, being the subdivision of one ordinary share into 200 ordinary shares, to facilitate comparability with the previous years:*

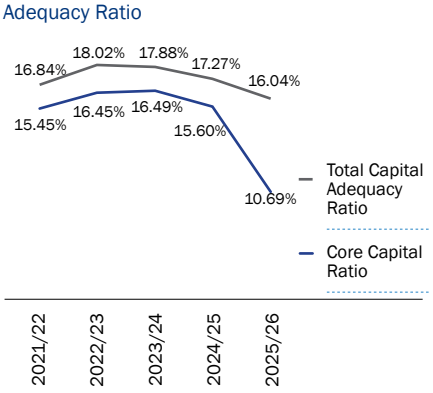
Net Assets per Share (Rs.)



Deposit Base (Rs. Mn) & Liquid Asset Ratio



Core Capital Ratio & Total Capital Adequacy 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.

B

Business Continuity Plan

A document that consists of the critical information an organisation needs to continue operating during an unplanned disaster event.

C

Capital Adequacy Ratios

The relationship between capital and the risk-weighted assets as prescribed by the Central Bank of Sri Lanka based on international best practices and adapted to 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 the reporting 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 distributions 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.

Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

D

Debt to Equity

Total borrowings expressed as a percentage of equity.

Deferred Taxation

Tax arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, as well as from unused tax losses and credits.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

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.

Glossary Contd.

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 Ordinary 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 (ETR)

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 financial 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 another 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.

Global Reporting Initiative (GRI)

The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

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.

Impairment Charge/(Reversal)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generated from the same asset compared to the previous reporting date.

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 Performance Indicators (KPIs)

A set of quantifiable measurements used to gauge a company's overall long-term performance.

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 (LTECL)

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 Capitalisation

The value of a company obtained by multiplying the number of ordinary shares in issue by its market value as of a date.

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.

Glossary Contd.

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, people 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.

Provision Cover

Total impairment provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

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.

Repurchase Agreement

Contract to sell and subsequently repurchase the securities at a specified date and price in the future.

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.

Risk Appetite

The types and amount of risk, on a broad level, that an organization is willing to accept in pursuit of value. It aligns an MI's risk-taking behavior with its core strategy and performance goals.

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.

Y

Yield to Maturity (YTM)

The annual rate of return from the investment, assuming it is held until maturity.

List of Abbreviations

AC	Amortised Cost
AGM	Annual General Meeting
AI	Artificial Intelligence
ALCO	Asset and Liability Committee
ALM	Asset-Liability Management
AML	Anti-Money Laundering
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCP	Business Continuity Plan
BIRMC	Board Integrated Risk Management Committee
BHRRC	Board Human Resources and Remuneration Committee
BNGC	Board Nominations and Governance Committee
BRPTRC	Board Related Party Transactions Review Committee
Bn	Billion
BOD	Board of Directors
CAR	Capital Adequacy Ratio
CA Sri Lanka	Institute of Chartered Accountants of Sri Lanka
CBSL	Central Bank of Sri Lanka
CCTV	Closed-Circuit Television
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFM	Close Family Members
CISO	Chief Information Security Officer
CRO	Chief Risk Officer
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DOA	Delegation of Authority
DPO	Data Protection Officer
DPS	Dividend per Share
DR	Disaster Recovery
DRP	Disaster Recovery Plan
EAD	Exposure at Default
ECL	Expected Credit Loss
EGM	Extraordinary General Meeting
EIR	Effective Interest Rate
EIRMC	Executive Integrated Risk Management Committee
EPF	Employees' Provident Fund
EPS	Earnings per Share
ESMS	Environmental and Social Management System
ETF	Employees' Trust Fund
EVA	Economic Value Added
EV	Electric Vehicle
EY	Ernst & Young
ESG	Environmental, Social and Governance
FBA	Finance Business Act
FTRA	Financial Transactions Reporting Act
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HOCC	Head Office Credit Committee
HODs	Heads of Departments
HP	Hire Purchase
HR	Human Resources
HRIS	Human Resources Information System
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IR	Integrated Reporting
IS	Information Systems
ISC	Information Security Committee
ISO	International Organization for Standardization
IT	Information Technology
ITSC	Information Technology Steering Committee
IUCN	International Union for Conservation of Nature
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KYC	Know Your Customer
LFC	Licensed Finance Company
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standards
LKR	Sri Lankan Rupee
LTECL	Lifetime Expected Credit Loss
LTV	Loan-to-Value Ratio
MCC	Management Credit Committee
MI	Mercantile Investments and Finance PLC
MIS	Management Information System
Mn	Million
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
MVA	Market Value Added
NBFI	Non-Bank Financial Institution
NFIS	National Financial Inclusion Strategy
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
OPR	Overnight Policy Rate
PAT	Profit After Tax

