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சியபத பினான்ஸ்
Siyapatha Finance
(Finance Company of Sampath Bank Group)

Stability Redefined

SIYAPATHA FINANCE PLC
ANNUAL REPORT 2021

The cover of the Annual Report 2021 shows a graphical illustration of our new corporate Head Office **"Siyapatha Tower"** located at 111, Dudley Senanayake Mawatha, Colombo 8.

Stability Redefined

Siyapatha Finance demonstrated its tenacity and resilience to emerge stronger in a turbulent economic environment. Founded on our strong fundamentals and a resilient business model we redefined stability by achieving significant progress in the financial year 2021.

Recording the highest ever profitability in our history we marked yet another milestone in our corporate journey as we opened the doors to our very own corporate office. We believe that this will be a much sought-after landmark that offers inclusive financial progress. As we position ourselves as a premier, trusted financial institution, together with our Siyapatha Team we look forward to unfolding a new era powered by aspirations and strides of progress.

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Our Values

Loyalty

Openness

Trust

Unity

Service Excellence

Our Vison

To be the most innovative and trusted premier financial services provider.

Our Mission

To provide flexible and creative solutions to customers and generate greater values to our stakeholders while assuring corporate governance through an empowered professional team.

Company Profile

Siyapatha Finance PLC, formerly known as Sampath Leasing & Factoring Limited a fully owned subsidiary of Sampath Bank PLC, was established in March 2005 as a specialized leasing company, licensed and regulated by the Central Bank of Sri Lanka (CBSL) to service the lower end of the SME/ Retail customer segment. Over its 16 years in operation, Siyapatha Finance has grown into the largest subsidiary of Sampath Bank and in September 2013 the entity was rebranded to its current name subsequent to receiving the finance company license by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011. The company's lending portfolio consists of finance leases, hire purchase financing, loans, gold financing, factoring (debt financing) operations and deposits.

Siyapatha Finance PLC is a key player in the country's Non-Bank Financial Institutions sector with a network of 40 branches in principal cities and towns, powered by a dynamic team of 804 employees.

Rating (Issued by Fitch Ratings Lanka): National Long-Term Rating of 'A (lka)', Outlook – Stable

Milestones

2005

- Incorporation of the Company & obtained ‘Specialized Leasing Company’ status
- Opening of branches in Kandy & Matara

2010

- Appointment of New Corporate Management

2013

- Received the “Registered Finance Company” Status
- Re-branded as “Siyapatha Finance Limited”
- Launch of Gold Financing business
- Expanded the branch network to 18 branches

2014

- Appointment of New chairman to Board of Directors
- Issuance of its first listed, rated, unsecured, subordinated, redeemable debentures to the value of LKR 1Bn.

2015

- Changed the name as “Siyapatha Finance PLC”
- Commenced Deposit Mobilization from the general public

2016

- Appointment of new Chairman and Managing Director
- Launch of Personal and Business loans
- Relocation of Negombo Branch
- Expansion of branch network to 24 branches. Opened branches in Gamapaha, Kalutara, Trincomalee and Wellawatte
- Issuance of second listed, rated, unsecured, senior, redeemable debentures to the value of LKR 2.5Bn.

2017

- Addition of two branches to the Branch network - Galle & Panadura
- Launch of first corporate campaign along with corporate logo and tagline "Trust Assured"
- Issuance of rated, unsecured, subordinated, redeemable debentures to the value LKR 1Bn
- Relocation of Kurunegala Metro Branch
- Taking initiatives to implement "Finacle Core Banking System" to become the first in the NBFI sector 2017
- Appointment of New Chairman and Two Directors to the Board of Directors

2018

- Appointment of Two Directors to the Board of Directors
- Successful Rights issue to increase the Tier 1 Capital of the company
- Addition of four branches to the Branch network - Kiribathgoda, Maharagama, Wattala and Hatton
- Branch network expanded to 30 branches
- Commenced construction of New head office building

2019

- Appointment of New Managing Director and Two New Directors to the Board of Directors
- Issuance of listed, rated, unsecured, subordinated, redeemable debentures to the value of LKR 1.5Bn
- Addition of 5 branches to the network - Piliyandala, Chilaw, Moratuwa, Jaffna and Pettah
- Branch network expanded to 35 branches
- Relocation of Anuradhapura Branch

2020

- Appointment of New Chairman and Three New Directors to the Board of Directors
- Issuance of listed, rated, unsecured, senior, redeemable, debentures to the value of LKR 2 Bn
- Addition of 5 Branches to the network - Kohuwela, Nittabuwa, Matale, Malabe, Dambulla
- Branch network expanded to 40 branches
- Relocation of Avissawella Branch
- Introduced Siyapatha ATM Card

2021

- Recorded a profit after tax of Rs. 1.1 Bn
- Moving into the new Head Office building – Siyapatha Tower
- Fitch upgrades siyaptha Finance credit rating to "A(lka) with a Stable outlook from A-(lka)
- Siyapatha finance was recognized and certified as a Great Place to Work in Sri Lanka in the year 2021. Further Siyapatha is among the Top 10 best workplaces in Banking, Finance and Insurance Industry in Sri Lanka.
- Siyapatha won the Transformation Excellence Golden Award at the InfoSys Finacle Innovation Awards 2021
- Issuance of listed, rated, unsecured, subordinated, redeemable, debentures to the value of LKR 1.5 Bn
- Revamped the Official Siyapatha Website
- Islandwide CSR project covering 11 hospitals in the country

Financial Highlights

	2021	2020	Change %
Profitability (Rs Mn)			
Gross income	**8,147**	7,580	7.49
Total operating income	**5,334**	3,723	43.25
Operating expenses & impairment charges	**3,408**	2,819	20.91
Operating profit before VAT on financial services	**1,925**	905	112.86
VAT on financial services	**399**	227	76.28
Profit before income tax	**1,526**	678	125.08
Income tax expense	**432**	269	60.70
Profit for the year	**1,095**	409	167.29
Assets & Liabilities (Rs Mn)			
Customer deposits	**17,115**	17,280	-0.95
Other borrowings	**17,269**	17,300	-0.18
Gross loans & receivables	**40,932**	38,556	6.16
Total equity	**6,226**	5,126	21.46
Total liabilities	**36,524**	36,426	0.27
Total assets	**42,750**	41,552	2.88
Investor Information			
Net asset value per share (Rs)	**67.69**	67.26	0.65
Earnings per share - Basic /Diluted (Rs)	**12.35**	5.23	135.99
Total dividend per share (Rs)	**3.57**	1.37	160.58
Gross dividend (Rs Mn)	**328.34**	123.21	166.49
Dividend payout ratio (%)	**30.00**	30.09	-0.30
Regulatory Ratios			
Core capital ratio (Tier I) (%)	**14.74**	9.77	50.87
Total capital ratio (Tier I+ Tier II) (%)	**21.36**	14.18	50.63
Liquid assets ratio (%)	**7.62**	5.24	45.42
Other Ratios			
Total Impairment on loans as a % of gross loans (%)	**10.42**	7.14	45.94
Non - performing loan ratio (%)	**16.30**	18.07	-9.80
Cost of risk (%)	**4.00**	3.55	12.68
Cost to income ratio (%)	**33.56**	39.28	-14.56

Key performance indicators	**2021**	2020	2019	2018	2017
Return on average assets (ROA) (%)	**2.59**	0.96	1.22	1.50	1.91
Return on average shareholders' funds (ROE) (%)	**19.16**	9.54	12.88	16.84	23.05
Growth in Profit (%)	**167.29**	(14.72)	(7.03)	3.54	52.43
Growth in total assets (%)	**2.88**	1.48	13.22	21.32	43.38
Capital adequacy ratios					
Core capital ratio (Tier I) (%)	**14.74**	9.77	8.96	9.40	9.44
Total capital ratio (Tier I+ Tier II) (%)	**21.36**	14.18	14.16	12.21	14.16

Chairman's Message

> "Our dual strategy of sharpening our focus on the segments that provide better results given the challenging economic circumstances, along with a heightened attention on credit quality, enabled this commendable performance."

Dear Shareholder,

I take great pleasure in warmly welcoming you to the seventeenth Annual General Meeting of Siyapatha Finance PLC and in presenting to you the Annual Report and Audited Financial Statements for the year ended 31st December 2021. The year was a challenging, yet successful one for us and I would like to commence my message by thanking the Siyapatha Team who rose to the occasion and played their part in the results set out before you.

Operating Environment

As the COVID-19 pandemic continued to hold its grasp, Sri Lanka remained under pressure as economic activity was hampered by the travel restrictions imposed from time to time. GDP contracted by 1.5% during the third quarter of 2021, the first drop in economic output since the second quarter of 2020. Apprehensions regarding Sri Lanka's ability to service its debt obligations heightened in the wake of lower foreign exchange earnings, which led the Government to undertake a series of measures including import controls, to preserve reserves and ease pressure on the currency. Despite heavy fiscal constraints, the Government maintained its focus on strengthening COVID-19 treatment facilities around the country, enforcing prevention measures and deploying the COVID-19 vaccination program. While battling against the pandemic, economic recovery remains a top priority and the Government together with the Central Bank of Sri Lanka (CBSL) have taken immediate action to manage the forex challenges and debt service concerns. Given that these monetary and fiscal policies are steadily sustained as announced, there is a high probability of a stimulation in economic activity that could lead to greater direct investments and set our economy back on track.

The financial services sector continued to be a key contributor to the overall growth in the services sector recording a 12.9% expansion during the third quarter of 2021 compared to the corresponding period of last year. The Non-Bank Financial Institutions (NBFI) continued to show great potential and despite facing challenges, remained well-capitalised during the year. Furthermore, with the implementation of the CBSL's master plan to consolidate NBFI's, the sector witnessed a significant improvement in regulatory capital and compliance levels. The NBFI sector asset quality however remained volatile with gross non-performing advances rising to 13.04% during the second quarter of 2021. However, based on the provisional figures released by the CBSL this position improved thereon, reaching 11% as at December 2021.

Our Performance

Looking at our results for 2021, one thing is clear: our focus on steady and sustainable growth prepared us well for this unprecedented crisis. Recording the highest ever profit after tax in our history of operations of LKR 1,094.5 Mn, we ended the year on a high note delivering on our promise to you and all our other stakeholders. Our

Chairman's Message

dual strategy of sharpening our focus on the segments that provide better results given the challenging economic circumstances, along with a heightened attention on credit quality, enabled this commendable performance. Even before the pandemic, we had commenced developing an outfit that could operate under any circumstance. Therefore, despite having to steer through two challenging years we were able to stand strong and be a source of stability to all our stakeholders.

The Company's balance sheet expanded, with total assets reaching LKR 42.75 Bn as at December 2021 compared to LKR 41.55 Bn recorded at the end of 2020. The net lending portfolio recorded an increase of LKR 867 Mn reaching LKR 36.67 Bn as at year end. This growth is mainly attributable to the increase in small ticket leasing as well as gold financing.

Non-Performing Advances (NPA) continued to be an area of concern. Therefore, greater emphasis was placed on establishing thorough credit origination protocols as well as efficient recovery strategies to ensure stability and quality of earnings. As a result, we managed to bring down our NPA ratio to a reasonable level.

With the import restrictions on vehicles, the opportunity to grant new vehicle leases remained rather subdued. Consequentially, a greater movement in registered vehicles was seen and hence we shifted our focus towards this market to overcome the dampening impact of the more slow-moving segments.

In line with the CBSL's accommodative stance taken to support and relieve businesses and individuals affected by the pandemic, we extended the debt moratorium granted to eligible customers. Furthermore, we provided additional concessions for severely affected industries such as tourism, transportation, trade, agriculture and construction in terms of facility tenure extensions and a 100% rebate for future interest.

Welcoming the Government's policy shift to promote domestic production and climate friendly agriculture, we offered a series of benefits under our Agri-Lease scheme, facilitating financial aid to purchase equipment and machinery. Furthermore, seasonal payment options were offered to the farming community to help alleviate their financial burden. With our extensive presence across the island, we have been able to seize the emerging opportunities in the agriculture sector while having the right mechanisms in place to mitigate any attributable risks.

The Company issued 15,000,000 subordinated, unsecured, listed, redeemable, rated debentures at a par value of LKR 100. The five-year debenture issue had an initial tranche of LKR 1 Bn with an option to increase to LKR 500 Mn, in the event the initial tranche was oversubscribed. The debenture issue was successfully oversubscribed.

In line with our performance, the Board has proposed a dividend of LKR 3.57 per share to be distributed in the form of a scrip dividend amounting to a total sum of Sri Lankan Rupees three hundred and twenty eight million three hundred and forty four thousand one hundred and sixty seven (LKR 328,344,167.00).

Responsible Growth

Attracting and retaining the best talent is key to driving sustainable growth and one of our top priorities. During the year, our people came together to support one another, and it was their positive attitude that helped us navigate through this volatile period and manage our operations smoothly to provide the best service for our customers. We are aware of the personal sacrifices made during these difficult times and the selfless commitment of our staff. Thus, with the Management's recommendation and Board's endorsement we made it a point to sustain the privileges given to our people and strengthened our efforts on making a meaningful and positive difference. We continue to engage and motivate our employees to perform to their best through our performance-oriented culture while encouraging ethical and transparent behaviour which in turn leads to sustainable growth. I am proud to state that we have been ranked among the Top Ten Great Places to Work in the Banking, Financial Services and Insurance Industry segment in 2021 in recognition of our commitment to foster a dynamic, innovative and inclusive work environment.

Marking a significant milestone in our journey, we completed the construction of our Corporate Headquarters and moved our operations to a more centralized geographical setting. This new state-of-the-art eighteen-level building interlaced with modern technology will be the main hub of operations aiming to enhance the overall Siyapatha experience for all stakeholders. While augmenting the visibility of the Siyapatha brand, this expansion embodies the stability and sustainability of our business as we continue to grow as one of Sri Lanka's leading financial institutions.

Digitalisation has always been an integral element of our transformative journey. During the year, we relaunched the corporate website encompassing a mobile responsive digital platform compatible with all modern browsers. While providing easy access to our complete product portfolio, the website offers several new features aimed to increase customer convenience, including quick access to inquiry submission, vehicle sales information, calculators and branch contact details.

Our strategic implementation of the Finacle Core Banking System transformed the way in which we respond to customer needs and despite the many obstacles imposed by the pandemic we were able to provide uninterrupted business operations. Fueled by the ingenuity and creativity of our employees who continuously look for ways to do things better, we have been able to enhance the functionality of the system to deliver cutting-edge solutions. Our efforts came to fruition as we emerged the winner in the Small Banking Sector Transformational Excellence category at the Infosys Finacle Innovation Awards 2021, in recognition of our initiative in 'Digital Leasing and Contextual Chat Based Internal User Experience'.

Most of our marketing communications and business development initiatives were also carried out on digital platforms as the pandemic continued to restrict conventional promotional campaigns. Additionally, we transitioned our gold loan system to a latest technology platform enabling the delivery of a quick and efficient service to our customers. These moves were imperative in the context of the pandemic, as consumer behavior became increasingly digital and businesses across the world have been embracing a digital culture.

On the Corporate Governance front, I wish to state that there were no departures from any of the provisions of the Finance Companies Direction No. 3 of 2008 and subsequent amendments thereto on Corporate Governance issued by the Central Bank of Sri Lanka. The Company voluntarily adopted the Code of Best Practices on Corporate Governance 2013, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Board Corporate Governance Committee holds oversight responsibility of the Governance activities of the Company and the mechanisms for good governance are constantly reviewed, benchmarked and strengthened to meet evolving requirements. During the year, the Board consciously worked on improving the governance system framework and controls to ensure compliance with the requirements of the regulator. Accordingly, I wish to affirm that we maintained full conformance to the regulatory directions issued by the Central Bank of Sri Lanka while upholding our corporate policies and values.

There were no changes to the composition of the Board during the year under review. The contribution and expertise of the Board members proved to be invaluable in understanding the operating environment and stakeholder concerns and in setting out the strategic direction of the Company. The Board had its head in the game and worked well in tandem with the Management Team, which beyond doubt was an underlying factor for the commendable performance recorded during the year.

Commitment to Sustainability

Despite the challenges of operating within the COVID-19 related restrictions and impact the Company's well entrenched sustainability management framework continued to ensure that sustainability considerations remained an integral part of all business operations. With the upsurge of the pandemic our philanthropic activities were mainly directed towards supporting the country's health sector. Additionally, the Company engaged in initiatives aimed towards improving the quality of education of children.

During the year, a post covid revival unit was established with the aim of improving the financial literacy of our customer segments and providing the support needed to stimulate recovery of businesses and recommence normal lifestyles. As financial products become increasingly complicated, we believe that it is imperative to equip people with the knowledge to make economic decisions that are in their best interests. The team comprising of nine members concentrated on conducting awareness programs to relevant stakeholders, providing credit counseling, business advisory services and assisting businesses in reaching out to potential investors.

The Company also remained conscious of its environmental footprint and took several initiatives aimed towards reducing waste and conserving our natural resources. We accelerated our digitization drive and automated several

Chairman's Message

processes during the year resulting in a significant reduction in paper waste.

Way Forward

The global community has gone through yet another turbulent year but regardless of the difficulties, we look to the future with hope and positivity. Sri Lanka too has had its own share of challenges and the road ahead will not be easy. Whilst we look to the Government to govern wisely and remain consistent with their pro-growth policy decisions, we all have a responsibility to do our part.

Though the path of the pandemic remains ambiguous, we are optimistic that the Government's vaccination drive will provide stability to economic activity and subsequent growth in the year ahead. Our role in a recovering economy involves supporting our customers during these difficult times with facilities and features that would be of assurance and relief to them. Taking forward the learnings from 2021, we will continue to direct our energies towards the segments where risks are more manageable, essentially small ticket facilities and gold loans for businesses. In terms of sustainable finance, greater emphasis will be placed on providing financial assistance to the rural community and small-scale entrepreneurs looking to build up their businesses. As a NBFI, we are extremely cognizant of the risk return trade-offs stemming from our lending portfolio and therefore credit quality will continue to be at the fore as we expand our product portfolio.

There is no doubt that the future is driven on innovation and technology. Thus, we will continue to harness the power of technology into our systems, processes, reporting and monitoring to deliver decisive advances in transaction processing, productivity, credit quality and operational efficiencies. Creating a future ready, connected enterprise will take us one step closer towards our aim to become one of the most responsive companies in the sector.

As a responsible financial institution, we will also continue to extend our support towards the CBSL's consolidation plan with the ultimate aim of making a positive contribution towards the stability of the financial services sector.

Looking ahead, I am confident that we will be able to successfully navigate through the trickledown effects of the pandemic on our business operations and thus will continue to invest on reinforcing our product offering. Through digital leadership, disciplined execution and commitment towards our people we will continue to deliver on our promises to our customers, community and shareholders as we grow from strength to strength.

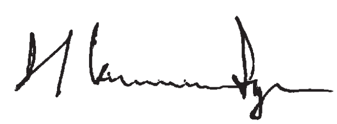
Appreciations

I would like to convey my sincere appreciation to my colleagues on the Board, whose contribution during these challenging times has been outstanding. The unreserved commitment of the Management Team led by the Managing Director has been instrumental in driving the Company towards its phenomenal performance. This would also have not been possible without the dedication and steadfast commitment of our employees and their can-do attitude in the face of a difficult business landscape. They truly made a difference.

My appreciation goes out to the Shareholder- Sampath Bank PLC for their unstinted support and unwavering confidence in the capability of Siyapatha to perform and grow.

My gratitude also goes to our customers, depositors and other business partners for placing their trust in us and in choosing Siyapatha Finance as their preferred partner in growth. We promise to support you in every possible way as we move forward.

Finally, I would also like to express my appreciation to the officials of the Department of Supervision- Non-Bank Financial Institutions of the Central Bank of Sri Lanka, the Monetary Board, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange, for their guidance and support during this time of uncertainty.



Sumith Cumaranatunga
Chairman

3rd March 2022

Managing Director's Review

"I take this opportunity to recognise the Siyapatha Team who strived with determination and dedication to take the Company to greater heights through a turbulent phase by driving phenomenal performance across key business metrics."

Dear stakeholders,

Siyapatha Finance PLC recorded its highest ever profitability, recording a profit after tax of LKR 1.09 Bn despite an extremely challenging business environment. Achieving this LKR 1 Bn profitability milestone is certainly a turning point in our corporate journey of 16 years. I take this opportunity to recognise the Siyapatha Team who strived with determination and dedication to take the Company to greater heights through a turbulent phase by driving phenomenal performance across key business metrics.

Marking yet another milestone, Siyapatha Finance relocated its corporate head office at the end of December 2021 to its own building located at Dudley Senanayake Mawatha, Colombo 8. This new state-of-the-art, building offers an array of conveniences for our customers. The 'Siyapatha Tower' located in a prime location greatly elevates our stature as a trusted and stable financial services provider enhancing the visibility of the Siyapatha Brand. This augurs well for the future positioning of the Company as it strides ahead to the next phase of growth and progress.

Financial Performance

Despite the extraordinary challenges that engulfed the financial services industry, Siyapatha Finance performed exceptionally well, reporting the highest ever profitability with Profit Before Tax reaching LKR 1.53 Bn in 2021. Profit after tax increased by 167% from LKR 409.5 Mn to LKR 1094.5 Mn in 2021. Growth in income coupled with prudent management of operating expenses saw the cost-to income ratio substantially improve to 33.56% from 39.28%. The Company maintained a very focused approach on focusing on well performing segments whilst maintaining its risk management strategies, maintaining credit quality and improving recoveries efforts. The Company opted to consolidate its operations and harness success through segments which offered more potential. Thus, the Company made the prudent decision deferring its branch expansion objective to the Financial year 2022.

Another noteworthy achievement was the management of Non-Performing Advances (NPA) and total impairment charges against loans and advances for the year ended 31 December 2021. During the year, we managed to reduce our gross NPA ratio to 16% from 18% in 2020. Despite the moratoriums and the decline in economic activities we were able to contain the NPA of the leasing portfolio within the industry benchmark of 12%. This reflects our commitment to driving our recoveries and maintaining our credit quality despite the downturn in business activity.

The Company held a strong asset base of LKR 42.75 Bn as at 31 December 2021, recording a growth of LKR 1,198.59 Million during the year. Total liabilities of

Managing Director's Review

the Company increased marginally to LKR 36.52 Bn as at 31 December 2021 compared to LKR 36.43 Bn as at 31 December 2020. The Company's Return on Average Assets grew by 163 bps to 2.59% during the financial year 2021 driven by enhanced earnings.

The deposit base of the Company was maintained at a steady level of LKR 17.11 Bn. This reflects the trust and confidence attained by the Company among fund managers and the corporate sector that continued to place substantial quantum of fixed deposits.

The Tier I Core Capital Ratio and the Total Capital Ratio stood at 14.74% and 21.36% as at 31 December 2021, well above the respective regulatory capital adequacy requirements of 7% and 11%.

Performance of Key Business Verticals

The Company witnessed a significant growth trajectory in its lending portfolio mainly comprising of micro - leasing, gold financing and business loans despite the multitude of macro-economic challenges which affected credit growth in general.

Leasing

The Company's gross leasing portfolio displayed a modest growth to LKR 31.7Bn marking an increase of 3.72% amidst import restrictions on unregistered vehicles. The import restrictions prompted us to explore new growth avenues by leveraging growth opportunities present in the registered vehicle market segment.

Adhering to the guidelines imposed by the Central Bank of Sri Lanka (CBSL) we extended moratoriums for all customers eligible for relief. In response to the downturn in business activities, especially in segments such as tourism, agriculture, trading, transportation, and construction related businesses, we extended extension of the repayment period along with 100% rebate on future rentals for customers affected by COVID-19. We formed a Business Revival Unit comprising of 9 members, to assist our customers and stimulate the recovery of such businesses. Constant engagement was maintained with our customers who faced payment difficulties to educate them on more sustainable solutions to redress their issues.

In light of the emerging challenges in the vehicle market we hope to pursue growth opportunities in small – ticket size leases by focusing on micro leasing and leasing of three wheelers. Agriculture equipment such as combine harvesters is another segment which we hope to harness to strengthen our portfolio. We offer a range of facilities under the Agri Lease category by extending facilities for a wide array of agricultural equipment under seasonal payment plans which will be a much-needed boost to revive this vital sector of our economy.

Gold Financing

During the Financial year 2021, our gold financing portfolio displayed a significant growth by recording an increase up to LKR 5.8 Bn which represents an increase of 21.47% at the year end. It is encouraging to note that 80% of our gold loan customers consist of businessmen who utilize the proceeds for investment purposes as opposed to consumption.

Our Siyapatha Team

Our Siyapatha team is the bedrock of our success. Over the years, the Company has focused on employee development initiatives to enrich the skills, competencies, and capacity levels. This has enabled the team to work together cohesively under the theme 'One Team - One Goal'.

We have in place a succession planning and leadership grooming program through which we identify key team members who have the capability capacity and potential to become the future leaders of the organisation. Through our Individual Development Plan (IDP) and Management Development Plan (MDP) we hope to build and instill strong leadership capabilities within these identified top performers.

Despite the restrictions brought on by the pandemic, we were in a position to maintain a safe work environment for our staff members and other stakeholders. Furthermore, we maintained the momentum of our employee training and development activities by transitioning our training programs to online platforms. This ensured that our training and development initiatives were conducted seamlessly in an uninterrupted manner across our organisation, thus eliminating regional and geographical disparities in skills and knowledge.

We firmly believe that our well-informed, skilled and passionate team of employees are a key differentiator especially in this volatile landscape and keeping our staff motivated emerged as a top priority. Therefore, despite the mobility restrictions, our Human Resource Department made sure a variety of engagement activities were carried out virtually to nurture and build the team spirit and camaraderie.

Digitalisation

Digitalisation pervades through all our operations and has been a game changer in a post pandemic environment. Implementation of the Finacle Core Banking System generated many efficiencies across the organisation and positioned us well in terms of providing a better service to our customers. Furthermore, we equipped our marketing and recovery teams with remote access devices to enable remote work and infuse efficiency to our core operations. We successfully developed a fully digitalised contextual chat-based lease/loan origination system in conjunction with LinearSix (Pvt) Ltd, which was granted the Transformation Excellence Gold Award at the InfoSys Finacle Innovation Awards 2021. In addition, the CBSL rules for AML/PEP monitoring were successfully adopted to digitalise the customer onboarding process.

During the year, we relaunched our Siyapatha Finance website which is enabled with a live chat bot which provides instantaneous information and details for our existing and potential customers. The Company's Facebook page and other platforms were revitalised to drive engagement levels across our target groups.

The Company has placed high priority on maintaining the confidentiality, integrity, and availability of customer data, as well as the safety of IT systems. As a member of the Financial Sector Computer Incident Response Team, Sri Lanka (FinCSIRT), we obtained security vulnerability warnings and information sharing, external security evaluation, and online monitoring services to mitigate the risk of cyber crimes.

During the year, strategic HR and operational functions of the Company were also transferred to digital platforms with the implementation of the HRIS which features an HR mobile App, e designing platform, employee welfare, performance management system and employee communications. HR Help Desk and Lotus Facebook page were used as communication channels to interact with the team during the pandemic and post pandemic phase. This has created a connected, technology-driven culture within our team.

Sustainability and CSR

With the objective of driving positive change in our communities we have engaged in several corporate social responsibility initiatives mainly along the lines of healthcare and education. Through our CSR initiative "Husma Podak", we donated ICU Beds, Bed Pulse Oximeters, Medical Trolleys and Wall Oxygen Regulators to 11 selected hospitals treating patients infected with COVID-19. Further, marking its 4th anniversary, our Galle branch held an alms-giving while also donating medical equipment to the Cancer Society of the Karapitiya Teaching Hospital.

In terms of supporting the country's education system, we donated computers to the Newbridge Boys' Home in Wevaldeniya to facilitate online learning and upgraded the infrastructure of St. Rogus Primary School, Ambakandawila, Chilaw.

We took the opportunity to recognise and value the selfless commitment displayed by the Sri Lanka Police to safeguard all communities, especially during these challenging times. As an appreciation for these efforts, Siyapatha Finance erected canopy tents to roadside police posts in Sainthamaruthu.

The Company over the years has committed to promoting road safety and reducing road accidents. We joined hands with the Police Stations of Chilaw, Kohuwala and Matale where road safety sign boards were donated to the Police Stations of these areas.

Awards & Accolades

I am truly honoured to announce that Siyapatha Finance has been recognised and certified as a 'Great Place to Work' and ranked among the 'Top Ten Great Places to Work' in the Banking, Financial Services and Insurance Industry' segment in 2021. This significant achievement demonstrates the trust and confidence, culture and employee team spirit that we have nurtured over the years as we continue to position ourselves as one of the best finance companies in the country.

Our persistent drive for digitalisation also received recognition as we clinched the Transformation Excellence Gold Award at the Infosys Finacle Innovation Awards, 2021.

Future Aspirations

We at Siyapatha Finance have always been guided by a strong sense of

Managing Director's Review

stakeholder responsibility and our business model is anchored on the vision to deliver sustainable development for all. Business growth and gaining market share is certainly one of the key strategic objectives we hope to pursue by enhancing our business portfolio by 15% in the next year. Increasing our geographical footprint will be one of the key strategies to drive business growth. We hope to open five new branches in key strategic locations with the objective of establishing greater reach to enhance our lending portfolio. This would also position us to drive financial inclusivity through micro leasing/ agriculture lease facilities. Further, we hope to build a more granular deposit portfolio focusing on retail fixed deposits with the objective of providing the guarantee of a safe and secure return from a trusted financial institution.

Reinforcing the capacity and competencies of our engaged, committed and motivated team will also be one of our top strategic priorities. To stay abreast with new technology and transform as a future-fit financial institution we will pursue increased process automation and digitalisation which has the potential to significantly improve customer service levels. To maintain our market positioning we will also look to strengthen relationships with business partners by increasing our presence in vehicle dealerships and implementing new strategic tie-ups with selected suppliers.