PAYE	Pay As You Earn
PBT	Profit Before Tax
PCA	Prompt Corrective Action
PD	Probability of Default
PDPA	Personal Data Protection Act
PER	Price-to-Earnings Ratio
PLC	Public Listed Company
PVT	Private Limited Company
ROA	Return on Assets
ROC	Registrar of Companies
ROCE	Return on Capital Employed
ROE	Return on Equity
Rs.	Rupees
RWA	Risk-Weighted Assets
ROU	Right-of-Use Asset
RPT	Related Party Transactions
SBU/SBUs	Strategic Business Unit(s)
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission of Sri lanka
SGC	Sustainability Governance Committee
SLC	Specialized Leasing Company
SLA	Statutory Liquid Asset Ratio
SICR	Significant Increase in Credit Risk
SLFRS	Sri Lanka Financial Reporting Standards
SLIPS	Sri Lanka Inter-bank Payment System
SME	Small and Medium Enterprises
SOFP	Statement of Financial Position
SPPI	Solely Payments of Principal and Interest
UN	United Nations
UNGC	United Nations Global Compact
US	United States
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding Tax
WNPS	Wildlife and Nature Protection Society
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

External Auditors

Ernst & Young
Chartered Accountants

Credit Rating

Long-term Financial Institution Rating at BBB-(lka) (stable outlook) by Fitch Ratings.

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

Dinesh Kumara - General Manager - Internal Audit) - (Secretary to the Committee)

Board 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)

Board 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 – Chief Manager Risk - (Secretary to the Committee)

Board 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)

Bankers

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Seylan Bank PLC
Sampath Bank PLC
NDB Bank PLC
Nations Trust Bank PLC
Peoples Bank
Bank of Ceylon
Union Bank PLC
PanAsia Bank PLC
Cargills Bank PLC
Public Bank
DFCC
National Savings Bank
Sanasa Development Bank PLC

Branch Network

	Address	Telephone	Branch Email	Details of Branch Head
1.	Head Office #236, Galle Road, Colombo 03, Sri Lanka	0112443720	mercantile@mi.com.lk	Kularuwan Jayarathne kularuwan.j@mi.com.lk 0712498231
	Micro Unit #15, Mosque lane Colombo 03, Sri Lanka.	0112389812		Tharanga Peiris tharanga.d@mi.com.lk 0717327978
2.	Ambalangoda Branch #16, New Road, Ambalangoda, Sri Lanka	0912210152	nilantha.kn@mi.com.lk	Nilantha Wanniarachchi nilantha.kn@mi.com.lk 0712317246
3.	Anuradhapura Branch #521/6, Maithreepala Senanayake Mawatha, Anuradhapura, Sri Lanka.	0252224886	mianuradhapura@mi.com.lk	Damith Rathnayake damith.c@mi.com.lk 0701599009
4.	Akuressa Branch #124, Matara Road, Akuressa, Sri Lanka.	0412284752	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.	0632224255	miampara@mi.com.lk	Kelum Siriwardena kelum.s@mi.com.lk 0712498330
6.	Awissawella Branch #93/1 Colombo Road Ukwatta, Awissawella, Sri Lanka.	0362235722	miawissawella@mi.com.lk	Mohan Liyanage mohan.l@mi.com.lk 0710791705
7.	Balangoda Branch #27, Haputhale Road, Balangoda, Sri Lanka	0452287605	mibalangoda@mi.com.lk	Sanjeewa Arunashantha sanjeewa.a@mi.com.lk 0712498382
8.	Bandarawela Branch #191, Main Street , Bandarawela , Sri Lanka	0572235366	indiraj.p@mi.com.lk	Pathmanathan Indiraj indiraj.p@mi.com.lk 0715544225
9.	Bentota Branch #149 1/2, Colombo Road, Bentota, Sri Lanka.	0342275402	mibentota@mi.com.lk	Waruna Ariyaratne waruna.a@mi.com.lk 0712498254
10.	Batticaloa No. 209, Trincomalee Road, Batticaloa	0652227821		Brinthan Andrew andrew.j@mi.com.lk 0705573799
11.	Chilaw Branch 288/L, Colombo Road, Maikkulama, Chilaw Sri Lanka.	0322224244	michilaw@mi.com.lk	Nalin Kumara dissanayaka.k@mi.com.lk 0705181536

	Address	Telephone	Branch Email	Details of Branch Head
12.	Chunnakkam k.k.s Road , Chunnakkam East , Chunnakkam	0212050430	sinthusan.p@mi.com.lk	Poopalarasa Sinthusan sinthusan.p@mi.com.lk 0712359841
13.	Eheliyagoda 367 A, Rathnapura Road, Eheliyagoda	0362260835		Sadeepa Dilshan Gunawardhana sadeepa.g@mi.com.lk 071-2720769
14.	Elpitiya Branch # 44C/44D,Pituwala Road, Elpitiya, Sri Lanka	0912291300	mielpitiya@mi.com.lk	Sandun Perusinghe sadun.pe@mi.com.lk 0712440498
15.	Embilipitiya Branch #127 C, New Town Road, Embilipitiya, Sri Lanka.	0472261351	miembilipitiya@mi.com.lk	Vijitha Kumara vijitha.k@mi.com.lk 0703387906
16.	Galle Branch #12, Park Road, Kaluwela, Galle, Sri Lanka.	0912246387	migalle@mi.com.lk	Chandika Maduranga chandika.m@mi.com.lk 0703387906
17.	Gampaha Branch #116, Colombo Road, Gampaha, Sri Lanka.	0332234463	migampaha@mi.com.lk	Sandun Priyadarshana sandun.m@mi.com.lk 0711624459
18.	Gampola Branch #190, Kandy Road, Gampola, Sri Lanka.	0812076561	migampola@mi.com.lk	Lochana Karunathilaka lochana.l@mi.com.lk 0719709357
19.	Giriulla Branch # 116, Kurunegala Road, Giriulla, Sri Lanka	372050447	migiriulla@mi.com.lk	Lakshan Mihiranga lakshan.k@mi.com.lk 0701029365
20.	Godagama Branch #27/B, Dikhathapma, Highlevel Road, Meegoda, Sri Lanka.	0112223146	migodagama@mi.com.lk	Dilanka Sanjeewa dilanka.s@mi.com.lk 0710580870
21.	Hanwella No.40, Main Street, Hanwella	0362250785		Kalana Samarakkodi kalana.s@mi.com.lk 0710791714
22.	Hatton No.127, Main Street, Hatton	0512244525	chanaka.ku@mi.com.lk	Chanaka Kumara chanaka.ku@mi.com.lk 0701548656
23.	Horana Branch #439 A, Panadura Road, Galledandugoda, Horana. Sri Lanka.	0342265411	mihorana@mi.com.lk	Thilina Sampath thilina.w@mi.com.lk 0712498371
24.	Horana Town #174 , Rathnapura road, Horana	0342217101	dileepa.s@mi.com.lk	Deellipa Sampath Perera dileepa.s@mi.com.lk 0773913901