We have taken into cognizance the growth opportunities presented by the CBSL's finance sector consolidation plan. We truly endorse the initiatives taken by the CBSL in infusing greater stability to the financial services sector. As a socially responsible corporate citizen we endeavor to introduce sustainable lending products in line with the CBSL's sustainability roadmap and the sustainability initiatives spearheaded at a national level.

Appreciation

As we navigate ourselves, with success, through one of the most challenging years in the history of Siyapatha Finance, I wish to extend my heartfelt appreciation to the Chairman and the Board of Directors who guided us in setting the right strategic direction to achieve great strides of performance. I recognise the support and guidance received from the officials of the Central Bank of Sri Lanka and the Department on Non-Bank Financial Institutions Supervision.

I wish to extend my sincere appreciation to the Chairman and Board of Directors of Sampath Bank PLC who stood beside us as a pillar of unwavering support. I thank our loyal customers, depositors and business partners for their trust and loyalty towards our institution.

Our Siyapatha Team has been a source of strength, who with great dedication and determination performed amidst a very challenging environment. I wish to acknowledge their commitment with sincere gratitude.

I assure that we will continue to pursue our journey towards growth whilst we stay committed to embracing best practices in risk, environmental, social and governance domains, in order to create holistic and sustainable value for our stakeholders.

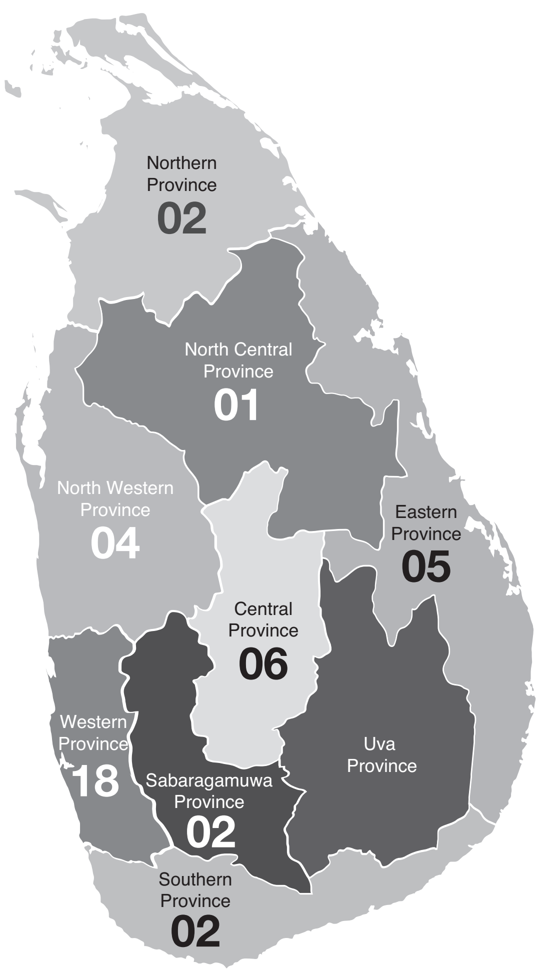
Ananda Seneviratne
Managing Director

3rd March 2022

Management Discussion and Analysis

OVERVIEW

Siyapatha Finance PLC completed another successful year amidst the pandemic recording a commendable growth, continuing its journey providing flexible and creative financial solutions to customers supported by a passionate team of individuals who are geared to maximise the customer experience. Strengthened by information technology as an enabler of business operations and improved service delivery, the Company continues to uphold the trust and loyalty of customers thereby maintaining the sustainability of the business to emerge as one of Sri Lanka's leading financial institutions.



PRODUCT PORTFOLIO

- Leasing: We offer a range of leasing solution to suit diverse segments including Corporates, SME's, Self-Employed, Professionals and Executives. Our lifestyle leasing products accommodates tailor-made leasing solutions covering a wide range of assets, offering competitive leasing rates.

Branch Locations and Addresses

#	Branch	Address
1	Head Office	No. 111, Dudley Senanayake Mawatha, Colombo 08
2	Matara	No.5B, Hakmana Road, Matara
3	Kalutara	No. 169, 169/1/1, Main Street, Kalutara
4	Wellawatte	No. 226, Galle Road, Wellawatte
5	Galle	No. 27, Old Matara Road, Pettigala Watte, Galle
6	Panadura	No. 414, Galle Road, Panadura
7	Kurunegala Metro	No. 36, Negombo Road, Kurunegala
8	Kurunegala	No. 254C, Colombo Road, Kurunegala
9	Anuradhapura	No. 213/4, Maithreepala Senanayaka Mawatha, Anuradhapura
10	Vavuniya	No. 156, Bazaar Street, Vavuniya
11	Kegalle	No. 137, Kandy Road, Kegalle
12	Nuwara-Eliya	No. 28, Kandy Road, Nuwara Eliya
13	Sainthamaruthu	No.1610, Main Street, Sainthamaruthu
14	Kalmunai	No. 172/4, Batticaloa Rd, Kalmunai
15	Batticaloa	No. 257, 259, Trinco Road, Batticoloa
16	Trincomalee	No. 273/A, 273/1/1, Central Road, Trincomalee
17	Negombo	No. 287, Main Street, Negombo
18	Gampaha	No. 3A, Mangala Road, Gampaha
19	Peliyagoda	No. 304, Negombo Road, Peliyagoda
20	Kuliyapitiya	No. 50/52, Kurunegala road, Kuliyapitiya
21	Katugasthota	No. 274/A, Katugasthota Road, Kandy
22	Kandy	No. 192/1/1, Kotugodella Street, Kandy
23	Ampara	No. 32, D S Senanayake Street, Ampara
24	Nugegoda	No. 181,181/1/1, Stanley Thilakarathne Mawatha, Nugegoda
25	Ratnapura	No. 186, Main Street, Ratnapura
26	Avissawella	No. 16, Colombo Road, Avissawella
27	Kiribathgoda	No 211/1/1, Kandy Road, Kiribathgoda
28	Maharagama	No 137, Piliyandala Road, Maharagama
29	Wattala	No. 540, Negombo Road, Wattala
30	Hatton	No. 07, Circular Road, Hatton
31	Piliyandala	No. 88, Moratuwa Road, Piliyandala
32	Chilaw	No. 111A, Colombo Road, Chilaw
33	Moratuwa	No. 168 Galle Road, Idama, Moratuwa
34	Jaffna	No. 388, Hospital Road, Jaffna
35	Pettah	No. 341, Main Street, Colombo 11
36	Kohuwela	No. 69, 69/1,D.De.S. Jayasinghe Mawatha, Kohuwala
37	Nittabuwa	No. 195, Colombo Road, Nittambuwa
38	Malabe	No. 793/C, Kaduwela Road, Thalangama North, Malabe
39	Matale	No. 313, 315, Trincomalee Street, Matale
40	Dambulla	No. 705, Anuradhapura Road, Dambula

Management Discussion and Analysis

- Micro Leasing: Our Micro Leasing facilities are offered for three-wheelers, motorcycles, and buddy trucks to fulfil the leasing requirements of individuals and small-scale enterprises.
- Fixed Deposits & Savings: Our fixed deposits and savings with attractive interest rates offers a higher return for the investments.
- Gold Financing: Our Gold Financing products such as Gold Loans and Business Gold Loan facilities offer financial solutions for the value of customer's gold articles.
- Factoring: We offer working capital solutions for businesses and organization to continue business operations on credit terms.
- Loans: We offer customer friendly loan schemes which include personal loans, auto loans, educational loans and business loans.

EXTERNAL OPERATING ENVIRONMENT

As experienced in the global context, Sri Lanka also confronted the negative consequences of the pandemic with its socio-economic impact and the associated lockdowns and mobility restrictions. From the first wave of the pandemic in March 2020 to the third wave in April 2021, the pandemic brought acute pressure on the country's Macroeconomic performance. Consequently, Sri Lanka recorded the highest economic contraction of 3.6% in 2020, in contrast to the initial expectation of a real GDP growth rate of around 5%.

Despite these negative developments, the Sri Lankan economy observed a strong recovery in the first half of 2021. According to the Department of Census & Statistics (DCS), the economy grew in real terms by 8.0%, y-o-y, in the first half of 2021, compared to the contraction of 9.1%, y-o-y, recorded during the corresponding period of 2020. The key sectors including agriculture, industry, manufacturing, and services supported this growth momentum.

However, the economic recovery weakened in the third quarter with the intensification of the third wave of the pandemic and its related quarantine restrictions. According to DCS, the economic growth rate for the third quarter of 2021 was estimated at a negative growth rate of 1.5 %. During this period, agriculture witnessed a growth supported by Government permitting it to continue despite restrictions, while industry and services demonstrated a contraction.

The labour market also witnessed the negative impact of the pandemic with increasing unemployment rates due to widespread loss of livelihoods. The unemployment rate remained above 5% for six consecutive quarters since the onset of the pandemic, registering unemployment rates of 5.7% and 5.1% in the first quarter and the second quarter of 2021, respectively. Inflation, though remained subdued during early 2021, increased subsequently, driven mainly by high food inflation.

Main foreign exchange earning sectors relating to trade and tourism related activities were affected by the pandemic. This resulted in a decline in the foreign exchange flow to the country creating instability in the foreign exchange rate affecting the investor confidence. On the fiscal front, economic slowdown and rising expenditure reduced the government's revenue necessitating additional borrowing.

From the onset of the pandemic the Government and the Central Bank adopted timely measures to support all stakeholders of the economy enabling the recovery in the first half of the 2021. Measures were also adopted to support affected businesses and individuals from unnecessary penalties and forced acquisitions. The financial sector has also extended broad-based support to businesses and individuals to smoothen the negative effects of COVID-19 related disruptions.

INDUSTRY PERFORMANCE

Performance of LFCs and SLCs sector

The LFCs sector performed moderately during the financial year 2021 only reflecting a marginal increase in total assets and credit portfolio. Loans and advances portfolio represent a major part of the total assets. The sectors capital adequacy ratio stood at 1.07 % (borrowings to equity) as of December 2021, a marginal decrease compared to the 1.32 % as of December 2020.

The liquidity position of the sector remained satisfactory with Regulatory Liquid Assets to Total Assets remaining at 9.69%, a marginal increase compared to the 9.17% in December 2020. As for the Licensed finance companies sector this proportion stood at 9.63% while for Specialised Leasing companies sector this stood at 12.01% as of December 2021.

The earnings and profits for the sector witnessed an increase through the year. During the financial year ended

31st December 2021, the sector's net interest income remained at Rs. 131.45 Bn, an increase compared to the previous year. The total income for the sector stood at Rs. 266.55 Bn while the total expenses stayed at Rs. 183.81 Bn. The sector made a profit for the period (after tax) of Rs. 55.59 Bn.

There was also a marginal increase in the Asset quality of the sector. The sectors Gross Non-Performing Advances to Total Advances remained at 11.00% as of December 2021, a marginal increase compared to the 13.86% in December 2020. As for the Licensed finance companies sector this proportion stood at 10.81% while for Specialised Leasing companies sector this stood at 18.52% as of December 2021.

The Central Bank continue to conduct statutory examinations (on-site supervision) and continuous surveillance (off-site supervision) of the LFCs, while regulating the issuance of prudential regulations, granting regulatory approvals, and investigating into companies carrying on finance business without authority.

Specialised Leasing Companies

The total assets of the sector stood at Rs. 34.6 Bn by end December 2021, with marginal increase in the first eight months ending December 2021. Loans and Advances stood at Rs. 28.2 Bn, which contracted by Rs. 1.4 Bn (4.8%). Total capital stood at Rs. 18.2 Bn by end December 2021, which increased by Rs. 3.1 Bn (20.2%). The sector recorded a PAT of Rs. 0.8 Bn during the eight months ending December 2021, compared with a PAT of Rs. 0.7 Bn during the corresponding period of 2020. Gross and Net NPL ratios stood at 15.0% and 4.7%, respectively, and provision coverage ratio at 68.9% by end December 2021, compared with the ratios of 13.6%, 5.3% and 61.3%, by end December 2020.

FINANCIAL CAPITAL

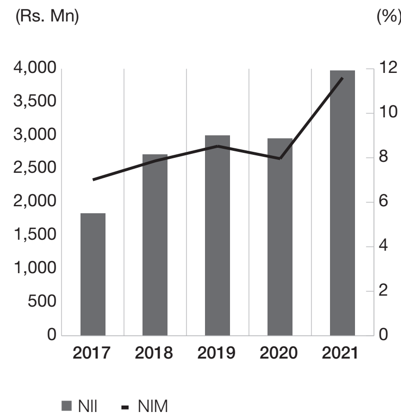
Siyapatha Finance PLC earned a Profit after Tax (PAT) of Rs 1094.5 Mn during the year under review, marking a significant increase of 167% over the previous year. Surpassing Rs 1 Bn, this is the highest profit recorded in the Siyapatha history, reflecting the strength and stability of the Company. The Company's asset base grew by 2.88% recording Rs 42,750 Mn as at 31 December 2021.

INCOME STATEMENT ANALYSIS

Net Interest Income (NII)

The stagnation in credit growth during the pandemic period, non-performing loans and debt moratoriums granted to those who are severely affected by the pandemic influenced the Net Interest Income (NII) of the Company during the year under review. Hence, the Company recorded a total interest income of Rs 6.78 Bn compared to Rs 6.81 Bn reported in the previous year, reflecting a marginal decrease of Rs 27.7 Mn. Interest expenses too reported a decline by 27% recording Rs 2.81 Bn in 2021, from Rs 3.85 Bn recorded in 2020. The combined impact of decrease in both the interest income and interest expense resulted in substantial increase of 34.31% to Rs 3.97 Bn in 2021 in comparison to Rs 2.95 Bn recorded in 2020. Accordingly, Net interest margin (NIM) too reported an increase from 7.96% to 11.60% in the year under review.

Net Interest Income and Net Interest Margin



Fee and Commission Income and Other Operating Income

The Company reported a fee and commission income and other operating income of Rs 1360.9 Mn during the period under review, compared to Rs 765.4 Mn recorded in 2020 indicating a growth of 77.8%. This growth was owing to the increase in profit on early terminations.

Credit Loss Expense

The total impairment charges against loans and advances for the year ended 31 December 2021 stood at Rs 1.62 Bn, an increase of Rs 262 Mn (i.e. 19.31%). Out of the total impairment charges, stage 1 and stage 2 impairment charges comprised of 30% in 2021 compared to 15% in the previous year.

The disturbances to the economic activities due to the third wave of the COVID-19 pandemic and related preventive measures weakened the recovery actions to a certain extent during the period under review.

Management Discussion and Analysis

Moreover, as the COVID-19 pandemic is not yet completely suppressed, the Company has made adequate impairment provisions as at 31 December 2021 to ensure that the potential impact on its loan book is adequately covered in the Financial Statements.

During the period under review, the credit quality of the individually significant loans was discretely evaluated, and appropriate provisions were made, although those customers were within the debt moratorium period. Adequate provisions were also made under the collective impairment segment to capture the impact of current unprecedented economic conditions. Due to extension of the debt moratoriums period and considering the potential impact that may arise due to the pandemic, the Company decided to recognise an additional impairment provision as an allowance for overlay, during the year ended 31 December 2021.

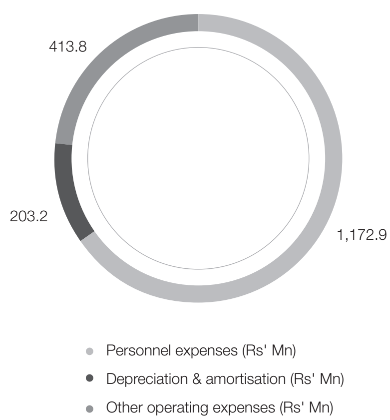
Additionally, customers who operate in risk elevated industries such as tourism, manufacturing, construction (including condominiums), transportation and agricultural etc. were closely reviewed and considered for life-time expected credit loss under stage 2 and stage 3 where necessary.

Operating Expenses

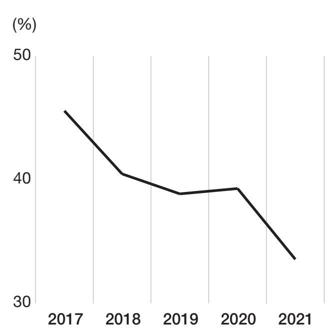
Operating expenses recorded a growth aided by the efficient cost management measures implemented by the management in response to the challenging macroeconomic conditions. Hence, operating expenses grew by 22.39% or Rs 327.5 Mn over the previous year recording Rs 1.79 Bn for the year ended 31 December 2021.

Personnel expenses accounted for 65.53% of total operating expenses and amounted to Rs 1,172.9 Mn, showing a YoY growth of 34.31% mainly due to the expansion of our team, annual increments and staff promotion. However, other operating expenses (including depreciation and amortization expenses) of Rs.617 Mn reported 4.72% increase comparison to previous year. However, cost-to-income (CIR) ratio slightly decreased from 39.28% in 2020 to 33.56% in 2021 mainly due to the growth of total operating income by 43.25% along with the 22.39% growth in operating expenses.

Composition of Operating Expenses - Year 2021



Cost to Income Ratio



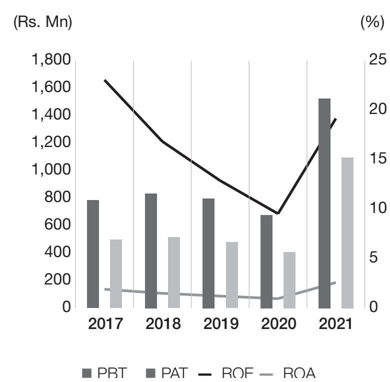
Profit Before Tax and Profit After Tax

Siyapatha posted a profit before tax of Rs 1,526.07 Mn in 2021 against Rs 678.02 Mn in 2020, indicating a significant increase of 125%. The Company recorded a YoY total tax expense of Rs 830.88 Mn in 2021, an increase of Rs 335.8 Mn (i.e. 67.83%) against the total tax expense in the preceding year in line with increase profitability. Profit after tax too improved by 167% from Rs 409.5 Mn to Rs 1,094.54 Mn in 2021.

Return on Assets (ROA) and Return on Equity (ROE)

The Company's increased profits contributed to improved ROA from 0.96% in 2020 to 2.59% in 2021. Likewise, the Return on Average Equity (ROE) (after tax) also increased from 9.54% in 2020 to 19.16 % in 2021 as a result of increased profitability.

Profitability



ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Total Assets

Total assets of Siyapatha reached Rs 42.75 Bn as at year end 2021 compared to Rs 41.55 Bn as at December 31, 2020, recording a growth of Rs 1,198.5 Mn (i.e. 2.88%). This growth can be mainly attributed to the increase in the Gold Loan portfolio and the increase in property, plant & equipment due to capital expenditure incurred in relation to the construction of the new Head Office building. Meanwhile, the net lending portfolio increased by Rs 866 Mn to Rs. 36.67 Bn at the end of 2021 compared to Rs 35.8 Bn as at 31 December 2020.

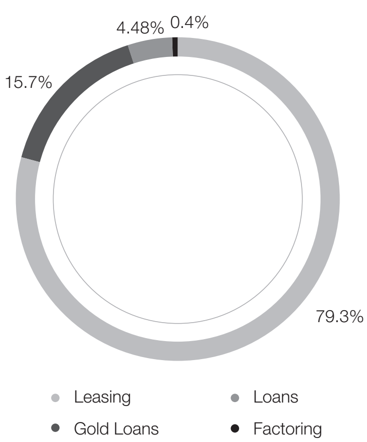
Loan Growth

Leasing dominates a major portion of the net lending portfolio, which accounted for 79.3% followed by gold loans 15.77%, loans 4.48% factoring less than 1%. The marginal growth of the leasing portfolio by 0.24% was mainly due to the reduction in credit demand experienced in the market following the restrictions on vehicle importation and subdued economic activities caused by the COVID-19 pandemic.

During the year, our Net Gold Loans increased to Rs. 5,782 Mn from Rs. 4,769 Mn in 2020 recording a Rs. 1,012 Mn growth. This is a 21.2 % increase compared to the previous year.

The net loan portfolio, which stands at Rs 1.75 Bn as at 31 December 2020, dropped by 6.07% or Rs 106 Mn during the year under review to reach Rs 1.64 Bn as at 31 December 2021.

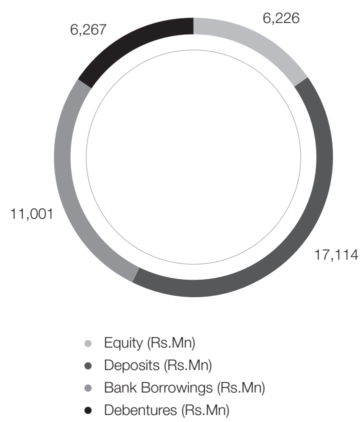
Composition of Net Lending Portfolio - Year 2021



Total Liabilities

The Company's total liabilities remained at Rs 36.5 Bn as of 31 December 2021 displaying a modest increase compared to Rs 36.4 Bn as at 31 December 2020. The deposit base of the Company slightly decreased by Rs 165 Mn during the year reaching Rs 17.11 Bn as at 31 December 2021. Despite the issuance of unsecured subordinated redeemable debentures of Rs 1.5 Bn during 2021, debt issued and other bank borrowings showed a marginal decrease.

Funding Mix - Year 2021



Capital

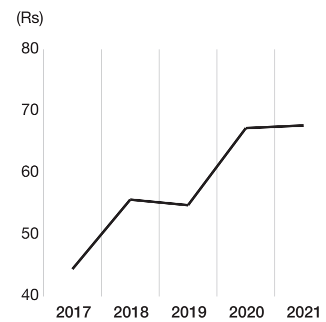
As at 31 December 2021, total equity comprising of capital, retained earnings and other reserves amounted to Rs. 6,226 Mn up by 21.46% over the last year.
A healthy capital level was maintained throughout the year 2021 with stated capital increasing to Rs 2,346 Mn due to the payment of scrip dividends and rights issue of shares. Our Tier 1 and Total Capital ratios of 14.74% and 21.36% respectively remained well in line with the regulatory capital adequacy requirements reflecting the strength of our financial position.

Net Asset Value per Share and Earnings per Share

Earnings per share for the financial year 2021 increased to Rs. 12.35 compared to Rs. 5.23 recorded as at the end of the previous year.

Net asset value per share continued to grow and reached Rs. 67.69 per share during the year which was mainly attributable to the growth in profitability.

Net Asset Value Per Share



Dividends

Dividend per share increased to Rs. 3.57 for the year 2021 against Rs.1.37 for the year 2020 which was paid in the form of a scrip dividend, facilitating value to shareholders and capital formation for growth plans of the Company.

OPERATIONAL REVIEW

With the impact of the third wave of the COVID-19 pandemic during the year, we made constant efforts to maintain effective communication and uninterrupted business operations while uplifting the morale of our team members. As such, we moved into a work from home mode, rotational basis work mechanism and embraced digitalisation transforming many of our systems and processes across all levels to enhance efficiency and better service

Management Discussion and Analysis

delivery. Health and safety standards were also prioritised in maintaining safety of all our stakeholders across the company.

A significant milestone during the year was the Company moving into its new head office building in a centralised geographical setting at No. 111, Dudley Senanayake Mawatha, Colombo 8 which is equipped with state-of-the-art technology to deliver enhanced value to all our stakeholders. Considering the COVID-19 backdrop, we moved most of our communication onto online platforms while adjusting our product approach where necessary to adapt to the current situation. Hence, we focused on Small Ticket Leasing and Gold Loans during the year as a way of managing the portfolio concentration risk thereby generating higher returns on our portfolio. Sales concentration was primarily paid on asset backed lending while high-end large ticket leases were discouraged considering current market conditions.

As the disposable income of many clients were impacted by the pandemic, we offered moratoriums for those affected further initiating restructuring and rescheduling based on clients' requests. We provided additional concession for severely affected industries such as tourism, transportation, trade, agriculture, and construction fields by offering extension for the facility period / 100% rebate of future interest for early settlements.

Additionally, we educated clients on the impact of non-payments and encouraged them to voluntarily handover the assets with prior negotiated concessions. We also established a post COVID-19 revival unit with 9 members to assist customers to stimulate recovery of businesses, assist affected areas and propose suggestions for revival of the activities for clients to re-commence their normal course of livelihood and lifestyles.

The challenges that arose owing to the uncertain operating environment were mitigated through prudent and timely interventions.

Challenges	Our Response
<u>Portfolio Retention & Growth:</u> • The pandemic situation interrupted new business opportunities while creating an increasing tendency amongst the customers to settle the existing facilities.	• The Company encouraged and motivated the customers to continue with us by offering concessions within and beyond the proposed standard reliefs offered by the regulator.
<u>Collection of Rentals:</u> • The pandemic situation disrupted the normal collection efforts creating challenges in maintaining the collection ratio with higher impairment & NPA levels.	• The Company strengthened its digitalised collection platform encouraging direct bank deposits and offered more flexible terms to customers including convenient part rental payment without charging any late payment penalties. Doorstep rental collection was also facilitated on customer request to provide them with more convenience & safety.
<u>New Business Inception:</u> • New business inception was disturbed due to non-availability of unregistered and brand-new assets due to import restrictions. As a result customers did not have options to invest in new assets.	• The Company concentrated on the registered vehicle market along with market penetration strategies to penetrate existing customers with refinancing and accommodation facilities.

Challenges	Our Response
Channel Network expansion & Management: • The annual channel expansion schedule was disrupted due to the prevailing conditions in the operating environment. Besides, the capacity of the existing channel network was also weakened due to continuous lockdowns and imposition of area-based movement restrictions.	• The Company managed to maintain customer service standards without any compromise by implementing more flexible staff rotation initiatives within the branch networks. In addition, alternative operational arrangements were prepared for affected branches within the BCP framework while enabling digital processing and doorstep customer service on request to manage the situation.
Conducting Business Promotions and Business Development Activities: • The pandemic situation disrupted our business development activities and Below the line (BTL) promotional activities across all product lines.	• We managed to re-start business promotional activities at branch level especially collaborating with strategic business partners. The Company increased the focus on digital based marketing communications and business development activities using social media marketing, mobile marketing, and direct canvassing of business through personal networking.

Digitalisation

We successfully implemented the world-renowned core banking system Finacle CBS and a customised fully featured leasing solution that ensures a digitalised, zero-paper usage, efficient lease, and loan origination process. Subsequently, we were granted the Transformation Excellence Award by InfoSys Finacle Innovation Awards 2021. We also adopted the CBSL rules for AML/PEP monitoring to digitalise the customer onboarding process.

During the year, we relaunched our corporate website, a mobile-responsive digital platform with improved navigational options to allow customer’s convenient access to necessary information. Several useful features were also offered on the website focusing on customer requirements including quick access to inquiry submission on our products and services, vehicle sales information, calculators, branch contact details and other useful information. The intelligent solution offered via the “Live Chat” option ensures that customers are effortlessly guided through the website.

Furthermore, we revamped the social media platforms including Facebook, Instagram and Linkedin which facilitated to increase the followers to increase engagement among Siyapatha digital customer base.

Automation of processes

During the year, the Company’s gold loan system was upgraded with the latest technology to increase the efficiency and to provide a speedy service to the customers. All manual approval processes such as file approvals, settlement of rebate approvals were automated with minimum usage of paper.

We further transformed our marketing communication and business development activities onto a digital platform by moving away from the conventional BTL campaigns. Given the prevailing market conditions, we averted from Above the Line communication (ATL) activities with increased concentration on communication through digital means. A Supplier Online Payment Delivery platform was also established with the view of expediting supplier delivery.

Strategic Partnerships

During the financial year, we conducted joint promotional campaigns with Indra Traders, DIMO, other regional car sales and vendors adding more value to the Company by enhancing sources of business within the branch level.

Key Product Portfolio and Performance

The Company focused on improving various features in its product portfolio to help customers overcome challenging economic conditions and sustain their lifestyles. As such, a series of benefits were introduced under the Agri Lease scheme, facilitating financial aid to purchase agricultural equipment and machinery. Additionally, seasonal payment options were offered to reduce the financial burden of the farming community.

Management Discussion and Analysis

Similarly, a special emphasis was given to daily income earners in industries such as cultivation, plantation & small-scale entrepreneurs to fulfil their urgent financial requirements through Micro Leasing and Gold Financing.

Quality Improvement Projects

We carried out continuous quality improvement projects to streamline the operational process. These include;

1. Initiating process improvements with the view of expediting file processing time by decentralising certain operational activities to branch networks. As a result, there was an improvement in file inception & supplier payment timeline.

2. Creation of an Operational Help Desk by allocating specific staff members to communicate with branches and Head Office operations.

3. Decentralisation of the operational process of the micro lease payments to increase the customer service.

4. Introducing a tracking system to locate the files throughout the operations process.

5. Encourage branches to process supplier / customer payment via SLIP transfers to enhance process efficiency.

Quality improvement projects carried out by the Internal Audit Department includes;

1. Collaborating with the IT department and the Gold Finance department in automating the key transfer register which will renounce the necessity for a manual register.

2. Coordinating the customisation of Finacle Core Banking system as per the user requirements.

3. Coordinating the introduction of joint lease facilities.

Green Footprint/Sustainability

Energy Efficiency at New Head Office Building

The new state-of-the-art Head Office building has been built with glass facade technology allowing sunlight to enter the building. This use of natural light instead of artificial lighting facilitates in saving electricity contributing greatly towards energy efficiency.

Energy Efficiency at Branch Level

We have initiated energy efficiency practices at branch level by encouraging the usage of LED lighting and usage of bamboo blinds to reduce heat emanation thereby reducing air conditioner use.

Automation of processes has enabled (File approval, settlement rebate approvals etc…) minimal paper use for sustainable development.

To achieve sustainable operations, all manual approval processes such as file approvals, settlement of rebate approvals were automated with minimal usage of paper.

Green Lending

Credit facilities were provided for electric and hybrid vehicles to encourage environment friendly usage of vehicles to reduce carbon footprint.

Corporate Social Responsibility (CSR)

As a Company we are socially responsible organisation accountable to, our stakeholders, and the public at large. Therefore, by incorporating the concept of CSR within the organisation, we remain conscious of our impact on all aspects of society including economic, social, and environmental factors.

We have integrated the concept of sustainability across all our business operations carrying out business activities adhering to all applicable legal obligations and continuously investing on enhancing human capital, the environment, and the stakeholders. We persistently remain committed to achieve a balance on economic, environmental, and social imperatives while addressing the expectations of all stakeholders.

During the year, Siyapatha Finance carried out “Husma Podak” CSR initiative to support the community by providing medical equipment to hospitals across Sri Lanka during the COVID-19 pandemic. In this connection, ICU Beds, Bed Pulse Oximeters, Medical Trolleys & Wall Oxygen Regulators were donated to eleven (11) hospitals specialised in treating COVID-19 patients. In addition, our Galle branch organised an almsgiving and donation of medical equipment to the Cancer Society of Karapitiya Teaching Hospital in celebration of its 4th anniversary.

Going a step further, we took initiative to recognise and value the exceptional commitment of Sri Lanka police officers who safeguard all communities, notably during these challenging times. In appreciation of their effort, we offered relief by providing canopy tents to roadside police posts in Sainthamaruthu. The Company also joined hands with several police stations in the country by providing road safety sign boards to promote road safety in cities including Chilaw, Kohuwala, Matale, Ratnapura and Katugasthota. Furthermore, we extended our support in improving the quality of education of children in several parts of the country. As the first project, we gifted a stock of computers to Newbridge Boys' Home in Wevaldeniya to facilitate online learning through virtual platforms. As the second initiative, the Company focused on St. Rogus Primary School, Ambakandawila, Chilaw consisting of approximately 700 students providing them with minimal infrastructure facilities. We were able to improve part of their school infrastructure by installing an Internal Communication (PA) System and a brand-new school name board.

HUMAN RESOURCES

Our employees are the essence of the Company as they ensued our business success over the past 16 years by supporting and contributing through performing various duties towards the Company growth. Knowledge, skills, competencies and customer centric professional behaviour added value enabling the company to reach its strategic goals and objectives.

The Human Resources Department of Siyapatha Finance remain committed to managing the employee experience during the employee life cycle aligned with the Company's mission, vision and company strategic business objectives.

In this journey, we were supported by the Board of Directors who guided the Human Resources Departement to act as an enabler of sustainable growth which has further reinforced our overall HR processes.

With constant dedication to deliver exceptional employee experience to all employees at all levels across the board, Human Resource Team have implemented the policies , procedures and guidelines that motivates and drives the performance, efficiency and productivity levels of employees.

Recognition and Certification as a "Great Place to Work"

Siyapatha Finance is proud to be certified as a Great Place to Work and ranks amongst the Top 10 Companies in the Banking, Financial Services and Insurance sector in Sri Lanka by Great Place to Work® Institute (GPTW).

The Great Place to Work® certification is an excellent testimony to the people centric practices that are in place at Siyapatha Finance and is a reflection of the management's commitments towards its people in enabling a rewarding career within the company.

Management Discussion and Analysis

The organisation was evaluated under 25 key people metrics and earned GPTW credential based on extensive ratings provided by our employees in an anonymous survey conducted by Great Place to Work® during 2021 –2022.

This prestigious award is based entirely on how current employees rated all the parameters of the GPW analysis which resulted as above 86%, proving their working experience. During the year, 96% employees were proud to work at Siyapatha while 87% of employees said Siyapatha is a great place to work.

The certification recognises Siyapatha Finance as an empowering organisation that has created positive employee experiences, high-trust relationships, and a workplace that is fair and equal.

HR Strategy, Culture and Values

The Company's HR strategy focuses on nurturing a sustainable, profitable and value driven culture which would enhance employee engagement towards innovative and creative workplace solutions. In this regard, the Company has dedicated its effort to create a pleasant work environment while fostering a learning and development culture within the Company that attracts and encourages the retention of competent and skilled employees.

Aligned with HR objective to be the "Best HR Managed Finance Company" in Sri Lanka by attracting, sustaining, and inspiring great people, with great passion, working for a great purpose who will make SIYAPATHA a HAPPY Place to work.

The Human Resources team at Siyapatha Finance consistently contribute to enhancing employee's leadership skills, competencies and creativity by encouraging active employee engagement whilst contributing towards workplace solutions and services. The focused efforts of our Human Resources team to attract, motivate, develop, and retain people has made Siyapatha Finance a stimulating work environment with value driven friendly culture.

We encourage a learning culture that supports the development of the employees by enabling them to achieve greater success both in their personal and professional fronts. With performance-based rewarding culture with focus of retaining competent, potential workforce, HR Team of Siyapatha Finance proactively contributing to business progression by empowering team members by developing their leadership capabilities. By creating innovation and enhancing employee engagement through encouraging leadership, innovation and engagement levels, the work environment is enriched to create a future ready workforce within the organisation.

The Company's Human Resource Development Framework focuses on employee life cycle and inculcating a performance driven culture amongst the employees thereby nurturing a well-informed, skilled, and passionate group of individuals who contributes to gain a competitive edge. The Company is well focused and equipped with relevant resources to enhance its competencies and skills by inculcating customer centric ethos to drive the Company's strategic objectives.

STRATEGIC OBJECTIVES OF HR

ENSURE FUTURE READY WORKFORCE

- TO BE A "EMPLOYER OF CHOICE"
- LEADERSHIP AND CAPACITY DEVELOPMENT
- PERFORMANCE AND VALUE DRIVEN CULTURE

Performance Management System

A performance driven culture in an organisation is propelled by motivation to perform and achieve success. Hence, the Company has established a well-structured and transparent Performance Management system to evaluate employee performance, empowering and motivating employees to perform to the best of their abilities and knowledge, while supporting employees to meet their professional and personal goals and objectives.

Performance Management System (PMS) of Siyapatha consists of two models. Managers and the Heads of Departments are assigned to develop and evaluate performance of employees based on two approaches; probationers are evaluated after 6 months of their service to gauge their interaction with the organisational values and culture while the performance of the permanent cadre is reviewed annually and biannually. Annual KPIs are set for all employees at the beginning of the year to measure their performance to meet the Company's budgeted targets and departmental targets. At present, performance evaluation for employees is conducted in 180^0 scale whilst senior managers are evaluated in 360^0 scale.

Aligned with their specific job roles and responsibilities, key performance areas are identified and further developed to measure their true contribution to the Company.

Performance appraisals are carried out semi-annually considering the results of the previous performance appraisal together with their knowledge, skills, attitudes, and competencies. Based on the results of the performance evaluation, employees are provided with feedback in a structured manner highlighting their strengths and the areas for improvement. This will enable the employees to further their career path aligned with their personal and professional goals.

Rewards and Recognition

Recognition of employees and rewarding their achievement stimulates their outstanding contribution to the organisational success. Hence, we inculcate a performance-based culture within the Company thereby providing them with opportunities for growth and retention of high performing employees in the long-term.

We measure employee performance periodically against their KPIs across departments and branches. Based on the performance, employees are recognised and rewarded accordingly through providing them with new opportunities, responsibilities, and annual promotions thus improving productivity and efficiency. Apart from that, their engagement in social activities, sports, memberships, special skills and talents are recognised, rewarded, and appreciated at annual staff gatherings.

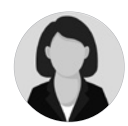
Training and Development

We have introduced a range of training and development opportunities to develop employees' soft and technical skills. These skill development opportunities are made available following critical evaluation of their training and development needs at the organisational, departmental, and individual level.

As the Company is confidently looking forward to sustaining a strong growth momentum, HR will be a key business partner in our progress contributing to achieving the Company's strategic objectives. Hence, our HR team would

Gender wise breakdown of training participants

2011



931

Type of Training and the number of programs conducted	
Technical skill training	122
Soft skill training	7

Age wise breakdown of training participants	
19-25yrs	480
26-32yrs	1123
33-39yrs	761
40yrs & Above	578

Grade wise breakdown of training participants	
Assistant	576
Executive	1742
Manager	511
Senior manager	113

Management Discussion and Analysis

primarily focus on creating a leadership pipeline, succession planning mechanism, along with continuous learning and development opportunities covering all categories of staff which will improve productivity for greater achievement.

Internal Training programs

The Company's internal training sessions are conducted by well-trained certified internal trainers and subject experts. We highly practise on-the-job training to train newly recruited employees with buddy concept and job rotation to existing employees to enrich and enhance their capabilities and potential.

External Training programs

External trainings play a vital role to sharpen industrial exposure and expert knowledge. The Company also facilitates employees with external training to build their personal and professional networks and gain an in-depth understanding of new technology, best practices, and current trends in the industry via relevant authorities, regulatory bodies as well as industry and subject experts in professional institutes and service providers.

Familiarization Program

As an orientation for the new recruits, the Company conducts familiarization programs to facilitate an easy transition into Siyapatha Culture and the environment. This program is conducted over a period of one week, and covers corporate values, ethics HR processes, operations, systems, policies and procedures.

Apart from that, employees are also placed for on-the job training at the Head Office, at all departments and at branch level for them to get an overview of all critical business functions. New recruits are exposed to many networking opportunities with peers and the management to familiarise themselves with their teams and build team spirit. HR continues to evaluate employee performance from the first day of starting the new job through the 'Employee Activity Book'.

A re-orientation program is conducted after 03 months to evaluate their adaptability towards the Company's' work environment and to create a platform for them to raise any concerns or to make any clarification.

Leadership Pipelines

The leadership pipeline, the internal strategy to grow leaders is a crucial element in our succession planning as it ensures skilled employees to be nurtured and developed within the organisation to take the Company to the next level. In this regard, we have created a systematic, transparent system of identifying candidates for succession thereby developing a high-quality leadership pipeline within the Company. As a key priority, we have put in place several initiatives to develop the leadership pipeline adopting a progressive approach in developing successors and critical talents through the Individual Development Plan (IDP) and Management Development Plans (MDP).

E-learning

Our E-learning platform supports teaching and learning using digital technology. This has enabled bridging the knowledge gap between the current and expected job responsibilities through self-development models further eliminating regional and geographical disparities.

Employee Benefits and Welfare Initiatives

Health and well-being of employees is of paramount importance to the Company. We have introduced a range of health and welfare incentives to ensure a happy and healthy workforce.

Medical reimbursement	Hospitalisation covers for employee and immediate family members and OPD reimbursement for employee and family members.
Reimbursement of travelling, meal, and accommodation	Reimbursement schemes for travelling, meal and accommodation are introduced to initiate employees to achieve set targets and encourage employees to go the extra mile on their work scope. Implementation of these reimbursement schemes has set the transparent and fair procedure for payments within the Company.
Death Donation scheme	We provide financial aid in the event of the death of a family member or a Siyapatha team member.
Distress Loan Policy	Financial aid is extended when employees are facing a challenging situation, such as medical treatments, recovery from natural disasters or other circumstances where the Distress Loan Committee agrees to grant the facility.
Staff Vehicle Lease Policy	Our employees can obtain a lease facility based on their job category, for which two wheel and four-wheel vehicles are facilitated.
Other Benefits	• Maternity benefits • Membership subscription • Medical campaign • Insurance scheme • Staff loan facility

Work Life Balance

Maintaining a healthy work life balance is not only important for health and relationships but also contributes to the improvement of employee productivity and performance. As such, the Company has consistently encouraged employees to maintain a healthy work-life balance to remain motivated and passionate regarding their job roles while harmonising their personal and social commitments. Towards this end, the Company has introduced some critical policies including attendance and leave policy, introduction of flexi hours, Work from Home policy, occupational health and safety policy, transfers, secondment and job rotation policy and learning and development policy, which promotes a healthy work atmosphere.

Team Building Initiatives

HR Team of Siyapatha is working as a cohesive team to improve the productivity, increase employee motivation, encourage collaboration while building trust and respect amongst employees. During the year under review due to pandemic and post pandemic conditions pre-planned employee engagement activities were not conducted by considering health and safety of the employees. However, virtual employee engagement events were handled in a successful manner whilst engaging all the employees and ensuring their participation.

Some of key events during the year were:

- Branch Managers and Regional Managers get-togethers
- Cross functional team get-togethers
- Learning and development initiatives
- Engagements' events which cover all the departments (virtual)
- CSR initiatives
- Product launch and campaigns with cross functional teams
- Employees' special events, achievements and recognition (Virtual)
- Birthday emails and new staff welcome email
- Obituary Notices
- Orientation and reorientation program
- "We care" branch visits

Management Discussion and Analysis

- Innocomm initiatives
- New Year Celebrations and other national, seasonal and festival celebrations
- Religious activities
- Virtual events as per the event calendar of the year

Technological advancement and HR Automation

We are in the process of transforming Siyapatha Finance into a tech-savvy organisation where we will convert HR activities into a digital platform with implementation of user friendly accurate Human Resource Information System (HRIS). We will bring under this platform the HR Mobile app, e-recruitment, employee welfare benefits, performance management system and employee communication aligned with the strategic objectives of the Company.

Furthermore, the Finacle implementation and the granting of remote access devices to marketing and recovery staff have improved the effectiveness and efficiency of the Company’s business activities while uplifting customer service. Besides, Human Resource team has introduced HR Help Desk, e-placement test platform, designing platform, e-surveying platforms and google forms as feedback forms to deliver better service to the workforce.

Diversity and Inclusion

Our HR guiding principles support diversity and inclusion where we treat employees and potential employees equally, without discriminating on the basis of age, gender, religion, or caste. All employees have equal opportunity to progress in their careers with the Company and gain benefit from development opportunities provided to them as part of our talent development initiatives.

Health & Safety Initiatives

At the initial stage of the pandemic, we took measures to implement “Work from Home” policy, roster basis attendance mechanism, and health & safety practices to ensure the service availability to our customers without comprising their health and safety. Simultaneously staff members were provided with required Personal Protection Equipment (PPE) including upgrading office premises with amenities to maximise the health & safety.

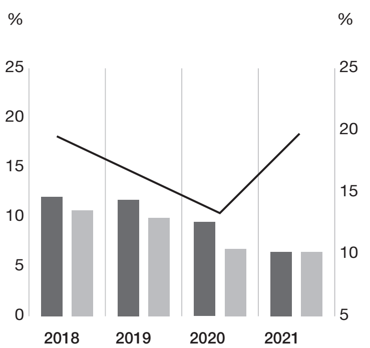
In addition, we conducted awareness sessions across all levels with the support of well reputed facilitators from recognised institutes to enhance the knowledge of staff members on COVID-19 pandemic. Further, partnerships were established with leading hospitals to provide our staff members with best quarantine facilities.

Investor Information

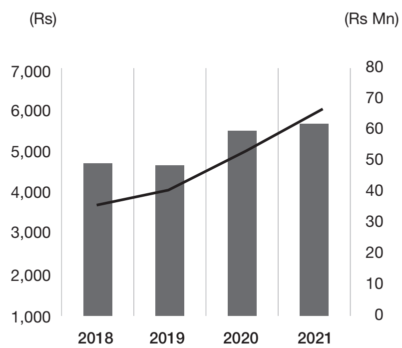
Value Creation for Shareholders

	2021	2020	Change %
Net asset value per share (Rs)	**67.69**	67.26	0.6
Earnings per share (Rs)	**12.35**	5.23	136.0
Dividend per share (Rs)	**3.57***	1.37	160.6
Dividend payout ratio (%)	**30.00%**	30.09%	-0.3

* The Board of Directors have recommended a scrip dividend of Rs.3.57 per share on 91,973,156 ordinary shares,totaling to Rs 328.34 Million subject to approval of Shareholders of the Company.



Average of 12 Months AWFDR
Average of 12 Months Treasury Bill Rate
ROE (after income tax)



Net Asset value per share
Shareholders' funds

INFORMATION ON SHARES

	As at 31 December 2021		As at 31 December 2020	
	Number	**Rs**	Number	Rs
Ordinary Shares	91,973,156	2,346,095,301/-	76,212,072	1,522,880,852/-
Total	91,973,156	2,346,095,301/-	76,212,072	1,522,880,852/-

Shareholders' list as at 31 December 2021

	Name	No: of Shares	%
(01).	Sampath Bank PLC	91,973,149	100.00%
(02).	Mr. P. S. Cumaranatunga	01	0.00%
(03).	Mr. Y. S. H. R. S. Silva	01	0.00%
(04).	Mr. C. P. Palansuriya	01	0.00%
(05).	Mr. J. H. Gunawardena	01	0.00%
(06).	Mr. J. Selvaratnam	01	0.00%
(07).	Ms. H. S. R. Ranatunga	01	0.00%
(08).	Mr. S. Sudarshan	01	0.00%
		91,973,156	100.00%

Investor Information

Public Holdings

The percentage of ordinary shares held by the public as at 31 December 2021 was 0%.

Directors'/ CEO's Holding in Shares as at 31 December 2021.

Name	Position	No: of Shares
Mr. P.S.Cumaranatunga	Director	01
Mr.Y.S.H.R.S.Silva	Director	01
Mr.J.H.Gunawardena	Director	01
Mr.J.Selvaratnam	Director	01
Ms.H.S.R.Ranatunga	Director	01

DISTRIBUTION OF SHARE OWNERSHIP

	31-12-2021				31-12-2020			
	No: of shareholders	%	No: of shares	%	No: of shareholders	%	No: of shares	%
1-1,000 shares	7	87.50%	7	0.00%	7	87.50%	7	0.00%
1,001-10,000 shares	-	0.00%	-	0.00%	-	0.00%	-	0.00%
10,001-100,000 shares	-	0.00%	-	0.00%	-	0.00%	-	0.00%
100,001- 1,000,000 shares	-	0.00%	-	0.00%	-	0.00%	-	0.00%
over 1,000,000 shares	1	12.50%	91,973,149	100.00%	1	12.50%	76,212,065	100.00%
	8	100.00%	91,973,156	100.00%	8	100.00%	76,212,072	100.00%

RECORD OF SCRIP ISSUES

Year	Issue	Basis / Proportion	No. of Shares Issued	Consideration per share (Rs)	Consideration to Stated Capital (Rs Mn)	Reason for Issue
2017	Final Scrip Dividend for 2016	1 for 32.75	1,652,420	35.67	58.94	Increase Stated Capital
2018	Final Scrip Dividend for 2017	1 for 35.54	1,569,242	39.99	62.75	Increase Stated Capital
2019	Final Scrip Dividend for 2018	1 for 116.28	625,111	50.00	31.25	Increase Stated Capital
2020	Final Scrip Dividend for 2019	1 for 25.28	2,899,663	49.30	142.96	Increase Stated Capital
2021	Final Scrip Dividend for 2020	1 for 37.44	2,035,594	60.53	123.21	Increase Stated Capital

RECORD OF RIGHTS ISSUES

Year	Issue	Basis /Proportion	No. of Shares Issued	Price per share (Rs)	Consideration to Stated Capital (Rs Mn)
2018	Rights Issue 2018	40 for 367 held	6,250,000	40.00	250
2019	Rights Issue 2019	44 for 308 held	9,090,910	44.00	400
2021	Rights Issue 2021	51 for 283 held	13,725,490	51.00	700

Related Party Transactions Exceeding 10% of The Equity or 5% of The Total Assets of The Company
(Disclosure As Per Section 9 of The CSE Listing Rules)

None of the transactions carried out by the Company with the Related Parties have exceeded the aggregate monetary value of 10% of the shareholder's equity of the Company or 5% of the total assets of the Company as at 31 December 2021.

INFORMATION ON LISTED DEBENTURES

(i) Market Values

	Highest (Rs)		Lowest (Rs)		Period End (Rs)	
	2021	2020	2021	2020	2021	2020
Debentures-2017/2022	**Not Traded**	Not Traded	**Not Traded**	Not Traded	**Not Traded**	Not Traded
Debentures-2019/2024	**108.75**	108	**108.75**	108	**108.75**	108
Debentures-2020/2023	**99.85**	Not Traded	**99.85**	Not Traded	**99.85**	Not Traded
Debentures-2021/2026	**99.97**	N/A	**99.97**	N/A	**99.97**	N/A

N/A – Not Applicable

(ii) Interest Rates

	2021		2020	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2017/2022	**12.50%**	**12.50%**	12.50%	12.50%
Debentures -2019/2024	**13.33%**	**13.33%**	13.33%	13.33%
Debentures -2020/2023	**11.25%**	**11.25%**	11.25%	11.25%
Debentures -2021/2026	**9.46%**	**9.46%**	N/A	N/A

N/A – Not Applicable

(iii) Interest rates of comparable Government Securities

	31/12/2021	31/12/2020
6 months treasury bill	**8.00%**	4.73%
1 year treasury bill	**8.18%**	4.97%
5 year treasury bond	**10.70%**	6.64%

(iv).Current Yield & Yield to maturity

	2021		2020	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
Debentures Issued-October 2017				
5 year Fixed rated(12.50% p.a. payable annually)	**12.50%**	**Not Traded**	12.50%	Not Traded
Debentures Issued-August 2019				
5 year Fixed rated(13.33% p.a. payable annually)	**13.33%**	**9.91%**	13.33%	10.55%
Debentures Issued-July 2020				
3 year Fixed rated(11.25% p.a. payable annually)	**11.25%**	**11.25%**	11.25%	Not Traded
Debentures Issued-September 2021				
5 year Fixed rated(9.46% p.a. payable annually)	**9.46%**	**9.46%**	N/A	N/A

N/A – Not Applicable

(v) Ratios

	31-12-2021	31-12-2020
Debt to Equity Ratio (Times)	**1.73**	2.62
Interest Cover(Times)	**1.54**	1.18
Quick Asset Ratio (%)	**83.32%**	63.50%

Board of Directors

MR. SUMITH CUMARANATUNGA
Chairman
Independent Non – Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON–EXECUTIVE DIRECTOR ON 30TH OCTOBER 2017 AND APPOINTED AS THE CHAIRMAN OF THE BOARD OF DIRECTORS WITH EFFECT FROM 12TH FEBRUARY 2020.

QUALIFICATIONS, SKILLS & EXPERIENCE:

He was formerly the Chairman & Managing Director of the David Pieris Group of Companies, where he served for 30 years and 9 months – 24 years as a Director and 2 years prior to that as General Manager. He retired as Chairman on 31st March 2016, having joined as Accountant on 01st July 1985.

During his tenure at the David Pieris Group of Companies, the organization transformed from a relatively small business unit in a single location with a turnover of Rs. 43.3 million and a net profit of Rs.311,000 in 1985/86, to one of the most profitable, professionally managed conglomerates in Sri Lanka, with a turnover of Rs.86.2 billion and a net profit of Rs.11.1 billion in 2015/16, an island-wide reach and a consistent track record of exceptional performance, successfully overcoming numerous challenges. The David Pieris Group of Companies was at the forefront of automotive, financial services, information technology and logistics businesses, with industry leadership in many spheres, breaching Rs. 10 billion in net profit thrice in five years, from 2011/12 to 2015/16.

He also served as Chairman of Assetline Leasing Company from 13th October 2010 to 1st April 2015, during which period the Company was among the most profitable entities in the finance leasing industry.

He is a Chartered Management Accountant (ACMA CGMA), a Certified Practising Accountant (CPA) and a Member of the Chartered Institute of Marketing (DipM MCIM)

CURRENT APPOINTMENTS:

Currently, he serves as Chairman of Suvimie Associates (Pvt) Ltd, a Company engaged in local retailing, global trading, manufacturing, plantations and renewable energy. He was appointed as a Member of the Council of the University of Colombo with effect from 27th January 2020.

FORMER APPOINTMENTS:

He commenced his career as an Executive at Ceylon Shipping Lines in 1981. Thereafter, he joined Richard Pieris & Company Ltd as the first Accountant of Richard Pieris Motor Company (Subsequently David Pieris Motor Company Ltd) in 1985. During his career, he was extensively involved strategically and operationally, in the disciplines of finance & accounting, sales & marketing, information communication technology and operations.

MEMBERSHIP OF BOARD SUB – COMMITTEES:

He serves as the Chairman of the Board Nomination Committee and a member of the Board Audit Committee, the Board Integrated Risk Management Committee and the Board Human Resources and Remuneration Committee.

MR. RUSHANKA SILVA
Deputy Chairman
Non-Independent Non Executive Director

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 01ST JUNE 2018 AND SUBSEQUENTLY APPOINTED AS THE DEPUTY CHAIRMAN OF THE BOARD ON 26TH MAY 2020.

QUALIFICATIONS, SKILLS & EXPERIENCE:

He is a dedicated professional with a solid background in Management Accounting, Marketing and Sales. He is an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA). Strategic and creative thinker who has proven his ability to develop strong client relationships quickly and promote teamwork efficiently. A leader with a rich mixture of experience and successes in the business world, having completed his secondary education at Trinity College, Kandy. Holds a Masters in Business Administration from the University of Western Sydney, Australia. An alumnus of Harvard Business School (USA).

CURRENT APPOINTMENTS:

Deputy Chairman of Sampath Bank PLC and Non-Executive Director of Sampath Centre Limited. Managing Director of Indra Traders (Pvt) Ltd. Director of Indra Motor Spares (Pvt) Ltd, Indra Property Development (Pvt) Ltd and Chairman of Indra Hotels & Resorts Kandy (Pvt) Ltd, Braybrooke Residential Properties (Pvt) Ltd and Braybrooke Residential Towers (Pvt) Ltd.

FORMER APPOINTMENTS:

He was a Non-Independent Non-Executive Director of Serendib Finance Limited.

MEMBERSHIP OF BOARD SUB – COMMITTEES:

Currently he does not serve on any Board Sub-Committees.

MR. ANANDA SENEVIRATNE
Managing Director
Executive Director

APPOINTED AND ASSUMED DUTIES AS THE MANAGING DIRECTOR AS AN EXECUTIVE DIRECTOR OF SIYAPATHA FINANCE ON 01ST MARCH 2019.

QUALIFICATIONS, SKILLS & EXPERIENCE:

Possessing over 36 years of working experience in various local and international institutions. Mr. Seneviratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He graduated in the Business Administration field from the University of Sri Jayawardenapura and proceeded in acquiring a Masters Degree in Business Administration from the University of Colombo. Mr. Seneviratne served at Nestle Lanka Limited for a period of 17 years from May 1991 to June 2008, performing duties at various Senior Managerial levels. His tenure at Nestle Commenced as the Head of Internal Audit and continued in the same position until 1995, Thereafter, he moved to the Financial Accounting Department as the Head of Financial Accounting in 1995 and in 1999 he was transferred to Nestle Middle East as the Business Excellence Manager until 2002 and assumed duties as the Head of Procurement in Nestle Lanka Limited subsequently. In 2008, he joined Loadstar (Pvt) Ltd as Director/General Manager of Procurement and continued up to 2009. Subsequently, he joined Assetline Leasing Company Limited in 2009 as Director Operations and was promoted as the Chief Executive Officer in 2015.

FORMER APPOINTMENTS:

Chairman of the Leasing Association of Sri Lanka from 2016 to 2018 and simultaneously he was a Board Member of the Credit Information Bureau of Sri Lanka (CRIB) and David Pieris Global Ventures (Pvt) Ltd.

CURRENT APPOINTMENTS:

Vice-Chairman of the Finance Houses Association of Sri Lanka and Member of Faculty Advisory Committee for the Centre for Banking Studies, Central Bank of Sri Lanka representing the Finance Houses Association of Sri Lanka (FHA)

MEMBERSHIP OF BOARD SUB – COMMITTEES:

He currently serves as a member of the Board Integrated Risk Management Committee, the Board Credit Committee, the Board Information Technology Committee, the Board Corporate Governance Committee and the Board Related Party Transactions Review Committee. He attends the Board Human Resource & Remuneration Committee, the Board Nomination Committee and the Board Audit Committee meetings by invitation.

Board of Directors

MR. JANAKAN SELVARATNAM
Non – Independent Non- Executive Director

MR. JANAKAN SELVARATNAM WAS APPOINTED TO THE BOARD AS A NON – INDEPENDENT NON EXECUTIVE DIRECTOR ON 18TH DECEMBER 2018.

QUALIFICATIONS, SKILLS & EXPERIENCE:

In his career spanning 25 years with Citibank N.A., Sri Lanka, he was Vice President, Head of the Local Corporate Bank & Public Sector for the Bank's Sri Lankan franchise. His exposure has been in managing client portfolios in corporate, multinational, non – banking financial sector and public sector segments. He was a member of the Bank's Management Committee, Credit Committee etc. The Scope of his responsibilities included heading of businesses in a highly performance driven culture, strategic & business planning, corporate governance & compliance and credit & risk management. He possesses widespread experience working with risk management, legal teams, product groups and regulators at all levels within and outside the country. He holds a Post Graduate Diploma in Business Administration from the University of Wales (PfrifysgolCymru) and diploma in Banking form the Institute of Bankers Sri Lanka. He engages in business development and consultancies in the Banking, Non – Banking Financial Institution, Insurance Brokerage and Corporate Sectors.

CURRENT APPOINTMENTS:

He currently acts as the consultant to Samapth Bank PLC's Board Credit Committee. His main role is the provision of advisory services on corporate banking strategy, credit risk evaluation and approval and credit quality expansion.

FORMER APPOINTMENTS:

He commenced his career at Citibank N. A., Sri Lanka in 1990. He has held several key corporate positions which include Head of Sales and Marketing for Commercial Banking and Vice President, Head Local Corporate Bank and Public Sector at Citibank N A until 2015. Subsequently, he served as the Consultant on Risk Management to the Board of Directors of Richard Pieris Finance PLC and as the Consultant to Foresight Insurance Brokers (Pvt) Ltd

MEMBERSHIP OF BOARD SUB – COMMITTEES:

Currently he serves as the Chairman of the Board Credit Committee and a member of the Board Integrated Risk Management Committee, the Board Corporate Governance Committee, the Board Related Party Transactions Review Committee and the Board Nomination Committee.