Address		Telephone	Branch Email	Details of Branch Head
25.	Ja-Ela Branch #108, Old Negombo Road, Ja-Ela, Sri Lanka.	0112247937	mijaela@mi.com.lk	Sockalingam Varathan varathan.s@mi.com.lk 0718550391
26.	Jaffna Branch #79, Stanly Rd, Jaffna, Sri Lanka	0212210994	-	Romesh Christy romesh.cc@mi.com.lk 0715582613
27.	Kadawatha Branch #381/C, Kandy Road, Mahara, Kadawatha, Sri Lanka.	0112921205	mikadawatha@mi.com.lk	Nuwan Kumara nuwan.k@mi.com.lk 0712498384
28.	Kaduwela Branch #509, Awissawella Road, Kaduwela, Sri Lanka.	0112538231	mikaduwela@mi.com.lk	Sripathi Hettiarachchi sripathi.t@mi.com.lk 0713217290
29.	Kalutara Branch #355/ 1/A , Galle Rd, Kaluthara south, Sri Lanka	0342239608	danushka.k@mi.com.lk	Dhanushka Sampath danushka.k@mi.com.lk 0716690797
30.	Kandy Branch #192 /1/1, Kotugodella street , Kandy , Sri Lanka	0812234553	kusal.t@mi.com.lk	Kusal Rankoth kusal.t@mi.com.lk 0717405338
31.	Katugasthota No 89, Kurunegala Road, Katugashthota	0812121815		Bhathiya Sri Wimalarathna bhathiya.w@mi.com.lk 0711829010
32.	Kegalle Branch #450/A, Kandy Road, Meepitiya, Kegalle, Sri Lanka.	0352053998	dilan.dm@mi.com.lk	Dilan Lakpriya dilan.dm@mi.com.lk 0711829010
33.	Kekirawa A.M Dissanayake Building, Thalawa Road, Kekirawa	0252229052		Vikum Chanaka vikim.c@mi.com.lk 0704835949
34.	Kesbewa Branch #53, Horana Road, Honnaththara, Kesbewa, Sri Lanka.	0112545847	mikesbewa@mi.com.lk	Ruwan Abeynayake ruwan.a@mi.com.lk 0713217332
35.	Kohuwala Branch #28A, Sunethradevi Road, Kohuwala, Sri Lanka.	0112814181	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.	0112339306	mikotahena@mi.com.lk	Pasindu Bashitha pasindu.d@mi.com.lk 0703905502

	Address	Telephone	Branch Email	Details of Branch Head
37.	Kottawa Branch #341, High Level Road, Pannipitiya, Kottawa, Sri Lanka.	0112838145	damith.h@mi.com.lk	Sanjeewa Udayanga sajeewa.u@mi.com.lk 0777353595
38.	Kuliyapitiya Branch #286, Madampe Road, Kuliyapitiya, Sri Lanka.	0372282464	mikuliyapitiya@mi.com.lk	Chanakya Nawarathna chanakya.n@mi.com.lk 0775112364
39.	Kurunegala branch #257, Negombo Road, Kurunegala, Sri Lanka.	0372222021	mikurunegala@mi.com.lk	Shalika Illangarathna shalika.i@mi.com.lk 0710148582
40.	Maharagama Branch #176, Lake Road, Maharagama, Sri Lanka	0112848925	mimaharagama@mi.com.lk	Madawa Jayasinghe madawa.j@mi.com.lk 0712498432
41.	Manipay No. 176, Jaffna Road, Manipay	0212266080		Kumarasami Kapilan- kabilan.k@mi.com.lk 0712320770
42.	Maradana No. 613, Maradana Road, Colombo 10	0112694670		Chamika Nadeeshani chamika.n@mi.com.lk 0703014190
43.	Matale No 297, Main Street, Matale	0662221481		Chandrarathna Bandara bandara.c@mi.com.lk 0701030187
44.	Matara Branch #531, Pamburana, Matara, Sri Lanka.	0412235377	mimatara@mi.com.lk	Damith Sooriyabandara bandara.c@mi.com.lk 0712498335
45.	Mattakkuliya No 654, Aluthmawatha Road, Mutuwal, Colombo 15	0112121574		Gayan Sudarshana gayan.s@mi.com.lk 0703303191
46.	Matugama No 39,Kalutara Road, Matugama	0342211161		Malith Shanaka malith.k@mi.com.lk 0718752056
47.	Minuwangoda Branch #52 E, Negombo Road, Minuwangoda, Sri Lanka.	0112294008	miminuwangoda@mi.com.lk	Chandimal Tharanga chandimal.b@mi.com.lk 0701031878
48.	Moratuwa Branch #716, Galle Road, Idama, Moratuwa, Sri Lanka.	0112647526	mimoratuwa@mi.com.lk	Shanaka Amaradiwakara shanaka.a@mi.com.lk 0718751981

Address		Telephone	Branch Email	Details of Branch Head
49.	Malabe Branch #742 B, Thalangama North, Malabe, Sri Lanka.	0112790359	mimalambe@mi.com.lk	Sameera Jayasooriya sameera.j@mi.com.lk 0762116972
50.	Nawalapitiya No 59, Ambagamuwa Road, Nawalapitiya	0542222539		Deshapriya Karunanayake deshapriya.k@mi.com.lk 0718751994
51.	Negombo Branch #36, Colombo Road, Negambo, Sri Lanka.	0312221160	minegombo@mi.com.lk	Dhanushka Kumara dhanushka.c@mi.com.lk 0703758919
52.	Nelliadi No. 163, New Market View, Point Petro Road, Nelliyadi	0212266081		Sivarasa Dilekshan- dilekshan.s@mi.com.lk 0705739171
53.	Neluwa Pelawatte Road, Neluwa	0912285644		Rashmi Madushanka rashmi.m@mi.com.lk 0715582717
54.	Nikawaratiya No.91/1, Puttalam Road, Nikaweratiya	0372060085		Lahiru Jayakodi lahiru.u@mi.com.lk 0703893508
55.	Nittambuwa Branch #No. 386, Kandy Road, Nittambuwa	0332298788	minittambuwa@mi.com.lk	Samal Abeygunasekara samal.a@mi.com.lk 0713216967
56.	Pelawatta No.114A,Main Street, Battaramulla	0112889507		Himal Gunasekara himal.r@mi.com.lk 0703968551
57.	Polonnaruwa Branch #05/142, Tamasha Place, Polonnaruwa, Sri Lanka	0272227022	mipolonnaruwa@mi.com.lk	Hasitha Sandaruwan hasitha.m@mi.com.lk 0716781139
58.	Pusselawa No. 465, Nuwaraeliya Road, Pussellawa	0812067035		Chathurika Udapitiya chathurika.ud@mi.com.lk 0702123775
59.	Puttalam Branch #146, Kurunegala Road, Puttalam, Sri Lanka.	0322265490	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.	0112683445	mipremiercentre@mi.com.lk	Srinath Rabel srinath.r@mi.com.lk 0712498240
61.	Ragala Branch #87, Ragala Bazaar , Halgranoya, Sri Lanka		tharaka.k@mi.com.lk	Yamuna Priyadarshani yamuna.h@mi.com.lk 0718752041
62.	Rathnapura Branch No.61, Bandaranayake Mawatha, Ratnapura	0452233188	miratnapura@mi.com.lk	Anura Jayantha anura.j@mi.com.lk 0704894980

	Address	Telephone	Branch Email	Details of Branch Head
63.	Tissamaharama Branch #19/6, Sagara Building, Palliyawatta, Tissamaharama, Sri Lanka.	0472239341	mitissa@mi.com.lk	Supun Nidarshana Indika.j@mi.com.lk 0701031881
64.	Tambuttegama Branch #1, Rajina Junction, Thambuttgama, Sri Lanka.	0252275276	mithambuttegama@mi.com.lk	Prabath Indika indika.j@mi.com.lk 0718751959
65.	Thalawakele No. 14/2, Kothmale Road, Thalawakele	0522258917		Manoj Bandara pradeep.ma@mi.com.lk 0719651935
66.	Trincomalee Branch #266, Anuradhapura Junction, Kandy Road, Trincomalee, Sri Lanka.	0262226456	mitrinco@mi.com.lk	Nalaka Jayanath Bandara- nalaka.j@mi.com.lk 0703370442
67.	Vavuniya 18,20 ,2nd Cross Street, Vauniya	0242220815		Jesuthasan Sujanth sujanth.j@mi.com.lk 0710435282
68.	Veyangoda Branch #41, Nittambuwa Road, Veyangoda, Sri Lanka.	0332246586	miveyangoda@mi.com.lk	Nalin Siriwardene nalin.s@mi.com.lk 0712498312
69.	Warakapola No.34, Kandy Road, Warakapola	0352276022		Sahan Budhdhimal sahan.b@mi.com.lk 0715582716
70.	Wattala Branch #120, Old Negombo Road, Wattala, Sri Lanka.	0112930793	miwattala@mi.com.lk	Rumesh Wijesundara rumesh.w@mi.com.lk 0710577340
71.	Welimada No.40, Nuwara eliya Road, Welimada	0572243708		Dhammika pradeep dammika.pj@mi.com.lk 0718752028
72.	Wellawatta Branch #329, Galle Rd, Wallawattha, Sri Lanka	0112286419	priyankara.d@mi.com.lk	Priyankara Dissanayake priyankara.d@mi.com.lk 0701791364
73.	Wennapuwa Lunuwila Junction, Chilaw Road, Wennappuwa	0312266445		Dumindu Rathnayake dumindu.r@mi.com.lk 0712498356
74.	Ambalantota No.37, Main Street, Ambalantota	0472268125	chathura.ch@mi.com.lk	Chathura Madushanka - chathura.ch@mi.com.lk 0776684352