MR. JAYANTHA GUNAWARDENA
Independent Non – Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON – EXECUTIVE DIRECTOR ON 29TH JANUARY 2019.

QUALIFICATIONS, SKILLS & EXPERIENCE AND PREVIOUS APPOINTMENTS:

Previous Appointments:

He had a distinguished career at Standard Chartered Bank, Colombo holding several senior managerial positions such as Imports Manager, Exports Manger, Manager Trade Services, and Senior Treasury Dealer, with extensive knowledge and experience in Trade Services (International Operations) Treasury Operations, Retail Banking Operations, Corporate Credit, Internal Control and Inspection and Credit Administration spanning over 23 years. at Standard Chartered Bank, At the time of his early retirement, he held the posistion of Manager Quality Control and Operational Risks where he was mainly responsible for maintaining a stronger Control environment in the Bank and further acting as the Anti – Money Laundering monitoring officer responsible to report suspicious transactions to the Financial Intelligence Unit of the Central Bank of Sri Lanka. Subsequent to his retirement from the Bank, he joined Ms. Ernst & Young Chartered Accountants, Colombo. At Ernst & Young, he was designated as the Investigation Manager, which was a key position involved in investigations and external/internal audits related to complex areas such as Treasury Operations, Trade Services, Retail and Corporate Banking Operations in leading licensed Commercial Banks of Sri Lanka such as People's Bank, Bank of Ceylon, Commercial Banks of Ceylon PLC, Sampath Bank PLC, National Savings Bank, NDB Bank, Merchant Bank of Sri Lanka and People's Merchant Bank. Further, he was also responsible for carrying out Corporate Governance Compliance Audits for many years for several leading licensed Commercial Banks and Registered Finance Companies as required by the CBSL directions.

Holds a Postgraduate Diploma in Bank Management and AIB Sri Lanka Part 1 offered by the Institute of Bankers of Sri Lanka.

MEMBERSHIP OF BOARD SUB – COMMITTEES:

He is the Chairman of the Board Integrated Risk Management Committee and a member of the Board Related Party Transactions Review Committee, Board Audit Committee and Board Corporate Governance Committee.

MR. DEEPAL SOORIYAARACHCHI
Independent Non-Executive Director

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 20TH NOVEMBER 2019 AND RE-DESIGNATED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR WITH EFFECT FORM ON 23RD FEBRUARY 2021

QUALIFICATIONS, SKILLS & EXPERIENCE:

Counts over 40 years' experience in Sales, Advertising, Marketing, Human Resources Development and Strategy with extensive experience in the field of Insurance. Out of that over 15 years at Board Level. Fellow Member of the Chartered Institute of Marketing UK and Sri Lanka Institute of Marketing. Holds a Masters of Business Administration from the University of Sri Jayewardenapura. Pioneered disseminating Management knowledge in Sinhala. Mr. Sooriyaarachchi is a leading Management Development Consultant, Author, Accredited Master Coach and Master Mentor.

CURRENT APPOINTMENTS:

Independent, Non-Executive Director of AIA Insurance Lanka PLC, Pan Asian Power PLC, Singer Sri Lanka PLC, Kelani Cables PLC, Prime Lands Residencies PLC, Lanka Shipping and Logistics (Pvt) Ltd., Consulting Partner – RBL Group USA, a Member of the Board of Management of the Postgraduate Institute of Management (PIM), Managing Director at SAIT Human Development Institute (Pvt) Ltd.

FORMER APPOINTMENTS:

He served on the Board of Sampath Bank PLC as an Independent, Non – Executive Director (parent company). He is a past President of Sri Lanka Institute of Marketing, Managing Director Aviva NDB Insurance PLC, and Commissioner of the Sri Lanka Inventors' Commission.

MEMBERSHIP IN BOARD SUB – COMMITTEES:

Currently, he serves as the Chairman of the Board Human Resource & Remuneration Committee and the Board Related Party Transactions Review Committee. Also he is a member of the Board Nomination Committee and the Board Information Technology Committee.

Board of Directors

MR. SHIRAN PERERA
Non-Independent Non-Executive Director

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 16TH JANUARY 2020.

QUALIFICATIONS, SKILLS & EXPERIENCE AND FORMER APPOINTMENTS:

He counts over 25 years of corporate experience in Information Technology and Engineering Industry. He holds an Honors degree in Engineering from the University of Moratuwa. The 25 years of experience gained by him was by working closely with CXOs, Consultants, Professional bodies and Industry groups to understand the market dynamics, industry trends and adoption of technology to bring business values to organizations. He started his career in 1993 as a Manager IBM World Trade Corporation, thereafter as Operations Manager to Stretchline (Pvt) Ltd - MAS Group, Chief Operating Officer to Stretchline – Indonesia - MAS Group, General Manager IMAS Corporate Software – Ceylinco Group, Chief Executive Officer – Blue Chip Customer Engineering and Country General Manager – Hewlett Packard.

He was a Director of Hewlett Packard Lanka (Pvt) Ltd.

CURRENT APPOINTMENTS:

Currently serves as a Non-Executive Director on the Boards of Sampath Information Technology Solutions Ltd and Matrix (Pvt) Ltd.

MEMBERSHIP OF BOARD SUB-COMMITTEES:

Currenlty he serves as the Chairman of the Board Information Technology Committee and a member of the Board Credit Committee.

MS. SRIYANI RANATUNGA
Independent Non – Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON–EXECUTIVE DIRECTOR ON 28TH JANUARY 2020.

QUALIFICATIONS, SKILLS & EXPERIENCE

A Fellow Member of The Chartered Institute of Management Accountants, UK (FCMA-UK), Chartered Global Management Accountants (CGMA) and holds an MBA from Postgraduate Institute of Management, University of Sri Jayewardenepura. She holds a MA in Economics from the University of Colombo. She is an old girl of Visakha Vidyalaya, Colombo. She retired from DFCC Bank PLC as a Vice President, after serving the bank for 20 years in the fields of Internal Audit, Credit Administration and Corporate Banking. Prior to DFCC Ms. Ranatunga has worked at several mercantile sector organizations in the fields of Accounting & Finance and commenced her career at Property Development Ltd (a subsidiary of Bank of Ceylon). She worked as an Accountant at Lanka Queen International (Pvt) Ltd, Metropolitan Group of Companies, Bauer Ceylon (Pvt) Ltd, covering over 16 years of experience.

Ms. Ranatunga served as a Council/ Board member of CIMA Sri Lanka Division for over 10 years and chaired a few committees such as Member Services Committee, Students Services Committee, IT Committee, Library Committee, Student Growth Committee etc.

Ms. Ranatunga is a Past President of the Rotary Club of Cinnamon Gardens and currently holds the Honorary position of Treasurer of the Rotary Club of Cinnamon Gardens. She served as the Honorary Treasurer of the Rotary International District 3220 Sri Lanka and Maldives for the years 2014/15, 2018/19 and 2019/20.

She has served as a Vice President of the Organization of Professional Associations of Sri Lanka for three consecutive years commencing from 2013/14, 2014/15 & 2015/16.

FORMER APPOINTMENTS:

Served as a Council / Board member of CIMA Sri Lanka and Vice President of the

Organization of Professional Associations of Sri Lanka

MEMBERSHIP IN BOARD SUB – COMMITTEES:

Currently, she serves as the Chairperson of the Board Corporate Governance Committee and a member of the Board Audit Committee, the Board Human Resource & Remuneration Committee, the Board Credit Committee, and the Board Related Party Transactions Review Committee.

MR. MALINDA BOYAGODA
Independent Non-Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 28TH APRIL 2020.

QUALIFICATIONS, SKILLS & EXPERIENCE

Posses over 18 years of post-qualification experience of which nearly 14 years is with PwC, working for the offices of Colombo – Sri Lanka, Gaborone – Botswana and Seattle – USA. Mr. Boyagoda has 3 years of experience working in the Cayman Islands heading the finance function of a company operating in the tourism industry. Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Management Accountants of UK (CIMA – UK) and the Chartered Global Management Accountant (CGMA). He graduated from the University of Sri Jayawardenepura, Sri Lanka with a Degree in BSc Business Administration specialized in Finance.

CURRENT APPOINTMENTS:

Partner at PwC a leading audit and assurance engagements primarily focusing on the financial services sector clients.

Member of the Sri Lanka Accounting Standards implementation and interpretation task force of CA Sri Lanka.

FORMER APPOINTMENTS:

His participation and contribution to the profession include being a member of the Sri Lanka Accounting Standards implementation and interpretation task force of CA Sri Lanka. He has also sat in several other forums and technical sub-committee of the Institute of Chartered Accountants of Sri Lanka formed to address accounting and auditing related issues in the industries of Banking and Insurance. He has also been a resource person for many training programs on International Financial Reporting Standards conducted locally and overseas.

MEMBERSHIP IN BOARD SUB – COMMITTEES:

Currently, he serves as the Chairman of the Board Audit Committee and a member of the Board Information Technology Committee, the Board Integrated Risk Management Committee, the Board Corporate Governance Committee, and the Board Related Party Transactions Review Committee.

Corporate Management Team

Mr. Ananda Seneviratne
Managing Director

Mr. Rajeev De Silva
Chief Operating Officer

Mr. Mathisha Hewavitharana
Chief Marketing Officer

Mr. Prasad Udugampala
Chief Human Resources Officer

Mr. Rohana Dissanayake
Head of Deposits

Mr. Ruwan Wanniarachchi
Head of Finance

Mr. Shajeewa Dodanwatte
Head of Operations

Mr. Saman De Silva
Head of Credit Risk

Ms. Mahika Rajakaruna
Head of Compliance

Mr. Chathura Galhena
Head of Internal Audit

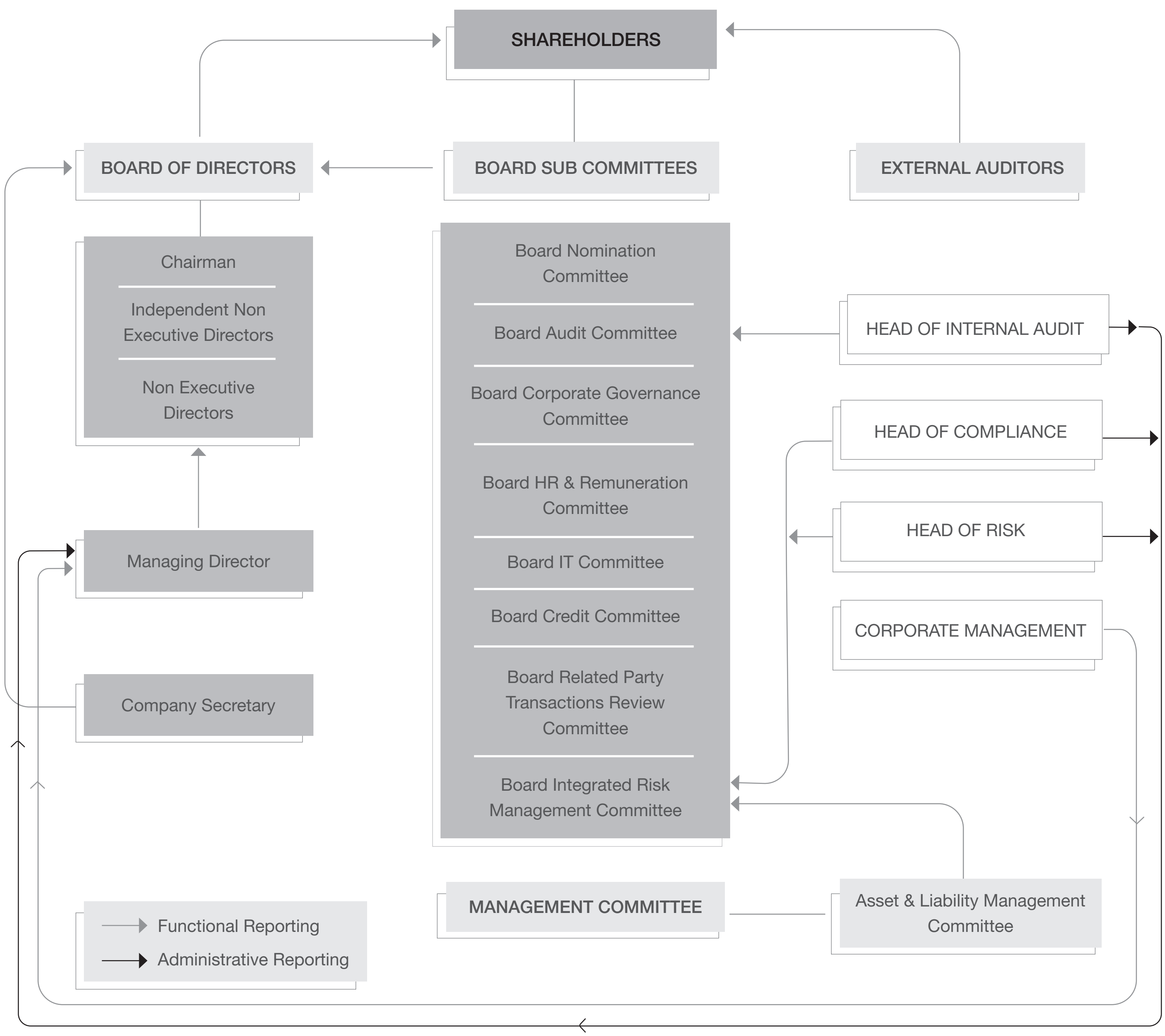
Mr. Indraka Liyanage
Head of Risk Management

Mr. Sanjaya Seneviratne
Head of Treasury

Corporate Governance Report

Corporate Governance is the structures and processes for the direction and control of Companies. It is also about the relationships among the Management, Board of Directors, Shareholders, Minority shareholders and other stakeholders. As the guardian of Corporate Governance, the Board assures that the Company pursues its strategic goals in accordance with sound Corporate Governance principles, safeguarding its reputation, values and assets while enhancing stakeholder interests. The Board has established a robust governance framework which is aligned to its core values, strong risk and performance management, checks and controls to ensure accountability and promotes sound decision-making, transparency, and effective and ethical leadership. The Corporate Governance framework is on a regular basis reviewed to comply with the internal and external developments and aligned to evolving best practices.

GOVERNANCE STRUCTURE



The Board of Directors bears ultimate responsibility for the affairs of the Company and has set in place an appropriate governance structure to facilitate the discharge of its duties. The Board subcommittees assist the Board in its oversight functions in specialized areas or areas requiring significant attention. Accordingly, the Board Audit Committees and the Board Integrated Risk Management Committee have been appointed in line with the business requirements and in compliance with the regulatory requirements. The other committees of the Board have been appointed in line with the business needs of the Company. The reports of the Board subcommittees on pages 84 to 99 has set out the Terms Of Reference and the work of the committees.

The Board appointed Chief Executive Officer is responsible for day to day management of the operations of the Company and is accountable to the Board. He is supported by Key Management Personnel who collectively form the Corporate Management Team with responsibility for business lines or key support functions.

GOVERNANCE FRAMEWORK

Siyapatha Finance PLC Corporate Governance framework complies with the following regulatory requirements:

a. Companies Act No.7 of 2007
b. Finance Business Act No.42 of 2011
c. Finance Leasing Act, No.56 of 2000
d. The Finance Companies Directions, rules, determinations. notices ,and guidelines applicable to Licensed Finance Companies issued by the Central Bank of Sri Lanka in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 and subsequent amendments thereto on Corporate Governance.
e. Continuing Listing Rules of the Colombo Stock Exchange.

Annual Report of the Board of Directors on the State of Affairs of the Company on pages 102 to 110 provides insights into how the Company complies with the requirements of the Companies Act No.7 of 2007. Compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 is set out on pages 40 to 53 providing an overview of the governance mechanisms in place at the Company.

Finance Companies (Corporate Governance) Direction No. 3 of 2008 and subsequent amendments thereto on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies in Sri Lanka.

Section	Corporate Governance Principle	Compliance
2. The Responsibilities of the Board of Directors		
2. (1) (a)	Strategic objectives and corporate values	The Board approved Strategic Business Plan for 2021-2023 is in place. The Board and the Management are well aware of the strategic objectives and organizational values which have been communicated throughout the Company. Further, going forward the Board approved the Strategic Plan for 2022-2024.
2. (1) (b)	Overall business strategy of the finance Company including risk policy, risk management procedures and mechanism with measurable goals	Board approved Strategic Plan for 2021-2023 and projected financial statements / budget for the year 2021 are in place. Risk Policy including risk management procedures and mechanisms have been approved by the Board in line with the Strategic Plan. The Board measures the corporate performance against the predetermined goals. Company's Strategic Plan 2021-2023 includes measurable goals for next three years.
2. (1) (c)	Managing the risk in the Company	The effective oversight of the Company's risk management including the identification and assessment of the principal risks and overseeing the management of those risks are monitored by the Board Integrated Risk Management Committee (BIRMC). The Board assesses the overall risk management of the Company through the reports and the minutes of the BIRMC which are submitted. There is a process in the Company where the Board members who are experienced leaders in the industry discuss new strategies of the Company,the risk arising out of new strategies and the ways and means to mitigate such risks.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
2.(1) (d)	Effective Communication with stakeholders	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors,Shareholder and Borrowers. Board of Directors, officers and employees comply with the policy in order to ensure effective communication for the best interest of all stakeholders.
2.(1) (e)	Internal control systems and Management Information System [MIS]	The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls system and the Management Information System and the financial reporting processes of the Company. Internal Audit Department helps the process by carrying out the audits to assess the internal controls over financial reporting and management information systems. Board reviews the adequacy and the integrity of the MIS through the critical Management Information reports submitted by the Internal Audit Department of the Company. Further, the External Auditors were engaged in providing assurance on the Directors' Responsibility Statement on Internal Controls over financial reporting included in the annual report, and their opinion is submitted to the Board.
2.(1) (f)	Identification of KMPs of the Company	In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, the Board of Directors and all Heads of Departments has been identified as KMPs.
2.(1) (g)	Authority and key responsibilities of the Board and Key Management Personnel	The general and statutory duties and key responsibilities of the Board of Directors are set out in the Board approved Code of Conduct for Board of Directors. Job Descriptions of Key Management Personnel approved by the Board includes the functions and responsibilities of the KMPs. Areas and limits of authority of the KMPs are covered under the Delegation Authority (DA) limits assigned to them.
2.(1) (h)	Appropriate oversight of affairs of the Company by KMPs	To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the Managing Director. To ensure better Management, development and effective performance of the Company, KMPs make regular presentations to the Board on matters under their purview.
2.(1) (i)	Effectiveness of the Board of Directors' own governance practices. Selection, nomination and election of Directors and Key Management Personnel. Management of conflicts of interests. Determination of weaknesses and implementation of changes	Siyapatha Finance has set up its own Board Nomination Committee, with a majority of Independent Non-Executive Directors, who recommend names of individuals to be appointed as Directors to the Board. Appointment of KMPs are recommended by the Board Nomination Committee under the direction of the Board of Directors of the Company. In terms of the Company's Article 26, there is a requirement in place for the Directors to declare the nature of their interest. Directors' interests (if any) are disclosed to the Board and any Director who has a particular interest in matters set before the Board abstains from participating and voting. Further, there is a Board approved Conflict of Interest Policy in place for Directors. Determination of weaknesses in Board of Directors' own governance practices and implementation of changes is addressed through the annual self-evaluation process of the Board members. Self-evaluation forms for the year end 2021 have been obtained and a summary was presented to the Board.

Section	Corporate Governance Principle	Compliance
2.(1) (j)	Succession plan of the KMPs	The Company has established a Board approved succession plan for all the KMPs.
2.(1) (k)	Regular Meetings with KMPs	Managing Director and Chief Operating Officer are called for regular Board Meetings to review policies and monitor progress towards the corporate objectives. The other KMPs attend Board meetings on invitation and make presentations, which provide the opportunity to share their views and contribute towards the performance of the Company.
2.(1) (l)	Understanding the regulatory environment	All directions issued by CBSL have been presented to the Board members by the Head of Compliance on a regular basis for their knowledge and guidance. The Head of Compliance submits a Compliance Certificate and Statutory Compliance report to the Board which contains the details of returns submitted to CBSL and to other Statutory Bodies, new regulations/statutes and their implications on the business, significant non-compliance events and compliance with regulatory requirements. Thus, the Directors are conversant with the regulatory environment, the Board of Directors including the Managing Director of the Company meets the Governor of the CBSL and the Director,Department of Non-Bank Supervision at meetings held at CBSL evidence the relationship maintained with the regulator.
2.(1) (m)	Hiring and oversight of external auditors	Company's Article 38(4) addresses the general procedure for the appointment of External Auditors by the shareholders. Further,as per the Terms Of Reference (TOR), of the Board Audit Committee there is a process in this regard and the final approval is obtained from the Board. Rotation of the Audit Partner is monitored by the Board Audit Committee to maintain a high standard of independence and good governance within the system.
2.(2)	Appointment of Chairman and CEO and their responsibilities	Appointment of Chairperson The Directors may elect one of their members to be the Chairperson of the Board and may determine the period for which the Chairperson is to hold office. Appointment of Managing Director The Board may from time to time appoint a director as Managing Director or a non director as Chief Executive Officer for such period and such term as it think fit.
2.(3)	Procedure for seeking Independent Professional Advice	A Board approved procedure is in place to enable Directors, upon reasonable request to seek independent professional advice in appropriate circumstances, at the Company's expense.
2.(4)	Dealing with conflicts of interest	In terms of the Company's Article 26 (1 & 5) Directors declare their nature of interest and abstain from participating at discussions and voting on any Board resolution in relation to a matter in which he/she or any of his/her close relation or an entity in which a Director has a substantial interest. Directors of the Company are independent from business transactions of the Company and have no personal connections with the Company's matters. They disclose their interest in the Affidavits and Declarations which are submitted to the regulator annually.
2.(5)	Schedule of matters reserved for Board Decision	Board approved "Schedule of matters specifically reserved to the Board of Directors for Decision making" is in place.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
2.(6)	Solvency of the Company	Members of the Board are aware of the requirement to inform the Director of the Department of Supervision of Non –Bank Financial Institutions with regard to the financial position of the Company where the Company is unable to meet its obligations and is about to become insolvent. Such a situation has not arisen during the year 2021.
2.(7)	Publish Corporate Governance Report	Corporate Governance Report is set out on the pages 40 to 73 of the Annual Report of the Company.
2.(8)	Scheme of self- assessment for Board	A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. The summary of the self-assessment is submitted to the Board enabling Directors to discuss relevant matters if any.
3. Meetings of the Board		
3.(1)	Regular Board Meetings	Board Meetings for the year have been scheduled at the end of the previous year and an annual meeting calendar is submitted to the Board. Special meetings are conducted as and when required. 17 Board Meetings were held during the year under review. Board approved procedure is in place to obtain consent through circulation of written or electronic resolutions/papers other than those under urgent circumstances.
3.(2)	Arrangements for Board Members to include proposals in the agenda	Board approved procedure is in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings.
3.(3)	Notice of Meetings	Annual Board meeting calendar is scheduled at the end of the previous year enabling Board of Directors to attend meetings. As a practice, Directors are given notice of at least 7 days for regular Board Meetings. All Board papers are circulated to Board members through the BoardPAC on iPads and all current and previous Board minutes are archived on the system enabling Board members to access them at their convenience.
3.(4)	Attendance of Directors	Board of Directors has fully complied with the requirement and each Director of the Board is well informed and acquainted about their attendance.Further, the Company Secretary monitors the attendance. During the year 2021 none of the directors has been absent from three consecutive meetings. Details of Directors attendance are set out on pages 72 to 73 of the Annual Report.
3.(5)	Company Secretary	In terms of Company (Secretaries) Regulations 1987 (under Companies Act, No. 17 of 1982) and an Extraordinary Gazette No. 47/6 of 1987, A Registered Company Secretarial services provider (P W Corporate Secretarial (Pvt) Ltd) with adequate experience has been appointed by the Board as the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.
3.(6)	Preparation of Agenda	Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman.

Section	Corporate Governance Principle	Compliance
3.(7)	Access to advise and services of the Company Secretary	Board approved procedure is in place to enable all Directors to have access to advise and services of the Company Secretary and to ensure all Board procedures, applicable laws, rules, directions and regulations are followed.
3.(8)	Maintenance of Board Minutes	Company Secretary maintains the minutes of Board Meetings and other Committee Meetings with sufficient details. Upon reasonable request, any Director can inspect the minutes. All Board papers are circulated to Board members through the BoardPAC on iPads and all current and previous Board minutes are archived on the system enabling Board members to access them at their convenience.
3.(9)	Minutes of Board Meetings	Minutes of the Board meetings are recorded in sufficient details with the following content. A summary of data and information used by the Board in its deliberations. The matters considered by the Board. The fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; The matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations. Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted. The decisions and Board resolutions. Minutes are kept under safe custody of Company Secretary.
4. Composition of the Board		
4.(1)	Composition of the Board	The Board consists of nine Directors which is within the statutory requirement. Mr.P. S. Cumaranatunga (Chairman), Mr.Y.S.H. R. S.Silva (Deputy Chairman), Mr. H. M.A. Seneviratne (Managing Director) , Mr.J. Selvaratnam, Mr. J.H. Gunawardena , Mr.D. Sooriyaarachchi, Mr.W.S.C Perera, Ms. H.S.R. Ranatunga, Mr. M.D. B. Boyagoda were the Directors of the Company during the year 2021.
4.(2)	Period of Service of Directors	The period of service of all Directors during 2021 was below nine years.
4.(3)	Number of Executive Directors	Mr. H. M.A. Seneviratne is the only Executive Director of the Company, who currently holds the position of Managing Director.
4.(4)	Number of Independent Non Executive Directors	The Board comprised of four Independent Non- Executive Directors up to 23.02.2021, and five Independent Non-Executive Directors thereafter. The composition of the Board of Directors is published on page 32 to 37 of the Annual Report.
4.(5)	Appointment of Alternate Director	No such appointments occurred during the year 2021.
4.(6)	Skills and experience of Non- Executive Directors	All the Non-Executive Directors of the Company possess vast experience and skills in the relevant fields.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
4.(7)	Quorum for Board Meetings	Board approved procedure is in place which stipulates the number of members required to meet the quorum at a Board meeting to be not less than 50% of the total Directors of the Company and out of this quorum, at least one third should include Non-Executive Directors. Section 31 of the Articles of Association also states the requirement of the quorum, which has been complied with at all Board Meetings during the year 2021. A summary of attendance at the Meetings is set out on page 72 to 73 of Annual Report.
4.(8)	Composition of Board	Composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has been disclosed on page 32 to 37 of the Annual Report.
4.(9)	Appointment of new Directors	Board approved procedure is in place for appointing new Directors. The Board Nomination Committee of the Company recommends names of proposed Directors to the Board of Siyapatha Finance PLC.
4.(10)	Appointment of Directors to fill casual vacancy	In terms of the Company's Article 24 (2), the Board has power to appoint Directors to fill a casual vacancy which is subject to reelection by shareholders at the Annual General Meeting.
4.(11)	Resignation and removal of Directors	Directors' resignation or removal and the reason for such resignation or removal are duly informed to the Department of Supervision of Non- Bank Financial Institutions Central Bank of Sri Lanka (CBSL) and Colombo Stock Exchange (CSE).
5. Criteria to Assess the Fitness and Propriety of Directors		
5.(1)	Age Limit of a Director	None of the present Directors of the Company are above the age of 70 years.
5.(2)	Directorships in other Companies	As per declarations given by the Directors for the year 2021, none of the Directors holds office as a Director of more than 20 Companies.
6. Delegation of Functions		
6.(1)	Delegation of Authority	The Board does not delegate matters to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
6.(2)	Reviewing of delegation processes	Board has reviewed the delegated authority limits regularly to ensure that delegation is acted upon within the controls.
7. The Chairman & The Chief Executive Officer		
7.(1)	Roles of Chairman & CEO	The roles of the Chairman and the Managing Director are separated and not performed by the same individual.
7.(2)	Appointing a Senior Director where Chairman is non independent	The Chairman, Mr. P.S. Cumaranatunga is an Independent, Non-Executive Director. Hence, the appointment of a Senior Director has not arisen.
7.(3)	Identification and disclose relationship between Chairman, CEO and among Board Members	The names of the Chairman and the Managing Director are published in the Annual Report and there is no financial,business, family or other material relationship between Chairman, Managing Director and Board members. A Board approved procedure is in place to monitor the relationship between the Managing Director and the Board of Directors and among the Board Members.
7.(4)	Role of the Chairman	Chairman's key responsibilities and duties have been approved by the Board. Self- evaluation process which ensures that the said requirements are fulfilled.
7.(5)	Preparation of Agenda	Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman.

Section	Corporate Governance Principle	Compliance
7.(6)	Chairman to ensure all directors are well informed on the issues arising at board meetings	The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner.
7.(7)	Full and active contribution of Directors	The Chairman encourages all Directors to make a full and active contribution to the Board's affairs. Further, this is also evaluated through the self evaluation process designed for the Board of Directors.
7.(8)	Effective contribution of Non-Executive Directors and constructive relationships between Executive and Non- Executive Directors	Board consists of Non-Executive Directors and Executive Directors and they give their fullest and effective contribution to the Company while discharging their duties collectively. Chairman ensures that a constructive relationship exists between the Board members as a whole by providing an equal opportunity to all Directors to actively participate in the Board's affairs. Self-Evaluation process covers the contributions of both Executive and Non-Executive Directors.
7.(9)	Refrain from direct supervision of KMPs and executive duties	Chairman does not engage directly or indirectly in supervision of KMPs and performing executive duties. The Managing Director is responsible for the day to day operations of the Company.
7.(10)	Effective Communication with shareholders	Effective communication with the Parent Company is maintained through Mr.Y.S.H.R.S. Silva (,Deputy Chairman of the Sampath Bank PLC) who has been appointed by Sampath Bank.
7.(11)	APEX Executive of the Company	The Managing Director functions as the apex executive in charge of the day to day operations of the Company and he acts as a direct liaison between the Board and Management of the Company.
8. Board Appointed Committees		
8.(1)	Board sub committees, their functions and reporting	Board has established two Board Committees namely Board Audit Committee (BAC) and Board Integrated Risk Management Committee (BIRMC) as per the requirements of CBSL.The Company has established Board HR & Remuneration Committee, Board Corporate Governance Committee, Board Credit Committee, Board Related Party Transactions Review Committee and Board Nomination Committee and Board IT Committee. The Company Secretary is the secretary to the Board Nomination Committee, Board Human Resources and Remuneration Committee, Board Related Party Transaction Review Committee. Further, Head of Compliance, Head of Internal Audit, Head of Risk are the secretaries to the Board Corporate Governance Committee, Board Audit Committee and Board Integrated Risk Management Committee respectively. A qualified Secretary acts as the secretary to the Board Credit Committee and Board IT Committee. They are discharge their secretarial functions under the supervision of the Chairperson of the subcommittees. Performance, duties and functions of all Committees are disclosed on pages 84 to 99 of the Annual Report. Minutes of all above Committees are submitted to the Board for their review.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
8.(2) Board Audit Committee (BAC)		
8.(2) (a)	Chairman of the Board Audit Committee and qualifications	The Board appointed Mr.M.D.B. Boyagoda as the Chairman of the Board Audit Committee w.e.f. 01st June 2020. Mr.M.D.B. Boyagoda is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of Chartered Institute of Management Accountants of UK (CIMA-UK) and the Chartered Global Management Accountants (CGMA). He graduated from the University of Sri Jayawardenepura, Sri Lanka with a Degree in BSc Business Administration specialized in Finance.
8.(2) (b)	Composition of the Committee	All members of the Board Audit Committee are Independent Non-Executive Directors. Members are Mr.M.D.B. Boyagoda, Mr.P.S. Cumaranatunga, Mr.J.H Gunawardena, Ms.H.S.R. Ranatunga. All of them have expertise and knowledge in the fields of banking, finance, leasing, information technology etc.
8.(2) (c)	Recommendations made by the Board Audit Committee	Audit Committee has made recommendations with regard to the following. The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes. The implementation of the Central Bank guidelines issued to auditors from time to time; The application of the relevant accounting standards; The service period, audit fee and any resignation or dismissal of the Auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit Partner is not re-engaged for the Audit before the expiry of three years from the date of the completion of the previous term. Implementation of the Whistle Blowing Policy within the Company.
8.(2) (d)	Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes	The BAC obtains representation from the External Auditors on their independence and that the audit is carried out in accordance with the applicable standards and best practices.
8.(2) (e)	Provision for Non-Audit Services by external auditors	Board approved policy on the engagement of an external auditor to provide non-audit service is in place.
8.(2) (f)	Nature and scope of the external audit	The Board Audit Committee has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Accounting Standards. The Audit Engagement Letter for the year ending 31st December 2021 has been submitted to the Board Audit Committee.
8.(2) (g)	Review the financial information of the Company	Quarterly Financial Statements as well as year-end Financial Statements are presented and discussed at the Audit Committee. A detailed discussion focused on major judgemental areas, changes in accounting policies, significant audit judgements in the Financial Statements, going concern assumption and compliance with Accounting Standards and other legal requirements takes place and required clarifications are obtained in respect of all areas before being recommended for Board approval.
8.(2) (h)	Discussions with the External Auditor on Interim and final audits	The Board Audit Committee discusses issues, problems and reservations arising from the interim and final audits with the external auditors.During the year Committee has held two meetings with External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss.

Section	Corporate Governance Principle	Compliance
8.(2) (i)	External Auditor's Management Letter and Management's response	Committee has reviewed the External Auditor's Management letter and Management responses thereto, relating to the audit for the year ended 31st December 2021.
8.(2) (j)	Committee's responsibility with regard to Internal Audit Function i) Review the adequacy of the scope, functions and resources of the internal audit department ii) Review the internal audit program and results of the internal audit process iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function v) Appraisal of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning vi) Independence of the audit activities, impartiality of the performance, proficiency and due professional care.	i) Board Audit Committee has discussed the adequacy of the scope, functions and resources of the Internal Audit Department. ii) The Board Audit Committee has reviewed and approved the annual internal audit program. Internal Audit Reports, with the management comments have been discussed at length and action taken to rectify the same. iii) The Board Audit Committee has carried out the performance appraisal of the Head of Internal Audit for the year 2021. iv) There was no change of the Head of Internal Audit during the year 2021. v) There were two resignations of senior staff members of the Internal Audit Department and resignations are duly informed to the Board Audit Committee. vi) As per the organization chart of Siyapatha Finance PLC the Head of Internal Audit reports direct to the BAC and the audit work has been performed with impartiality proficiency and due care.
8.(2) (k)	Major findings and management response	The Committee oversees the major findings of internal audit investigations and Management response thereto
8.(2) (l)	Participation at Audit Committee Meetings External Auditors' meeting without the Executive Directors	Members of the Board Audit Committee, Head of Internal Audit, Head of Finance attend the meetings. Managing Director and Chief Operating Officer attends by invitation. Two meetings were held with the External Auditors without the Executive Management being present.

Corporate Governance Report

Section	Corporate Governance Principle	Compliance
8.(2) (m)	Authority, Resources and access to information of Board Audit Committee (BAC)	The Board approved Terms of Reference is in place and it stipulates the required authority of the BAC. The BAC has the required resources and can access the information and is also empowered to obtain external professional advice and to invite outsiders with relevant experience to attend meetings if necessary.
8.(2) (n)	Regular Meetings of Board Audit Committee (BAC)	Audit Committee calendar is scheduled enabling members to attend the meetings. There were 12 Audit Committee Meetings during the year 2021 including two meetings without the executive management. Attendance of BAC is given in pages 72 to 73.
8.(2) (o)	Board Audit Committee disclosures in Annual Report	Number of BAC meetings and attendance of BAC members have been published in the Annual Report on pages 84 to 86 and 72 to 73.
8.(2) (p)	Secretary of the committee	Head of Internal Audit who is the Secretary of the Audit Committee maintains detailed minutes of meetings held.
8.(2) (q)	Whistle Blowing Policy	Board approved Whistle Blowing Policy is in place, enabling employees to voice their concerns over possible improprieties in financial reporting, internal control and any other matters.
8. (3) Board Integrated Risk Management Committee (BIRMC)		
8.(3) (a)	Composition of BIRMC	Committee consisted of four Non-Executive Directors and one Executive Director. BIRMC consists of Key Management Personnel who supervise the Credit, Market, Liquidity, Operational and Strategic risks of the Company, in addition to the Managing Director. The Committee closely works with Key Management Personnel and makes decisions on behalf of the Board on matters which are within their jurisdictions.
8.(3) (b)	Assessment of the risk of the Company. Assessment of Risk In the case of subsidiary companies and associate companies, risk management shall be done, both on a finance company basis and group basis.	BIRMC has an appropriate process to assess all risks including credit, market, liquidity, operational and strategic risks in the Company through appropriate risk indicators and management of information. At present Company has no Associate Companies or Subsidiary Companies.
8.(3) (c)	Review the adequacy and effectiveness of management level committees	In fulfilling its responsibilities, the Committee reviewed the adequacy and effectiveness of Management Committees to manage risks within quantitative and qualitative risk limits. BIRMC assessed the adequacy and effectiveness of the Assets & Liabilities Committee (ALCO) to address specific risks .
8.(3) (d)	Corrective action to mitigate risk exceeding prudential level	BIRMC regularly reviews the risk indicators which have gone beyond the specified quantitative and qualitative risk limits against the set limits and take prompt action to mitigate the effects.
8.(3) (e)	Frequency of Meetings	The Committee meets at least quarterly,or more frequently as circumstances arise. BIRMC held seven (07) meetings during the financial year 2021 and assessed all aspects of risk management

Section	Corporate Governance Principle	Compliance
8.(3) (f)	Actions against officers who fail to identify risk	BIRMC is responsible for assessing different types of risk, to which the Company is exposed. At Siyapatha Finance PLC, risks are identified by the Board Integrated Risk Management Committee and as such, decisions are taken collectively.
8.(3) (g)	Submission of Risk assessment report to the Main Board	Board of Directors has ultimate responsibility in risk management of the Company. Minutes of the BIRMC meetings and Risk Trajectory are tabled at the subsequent Board meeting and the Chairman of BIRMC briefs the main Board, on Significant issues raised and decisions taken at the committee meetings, enabling the Board to make correct decisions.
8.(3) (h)	Compliance Function	The Head of Compliance who has been identified as a KMP in the Company assesses the level of Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. Compliance Officer has obtained confirmations from all Department Heads to ensure compliance with approved policies/procedures of the Company.
9. Board Related Party Transactions Review Committee (BRPTRC)		
9.(2)	Identification of related parties and avoid conflict of interest	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Parties Transaction Guide is in place which speaks on categories of related parties, and for the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
9.(3)	Types of related party transactions	There is a documented process approved by the Board which speaks on types of related party transactions and for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties. All related party transactions have been disclosed in the Financial Statements.No accommodation has been granted to Directors and/or their close relatives during the year 2021.
9.(4)	Avoid more favorable treatment	There is a documented process approved by the Board which clearly defines related party transactions and to ensure that the Company does not engage in such transactions in a manner that would grant such related parties "more favorable treatment" than what is accorded to other constituents of the Company carrying out similar transactions with the Company. The Company has a detective system which has been developed in- house to monitor all RPT transactions where the Company inputs details of NIC numbers of related parties and Business Registration numbers of related party concerns to ensure that there are no favorable treatments offered to such related parties than that accorded to other constituents of the Company carrying on the same business.
10. Disclosures		
10.(1) (a)	Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.	Annual Financial Statements and periodical Financial Statements are prepared in accordance with the applicable accounting standards.

Corporate Governance Report

<table>
<tr><th>Section</th><th>Corporate Governance Principle</th><th>Compliance</th></tr>
<tr><td>10.(1) (b)</td><td>That such statements published in the Newspapers in an abridged form, in Sinhala, Tamil and English.</td><td>Such statements are published in three Newspapers in Sinhala, Tamil and English.</td></tr>
<tr><td>10.(2) (a)</td><td>The statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</td><td>This is been disclosed in the “Annual Report of the Board of Directors on the state of affairs of the Company” appearing on pages 102 to 110 of the Annual Report.</td></tr>
<tr><td>10.(2) (b)</td><td>Report by the Board of Directors on the internal control mechanism of the Company.</td><td>Effectiveness of the Company’s internal control mechanism has been certified by the Directors on pages 111 to 112 of the Annual Report under the heading “Directors’ Statement on Internal Controls over Financial Reporting”.</td></tr>
<tr><td>10.(2) (c)</td><td>Certification on the effectiveness of the internal control mechanism by external auditors</td><td>The Auditors’ certification on the Directors Responsibility Statement on Internal Controls over Financial Reporting has been obtained and included in the Annual Report .</td></tr>
<tr><td>10.(2) (d)</td><td>Details of the Directors including names and transactions with the finance company.</td><td>Details of the Directors including names and transactions with the Finance Company are given in pages 32 to 37 and 202 to 205 of the Annual Report.</td></tr>
<tr><td>10.(2) (e)</td><td>Directors’ fees and Remuneration</td><td>The fees & remuneration paid to Directors are been disclosed in Note 44 on page 202 of the Annual Report.</td></tr>
<tr><td>10.(2) (f)</td><td>Accommodation granted for related parties.</td><td><table>
<tr><th>Category of RPT</th><th>Net Accommodation as at 31.12.2021 (Rs.)</th><th>% of Capital Fund</th></tr>
<tr><td>Directors</td><td>-</td><td>-</td></tr>
<tr><td>KMP</td><td>11,736,569.57</td><td>-</td></tr>
<tr><td>Relatives of Directors or KMP</td><td>-</td><td>-</td></tr>
</table></td></tr>
<tr><td>10.(2) (g)</td><td>Aggregate values of remuneration paid for KMPs and aggregate values of transaction of the company with KMPs.</td><td>Total value of short term employee benefits paid to KMPs during the year is Rs. 122,947,561.28

Total accommodation granted Rs. 11,736,569.57

Debenture, Term Deposits and Saving Deposits Rs. 305,397,636.10</td></tr>
</table>

Section	Corporate Governance Principle	Compliance
10.(2) (h)	Details of Compliance with prudential requirements, regulations, laws and internal controls and measures relevant to non-compliance.	Details of compliance & non-compliance would be highlighted in the ‘Annual Report of the Board of Directors on the State of Affairs of the Company’ on pages 102 to 110 of the Annual Report.
10.(2) (i)	A statement of the regulatory and supervisory concerns on lapses in the finance Company’s risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance Company to address such concerns.	There were no regulatory and supervisory concerns in the Company’s risk management or non-compliance with the Companies Act No. 07 of 2007, rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions.
10.(2) (j)	The external auditors’ certification of the compliance with the Corporate Governance and directions issued by the Monetary Board in the annual corporate governance report.	The Board has obtained a Factual Finding Report from the External Auditors over compliance with Corporate Governance Directions.

Corporate Governance Report

The Code of Best Practice on Corporate Governance 2013 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A. DIRECTORS			
A.1 THE BOARD			
The Board of Directors at Siyapatha Finance PLC (the "Company") represents professionals from different disciplines such as Legal,Marketing, Management, Finance, Engineering, Information Technology and they bring with them a wealth of business experience to provide leadership to the Company			
A.1.1	Board meetings	Complied	Board meetings are planned well ahead and dates of the monthly meetings are finalized at the end of the previous year. Board meetings are mainly focused on reviewing the Performance of the Company and more on Strategic Planning and the Company's future directions. Key Officers in their monthly presentations to the Board, focus 100% on their performances and future plans to achieve the strategic goals. Special Board meetings are convened whenever necessary.These meetings ensure that prompt action is taken to align the business processes to achieve the expectations of all stakeholders. During the reviewed period 17 Board meetings were held. Please refer 'Directors' attendance and Committee Memberships' table given in pages 72 to 73. in the Annual report.
A.1.2	Responsibilities of the Board	Complied	The Board while acting in line with the organization and the Group values is responsible for the formulation of a sound business strategy for the organization. The Management formulates a three years strategic plan which addresses the future challenges, which would be tabled, discussed and approved by the Board. During the last few years, the Board recognized the importance of Human Capital, and the grooming of the Corporate Management and individuals who are capable, talented with required skills, experience and knowledge to accept any challenges that the Company may face in the future. The Board has implemented a succession plan, with a view to ensuring that the Company would have a strong successor to shoulder the responsibilities of the Company, if it becomes necessary. The Board takes necessary steps to fulfill the duties entrusted to them by securing the integrity of the information, managing risks and implementing an effective internal control system. In this process, compliance ensures that all applicable laws and regulations and adherence to the organization and the group ethical standards and corporate values are met in order to ensure that the interests of all stakeholders are taken into consideration in the corporate decision- making process.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.1.3	Agreed procedure on seeking independent professional advice	Complied	A Board approved Policy is in place for the Directors to seek independent professional advice as and when required. The Board Subcommittees advise the Board on various matters under their purview,when necessary.
A.1.4	Advice and services of the Company Secretary	Complied	Clear formulated and approved policy by the Board is in place for the Board members to have full access to the Company Secretary to ensure that proper Board procedures are followed and that all applicable rules and regulations are complied with. Legal matters for which clarifications are needed by the Board are referred to the Company Secretary. She provides such information after obtaining necessary professional advice whenever required.
A.1.5	Independent judgment of Directors	Complied	All Directors are free to bring independent judgment for decision making of the Company and for the decisions taken by the Board on issues of strategy, performance, resources and standards of business conduct. Different arguments and the ideas are reordered in detail by the Company Secretary with a view to indicate the rationale in which decisions are arrived at.
A.1.6	Dedicating adequate time and effort by the Directors	Complied	All Directors of the Company dedicate adequate time and effort at Board and Committee meetings to fulfill their duties. Further, they also spend their time before and after the meetings, to ensure that the duties and responsibilities owed to the Company are discharged according to the highest standards. Board Papers/Committee papers are dispatched to the Directors well in advance.
A.1.7	Training for new and existing Directors	Complied	Directors have recognized the need for continuous training and expansion of their knowledge and take part in such professional development as they consider necessary in assisting them to carry out their duties as Directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programmes relevant to the Board are informed to the Board by the Company Secretary for Directors participation.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.2 CHAIRMAN AND MANAGING DIRECTOR			
Board of Directors does not intervene with the Company's day to day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Executive Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive towards the Strategic Vision and to ensure effectiveness of the Board. The Managing Director's role is to conduct the business operations of the Company with the help of the Corporate and the Senior Management. Hence, the roles of the Chairman and the Managing Director are clearly distinct from one another.			
A.2.1	Separation of the roles of Chairman & Managing Director	Complied	Chairman and the Managing Director positions are held by two individuals and the functions of the Chairman and the Managing Director are clearly documented, defined and separated by the Board, thereby preventing unfettered powers for decision making being vested in one individual. There is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board and for its effectiveness. The Managing Director's role is primarily to conduct the business operations of the Company with the help of the Corporate Management. The roles of the Chairman and the Managing Director are clearly distinct from one another.
A.3 CHAIRMAN'S ROLE			
Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging Board functions. He provides leadership to the Board and effectively manages the Board while preserving order and facilitating effective discharge of Board functions.			
A.3.1	Role/ Functions of the Chairman	Complied	The following functions of the Chairman was approved by the Board to provide leadership to the Company and Board of Directors to; • Ensure that the Board works effectively and discharges its responsibilities. • Ensure that all key and appropriate issues are discussed by the Board, in a timely manner. • Responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. • Ensure that all Directors are properly briefed on issues arising at Board meetings and that all Directors receive adequate information in a timely manner. • Encourage all Directors to make a full and active contribution to the Board's affairs and to take the lead to ensure that the Board acts in the best interests of the Company. • Facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations among the Non-Executive and Executive Directors.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
			• Not to engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever. • Ensure that appropriate steps are taken to maintain effective communication with shareholders (at general meetings and in general) and that the views of shareholders are communicated to the Board
A. 4 FINANCIAL ACUMEN The Code of Best Practice requires that the Board comprises of members with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board of the Company has met the above requirement as four Board members out of Nine Directors are Qualified Accountants having professional qualifications and are equipped with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
A. 4	Financial acumen and knowledge	Complied	The Chairman of the Audit committee,Mr. M.D.B.Boyagoda is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Management Accountants of UK (CIMA UK) and the Chartered Global Management Accountants (CGMA). He graduated from the University of Sri Jayawardenepura, with a Degree in BSc Business Administration specialized in Finance. Mr. P.S. Cumaranatunga is an Associate member of the Chartered Institute of Management Accountants of UK (ACMA, UK), holds the Chartered Global Management Accountants (CGMA) qualification, a Certified Practising Accountants (CPA) and a Member of the Chartered Institute of Marketing (DipM MCIM). Mr. H. M. A. Seneviratne is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA), graduated in Business Administration from the University of Sri Jayawardenepura and a holder of Master Degree in Business Administration (MBA) from the University of Colombo. Ms. H.S.R.Ranatunga is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA-UK), holds the Chartered Global Management Accountants (CGMA) Master Degree in Business Administration (MBA) from the Postgraduate Institute of Management, University of Sri Jayawardenepura and MA in Economics from the University of Colombo. These members of the Board have the ability to offer advise & guidance on matters of finance to the Board.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.5 BOARD BALANCE The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus that no individual or a small group of individual Directors is able to dominate the Board's decision making.			
A.5.1	Presence of a strong team of Non-Executive Directors (NEDs)	Complied	Eight out of nine Directors of the Board are NEDs which complies with the minimum number prescribed by this Code, which is at a minimum two NEDs or NEDs equivalent to one-third of the total number of Directors, whichever is higher. This ensures that the views of Non- Executive Directors are taken into consideration in Board decisions.
A.5.2 & A.5.3	Independence of NEDs	Complied	Five out of Eight NEDs are Independent which complies with the minimum prescribed by this Code which is at a minimum two NEDs or NEDs equivalent to one third of NEDs appointed to the Board of Directors whichever is higher should be 'independent'.
A.5.4	Annual Declaration of NEDs	Complied	Every NED of the Company has made written declarations as to their independence against the specified criteria set out by the Company, which is in line with the requirements of Schedule H of this Code.
A.5.5	Annual Declaration by the Board on the independence of Directors	Complied	The Board has determined the independence of Directors based on the declarations submitted by the NEDs as to their independence as a fair representation and will continue to evaluate their independence on this basis annually in line with CBSL directions, the SEC and the Code of Best Practice. No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.Independent Non-Executive Directors are: , Mr.P.S.Cumaranatunga, Mr.J.H. Gunawardena, Ms.H.S.R. Ranatunga , Mr.M.D.B. Boyagoda and Mr.D. Sooriyaarachchi (designated as independent Non-Executive Director w.e.f. 23.02.2021).
A.5.6	Alternate Director	Complied	At present, there are no alternate Directors.
A.5.7 & A.5.8	Requirement to appoint a 'Senior Non-Executive Director' and making himself available for confidential discussions.	Complied	The current Chairman of the Company is an Independent Non Executive -Director. Hence, the requirement to appoint a 'Senior Non-Executive Director' has not arisen.
A.5.9	Conducting meetings with NEDs only	Complied	During the year the Chairman met the Non Executive Directors in the absence of the Managing Director.
A.5.10	Recording of concerns in Board minutes	Complied	Deliberations raised by the Directors are part of the Board Meetings and such information is adequately detailed by the Company Secretary in the minutes. The Company Secretary minutes as to how the decision had been arrived at all times. All minutes are kept in a detailed manner.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.6 SUPPLY OF INFORMATION The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions which would enable it to discharge its duties.			
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied	The Executive Management of the Company should ensure that the Directors are provided with adequate information in a timely manner and should make every effort to provide the information, as early as possible. The Board Papers are prepared by the Executive Management of the Company to provide adequate information to the Board enabling it to deliberate on all key issues concerning the Company. Directors are free to raise inquiries/concerns for additional information, where necessary. In addition, key members of the Executive Management make their presentations at every Board meeting on their performance and issues of importance during the reviewed period. The Chairman ensures that all Directors are briefed adequately on issues arising at Board meetings.
A.6.2	Adequate time for Board meetings	Complied	According to the Articles of Association of the Company,all Board members are given a notice well ahead of the meeting, and all minutes of previous meetings, agenda and Board Papers are dispatched in advance.Further, adequate notice is given to all Directors prior to emergency/special Board meetings.This ensures that the Board members have adequate time to study the related papers and prepare for a meaningful discussion at the meetings.
A.7 APPOINTMENT TO THE BOARD Company has a formal and transparent procedure in place to appoint new Directors.			
A.7.1 & A.7.2	Presence of a Nomination Committee and annual assessment of composition of the Board	Complied	Siyapatha has set up its own Board Nomination Committee. The Committee is authorized to implement a procedure to assess the skill, knowledge and experience required for the selection/ appointment of new Directors and the Managing Director for the Company. Final decision is taken by the Board as per the procedure approved by the Board to appoint new Directors which is a formal and transparent procedure. The Board assesses the composition of the Board to ensure that the combined knowledge and experience of the Board matches the strategic demand of the market.
A.7.3	Disclosure of required details to Shareholders on new appointments to the Board	Complied	All new Directors who are appointed to the Board are eligible for election at the subsequent AGM.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.8 RE-ELECTION The Code requires all Directors to submit themselves for reelection, on regular intervals and at least once in every three years.			
A.8.1 & A.8.2	Re-election of Non-Executive Directors including Chairman and Directors	Complied	In accordance with Articles 24 (7) & (8) of the Articles of Association, the procedure adopted by the Company to re-elect by rotation, at least one-third of the Directors should retire at the Annual General Meetings.A policy is in place to elect Directors who have joined the Board during the year and to make themselves available for election at the subsequent Annual General Meeting.
A.9 APPRAISAL OF BOARD PERFORMANCE The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.			
A.9.1 & A.9.2	Annual appraisal of the Board's performance and the performance of its Sub-Committees	Complied	The performance of the Board is evaluated by the Chairman and the Directors. The Board Sub-Committees carry out a self-assessment process annually to ensure they function effectively and efficiently with the objective of facilitating continuous improvement and to be in line with the good governance.
A.9.3	Disclosure of criteria used for the performance evaluation	Complied	The Company Secretary submits the Self Evaluation Questionnaire to each director and obtains their individual responses. Summary of the responses are submitted to the Board for further action if deemed necessary.
A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS The Code requires that details of Directors be disclosed in the Annual Report for information of the shareholders			
A.10.1	Disclosures on Directors in the Annual Report	Complied	The following details pertaining to each Director are disclosed in the Annual Report (a) Brief profile with expertise and experience - pages 32 to 37. (b) Other business interests - pages 102 to 110. (c) Remuneration - Note 44.2 on page 202. (d) Status of independence - page 32 to 37.
A.11 APPRAISAL OF MANAGING DIRECTOR The Code requires the Board to assess the performance of the Managing Director at least annually to ascertain the degree to which the Managing Director met the pre-set financial and non-financial targets			
A.11.1 & A.11.2	Setting annual targets and the appraisal of performance of the CEO/Managing Director	Complied	At the beginning of each financial year, the Board discusses and agrees with the Managing Director and sets long term, medium term and short term financial and non-financial goals for the Company that are to be guided and achieved by the Managing Director within the course of that year. Assessment of performance of the Managing Director is carried out by the Board yearly to ensure that performance is achieved.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
B. DIRECTORS' REMUNERATION			
B.1 REMUNERATION PROCEDURE			
This principle ensures that the Company has a well-established formal and transparent procedure in place for developing an effective remuneration policy to avoid potential conflict of interest.			
B.1.1	Establishment of a Remuneration Committee	Complied	The Company has a Board Human Resources and Remuneration Committee which has the power to evaluate, assess, and decide matters that may affect the Human Resources Management of the Company.
B.1.2	Composition of the Remuneration Committee	Complied	As prescribed in this code, all members of the Board Human Resources and Remuneration Committee are Non-Executive Directors and the Chairman of the Committee is appointed by the Board.
B.1.3	Chairman and the Members of the Committee	Complied	Please refer 'Board Human Resources and Remuneration Committee Report' for details of the Chairman and the Members of the Board Human Resources and Remuneration Committee.
B.1.4	Determination of the remuneration of Non-Executive Directors	Complied	All payments to the Directors of the Company are decided by the parent Company as per the Group policy on remuneration.No Director of the Company can decide their own remuneration. The Non-Executive Directors receive a fee for being a Director of the Board, an attendance fee and an additional fee for either chairing or being a member of a Board or a Committee.
B.1.5	Ability to consult the Chairman and/ or the Managing Director and to seek professional advice by the Committee	Complied	The Committee has the authority to seek internal and external independent professional advice on all matters falling within the purview of the Committee at the Company's expense.
B.2 LEVEL AND MAKE UP OF REMUNERATION			
The Company ensures that the remuneration of Non-Executive Directors is at a satisfactory level to attract and retain the services of Directors			
B.2.1	Remuneration packages of Executive Directors	Complied	The remuneration is based on the Group Remuneration Policy.
B.2.2	Competitiveness of levels of Remuneration	Complied	Directors are paid for their contribution based on the Group Remuneration Policy.
B.2.3	Comparison of Remuneration with other companies in the Group	Not Applicable	All payments to the Directors are based on Group policy which is decided on the market rates.
B.2.4	Performance based remuneration of Executive Directors	Complied	During the year under review, the Company did not provide for performance based remuneration for Executive Director.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
B.2.5	Executive share options	Not Applicable	No Executive Share Options were granted during the year.
B.2.6	Designing the remuneration of Executive Directors	Complied	The remuneration of the Executive Directors is determined by the Parent Company in line with the Group Remuneration Policy.
B.2.7 & B.2.8	Early termination of Executive Directors	Not arisen	This is in line with the contract of appointment.
B.2.9	Levels of Remuneration of Non-Executive Directors	Complied	Non-Executive Directors of the Company are paid a nominal fee for their time spent and role in the Board, in line with the Group Policy approved by the Parent Company.
B.3 DISCLOSURE OF REMUNERATION The Code requires the Company to disclose in its Annual Report the details of the remuneration paid and the Remuneration Policy.			
B.3.1	Disclosure of Remuneration	Complied	Please refer 'Board Human Resources and Remuneration Committee Report' for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company
			Please refer Note 44.2 on the Financial Statements for the aggregate remuneration paid to Directors on page 202.
C. RELATIONS WITH SHAREHOLDERS **C.1 CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS** The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation Since the Company is a 100% owned subsidiary of the Parent Company,all company information is routed through the Directors representing the Parent Company's interest.			
C.1.1	Use of Proxy Votes	Complied	The Parent Company holds 99.99% of the shares
C.1.2	Separate resolutions for substantially separate issues and adoption of Annual Report and Accounts	Complied	The Parent Company holds 99.99% of the shares. Refer Shareholding in page 29. Further, adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements together with the Report of the Auditors thereon are considered separately.
C.1.3	Availability of Chairmen of Board Committees	Complied	All Board members are present at the AGM.
C.1.4 & C1.5	Adequate Notice of AGM to shareholders together with summary of the procedure governing voting.	Complied	Annual Reports are dispatched to all Shareholders of the Company, whereas a form of proxy together with the Notice of Meeting detailing the summary of procedure as per legal requirements giving adequate notice is dispatched to shareholders.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
C.2 COMMUNICATION WITH SHAREHOLDERS The Code requires effective communication with shareholders. The Company is a fully owned subsidiary of Sampath Bank PLC.			
C.2.1	Channel to reach all shareholders of the Company	Complied	By circular to shareholders and Notice of shareholder meetings.
C.2.2	Policy and methodology for communication	Complied	By circular to shareholders and Notice of shareholder meetings.
C.2.3	Implementation of the policy and methodology for communication with shareholders	Complied	By circular to shareholders and Notice of Shareholder meetings.
C.2.4 & C.2.6	Contact person in relation to shareholder matters	Complied	The main contact person is the Company Secretary.
C.2.5	Process to make all Directors aware of major issues and concerns of shareholders	Complied	Any major issue of concern of shareholders are informed to Board Members by the Common Directors or the Company Secretary.
C.2.7	Process responding to shareholder matters	Complied	The Company is a fully owned subsidiary of Sampath Bank PLC.
C.3 MAJOR AND MATERIAL TRANSACTIONS The Code requires the Directors to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.			
C.3.1	Disclosures on proposed major transactions	Not Applicable	There were no major transactions involving acquisition or disposal of assets greater than half of the net asset value of the Company.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D. ACCOUNTABILITY AND AUDIT			
D.1 FINANCIAL REPORTING			
This Principle requires the Board of the Company to present a balanced and understandable assessment of the Companies' financial position, performance and prospects.			
D.1.1	Board's Responsibility for Statutory and Regulatory Reporting	Complied	The Board is well aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner and a statement to this effect is given on page 102 to 110 of this Annual Report. The Company has complied with the requirements of the Companies Act No. 07 of 2007, the Finance Leasing Act, No. 56 of 2000, the Finance Business Act, No. 42 of 2011 and amendments thereto, in the preparation of Quarterly and Annual Financial Statements which are prepared and presented in conformity with Sri Lanka Accounting Standards.Further, the Company has complied with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka and the Colombo Stock Exchange.
D.1.2	Declarations by Directors in the Directors' Report	Complied	The Annual Report of the Board of Directors on the State of affairs of the Company on pages 102 to 110 contains the declarations as required by the Code.
D.1.3	Statements by Directors' and Auditors' on respon-sibility for financial reporting	Complied	The 'Responsibility for Financial Statements' for the preparation and presentation of financial statements is given in Note 2.2 on page 123 of the Annual Report. Please also refer pages 114 to 117 for the Independent Auditor's Report.
D.1.4	Management Discus-sion and Analysis	Complied	Please refer 'Management Discussion and Analysis'. (MD&A) set out on pages 15 to 28 presented as an integrated report covering all aspects referred in the code.
D.1.5	Declaration by Board on the going concern of the Business	Complied	Please refer 'Annual Report of the Board of Directors on the State of affairs of the Company' and Note 2.10 Estimates and Assumptions to the Audited Financial Statements on page 124.
D.1.6	Requirement to Summon an Extraordinary General Meeting (EGM) to notify serious loss in net assets (capital)	Not applicable	No such event occurred during the financial year

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D.1.7	Declaration by Board on Related Party Transactions	Complied	Each Director and KMP has declared their interest in transactions with the Company during the year ended 31st December 2021, if any. Internal controls are placed within the Company to identify, record and disclose related party transactions. All Related Party Transactions as defined in Sri Lanka Accounting Standards - LKAS 24 (Related Party Transactions) are disclosed in Note 45 to the Audited Financial Statements.
D.2 INTERNAL CONTROL The Code requires the Company's Board to ensure that an effective system of internal controls, which safeguards the Company's assets to protect the interest of shareholders is in place			
D.2.1	Directors to conduct an annual review of internal controls	Complied	The Company obtained the External Auditor's Certification on the Directors Responsibility Statement on Internal Control over financial reporting included in the Annual Report.
D.2.2	Need for an internal audit function for Companies	Complied	This is not applicable as the Company already has its own in-house Internal Audit Department, which is responsible for internal audit function.
D.3 AUDIT COMMITTEE The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's External Auditor			
D.3.1	Composition of the Audit Committee	Complied	Details of the members, are given on the 'Board Audit Committee Report' on pages 84 to 86.
D.3.2	Duties of the Audit Committee	Complied	As stated in the Report of the Board Audit Committee of the Company,it regularly reviews the scope of the External Auditors, results and effectiveness of the audit. It also ensures that non audit services provided by the External Auditors do not affect their independence.
D.3.3	Terms of Reference of the Audit Committee	Complied	Terms of Reference of the Board Audit Committee is in place approved by the Board of Directors. This clearly explains the purpose of the Committee, its duties and responsibilities, together with the scope and functions of the Committee. The Committee mainly deals with the matters pertaining to statutory and regulatory compliance in financial reporting, matters with regard to the External Auditors, internal audit and risk management procedures of the Company.
D.3.4	Disclosure of names of the members of the Audit Committee	Complied	Names and composition of the members of the Audit Committee are given under Audit Committee Report.