	Address	Telephone	Branch Email	Details of Branch Head
75.	Nuwara Eliya No. 36/1 & 36/2 Favorite Building, Nuwara Eliya	0522220795	dilhani.n@mi.com.lk	Priyantha Wimalarathne priyantha.wi@mi.com.lk 0705530301
76.	Weligama No.405, Matara Road, Weligama	0412258925	isura.m@mi.com.lk	Isura Abesekara - isura.m@mi.com.lk 0773977244
77.	Panadura 128,128/1, Janapriya Mawatha, Panadura	0382254521	sachintha.h@mi.com.lk	Sachintha Fonseka- sachintha.h@mi.com.lk 0703188867
78	City Office Kollupitiya No.403 R A De Mel Mawatha Coplombo 03	0112301567		Sanka Chamara / Krishantha sanka.a@mi.com.lk / 0711757542
79	Dambulla No.712, Anuradhapura Road, Dambulla		isuru.mp@mi.com.lk	Isuru Malinda - isuru.mp@mi.com.lk 0777362954
80.	Elakanda No.10, Thimbirigasyaya, Elakanda, Hendala, Wattala	0512244525	praveen.g@mi.com.lk	Praveen Gimhana praveen.g@mi.com.lk 0754014018
81.	Kurunegala Premier No.37,37/1, Puttalam Road, Kurunegala	0372041510	prasad.bp@mi.com.lk	Prasad Nawarathna prasad.bp@mi.com.lk 0711572484
82.	Puthukudiyiruppu Paranthan Road, Word No.1, Puthukkudiyirupu	0212061230	nishanthan.y@mi.com.lk	yokentharan Nishanthan - Nishanthan.y@mi.com.lk 0704483706
83.	Karapitiya No.161/A, Hirimbura Cross Road, Karapitiya	0912240299	gihan.sa@mi.com.lk	Gihan Sanjaya gihan.sa@mi.com..lk 0702197460
84.	Kaluwanchikudy Hospital Road, Kalawanchikudi	0652052685	dilakshan.s@mi.com.lk	Dilakshan Sathyadewan dilakshan.s@mi.com.lk 0701095224
85.	Kaduruwela 245H, Somial Junction, Kaduruwela, Polonnaruwa	0272053881	sanjeewa.pc@mi.com.lk	Sanjeewa Chandrasiri sanjeewa.pc@mi.com.lk 0702876295

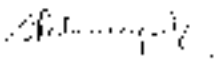
	Address	Telephone	Branch Email	Details of Branch Head
86.	Tangalle No.81, Main Street, Tangalle	0472031950	dinusha.dp@mi.com.lk	Keshara Pathum dinusha.dp@mi.com.lk 0702562775
87.	Negombo City No.147, Rajapaksha Broadway, Negombo.	0312263490	croos.a@mi.com.lk	Anton Priyadarshana Croos croos.a@mi.com.lk 0772492333
88.	Norochcholai S M Ibrahim, Kalpitiya Road, Norochcholai	0322268852	sajith.i@mi.com.lk	Sajith Perera sajith.i@mi.com.lk 0705283804
89.	Mawathagama No.65, Kandy road, Mawathagama Sri Lanka.	0372041315		Keerthi Badara Wijesinghe keerthi.b@mi.com.lk 0703303234
90.	Kilinochchi No.151, A9 Road, Kilinochchi	0212286325	yushan.s@mi.com.lk	Yushan yushan.s@mi.com.lk 0705739170
91.	Kiribathgoda No.20, New Kandy Road, Kiribathgoda	0112909786	dilan.sh@mi.com.lk	Dilan Madushanka dilan.sh@mi.com.lk 0704424924
92.	Kochchikade No.163/B, Chillaw Road, Manaveriya, Kochchikade	0312210335	shashika.u@mi.com.lk	Shashika Kumara shashika.u@mi.com.lk 0704462140
93.	Mahara No .381/C, Kandy Road, Mahara, Kadawatha	0112921205		Nuwan Kumara nuwan.k@mi.com.lk 0712498384

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 63rd Annual General Meeting of Mercantile Investments and Finance PLC will be held as a virtual meeting on 25th September 2026 at 10.00 a.m. assembled at 236, Galle Road, Colombo 3 to transact the following business.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2026, with the Report of the Auditors thereon.
2. To re-elect Ms. A M Ondaatjie as a Director who retires in terms of Article 23(7) and 23(8) of the Articles of Association as a Director of the Company.
3. To re-elect Mr.T J Ondaatjie as a Director who retires in terms of Article 23(7) and 23(8) of the Articles of Association as a Director of the Company.
4. To re-elect Mr.S H Jayasuriya as a Director who retires in terms of Article 23(7) and 23(8) of the Articles of Association as a Director of the Company.
5. 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.
6. To ratify the Interim Dividend of Rs.0.165 per share declared as the final dividend for the year ended 31st March 2026.
7. To authorize the Board of Directors to determine donations for year 2026/27.