Corporate Governance Report

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D.4 CODE OF BUSINESS CONDUCT AND ETHICS			
The Code requires the Company to adopt an Internal Code of Conduct and Ethics to be adhered to by all Directors and members of the senior management of the Company			
D.4.1	Disclosures on presence of Code of Business Conduct and Ethics	Complied	The Company has an internally developed Code of Conduct for its Directors and this Code covers the following areas of conflict of interest, accurate accounting and record keeping, confidentiality of information, fair dealing,protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour etc. Further the Code of Conduct is available for all employees including the Corporate and Senior Management. This Code focuses mainly on the following areas: Fair dealing, protection and proper use of the Company assets, record- keeping and reporting,accounting and financial reporting concerns, reporting illegal or unethical behavior, discrimination and harassment, Health and Safety,Discipline etc.
D.4.2	Affirmative Statement by the Chairman	Complied	Please refer the Chairman's message for details on pages 7 to 10.
D.5 CORPORATE GOVERNANCE DISCLOSURES			
Directors of the Company disclose annually the Company's adherence to 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 and the Central Bank of Sri Lanka (CBSL). Direction No. 03 of 2008 and amendment direction No. 06 of 2013 of CBSL on Corporate Governance for Finance Companies of Sri Lanka and subsequent amendments thereto, in the 'Corporate Governance Report'.			
D.5.1	Annual Corporate Governance Report in the Annual Report	Complied	Corporate Governance reports for CBSL,Securities Exchange Commission and Code of Best Practice are included on pages 40 to 73 in the Annual Report.
SECTION 2 : SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1 SHAREHOLDER VOTING			
Due to the Parent Company holding 100% of equity of the Company,the requirement of disclosures to institutional investors have not arisen from an equity point of view.In the event such need arises from the perspective of accountability and transparency, all material disclosures would be made to strengthen the positive relationship between management and institutional investors.			
E.1.1	Communication with shareholders	Complied	Parent Company holds 99.99% of shares and is the only institutional investor. All required information to the Parent Company is provided in a timely manner.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
E.2 EVALUATION OF GOVERNANCE DISCLOSURES			
The Code requires the Company to encourage institutional investors to give due weight to all relevant factors drawn to their attention			
E.2.1	Due weight by Institutional Investors on matters relating to Board structure and composition	Complied	Sampath Bank PLC as the only institutional investors is at liberty to give due weight on matters relating to the Board structure and composition.
F. OTHER INVESTORS; **F.1 INVESTING/DIVESTING DECISION**			
F.1.1	Seek independent advice in investing or divesting decisions	Not applicable	Sampath Bank PLC owns 99.99% of the Company shares.
F.2 SHAREHOLDER VOTING			
F.2.1	Encourage voting by Individual Investors in General Meetings	Complied	The Parent Company and subscribers/shareholders use its voting rights at the AGMs.
G. SUSTAINABILITY REPORTING Sustainability is a business approach that creates long term stakeholder value. It focuses on managing risks arising from economic, environmental and social aspects. Sustainability reporting aims towards the goals of sustainable developments in the context of business strategy and activities.			
G.1.1	Economic Sustainability	Complied	Please refer 'Management Discussion and Analysis' on pages 15 to 28.
G.1.2	The Environment	Complied	This is covered in the 'Management Discussion and Analysis' on pages 15 to 28.
G.1.3	Labour Practices	Complied	Please refer 'Management Discussion and Analysis' on pages 15 to 28.
G.1.4	Society	Complied	Please refer 'Management Discussion and Analysis' on pages 15 to 28.
G.1.5	Product and Service Responsibility	Complied	Please refer 'Management Discussion and Analysis' on pages 15 to 28.
G.1.6	Stakeholder Identification, Engagement & Effective	Complied	Please see the contents of the 'Management Discussion and analysis on pages 15 to 28.
G.1.7	Sustainable Reporting & Disclosure	Complied	Please see the contents of the 'Management Discussion and analysis on pages 15 to 28.

Corporate Governance Report

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE

Rule No	Applicable Requirement	Compliance Status	Comment
Non Executive Directors			
7.10.1(a)	2 or 1/3 of the total number of Directors should be Non-Executive Directors whichever is higher.	Complied	The Board consists of eight (8) NED's out of a total number of nine (9) Directors.
Independent Directors			
7.10.2 (a)	2 or 1/3 of Non-Executive Directors appointed to the Board whichever is higher shall be independent	Complied	The Board comprised of four Independent Non- Executive Directors up to 23.02.2021, and five Independent Non-Executive Directors thereafter.
7.10.2(b)	Submission of declarations annually,declaring independence of Directors	Complied	Declarations have been obtained from the Directors regarding their independence/non independence status against the specified criteria and copies of the same are under the custody of Company Secretary for review.
Disclosure Relating To Directors			
7.10.3(a)	The Board shall annually determine the in- dependence or non independence of Directors	Complied	The Board is well aware of the requirement and the Board evaluates the independence of Directors.
	Names of Independent Directors should be disclosed in the Annual Report	Complied	The names of the Independent Directors are set out on 32 to 37 of the Annual Report.
7.10.3(b)	The basis for the Board's determination of independent Directors, if criteria specified on independence is not met	Complied	The Board determines the independence of Directors based on the criteria set out in the CSE Listing Rule No. 7.10.4. The requirement is met.
7.10.3(c)	Publish a brief resume of each Director	Complied	Profiles of each Director has been published pages 32 to 37 of the Annual Report.
7.10.3(d)	Provide a brief resume of new Directors appointed to the Board	Complied	There were no appointments of Directors to the Board during the year 2021.

Rule No	Applicable Requirement	Compliance Status	Comment
Criteria For Defining Independence			
7.10.4 (a-h)	Determination of Independence	Complied	The Board has met the criteria of defining independence which is in line with CSE and CBSL Directions on Corporate Governance based on independence of Directors.
Remuneration Committee			
7.10.5(a)	Composition	Complied	During the year under review, the Board HR & Remuneration Committee comprised of Mr. D. Sooriyaarachchi , Mr.P. S. Cumaranatunga, and Ms. H.S.R. Ranatunga.
7.10.5(b)	Recommendation on Remuneration for Executive Directors, CEO and /or equivalent position	Complied	All payments to the Directors of the Company are decided by the Parent Company as per the Group Policy on Remuneration.
7.10.5(c)	Names of Directors comprising the Remuneration Committee	Complied	Published in the Annual Report on pages 87 to 88 under HR & Remuneration Committee Report.
	Remuneration Policy	Complied	Policy is given in HR & Remuneration Committee Report on pages 87 to 88.
	Aggregated remuneration paid to Directors	Complied	Published in the Annual Report of the Board of Directors on the state of affairs of the Company on pages 102 to 110 of the Annual Report.
Audit Committee			
7.10.6(a)	Composition and Role of the Audit Committee	Complied	All members of the Board Audit Committee are independent, Non-Executive Directors and the Committee comprises of Mr. M.D.B. Boyagoda, Mr.P.S Cumaranatunga, Mr.J.H.Gunawardena and Ms.H.S.R. Ranatunga. Please refer the contents of the Board Audit Committee Report on pages 84 to 86 for the role of the Audit Committee.
	Chairman of the Audit Committee	Complied	Mr. M.D.B. Boyagoda is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Management Accountants of UK (CIMA-UK) and the Chartered Global Management Accountant (CGMA) .
	Attendance at Audit Committee Meetings	Complied	In addition to the members of the Board Audit Committee, the Managing Director, the Chief Operating Officer, Head of Finance, and Head of Internal Audit of the Company attend meetings.

Corporate Governance Report

Rule No	Applicable Requirement	Compliance Status	Comment
7.10.6(b)	i) Preparation, presentation and adequacy of disclosures in the financial statements of the Company in accordance with Sri Lanka Accounting standards.	Complied	The Company is in compliance with Sri Lanka Accounting Standards (SLFRS & LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka. This fact is stated in Note 2.1 on page 123 to the Audited Financial Statements under Statement of Compliance.
	ii.) Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied	The Company is in compliance with the requirements of the Companies Act No. 7 of 2007.This fact is stated in Note 2.1on page 123 to the Audited Financial Statements under Statement of Compliance.
	iii) process to ensure that the Company's internal control and risk management are adequate to meet the requirements of the Sri Lanka Auditing standards	Complied	The Auditors certification on the Directors Responsibility Statement on Internal Controls over financial reporting included in the annual report has been obtained. The Company assesses the internal controls via Risk & Control Self Assessment (R&CSA) process
	iv) Assessment of the independence and performance of the Company's external auditors	Complied	The Board Audit Committee (BAC) assesses the independence of External Auditors and their performance. The Board Audit Committee regularly reviews the scope of the External Auditors and the effectiveness of the Audit. Furthermore, the Committee ensures that non-audit services provided by the External Auditors do not affect their independence.
	v) Recommendations to the Board pertaining to appointment, reappointment and to approve the remuneration and terms of engagement of the external auditor	Complied	The Board Audit Committee makes recommendations to the Board for appointment of the External Auditor for Audit services, their service period, Audit Scope and Audit Fee.
7.10.6(c)	Names of Directors comprising the Audit Committee.	Complied	Published in the Annual Report on page 84 to 86 under Audit Committee Report

Rule No	Applicable Requirement	Compliance Status	Comment
	Determination of the independence of the Auditors and the basis for such determination	Complied	Please refer report of the Audit Committee, published on pages 84 to 86 of the Annual Report.
	Report of the Audit Committee setting out the manner of compliance by the Company	Complied	Please refer report of the Audit Committee, published on pages 84 to 86 of the Annual Report.

On behalf of the Board Corporate Governance Committee

H. S. R. Ranatunga
Chairperson - Board Corporate Governance Committee

22nd February 2022

Corporate Governance Report

Directors' Attendance and Committee Memberships

Director	Board Meetings	Board Audit Committee	Board Integrated Risk Management Committee	Board Credit Committee	Board HR & Remuneration Committee	Board Corporate Governance Committee	Board Related Party Transactions Review Committee	Board Nomination Committee	Board IT Committee
Mr. P. S. Cumaranatunga	17/17	12/12	5/7	-	5/5	-	-	2/2	-
Mr. Y. S. H. R. S. Silva	17/17	-	-	-	-	-	-	-	-
Mr. H. M. A. Seneviratne	17/17	-	7/7	13/13	-	5/5	3/3	-	8/8
Mr. J. Selvaratnam	17/17	-	7/7	13/13	-	5/5	3/3	1/1	-
Mr. J. H. Gunawardena	17/17	12/12	7/7	-	-	5/5	3/3	1/1	-
Mr. D. Sooriyaarachchi	15/17	-	-	-	5/5	-	3/3	2/2	7/8
Mr. W.S.C. Perera	17/17	-	-	13/13	-	-	-	-	8/8
Ms. H. S. R. Ranatunga	17/17	11/12	-	13/13	5/5	5/5	3/3	-	-
Mr. M. D.B. Boyagoda	17/17	12/12	7/7	-	-	5/5	3/3	-	8/8
Total No. of Meetings	17	12	7	13	5	5	3	2	8

Directors' Attendance for the Year 2021

1. Redesignate Mr. D. Sooriyaarachchi as an Independent, Non-Executive Director with effect from 23rd February 2021.

2. The Board Audit Committee had 10 meetings during the year 2021 and two (2) separate Board Audit Committee meetings were held without the Executive Directors being present.

3. The BRPTRC reviewed all the related party transactions that occurred during the financial year 2021 in compliance with the Listing Rules. Sufficient deliberations were held amongst the Committee Members and where it was necessitated at the Board level. Minutes of all meetings have been sufficiently documented and communicated to the Board of Directors.

Directors' Attendance and Committee Memberships

Director	Board Meetings	Board Audit Committee	Board Integrated Risk Management Committee	Board Credit Committee	Board HR & Remuneration Committee	Board Corporate Governance Committee	Board Related Party Transactions Review Committee	Board Nomination Committee	Board IT Committee
Mr. P. S. Cumaranatunga	C [17]	M [12]	M [5]	-	M [5]	-	-	C [2]	-
Mr. Y. S. H. R. S. Silva	M [17]	-	-	-	-	-	-	-	-
Mr. H. M. A. Seneviratne	M [17]	-	M [7]	M [13]	-	M [5]	M [3]	-	M [8]
Mr. J. Selvaratnam	M [17]	-	M [7]	C [13]	-	M [5]	M [3]	M [1]	-
Mr. J. H. Gunawardena	M [17]	M [12]	C [7]	-	-	M [5]	M [3]	M [1]	-
Mr. D. Sooriyaarachchi	M [15]	-	-	-	C [5]	-	C [3]	M [2]	M [7]
Mr. W.S.C. Perera	M [17]	-	-	M [13]	-	-	-	-	C [8]
Ms. H. S. R. Ranatunga	M [17]	M [11]	-	M [13]	M [5]	C [5]	M [3]	-	-
Mr. M. D.B. Boyagoda	M [17]	C [12]	M [7]	-	-	M [5]	M [3]	-	M [8]
Total No. of Meetings	17	12	7	13	5	5	3	2	8

(C- Chairman/Chairperson M - Member)

1. Mr. D. Sooriyaarachchi was appointed as a Chairman of the Board Related Party Transactions Review Committee with effect from 24th February 2021 and appointed as a Chairman of the Board HR & Remuneration Committee with effect from 24th February 2021.

2. Mr. J. H. Gunawardena stepped down as a member of the Board Nomination Committee with effect from 27th July 2021 and served as the Chairman of the Board Related Party Transactions Review Committee until 24th February 2021.

3. Mr. J. Selvaratnam was appointed as a member of Board Nomination Committee with effect from 27th July 2021.

Managing Risk

Risk Environment

International impact

During, FY2021 we saw the continuation of the impact of the pandemic which had an adverse effects on the world economy, health, politics, and the global climate. The aftermath of the Covid 19 impact transferred to this year too despite the vaccination process was introduced. The epidemic has claimed a large number of lives worldwide and presents an unprecedented challenge to the world of public health, food systems and services. The economic and social devastation wrought by the plague is catastrophic: millions of people are at risk of falling into poverty. The only option to control this catastrophic epidemic is to have the population fully vaccinated. Rich countries have reached the final stages of this vaccination process, but poor countries still have disparities in obtaining these vaccines.

Equity markets and other commodity markets have declined during the year under review. However, we saw the gold market picking up towards the later part of the year and settling around towards the end of the year. Many investors were looking for safer havens to park their funds until this pandemic ends hence the activities were not that aggressive. Since the global trading activities were limited the circulation of money slowed down during the year. Due to travel bans there were lesser tourist movements and many countries which were depending on the same were severely impacted during the year. Some countries tried out promoting local tourism but it was not that effective when compared to the amount of foreign currency inflow from the tourists. Many countries had to introduce financial stimulation packages to review the industries or introduce moratoriums for debt repayments to banks and finance companies. Many analysts are positive about 2022 with the vaccinations being administered, but a clear time line is not predicted for the pandemic to be completely eradicated.

We need to explore where the major challenges to business arise from this year's environmental risks and how government, investors and corporations can manage these growing risks in the face of increasing pressure from shareholders, regulators and customers.

Local impact

The spread of Covid19 virus was successfully controlled in the first quarter of 2021. The second and third quarters were the worst period of the expansion of Covid19, during which time the country was closed and the economy was severely affected. As a result, the country was rapidly vaccinated, by the end of the fourth quarter, there was some control over the spread of the virus.

Based on statistics by Central Bank of Sri Lanka, real GDP fell 1.5% in the third quarter of 2021. The unemployment rate fell from 5.5% in 2020 to 5.1% in the second quarter of 2021. Headline Inflation, as measured by the change in the National Consumer Price Index (NCPI, 2013=100), which is compiled by the Department of Census and Statistics (DCS), Increased to 8.3 per cent in October 2021 from 6.2 per cent in September 2021 on year-on-year basis. Merchandise trade deficit narrowed to US dollars 495 million in September 2021, compared to US dollars 525 million in September 2020. Earnings from exports continued to record values in excess of US dollars 1.0 billion for the fourth consecutive month in 2021 while import expenditure remained at almost the same level as in September 2020. Tourist arrivals continued the growth momentum with a notable increase over the previous month. A moderation of workers' remittances was observed in September 2021. In the meantime the ban on non-essential goods will have an impact on trading activities while restrictions on vehicle imports will highly impact the local finance companies. Though the concessions provided by the regulator on statutory reserves and low interest regimes seems a positive move, less activates in local markets will impact the turnover of the financial products. While vehicle registrations have declined by more than 75% there is less demand for new leasing business. While the interest rates on deposits are coming down, the public will try out alternate investment opportunities.

Although the epidemic affected many industries such as tourism, construction and entertainment, the Colombo Stock Exchange saw a revival at the end of the calendar year. The turnover in tourism was lower than the previous year. However, many essential areas such as education and industries such as tourism and foreign worker remittances will continue to be affected during 2022.

In addition the economy had a worst hit in a decade during the year due to industries such as Agriculture having issues due to scarcity of fertilizer. The real inflation moved up to double digit with limited avenues for income increase. The regulator managed to keep the interest rate low during the first two halfs but the rubber ball started surfacing towards the end of the year.

Risk Management at Siyapatha Finance PLC

At Siyapatha Finance PLC, risk management is developed alongside the strategic concepts to ensure the growth is balanced with respective controls and monitoring. Risk Management considered being of utmost importance since it forms an integral part of policy formulation and business sustainability. As a financial intermediary, robust risk management practices ensure that depositors and investors are protected and the interests other key stakeholders are safe guarded. The Company firmly believes that sound risk management practices are critical for long term growth.

The Company's objective is to strengthen the going concern of the entity by adding maximum sustainable value to all activities by considering the potential vulnerabilities of all the factors that can adversely affect the Business operation of the Company.

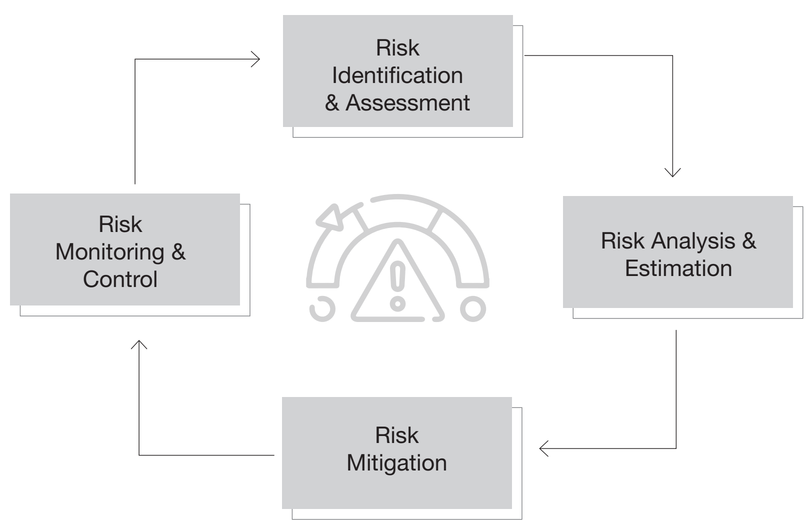
The risk management strategy of the Company is integrated with the business strategy of the Company. The Company's risk management process encompasses risk identification, evaluation, mitigation and monitoring facilitating timely and effective action.

During the challenging environment of FY2021, the Company managed to control the credit risk impact with continuous monitoring and a robust action plan on recovery. The escalating credit risk was a concern for the Company which was common in the industry and was controlled with the appointment of segregated teams to monitor the tickets. We were able to identify the affected segments in the portfolio and take action accordingly to prevent any adverse impact to the Company. The activities were well managed during the first half but the third wave of the pandemic had one of the worst hits during the history of the Company. However, the things are now improved and last two months recovery rates had been very satisfactory.

In addition to credit risk monitoring, the Company also takes precautionary action on managing Market, operational, legal, compliance and reputational risks. R & CSA process was introduced during the year 2020 and is now implemented across the Company. In addition the risk grid and tolerance limits were redefined to suit the present market conditions and monitoring.

The Operational Risk Management framework describes the approach to operational risk management followed by Siyapatha Finance PLC. The purpose of this document s to establish an explicit operational risk management process that results in the identification, assessment and/or measurement, monitoring and control/mitigation of operational risk including Information Technology (IT) risk which is associated with the use and operation of information technology.

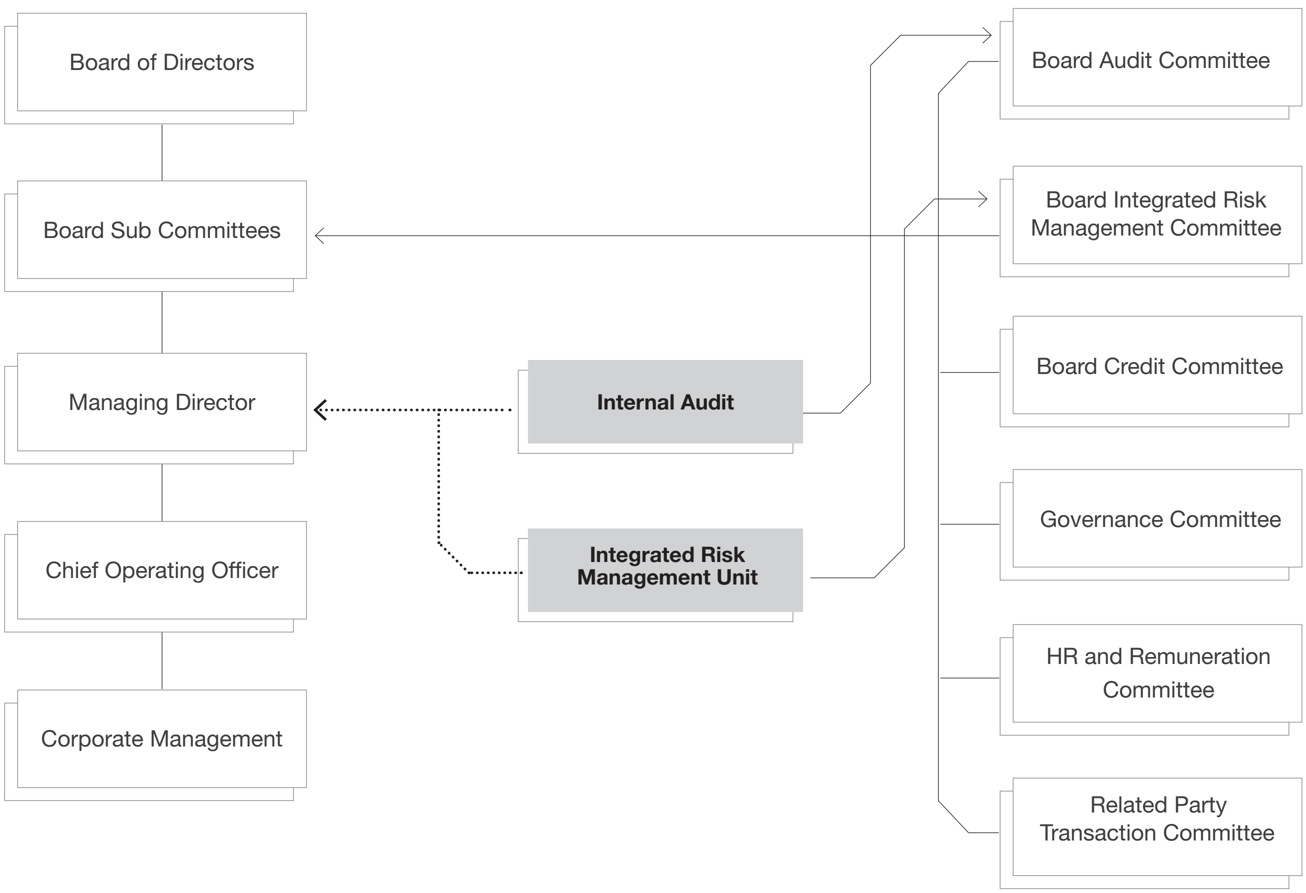
Risk Management Principles



Managing Risk

Risk management Framework

Risk Governance Structure of Siyapatha Finance PLC



The Board of Directors is responsible for upholding of far-sighted risk management mechanisms and orderly implementation of the risk framework in the Company. The Board approves the policies, strategies and systems and operational approach for risk management. Board Integrated Risk Management Committee and the corporate management of the Company carry out the efficient implementation of the risk management function in the Company.

Board Integrated Risk Management Committee (BIRMC)

BIRMC is the Board subcommittee responsible for overseeing the risk management function in line with the Board approved policies and strategies. They also recommend approval of required and relevant policies for integrated risk management to the Board and provide instructions of identified risks. The Committee interacts with the Managing Director, Board Audit Committee and Board Credit Committee on Risk Management related activities. Besides the Board's representatives, BIRMC consist of the Managing Director, COO, Head of Risk Management and other key managerial personnel covering the key risk areas of the company covering credit, marketing, operations, recoveries, finance and Deposits etc.

Risk Management Department (RMD)

The Company's Risk Management function operates independently from the risk assuming business Functions.

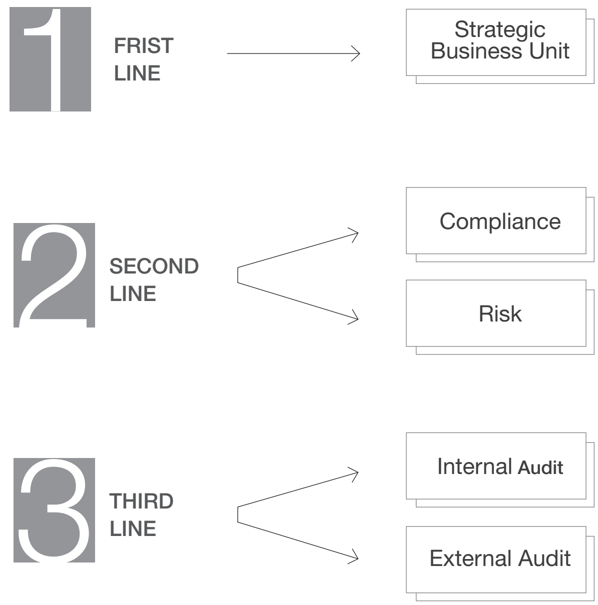
RMD is accountable for carrying out the overall risk management function of the Company at operational levels.

The RMD assesses the overall risk level of the Company through the Key Risk indicators mapped on to the risk grid based on the analysis done on the risk register. RMD also ensures that the policy framework is expanded, reviewed and updated regularly and that approved policies are implemented. Especially in new business strategy development or when the Company is entering into new business lines from the initial design stage, RMD gets involved through inputs to the task/process from a risk management perspective. The division keeps close communication with Board Risk Management Committee for implementation of enterprise wide risk management controls.

Approach to Risk Management

In the Three Lines of Defense model, the lines depict the obligation of three segregated parties in the organization in risk management. Accordingly management control is the first line of defense in risk management that represents the risk assuming functions. The Risk and Compliance covers the second line. Independent assurance is the third. In consequence each of these three “lines” plays a divergent role within the organization’s broad governance framework.

Three Lines of Defense at Siyapatha Finance PLC



Managing Risk

Risk Identification and assessment

Risk identification is the process of assessment of decisive risks that could potentially avert the Company from achieving its objectives thereby fulfilling expectation of all stake holders. Especially the securing share holder value whilst balancing risk-reward tradeoffs is a key consideration.

The main tool used in risk identification and assessment at the company is the risk grid and the register. Apart from that constant discussions between risk owners and monitoring units make certain that with each new activity, product or process the probable risks are identified prior to commencement.

Risk Analysis & Estimation

The Company uses a range of techniques to analyze risk including analytical review, stress testing and scenario analysis.

a) Risk appetite

Both qualitative and quantitative parameters are used to measure the risk appetite of the company. These parameters from time to time evaluated and adjusted to reflect the vulnerabilities in the market and the macroeconomic sentiments the company is confronted with.

b) Stress testing

Stress testing is the process of gauging the ability of the company to stand a certain expected level of performance under undesirable conditions. Stress testing policy is now approved by the Board of Directors and the results are discussed at the Board Inegrated Risk Management Committee. Certain key factors areas are considered under stress testing scenarios in order to determine the impact on the overall performance. Company carries out a detail stress testing for the Gold financing portfolio due to vulnerability arising out of market risk impact.

Risk Mitigation

The four key strategies of risk mitigation are acceptance, avoidance, limitation and transference. Ideally focus to reduce the adverse effects.

Risk acceptance processes enable consideration of the risk-rewards tradeoffs and the cost of other risk management options such as avoidance or limitation prior to assuming certain types of risk such as credit risk. Credit approval procedures and pre-disbursement processes are examples of the risk acceptance processes in place while approvals for borrowings are another example of risk acceptance processes.

Risk avoidance is the reverse of risk acceptance. It is the action that avoids any exposure to the risk at which ever level. Rejection of credit facilities which do not meet our criteria are an example of risk avoidance.

Risk limitation option restricts a company's risky exposure by taking some action. It is a way of managing risk by accepting certain level of risk and at the same time avoiding the risk to a certain degree. Limits imposed in terms of size or period is examples of risk limitation at transaction level while single borrower limits are examples of limits with reference to the aggregate risk assumed by the Company.

Risk transference is the involvement of handing risk off to a willing third party. Outsourcing and insurance are the most common modes of transfer.

Control and Monitoring

Key Risk Indicators (KRIs)

Key Risk Indicators (KRIs) are critical reflectors of undesirable events or thresholds that can have an impact on the company. Monitoring the impact of changes in the key factors that affects on the company's performance is done through the KRI which thus forms the early warning signs for the Company. The key risk indicators for all the key risks are formulated based on identified key areas which are reviewed and analyzed frequently and monitored.

Risk appetite and Tolerance limits

Risk appetite is defined as, "the amount and type of risk that an organization is prepared to pursue, retain or take," according to ISO 31000. The risk appetite shall be linked to business decisions and appropriate metrics shall be collected to measure it.

Tolerance limits are quantitative indicators of the highest amount of risk the company is geared to accept. Risk tolerances are set at the overall enterprise level to capture all key areas especially credit and funding. Real levels of risk undertaken are monitored and compared against the established tolerances. The Company ensures that the regulatory limits are not compromised at any cost. While safeguarding the Company from excessive risk exposure, limits are defined and observed with a special attention on the available business opportunities and changes in the market place. Risk tolerances are approved by the BIRMC prior to implementation of the same and are reviewed annually or earlier if such a need arises.

Managing key risks faced by the Company

Credit Risk

Identification and assessment

A rigorous credit screening process has been the core strength of the Company, facilitating prudent risk acceptance. Multiple layers of approving lines ensure that credit risk is mitigated and priced in line with the level of risk assumed. The primary contact of the customer is the branch level at which the borrower is evaluated for the facility. Approval limits in place facilitate escalation of approval in line with credit risk assessment, rating and amount.

The credit risk assessment process throughout the lifecycle of the loan is graphically given below.

CREDIT RISK
the likelihood that a borrower or counterparty will fail to meet its obligations as contracted.

Default Risk:
the risk of default due to reluctance or incapability to meet the contractual obligations

Concentration Risk:
arises from either imbalanced distribution of exposures to its borrowers or from imbalanced distribution of exposures to particular sectors, regions, industries or products

The credit risk assessment process throughout the lifecycle of the loan is graphically given below.

Pre-Approval

Assess credit using the following:
industry sector
Succession
intergirty
past record

Assess facility considering
equity contribution
security cover
guarantors

Pre- Disbursement

Monitor compliance with pre- disbursement terms and conditions by Administration

Post- Disbursement

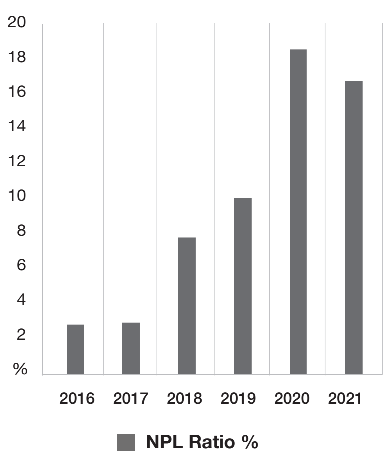
Monitoring by
Branch network
Recoveris Department
Early warning signals
Trigger List
Regular review

Managing Risk

Control and Monitoring

a) **Asset quality**

The product portfolio of the Company consists of finance leases, hire purchase facilities, and loans, gold financing and factoring. The market segments to which the company caters mainly consist of salaried individuals and small and medium sized enterprises. Segregation of the credit sanctioning process is key risk management tool and authority is granted based type of the facility, exposure and security as well.



Stress testing on NPA

Three main scenarios namely - a shift in the NPA categories, an increase in the gross NPA and net NPA provide the basis for stress testing on NPA in order to facilitate an evaluation of Capital Adequacy Ratio (CAR) of the Company since it is has an inverse relationship with NPA. When the NPA increases a negative impact is generated. Increase of NPA has an adverse bearing on the retained earnings of the Company, which forms a part of the core capital by way of an impact to provisioning with respect to NPA. NPA levels have mainly increase due to defaults in factoring product, which is now contained.

b) **Concentration**

Over reliance or over dependency in one fragment of a portfolio due to uneven augmentation of exposures gives rise to concentration risk. The concentration risk may crop up from products, different industries, asset categories and geographical areas. Therefore maintaining a satisfactory diversity in the said segments is essential for the Company as any resultant danger of contagion effects in the event of default needs to be mitigated. Concentration risk is monitored through the KRIs given below along with the set tolerance limits:

Concentration risk is monitored through the KRIs given below along with the set tolerance limits:

KRI for Concentration

Tolerance limit Portfolio concentration

Limits are reviewed based on market trends and strategic direction

Asset concentration

Limits are reviewed based on market trends and macro environment

Branch concentration

Limits are reviewed based on the performance and maturity of the branch

Interest Rate Risk

Identification and assessment

Interest Rate Risk:
the risk that arises from the fluctuation of interest rates

Potential impacts on earnings, valuation of assets, cost of borrowings

Due to different fixed interest rates of assets and liabilities allocated to the portfolio, Finance Companies are exposed to a risk of changing interest rates in the market.

Changes in interest rates affect earnings, value of assets/ liability, off-balance sheet items and cash flow. Hence, at Siyapatha, the objective of interest rate risk management is to sustain earnings while ensuring the ability to absorb expected negative impact and to ensure that sufficient returns are reaped for risks taken.

Stress testing is carried out on to assess the impact of different interest rate scenarios to the net interest position and the re-pricing cycles of interest sensitive assets and liabilities. .Simulations to the interest rates is done to assess potential impact on the Company's profitability resulting from alternative interest rate scenarios.

In order to obtain the maximum benefits of the market interest rate movements and to take timely action the Company monitors the macro market conditions continuously. From the funding perspective in the last year a considerable growth in deposit base of the Company was witnessed giving a more balanced approach to its funding base. The other sources of funding are equity and borrowed funds. The increase in the deposit base has lessen the company's dependency on borrowed funds which consists of long term funding and short term funding. The Company's strategy is to ensure gains from volatility in the market rates, while ensuring a prudent liquidity level and is monitored at ALCO.

Control and Monitoring

Volatile Liability Dependency Ratio

Volatile Liability Dependency Ratio (on interest rate) is calculated by considering the variable rated borrowings as a percentage of total lending portfolios of the company.

KRI for Interest Rate Risk

Tolerance limit

Volatile Liability Dependency Ratio (on interest rate basis) is fixed at 30% of the total portfolio.

Further ALCO closely monitors the movements in interest rate and review the interest rate structures within the company for both lending and borrowings. Accordingly the committee issues directions on the adjustments to be done to the interest rates required.

Another controlling mechanism is the introduction of products with shorter tenure to capture the re-pricing mismatches. On the other hand increasing the fixed rated borrowing has also contributed in managing the interest rate risk in last year at the Company.

Liquidity and Funding Risk

Identification and assessment

Liquidity Risk:
an institution's incapability to meet its financial commitments

Arises due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Liquidity risk refers to an institution's incapability to meet its financial commitment which would ultimately have an impact on the Company's stability. Thus having a strong system to identify funding requirements of the Company to ensure that funds are available at required time at the right price is a concept that Siyapatha believes in. A main element of liquidity risk management at Siyapatha is observing and evaluating the firm's present and potential fund requirement including debt obligations and planning for contingencies stemming from all possible scenarios.

In order to eliminate liquidity issues arising due to mismatches in the timing of cash flows the Company monitors the cash flows closely to ensure that its liquid assets are sufficient to meet its obligations. In order to be vigilant certain liquidity risk indicators are monitored by the Company. The main focus is on the liquid asset ratio, maturity gap analysis, the capital adequacy ratios and the volatile liability dependency ratio on maturity and funding concentration. Further, the ALCO monitors these risk indicators ensure a healthy liquidity position.

Control and Monitoring

Volatile Liability Dependency Ratio (maturity)

Volatile Liability Dependency Ratio on maturity is calculated by taking interest bearing liabilities payable in less than 12 month as a percentage of total lending portfolio.

KRI for Liquidity Risk

Tolerance Limit Liquidity Ratio: 7.5%-8.5%

Statutory Liquidity Ratio: 7.62%

Operational Risk

Identification and assessment

Operational Risk:
risk of losses resulting due to errors, breaches, interruption or damages

Operational risk incidents include

internal frauds, external frauds, employment practices and workplace safety, clients, -products and business practices, damage to physical assets, business disruptions and system failures etc.

The assessment on internal controls along with process audits indicate any weak links in the processes and enable the company to assess vulnerabilities that need to be addressed and prepare for potential adverse scenarios and risk events. Operational risk is mainly observed through the following areas.

Managing Risk

- Losses due to frauds, misconduct and negligence
- Losses due to poor quality of credit documentation and legal documentation
- Number of customer complaints and law suits
- Frequency of systems break downs and costs

Control and monitoring

Losses from operational risk episodes can be catastrophic, not only in monetary sense, but in terms of the impact on the Company's overall business and reputation, at times threatening its very existence. The key challenges in operational risk management can be considered as identifying efficient risk parameters, processing Large data and complex logic, having a single aggregated enterprise wide view.

Board approved manuals covering all aspects of the companywide processors ensure all key processors are being documented.

Cyber security threats have been looked into by the company and have carried out several audits to identify any security threats. The findings have been used to upgrade the existing IT system. A board approved BCP is in place covering the Disaster Recovery planning as well. Disaster Recovery site testing have been carried out to assess the adequacy of the same.

People/ conduct Risk

People Risk:
weaknesses in recruitment process that lacks identifying right people for requirements of a company

Arise due to inadequate performance recognition and evaluation mechanisms, misconduct, unplanned absenteeism and negligence of employees.

Human capital is the collective skills, knowledge, or other intangible assets of individuals that can be used to create economic value for a company and forms the main strength in achieving its corporate strategies. As service organization a skill full team is vital in providing financial solutions.

People risk is created initially due to weaknesses in recruitment process that lacks identifying right people for requirements of a company and would be continued due to inadequate performance recognition and evaluation mechanisms, misconduct, unplanned absenteeism and negligence of employees.

Identification and assessment

At Siyapatha a stringent process is followed to screen and recruit team members followed by orientation programmes to communicate our Code of Ethics and corporate values for successful candidates. Onboarding of new recruits is followed by close monitoring of performance during probation periods to mitigate people risk supported by a coaching and mentoring culture. On the other hand continuous dialog between team members through visits by the HR team to all branches, open door policy for grievance handling and exit interviews, facilitate early identification of potential issues.

Control and monitoring

At the point of on boarding the new recruits a comprehensive induction program is conducted and the expected level of performance especially in terms of internal processes and integrity is communicated.

On the other hand, the company has implemented detailed performance assessment and compensating mechanism to capture all aspects of the performance of employees thereby ensuring that the right performance is recognized and rewarded. A strict disciplinary policy is in place to ensure dutiful good conduct of all employees.

Technology Risk

Technology Risk:
any potential for technology failures to disrupt business such as information security incidents or service outages

Arises from the use, ownership, operation, involvement, influence and adoption of IT within an organization.

Technology risk can end up in financial loss, disruption or damage to the reputation of the company due to unauthorized access to systems or data/information, failures of the existing information technology systems and use of obsolete information technology systems.

Identification and assessment

In the current dynamic digitally driven market environment along with the expansion of the business the Company has unidentified that continuous investment in enhancing the IT system along with security features is critical.

Continued and thorough assessment of the IT system is carried out routinely to ensure that the system operates without any disruptions and is not vulnerable to any cyber attacks.

Control and monitoring

The Company has secure computers, servers networks, utilizes anti-virus and anti-spyware protection, firewalls and regular updates of software along with use data backups that include off-site storage to mitigate risks arising from technological framework.

Further at the inception of new products planning process, the technological requirement is done by evaluating the nature of the product. Routine IT system audits are being carried out after the implementation of systems to identify the deficiencies and set necessary controls.

Compliance and Legal Risk

Identification and assessment

> **Compliance Risk:**
> the risk of losses arising from violations or infringement of laws regulations applicable to the Company

The impact of compliance risk can be rather far-reaching. It could even lead to loss of earnings and business opportunities, tarnished company image and imminent lawsuits.

Control and monitoring

The compliance of the Company with relevant regulations and laws including directions and regulations issued by the Central Bank of Sri Lanka and Colombo Stock Exchange is monitored by the Compliance officer of the Company. The Compliance officer functions independently and reports directly to the BIRMC.

All non-compliances are reported to the Committee and the Board directly. Compliance department disseminate regulatory directives through internal circulars based on the requirements.

Strategic Risk

Identification and assessment

> **Strategic Risk:**
> losses that might arise from pursuit of an unsuccessful business plan

Strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

The company plans the strategic direction of the company for next three years and regularly reviews it to make necessary adjustments. The strategic plan is formulated by incorporating views all departments at different levels.

Control and monitoring

The strategic plan is reviewed at Board level routinely and at operational level frequently. Accordingly review actions/ plans are done depending on the outcome, any external, economic environment changes etc. Further assessments of key performance indicators, the trend in movements and simulations are done to monitor the achievement and possible issues in implementation of the strategic plan.

Reputational Risk

Identification and assessment

> **Reputational Risk:**
> the threat to the profitability or sustainability of a business or other entity that is caused by unfavorable public perception of the organization or its products or services

As deposit mobilizing institutions reputation of a Company is critical success factor for a finance company.

Siyapatha being a subsidiary of a leading bank treats good governance and transparency in as two key principles in all of it's' transactions. Further timely and efficient communications among all stakeholders are always maintained.

Control and monitoring

In communicating externally the company ensures several parties are involved in finalizing the communication. All external communications are monitored by several layers of authority. Further the company has established a set of internal controls to ensure monitoring of the conduct of employees.

Committee Reports

Board Audit Committee Report

The Board Audit Committee (the Committee) is appointed by the Board of Directors of Siyapatha Finance PLC (the Company). The Committee comprises of four Independent, Non-Executive Directors who conducted Committee proceedings in accordance with the Terms of Reference of the Committee approved by the Board of Directors of the Company.

COMPOSITION

The Committee's composition during the period ended 31st December 2021 is as follows:

Mr. M.D.B. Boyagoda
Chairman
(ID/NED)

Mr. P. S. Cumaranatunga
Member
(ID/NED)

Mr. J.H. Gunawardena
Member
(ID/NED)

Ms. H.S.R. Ranatunga
Member
(ID/NED)

[ID – *Independent Director,*
NED – *Non-Executive Director]*

Brief profiles of the members are given on pages 32 to 37 of the Annual Report.

The Chairman of the Committee, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Chartered Institute of Management Accountants of UK (CIMA-UK) and the Chartered Global Management Accountants (CGMA). He graduated from the University of Sri Jayawardenepura, Sri Lanka with a BSc. degree in Business Administration specialized in Finance.

MEETINGS

The Committee met on twelve (12) occasions during the year 2021. Details of attendance of the Committee members at these meetings are given in the table on page 72 of the Annual Report. The Head of Internal Audit functions as the Secretary to the Committee. The Head of Finance, other Board members, Managing Director and other management personnel may also attend meetings upon the invitation of the Committee.

Two (02) meetings were held between the Committee and the External Auditors during the year, without members of the Executive Management being present.

Proceedings of the Committee meetings, with adequate details of matters discussed, were reported regularly to the Board to assist the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

THE TERMS OF REFERENCE

The Terms of Reference of the Committee are clearly spelt out in the Charter of the Board Audit Committee, which is approved by the Board of Directors. These terms are being reviewed annually and approved by the Board of Directors, after incorporating any new developments relating to the functions of the Committee.

FUNCTIONS OF THE COMMITTEE

The Committee assists the Board of Directors to effectively carry out its supervisory responsibilities by reviewing accounting and financial information of the Company, in order to monitor the integrity of its annual and quarterly Financial Statements, Annual Report, Management Accounts and other periodical reports prepared for publication, including the critical accounting estimates and judgments contained therein.

The Committee is empowered to examine the adequacy and effectiveness of internal control systems, assess compliance with regulatory requirements, review the adequacy of the scope and functions of the Internal Audit Department, assess the internal audit program and results of the internal audit process. The Committee also evaluates the performance of External Auditors and recommends their appointment and remuneration.

REGULATORY COMPLIANCE

The roles and functions of the Committee are regulated by the Finance Companies (Corporate Governance) Direction No.3 of 2008, Directions, Rules, Determinations, Notices and Guidelines applicable to Licensed Finance Companies issued by the Central Bank of Sri Lanka, the Rules on Corporate Governance as per Section 7.10 and sub-rule 7.10.6 of Listing Rules issued by the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance of 2013 issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CASL).

ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on matters connected with:

Financial Reporting

a) To review quarterly, half-year and annual financial statements before submission to the Board, focusing particularly on:

(i) Any changes in accounting policies and practices.

(ii) Major judgmental areas and significant estimates.

(iii) Significant adjustments resulting from the audit.

(iv) The going concern assumption.

(v) Compliance with Accounting Standards.

(vi) Compliance with legal requirements applicable to financial reporting.

(vii) Recommendation of the financial statements for approval by the Board of Directors.

External Audit

a) The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; approval of the audit fee, service period and any matters relating to resignation or dismissal of Auditors.

b) To review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable regulations, corporate governance principles and/or best practices.

c) To discuss with the External Auditor before the audit commences the nature and scope of the audit and ensure coordination where more than one audit firm is involved.

d) To review the External Auditor's Management Letter and the responses provided by the Management.

e) To develop and implement a policy with the approval of the Board, on the engagement of an External Auditor to provide non-audit services permitted under the statutes, regulations, requirements and guidelines. The Committee shall ensure that the provision of non-audit services by an External Auditor does not impair the External Auditor's independence or objectivity.

f) To discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of the Management where necessary);

Internal Audit

a) To take the following steps with regard to the internal audit function of the Company.

   i. Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work.

   ii. Review any appraisal or assessment of the performance of the Head of the Internal Audit Department.

   iii. Recommend any appointment or termination of the Head, senior staff members and outsourced service providers to the internal audit function.

   iv. Ensure that the Committee is apprised of the resignation of senior staff members of the Internal Audit Department including the Head of Internal Audit and any outsourced service providers, and provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.

   v. Ensure that the internal audit function is independent of the activities it audits and it is performed with impartiality, proficiency and due professional care.

b) To review the Company's statement on internal control systems before endorsement by the Board, and to make sure of the adequacy and effectiveness of the internal control systems in the Company.

c) To review the internal audit program, comment on the audit findings, recommend appropriate action, ensure coordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

d) To consider the major findings of internal investigations and relevant responses provided by the Management.

e) To review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters.

f) To consider other areas as delegated by the Board.

Committee Reports

Board Audit Committee Report

ACTIVITIES IN 2021

Financial Reporting

The Committee, as part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, has reviewed and discussed with the Management and the External Auditors, the Quarterly and the Annual Financial Statements prior to their release.

External Audit

The Committee reviewed and monitored the External Auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

The Committee discussed with the Auditors their audit plan, scope and the methodology they propose to adopt in conducting the annual audit prior to its commencement. The Auditors were also provided with the opportunities to meet the Audit Committee separately, without the presence of executive management, to ensure that the Auditors had the freedom to discuss and express their opinions on any matter.

Internal Audit

During the year, the Board Audit Committee continued to fulfil its mandate to monitor and review the scope, extent and effectiveness of the activities of the Company's Internal Audit Department, including review of the progress made on Audit activities and achievements against the Audit Plan. The Committee reviewed the Internal Audit Plan and monitored its implementation through periodic reports submitted by the internal audit department and regular communication with the Head of Internal Audit.

REPRESENTATION BY EXTERNAL AUDITORS

As per the CBSL guidelines, the Company's external auditor, Messrs. Ernst & Young attended certain meetings and has expressed an opinion on whether the Company's financial statements give a true and fair view over the financial position, financial performance and cash flows of the Company.

WHISTLE BLOWING

The Company's Whistle Blowing Policy serves as a mechanism to manage risks pertaining to corporate fraud. There is a provision under this policy for any staff member, who has a legitimate concern on an existing or potential "wrongdoing", such as improprieties in financial reporting, internal control or other matters committed by any person within the Company, to bring such concerns in confidence to the notice of the Chairman of the Board Audit Committee. The Board assigned a separate email address for 'Whistle Blowing' to be directed to the Company Secretary, who in turn would keep a record of it and address it to the Board Audit Committee. A process is also in place for such concerns to be investigated, while maintaining the confidentiality of the identity of the Whistle-blower. The Committee is empowered under the Terms of Reference to monitor this process.

REPORTING TO THE BOARD

The minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.

On behalf of the Board Audit Committee

M.D.B. Boyagoda
Chairman
Board Audit Committee

11th January 2022

Board Human Resource and Remuneration Committee Report

The Board Human Resource and Remuneration Committee (the Committee) is appointed by the Board of Directors of Siyapatha Finance PLC (the Company). The Committee operates within the agreed Terms of Reference and is committed to the principles of accountability and transparency and improving the wellbeing of the employees.

The Committee consists of three (03) Independent, Non – Executive Directors. The Committee is chaired by Mr. D. Sooriaarachchi who is an Independent, Non – Executive Director.

COMPOSITION

The Committee's composition during the period ended 31st December 2021 is as follows:

Mr. D. Sooriyaarachchi
(ID/NED) – Chairman (Appointed as Chairman w.e.f. 24/02/2021)

Mr. P.S. Cumaranatunga
(ID/NED) – Member (Served as Chairman until 23/02/2021)

Ms. H.S.R. Ranatunga
(ID/NED) – Member

[ID – *Independent Director,*
NED – *Non-Executive Director]*

Brief profiles of the members are given on pages 32 to 37 of the Annual Report.

MEETINGS

The Committee had five (05) meetings during the year 2021 and the attendance of the Committee members at these meetings are given in the table on page 72 of the Annual Report. The Managing Director (MD) and other members of Corporate Management attend meetings by invitation on a need basis and assist in the Committee's deliberations by providing relevant information except when their own compensation packages or other matters relating to them are reviewed.

P W Corporate Secretarial (Pvt) Ltd functions as the Secretary to the Committee.

THE TERMS OF REFERENCE

The Board approved Terms of Reference of the Committee contain the role and functions of the Committee which are regulated by the relevant statutes.

FUNCTIONS OF THE COMMITTEE

The Board of Directors has entrusted to the Committee, the tasks of developing appropriate Human Resources Policies for the Company that will ensure the attraction, development and retention of right talent that can achieve the organizational objectives and to monitor the implementation of those policies.

REGULATORY COMPLIANCE

The roles and functions of the Committee are regulated by Section 7.10.5 of Listing Rules issued by the Colombo Stock Exchange.

ROLE AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on the following matters;

a) The Committee shall determine the remuneration and incentive framework including any equity incentive awards, terminal benefits/ pension rights relating to the Managing Director (MD) and any other Executive Directors and the Key Management Personnel. The aggregate remuneration paid to the Directors from 1st January 2021 to 31st December 2021 is set out on page 202 of the Annual Report.

b) The Committee shall periodically evaluate the performance of the MD and Key Management Personnel (KMP) against set targets and goals and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.

c) The Committee shall advise the MD of the Company regarding all aspects of HR functions including the revision of salaries of staff and of any major organizational changes needed for the Company and succession planning.

d) The Committee shall consider any other areas and enlarge its scope of the review or do so, if, in the Board's view, it is desirable to do so.

REMUNERATION AND BENEFITS POLICY

The Remuneration and Benefits Policy of the Company is a systematic and transparent procedure. It maintains internal pay equity and external competitiveness in relation to each job category, facilitating the improvement of the employer and employee branding.

The Remuneration and Benefits Policy is designed to attract, retain and motivate the right talent who can achieve the Company's Vision, Mission and Corporate Goals.

Committee Reports

Board Human Resource and Remuneration Committee Report

The Remuneration and Benefits Policy is approved by the Board.

REPORTING TO THE BOARD

The minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them

PROFESSIONAL ADVICE

The Committee has the authority to seek appropriate professional advice in-house and externally as and when it considers necessary.

APPRECIATION

The Committee records its appreciation of the service rendered by Mr. P.S. Cumaranatunga as the Chairman of the Committee up to 23rd February 2021.

On behalf of the Board Human Resource and Remuneration Committee

D. Sooriyaarachchi
Chairman
Board Human Resource and Remuneration Committee

21st January 2022

Board Integrated Risk Management Committee Report

The Board of Directors of Siyapatha Finance PLC which is primarily responsible for the Integrated Risk management initiatives has delegated its authority to the Board Integrated Risk Management Committee (the Committee) to review and assess the adequacy and effectiveness of the risk profile of the Company. The Committee would be articulating risk strategies, policies, frameworks and procedures in liaison with the Key Management Personnel to discharge its duties relating to corporate accountability and associated risk in terms of management assurance and reporting. The Committee reviews the Key Risk Indicators using the risk grid, which is derived out of parameters determined as per the Integrated Risk Management Policy of the company. Special attention was drawn with the escalating impact on the internal and external environment, arising out of the Covid 19 Pandemic and its post repercussion on the company portfolio during the year under review which continued from the previous era.

COMPOSITION

The Committee comprises of three (03) Independent, Non-Executive Directors, one (01) Non-Independent, Non-Executive Director and the Managing Director of the Company. In compliance with Section 8(1) and 8(3) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, issued by the Monetary Board of the Central Bank of Sri Lanka, MD/CEO and numbers of key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks serves on the Committee.

The Committee's composition during the period ended 31st December 2021 was as follows:

Mr. J.H. Gunawardena
(ID/NED) Chairman

Mr. P.S. Cumaranatunga
(ID/NED) Member

Mr. J. Selvaratnam
(NID/NED) Member

Mr. M.D.B. Boyagoda
(ID/NED) Member

Mr. H.M.A. Seneviratne
(ED) MD/Member

[NID – *Non-Independent Director*,
ID *Independent Director,*
NED – *Non-Executive Director,*
ED - *Executive Director]*

Members of the Management

Mr. I. Liyanage
Head of Risk/ Secretary to the Committee

Ms. M. Rajakaruna
Head of Compliance

Mr. R. Wanniarachchi
Head of Finance

Mr. S. De Silva
Head of Credit Risk

Mr. S. Seneviratne
Head of Treasury

MEETINGS

During the year the Committee had seven (07) meetings. The attendance of the Committee members is listed on page 72 to 73 of the Annual Report.

ACTIVITIES

The Committee focused on the following activities during the year under review.