By order of the Board
MERCANTILE INVESTMENTS AND FINANCE PLC



Ms. Sonali Pethiyagoda
Company Secretary

Colombo

30 July 2026

Notes: Any member entitled to attend and vote at the Meeting is entitled to appoint a proxy (whether member or not) to attend and vote instead of him. A form of proxy is enclosed with the Report for this purpose and Shareholders who are unable to attend the Meeting in person are requested to kindly complete and return such form of proxy in due time, in accordance with the instructions noted on the form of proxy.

For information on how to participate by virtual means in the above meeting, please refer the supplementary notice to shareholders.

Supplimentary Notice to Shareholders

Instructions for Registration and Participation at the Virtual Annual General Meeting

MERCANTILE INVESTMENTS AND FINANCE PLC
63RD ANNUAL GENERAL MEETING

Dear Shareholder,
The Board of Directors of the Company, having taken into consideration the guidelines issued by Colombo Stock Exchange ("CSE") on holding virtual shareholder meetings through audio/visual means, have decided to hold the Annual General Meeting ("AGM") of the Company as a virtual meeting through audio/visual means using an online platform on 25th September 2026 as per the Notice of Meeting of the AGM.

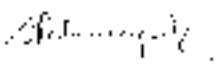
Please note the following procedure to be adopted in terms of same.

1. Notice of Meeting, Form of Proxy and Form of Registration are enclosed herewith.
2. The AGM will be held in compliance with the principals set out in the Guidelines issued by CSE for hosting of virtual Annual General Meeting.
3. Only the key officials who are essential for the administration of the formalities of the meeting will be physically present at the venue. All registered shareholders/proxy holders are requested to participate via online meeting platform.
4. Shareholders who wish to participate in AGM through audio visual means should forward the duly perfected Registration Form (Annexure 1) to Mercantile Investments and Finance PLC, Secretaries, 236, Galle Road, Colombo 3 or by email to mercantile@mi.com.lk at least 48 hours before the time fixed for the meeting.
5. Adequate arrangements will be made for Shareholders who wish to participate in the AGM via the online meeting platform with log in information being forwarded to shareholders in advance of the meeting upon verification of registration details. Only Shareholders or their duly appointed proxyholders are requested to log in to the virtual meeting platform. It is recommended that Shareholders/Proxy Holders join the AGM at least 15 minutes before the start of the AGM. The digital Platform will be active 30 minutes before the start of the AGM. The Company will not be responsible or liable for misuse and/or unauthorized use of the login information.
6. Shareholders will be given the opportunity to raise any questions or comments on the matters listed on the Agenda for the meeting or forward the questions in advance to the email mercantile@mi.com.lk
7. Voting on items listed on the Agenda will be registered using an online platform. Shareholders/Proxyholders will be briefed on the procedure for voting prior to the commencement of the AGM.

In the event the Company is required to take any further action in relation to the Meeting and/or other communications, guidelines, directives or orders issued by the Government of Sri Lanka, notice of such action shall be given by way of an announcement to the Colombo Stock Exchange and/or publication on the Company website www.mi.com.lk

The Board wishes to thank the Shareholders of the Company for their corporation and support to ensure a smooth and uninterrupted process at the Annual General Meeting of the Company and look forward to their virtual attendance.

By order of the Board
MERCANTILE INVESTMENTS AND FINANCE PLC



Sonali Pethiyagoda
Company Secretary

30 July 2026

Form of Proxy

I/We* ..... of

.....

being a member/members of MERCANTILE INVESTMENTS AND FINANCE PLC, do hereby appoint;

....

of.....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
Ms. Eranjalie Deepthie Wickramasuriya	or failing her
Mr. Anil Lasantha Noamal Dias	or failing him
Mr. Malwattage Kanchana Sujeewa Pieris	or failing him
Mr. Brandon Phillip Morris	or failing him
Dr. Sugeeth Saranaga Jasenthu Patabendige	or failing him
Mr. Graham Anthony Fredrick Marshall	or failing him
Mr. Egoda Wiyannala Vajira Arjuna Wijesinghe	

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 25th September 2026 at 10.00 a.m. as a virtual meeting assembled at 236, Galle Road, Colombo 3 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 2026, with the Report of the Auditors there on.			
2) To re-elect Ms A M Ondaatjie retiring in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.			
3) To re-elect Mr. T J Ondaatjie retiring in terms of Article 23(7) and 23(8) of the Articles of Association of the Company.			
4) To re-elect Mr. S H Jayasuriya retiring in terms of Article 23(7) and 23(8) of the Articles of Association of the Company			
5) 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 Directors to determine their remuneration			
6) To ratify the Interim Dividend of Rs.0.165 per share declared as the final dividend for the year ended 31st March 2026.			
7) To authorize the Board of Directors to determine donations for year 2026/27			

As witness my/our* hand this ..... day of 2026

.....
Signature of Shareholder/s

Note: Please delete the inappropriate words.
(Instructions as to completion are noted on the reverse hereof)

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling legibly your full name and address and by signing in the space provided and please fill in the date of signature.
2. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If the proxy form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
4. 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.
5. The completed form of proxy should be deposited at the Registered Office of the Company at No.236, Galle Road, Colombo 3, 48 hours before the time appointed for the meeting.

Registration Form

ANNEXURE 1

MERCANTILE INVESTMENTS AND FINANCE PLC
63RD ANNUAL GENERAL MEETING

To: The Company Secretary
Mercantile Investments and Finance PLC
236, Galle Road,
Colombo 3

Full Name of Shareholder.....

Address of Shareholder.....

.....

Shareholder's NIC No/Passport No/Co. Reg No .....

Membership No/ CDS Account No ..... No. of Shares held .....

Shareholder's Contact Nos. Residence .....Mobile .....

Shareholder's e-mail address ....(Please type clearly, mandatory)

If Proxy is Appointed
Full Name of Proxy .....

Proxy Holder's NIC No/Passport No. .....

Telephone No. Residence .....Mobile .....

e-mail Address .....
(Please type clearly, mandatory)

.....	.....	.....
Shareholder's Signature/Date	1st Joint holder's Signature/date	2nd Joint holder's Signature/date

Notes: Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Shareholders are advised to complete the form legibly in order to facilitate their participation through the online platform
2. The “Web Link” for participation at the AGM through the online platform will be forwarded to the Shareholder’s above noted email address.
3. In the case of a Company/Corporation, the registration form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. If the registration form is signed by an Attorney, the relative Power of Attorney should also accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
5. The completed registration form should be deposited at the Registered office at No.236, Galle Road, Colombo 3 or emailed to mercantile@mi.com.lk 48 hours before the time appointed for the meeting.

Form of Request

FOR A PRINTED COPY OF THE ANNUAL REPORT 2025/26 OF MERCANTILE INVESTMENTS AND FINANCE PLC

☐ I would like to receive the printed version of the Annual Report 2025/26 of Mercantile Investments and Finance PLC

SHAREHOLDER'S DETAILS

Full name of the Shareholder : .....

.....

Shareholder's

NIC/Passport/Company Registration No. : .....

Address : .....

Contact Number & E-mail : .....

: .....

....

Signature Date

NOTES:

1) Please complete the Form of Request by filling in legibly the required information /Date and signing in the space provided.
2) In the event the shareholder is a Company, the Form of Request should be signed under its Common Seal or by a duly authorised officer of the Company in accordance with its Article of Association.
3) Please forward the completed Form of Request to the Company Secretary in one of the following methods-

By post / Delivered by Hand-
Company Secretary
Mercantile Investments and Finance PLC
236, Galle Road, Colombo 03
By email – mercantile@mi.com.lk

Notes

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 2025/26 (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:

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Your Name :.....

Your Tel/Email :.....

Your Organization & Designation (If Applicable) .....:.....

Finance Director,
Mercantile Investments & Finance PLC,
No.236,
Galle Road,
Colombo 03.
Tel: +94 11 2343720-7

Notes

Concept & Designed by
Copyline
a great equation

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