Strengthening Policy Framework

- Reviewed the Risk Management Policy updating operational and regulatory environmental changes and recommended for approval of the Board.

- Risk & Control Self Assessment policy framework was introduced and implemented to the company during the year under review to manage operational risk.

- ALM policy was reviewed in line with the new strategies introduced by the company and to manage liquidity issues.

- Stress Testing Policy was introduced and it has been approved by the board

- Checking the review of all the company policies and manuals and risk rate all the company policies.

Regulatory and Compliance Risk

- Reviewed the capital plan of the Company in the context of the regulatory framework and recommended it along with a proposal for a debenture issue to address Tier II capital requirement, for the approval of the Board.

- High-level independent standards were implemented for monitoring compliance risk to ensure regulatory adherence.

- Close follow up and contingency planning with periodical cash flow management were carried out during the post-pandemic period.

Credit Risk

- Reviewed the quarterly progress of identified asset categories with high Non-Performing Asset (NPAs) ratios for consistent improvement in asset quality.

Committee Reports

Board Integrated Risk Management Committee Report

- Facilities channelled through the Credit Risk Department were reviewed to evaluate the justification for approval of facilities flagged down by Credit Risk.

- Segmental monitoring was enhanced by way on introducing industry-specific monitoring and geographical monitoring of the portfolio.

ROLES AND RESPONSIBILITIES

- The approved Terms of Reference of the Committee stipulates the authority, structure, responsibilities and tasks of the Committee. Accordingly, the primary responsibilities of the Committee include,

i. Assessing all risks such as credit, market, liquidity, operational and strategic risks of the Company at least on a quarterly basis through appropriate risk indicators and management information.

ii. Reviewing the adequacy and effectiveness of the Assets and Liability Committee (ALCO) to address specific risks and manage those risks within quantitative and qualitative risk limits specified by the Committee.

iii. Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels determined by the Committee based on the Company's policies and regulatory and supervisory requirements.

iv. Conducting Root Cause Analysis (RCA) for the near-miss events and for losses occurred.

v. Meeting at least quarterly to assess all aspects of risk management including the updated Business Continuity Plan.

vi. Conducting Risk & Control Self-Assessment (R&CSA) for all the Branches and Departments on an annual basis.

vii. Taking appropriate action against the officers responsible for failure to identify specific risks and take prompt corrective measures as recommended by the Committee and/or as directed by the Central Bank Corporate Governance Directions.

viii. Approving in principle all policies relating to risk management and recommending them for the approval of the Board and review the Risk Rating of the Company policies.

ix. Check whether all policies and manuals have been reviewed on time and risk rating will be carried out for all the reviewed policies and develop a monitoring process for timely reviews.

x. Establishing a protective risk management culture within the Company by using the Risk Management framework of the Company.

xi. Periodically reviewing the risk exposures of the Company with stress testing reviews to be in line with its risk and business strategies and objectives.

xii. Engaging external and independent reviews for the validation of risk measurement, methodology and outputs.

xiii. Submit a risk trajectory report of each meeting to the next immediate Board meeting seeking the Board's views, concurrence and/or specific directions.

xiv. Establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.

xv. Appoint a dedicated Compliance Officer selected from key management personnel to carry out the compliance function and report to the committee periodically.

xvi. In addition to the above, the Committee may perform such other functions which are necessary or appropriate for the discharge of its duties.

REPORTING TO THE BOARD

The secretary to the BIRMC is the Head of Risk and approved minutes of the Committee meetings are tabled at Board meetings, for seeking the Board views and specific directions. In addition a risk trajectory is tabled for the information of the Board of Directors arising out the matters discussed at the Committee meetings.

EVALUATION OF THE COMMITTEE

The Board undertakes an annual performance evaluation of the committee as required by the Code of Best Practice on Corporate Governance Code 2013.

On behalf of the Board Integrated Risk Management Committee

J.H. Gunawardena
Chairman
Board Integrated Risk Management Committee

20th January 2022

Board Related Party Transactions Review Committee Report

The Board Related Party Transactions Review Committee (the Committee) was established by the Board on 27th January 2015 in accordance with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (the 'SEC Code') and Section 9 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rule') to ensure compliance thereby enhancing Company's internal control mechanism on Related Party Transactions to ensure that all transactions are conducted at arm's length. Further, the Committee would review all proposed Related Party Transactions to ensure that the interests of the shareholder have been considered.

COMPOSITION

The Committee comprises of four (04) Independent Non – Executive Directors, one (01) Non – Independent Non – Executive Director and an Executive Director.

The Committee's composition during the period ended 31st December 2021 is as follows:

Mr. D. Sooriyaarachchi
(ID/NED) - Chairman (Appointed as Chairman w.e.f. 24/02/2021)

Mr. J.H. Gunawardena
(ID/NED) - Member (Served as Chairman until 23/02/2021)

Mr. H.M.A. Seneviratne
(ED) - Member

Mr. J. Selvaratnam
(NID/NED) - Member

Mr. M.D.B. Boyagoda
(ID/NED) - Member

Ms. H.S.R. Ranatunga
(ID/NED) - Member

[NID – *Non-Independent Director,*
ID – *Independent Director,*
NED – *Non-Executive Director,*
ED – *Executive Director]*

The above composition is in compliance with section 9.2.2 of the Listing Rules of the Colombo Stock Exchange and as per the Terms of Reference (TOR) of the Board Related Party Transactions Review Committee. Brief profiles of the members are given on pages 32 to 37 of the Annual Report.

P W Corporate Secretarial (Pvt) Ltd functions as the Secretary to the Board Related Party Transactions Review Committee.

MEETINGS

During the year 2021, the Committee had there (03) meetings. Attendance of each Committee member at each of the said meetings is given on page72 of the Annual Report.

THE TERMS OF REFERENCE

The role and functions of the Committee are regulated by the SEC Code and the CSE Rules.

ROLE AND RESPONSIBILITIES

The mandate of the Committee is derived from the SEC Code and the CSE Rules which includes mainly the following:

1. Developing and maintaining a Related Party Transactions Policy consistent with the provisions of the SEC Code and the CSE Rules for adoption by the Board of Directors of the Company (the Board)

2. Reviewing all proposed and executed Related Party Transactions ('RPTs') in compliance with the provisions of the SEC Code and the CSE Rules.

3. Advising the Board on making immediate Market Disclosures and Disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the SEC Code and the CSE Rules, Procedures and Directives/Guidelines adopted by the Committee.

4. Ensuring that Procedures/Directives/ Guidelines are issued to compel all RPTs to be referred to the Committee for review.

REVIEW FUNCTIONS OF THE COMMITTEE

Review of the relevant Related Party Transactions by the Committee takes place quarterly and the Committee communicates its observations to the Board whenever necessary. RPTs are published in Note 44 to the Financial Statements. An in–house developed software is available for the identification of RPTs and the relevant information captured is fed into the Company's data collection system. The system is updated based on information obtained from the Company Secretaries, Human Resources Department and the Finance Department of the Company and that of Sampath Bank PLC, on a quarterly basis.

Committee Reports

Board Related Party Transactions Review Committee Report

REPORTING TO THE BOARD

The approved minutes of the Committee meetings are tabled at Board meetings, for seeking the Board views and specific directions.

APPRECIATION

The Committee records its appreciation of the service rendered by Mr. J.H. Gunawardena as the Chairman of the Committee up to 23rd February 2021.

On behalf of the Board Related Party Transactions Review Committee

D. Sooriyaarachchi
Chairman
Board Related Party Transactions Review Committee

21st January 2022

Board Nomination Committee Report

The Board Nomination Committee (the Committee) is appointed by the Board of Directors of Siyapatha Finance PLC (the Company) to which it is responsible. The Committee operates within the agreed Terms of Reference and work closely with the Board in reviewing the structure and skills needed in a successful organization.

COMPOSITION

The Committee consists of two (02) Independent, Non – Executive Directors and one (01) Non – Independent, Non – Executive Director. The Committee is chaired by an Independent, Non – Executive Director appointed by the Board.

The Committee's composition during the period ended 31st December 2021 is as follows:

Mr. P.S. Cumaranatunga
(ID/NED) - Chairman

Mr. D. Sooriyaarachchi
(ID/NED) - Member

Mr. J. H. Gunawardena
(ID/NED) - Member (Resigned w.e.f. 27/07/2021)

Mr. J. Selvaratnam
(NID/NED) - Member (Appointed w.e.f. 27/07/2021)

[NID – *Non – Independent Director,*
ID – *Independent Director,*
NED – *Non – Executive Director]*

Brief profiles of the members are given on pages 32 to 37 of the Annual Report.

MEETINGS

During the year 2021, the Committee held two (02) meetings and the attendance of the Committee members at these meetings are given in the table on page 72 of the Annual Report. The Managing Director attends meetings of the Committee by invitation except when matters relating to him are reviewed.

P W Corporate Secretarial (Pvt) Ltd functions as the Secretary to the Committee.

THE TERMS OF REFERENCE

The Board approved Terms of Reference of the Committee contain the role and functions of the Committee which are regulated by the relevant statutes.

FUNCTIONS OF THE COMMITTEE

The Board of Directors has entrusted to the Committee, the tasks of the annual assessment of the Board's composition against predefined criteria of skill and knowledge to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company and the number of directorships of company boards on which a Director serves.

Upon the appointment of a new Director to the Board of the Company, the Committee notifies the shareholders immediately.

During the year under review, the Committee has continued to focus on a progressive organizational plan in keeping with the forward and evolutionary momentum of the Sri Lankan finance industry.

ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on the following matters;

a) The Committee should make recommendations to the Board on appointments considering skills, knowledge, expertise and experience the Board requires in comparison to the current industry environment.

b) The Committee should recommend succession planning for Directors resigning, relinquishing their positions or retiring.

c) The Committee is accountable for making recommendations, after review, to reappoint Non – Executive Directors annually as recommended by guidelines issued by the Central Bank of Sri Lanka and when they are due for reappointment in accordance with the Articles of Association of the Company.

d) The Committee shall ensure that the Directors, the Managing Director and the Key Management Personnel (KMPs) are fit and proper persons to hold office in compliance with the regulatory and statutory provisions

e) The Committee sets criteria including qualifications, experience and key attributes required for eligibility to be considered for appointments or promotions to the posts of Managing Director and other KMPs.

f) The Committee carefully reviews Management progression and succession planning for KMPs.

Committee Reports

Board Nomination Committee Report

g) The Committee is also responsible for recommending to the Board of Directors, the positions of Managing Director and KMPs as and when vacancies occur.

h) The Committee makes recommendations on any other matter delegated to it by the Board of Directors.

PERFORMANCE

The members of the Committee work closely with the Board, in reviewing the structure and skills needed for a strong and successful organization.

REPORTING TO THE BOARD

The minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

PROFESSIONAL ADVICE

The Committee has the authority to seek appropriate professional advice in-house and externally, as and when it is considered necessary.

APPRECIATION

The Committee records its appreciation of the services rendered by Mr. J. H. Gunawardena who resigned from the Committee during the period under review while welcoming Mr. J. Selvaratnam.

On behalf of the Board Nomination Committee

P.S. Cumaranatunga
Chairman
Board Nomination Committee

21st January 2022

Board Credit Committee Report

The Board Credit Committee (the BCC) is a Board-appointed committee and is responsible for providing oversight in the formulation of credit policies, credit strategies, reviewing the credit approval & post-credit monitoring processes in consultation with the business lines and ensuring that the overall credit quality is maintained. The BCC comprises of three Non-Executive and one Executive Director out of which one is an Independent Non-Executive Director. The BCC's composition may be determined by the Board from time to time. Key members of the Corporate Management may be invited to attend the BCC meetings as and when desired.

COMPOSITION

The following Directors served the BCC during the year under review;

Mr. J. Selvaratnam
(NID/NED) - Chairman

Mr. H.M.A. Seneviratne
(ED) - Member

Mr. W.S.C. Perera
(NID/NED) - Member

Ms. H.S.R. Ranatunga
(ID/NED) - Member

[NID – *Non-Independent Director,*
ID – *Independent Director,*
NED – *Non-Executive Director,*
ED – *Executive Director]*

MEETINGS

During the year, the BCC convened the meetings online due to the pandemic and had met on Thirteen (13) occasions. The attendance of the BCC members is listed on page 72 of the Annual Report. Except for the month of December 2021, the BCC meetings were held once a month and additional meetings were held when deemed necessary.

The Chairman of the BCC in consultation with the Secretary to the BCC schedules all meetings with the majority of the meetings being held during the second week of each month. The BCC approves credit proposals by circulation depending on the urgency and in such instances the consent of the majority of the members are mandatory with the decision being ratified at the subsequent BCC meeting.

ACTIVITIES

The BCC focused on the following activities during the year under review;

Credit Process & Portfolio Quality

- A specific area of concern was the segment of the portfolio that was under the CBSL moratorium. This segment was almost a quarter of the leasing and loan book. Therefore special attention was paid with a specific focus on the segment which had transitioned out of the moratorium period and had moved into arrears. This exposure (clients in arrears post moratoria) was and continues to be assessed in terms of the respective asset cover (LTV) and the potential risk it may have on the balance sheet due to a shortfall in asset cover. The risk assessment of this portfolio is proactively updated to the Board with appropriate impairment charges being made.

  Overall, there was frequent engagement with the senior management on the credit process.The enhanced focus was directed towards vulnerable short term products where the credit assessment and risk mitigation was strengthened.

  Infection rate – monthly reviews were performed on new inceptions (made within a span of twelve months) to track the infection rates. The senior management made it a priority to focus on improving the infection rate and overall credit quality.

- Reviewed the delegated authority limits and their appropriateness by performing quarterly checks on the respective credit officer's individual performance.

Collections & Recoveries

The BCC kept abreast of the progress on collections during the challenging period under lockdown. A major concern was the deteriorating arrears buckets where the team kept in constant touch with the client base. This was a challenging period for the team with many a difficult client taking advantage of the lockdown and uncertain environment. A special effort was made to enhance the efficiency of the management of data at the call centre together with focussed training sessions which augmented the overall efficiency of the recoveries process. Kudos to the entire team (Recoveries & Marketing) for maintaining focus and using their soft skills to overcome this tough hurdle.

- With the ban on vehicle seizures, the movement in yard sales were subdued. However, it was heartening to note the improvement in the operational efficiencies of the yard.

Committee Reports

Board Credit Committee Report

- The BCC is paying special attention to the legal recovery process which needs to be fine-tuned and monitored against milestones. This is expected to improve from the first quarter of 2022.

- Stressed / Watchlist portfolio clients and exception approvals were monitored on a regular basis.

ROLES AND RESPONSIBILITIES

The BCC shall oversee the Credit Management Process of the Company, including reviewing internal credit policies and establishing portfolio limits in consultation with the BIRMC.

The BCC shall review the quality and performance of the Company's credit portfolio, specifically the non-performing loans & collection efficiencies. Monitor the progress of the yard vehicle, missing vehicle movements & recommend write-offs to the Board of Directors.

The BCC shall maintain an appropriate credit administration, measuring and monitoring process by reviewing the credit approval framework, the assignment of appropriate credit limits setting caps on facility limits in line with the Company's strategy and credit appetite.

The BCC shall conduct a proper evaluation of new business opportunities by ensuring all new credit risk related products are reviewed from a credit risk management perspective.

REPORTING TO THE BOARD

The Minutes of the BCC meetings are tabled at Board meetings, enabling all Board members to have access to them with necessary briefings provided by the Chairman as and when required.

On behalf of the Board Credit Committee

Janakan Selvaratnam
Chairman
Board Credit Committee

24th January 2022

Report of the Board Corporate Governance Committee

COMPOSITION

The Board Corporate Governance Committee (the Committee) was established on 24th August, 2011. The Committee comprises of four (04) Non-Executive Directors and an Executive Director who conducts the Committee proceedings in accordance with the Terms of Reference of the committee approved by the Board of Directors of Siyapatha Finance PLC (the Company)

The Committee's composition during the period ended 31st December 2021 is as follows:

Ms. H.S.R. Ranatunga
(ID/NED) Chairperson

Mr. J.H. Gunawardena
(ID/NED) Member

Mr. H.M.A. Seneviratne
(ED) Member

Mr. J. Selvaratnam
(NID/NED) Member

Mr. M.D.B. Boyagoda
(ID/NED) Member

[NID – *Non-Independent Director,*
ID - *Independent Director,*
NED – *Non-Executive Director,*
ED - *Executive* Director*]*

STRATEGIC PLANNING PROCESS

Our Strategic Planning process is a disciplined effort that involves key stakeholders within the Company where, an assessment is made of both, the internal and external environment, with careful evaluation of various strategic options prior to presenting it to the Board of Directors for review and ratification.

All members of the Corporate Management are directed to implement the strategic objectives outlined by the Board. Implementation and achievement of the segmental strategies are monitored by each department, with quarterly reviews being carried out to assess the effectiveness of the strategic plan.

CODE OF CONDUCT FOR EMPLOYEES

All employees including the Executive Director are bound by the ethics, values and expectations set out in the Employee Code of Conduct. The Code is made available to all employees to ensure that the highest standards of integrity and conduct are maintained in dealings and interactions with all stakeholders. The Code of Conduct addresses a range of fair dealing and compliance matters, among others.

WHILSTLE BLOWING POLICY

The policy serves as an early warning mechanism to identify the improprieties in financial reporting, internal control or other matters of corporate fraud or risk by encouraging employees to report their genuine concerns in relation to activities, which are undue or illegal or otherwise harmful to the interests of the Company, its employees, customers or any other stakeholders. Further, the Board Audit Committee (the BAC) ensures that proper arrangements are in place for fair and independent investigation of such matters, and have appropriate follow-up action and the protection of the whistle blower. If there are any matters which the Board Audit Committee reckons as risk areas, they will be forwarded to Board the Integrated Risk Management Committee. The BAC Chairman is to receive in confidence any whistle blowing messages through the Company Secretary.

COMMUNICATION POLICY

The Company strives at all times to maintain its corporate credibility and instill investor confidence in the Group by practising a structured Communication Policy approved by the Board which covers all stakeholders; including depositors, creditors, shareholders and borrowers. It spells out the process through which timely, transparent, consistent and credible information on corporate strategies, operational performance and financial data is disseminated.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

The Board of Directors is the apex body responsible for the execution of Company's Corporate Governance Framework. The Board is responsible for setting out strategic objectives and management guidelines for the Company and for monitoring general performance, as well as defining and applying the Corporate Governance Rules and scrutinizing internal audit procedures. The Board is tasked with approving the strategic plan, review adequacy and integrity of the internal control systems, management information systems, governance structures, overall risk policy and risk management procedures and mechanisms, policies, procedures, identifying and designating Key Management Personnel (KMPs), defining the areas of authority and responsibility of the Board and KMPs and providing a framework for decision making amongst others.

The Board has standard and exceptional administrative powers to manage the activities of the Company in a way that would achieve its corporate aspiration. Further, as the highest Governance body of the Company, it is expected to use its skills and expertise to determine the wider social, environmental and economic implications that may arise of all business decisions. The Board is therefore, the principal authority providing oversight to the Corporate Management Team that directs and executes all operational functions within the Company. The Board of Directors

Committee Reports

Report of the Board Corporate Governance Committee

meets the Key Management Personnel on a regular basis when a need arises to exercise appropriate oversight of the affairs of the Company. The Directors abstain from voting on any Board Resolution in relation to a matter in which he/she or any of his/her relatives or a concern, in which he/she has substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.

BOARD MEETINGS

The Board of Directors held 17 Board Meetings during the 12 months period ending 31st December 2021, with Credit quality, Strategic Growth, Digitalization and Performance Optimization being some of the key topics of discussion. Meanwhile, the Board Sub Committees held a total of 55 meetings during the same period under review.

BOARD SUB COMMITTEES

To assist the Board in its supervisory role, a number of Board subcommittees have been appointed by the Board. As an integral component of the Company's Corporate Governance Framework, each Board subcommittee reports to the main Board with detailed information on its activities. The Board subcommittee comprise of a combination of Board members and number of Key Management Personnel as required by the Terms of Reference of the respective Committee and as per the regulatory guidelines.

Board subcommittee members are selected from a combination of Board members, except in the case of the Board Integrated Risk Management Committee where the composition is defined in the Finance Companies Corporate Governance Direction No. 3 of 2008.

Members of each Board subcommittee are held collectively responsible for their designated area of activity. Currently, the Board has established a total of eight Board subcommittees including the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee, the Related Party Transactions Review Committee, the Board Nomination Committee, the Board Credit Committee, Board Corporate Governance Committee and the Board IT Committee to carry out specific functions, with each Board subcommittee being headed by a Non-Executive Director.

The above Board subcommittees come under the purview of the Board. The Board subcommittees function in a supervisory capacity, overseeing the different Key Management Personnel (KMPs) under their purview. In this context, the Head of Internal Audit reports to the Board Audit Committee. Head of Risk and Head of Compliance report to the Board Integrated Risk Management Committee to ensure their independency and impartiality.

COMPANY SECRETARY

The Company Secretary, whose primary responsibility is to handle the secretarial services to the Board, shareholder meetings and accomplish other functions specified in the statutes and other regulations. Further, the Company Secretary is responsible to liaise with the Registrar of Companies and other relevant regulators and advise the Board members as and when required. On the retirement of Mr. S.Sudarshan as the Company Secretary, M/s. P W Corporate Secretarial (Pvt) Ltd was appointed as the Company Secretary with effect from 11th May 2021.

M/s P W Corporate Secretarial (Pvt) Ltd acts as the Secretary to the Board, Board Nomination Committee, Board Related Party Transaction Review Committee and Board Human Resource and Remuneration Committee. The Heads of Internal Audit, Risk Management and Compliance act as secretaries to the Board Audit Committee, Board Integrated Risk Management Committee and Board Corporate Governance Committee respectively. A qualified secretary acts as the secretary to the Board Credit Committee and Board IT Committee. Minutes of the Board and Board subcommittees are retained in the custody of the relevant secretaries. The Company Secretary and subcommittee secretaries prepare the minutes within a reasonable time and there is a documented process for the minutes to be inspected by the Directors if necessary. Written Terms of References are available for all the Board subcommittees approved by the Board that comply with the Corporate Governance requirements.

REPORTING TO THE BOARD

The approved minutes of the Board subcommittees meetings are tabled at Board meetings, for Board's views and specific directions.

On behalf of the Board Corporate Governance Committee

H.S.R. Ranatunga
Chairperson
Board Corporate Governance Committee

18th January 2022

Report of the Board Information Technology Committee

The Board Information Technology Committee ('the Committee') is a Board appointed Committee and was established on 24th April 2018, to use IT as an enabler to implement the strategic business decisions of the Company. The Committee is also responsible for the adoption of policies and monitor the outcome of processes under the purview of the Company's IT strategies.

COMPOSITION

The Chairman of the Committee is Mr. S. Perera who holds an Honours Degree in Engineering from the University of Moratuwa. The following Directors served the Committee during the year under review;

Mr. W. S. C. Perera
(NID/NED) - Chairman

Mr. H. M. A. Seneviratne
(ED) - Member

Mr. D. Sooriyaarachchi
(ID/NED - Member

Mr. M. D. B. Boyagoda
(ID/ NED) - Member

[NID – *Non-Independent Director,*
ID – *Independent Director,*
NED – *Non-Executive Director,*
ED – *Executive Director]*

A Brief profiles of the members is given on pages 32 to 37 of the Annual Report.

The Committee is comprised of three Non-Executive Directors, out of which two are Independent Directors and an Executive Director. The Committee proceedings have been conducted in accordance with the Terms of Reference approved by the Board and the composition of the Committee would be determined by the Board from time to time. The Corporate Management members are invited to attend the Committee meetings if required by the members of the Committee.

MEETINGS

During the year, the Committee met eight (08) times. The attendance of the members is listed on page 72 of the Annual Report. The Secretary to the Committee in consultation with the Chairman of the Committee would schedule the Committee meetings as and when necessary.

ROLES AND RESPONSIBILITIES

The Committee plays a vital role in establishing IT policies and practices. The Board of Directors has defined the scope and responsibilities of the Committee and set out the following responsibilities.

- To review and recommend the Company's policies related to IT
- To review and recommend the Company's IT expenditure and budgets
- To review, monitor and advise on appropriate measures concerning the IT security requirements and measures of the Company.
- To align investments in technology to business needs and gain a competitive advantage in the market
- To review the progress of the Digitalization Journey of the Company including service improvements and efficiencies driven by technology enablement.
- To review and manage projects to complete on time and get the best return to Company

ACTIVITIES

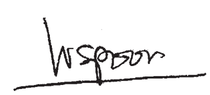
The Committee focuses on achieving the following IT strategic goals;

- Ensure confidentiality, integrity and availability of information
- Improve the efficiency of operations and reduce manual processes
- Develop and maintain cost-effective information systems
- Improve the customer service by use of technology
- Minimize the cost of IT services
- Facilitate product innovation aligned to business
- Develop a business partner ecosystem to design, develop and integrate IT systems for a seamless operation.

REPORTING TO THE BOARD

The Minutes of the Committee meetings be tabled at the Board meetings, enabling all Board members to have access to them.

On behalf of the Board IT Committee



W.S.C. Perera
Chairman
Board IT Committee

10th January 2022

Our Results

FINANCIAL CALENDAR 2021	
Audited Financial Statements for the year ended 31 December 2020 signed on	15 February 2021
Annual General Meeting held on	25 May 2021
Publication of half yearly Financial Statements (2nd half of year 2020) (audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	25 February 2021
Rs 1.37 per share Scrip Dividend for 2020 declared on	25 May 2021
Publication of half yearly Financial Statements (1st half of year 2021) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	30 August 2021
Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange to be published	
1st Quarter ended 31 March 2021	10 May 2021
2nd Quarter ended 30 June 2021	10 August 2021
3rd Quarter ended 30 September 2021	10 November 2021
4th Quarter ended 31 December 2021	18 February 2022

PROPOSED FINANCIAL CALENDAR 2022	
Audited Financial Statements for the year ended 31 December 2021 signed on	11 February 2022
Annual General Meeting to be held on	29 March 2022
Publication of half yearly Financial Statements (2nd half of year 2021) (audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	25 February 2022
Rs 3.57 per share Scrip Dividend for 2021 to be declared *	29 March 2022
Publication of half yearly Financial Statements (1st half of year 2022) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 31 August 2022
Publication of half yearly Financial Statements (2nd half of year 2022) (audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 28 February 2023
Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange to be published	
1st Quarter ended 31 March 2022	On or before 15 May 2022
2nd Quarter ended 30 June 2022	On or before 15 August 2022
3rd Quarter ended 30 September 2022	On or before 15 November 2022
4th Quarter ended 31 December 2022	On or before 28 February 2023

*Subject to confirmation by Shareholders

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

The Board of Directors of Siyapatha Finance PLC have the pleasure of presenting its Annual Report on the State of Affairs of the Company, to the Shareholders of Siyapatha Finance PLC for the financial year ended 31st December 2021, together with the Audited Financial Statements of the Company, and the Inependent Auditors' Report on the said Financial Statements, conforming to the relevant statutory requirements.The Financial Statements reviewed and recommended by the Board Audit Committee were approved by the Board of Directors on 11th February 2022. The Report includes the information as required by the Companies Act No. 7 of 2007, Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange and also guided by the Recommended Best Practices on Corporate Governance.

This report was approved by the Board of Directors on 22nd February 2022 The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Registrar of Companies, and the Securities and Exchange Commission of Sri Lanka within the statutory deadlines.

GENERAL

Siyapatha Finance PLC ("the Company"), bearing the registration No. PB 917 PQ, was incorporated on 03rd March 2005 under the Companies Act No. 17 of 1982, as a Specialized Leasing Company under the name 'Sampath Leasing and Factoring Limited' and the Company was re-registered under the provisions of the Companies Act No. 07 of 2007. Thereafter the Company changed its name to 'Siyapatha Finance Limited' on 2nd September 2013 simultaneous to obtaining the 'Registered Finance Company' status from the Central Bank of Sri Lanka on 25th September 2013. Upon the listing of the unsecured subordinated redeemable debentures on the Colombo Stock Exchange on 31st December 2014, the status of the Company was changed from Siyapatha Finance Limited to Siyapatha Finance PLC with effect from 2nd January 2015.

The Company is the largest fully owned subsidiary of Sampath Bank PLC.

The Company's unsecured subordinated redeemable debentures and unsecured senior redeemable debentures are listed on the Colombo Stock Exchange while Fitch Ratings Lanka Limited has affirmed the Company's National Long-Term Rating at "A(lka)" with a stable outlook. The agency has also affirmed the National Long-Term Rating on Siyapatha's senior unsecured debentures at 'A(lka)' and subordinated debentures at 'BBB+(lka)'.

The registered office of the Company is located at No. 110, Sir James Peiris Mawatha, Colombo 02 and the location of the Head Office of the Company was changed from No. 46/12, Nawam Mawatha, Colombo 02 to No. 111, Dudley Senanayake Mawatha, Colombo 08 at the end of December 2021.

As per the requirements set-out in Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report for the year under review.

Information required to be disclosed	Reference to the Companies Act	Extent of compliance by the Company
I) The nature of the business of the Company, together with any change thereof during the accounting period.	Section 168 (1) (a)	Refer page 103
II) Completed and signed Financial Statements of the Company for the accounting period completed.	Section 168 (1) (b)	Refer pages 118 - 207
III) Auditor's Report on Financial Statements of the Company.	Section 168 (1) (c)	Refer pages 114 -117
IV) Any changes made to the accounting policies during the year under review.	Section 168 (1) (d)	Refer page 103
V) Particulars of the entries in the Interests Registers of the Company during the accounting period.	Section 168 (1) (e)	Refer pages 108-109
VI) Remuneration and other benefits paid to Directors of the Company during the period.	Section 168 (1) (f)	Refer pages 202 -203
VII) Total amount of donations made by the Company during the period.	Section 168 (1) (g)	Refer page 109
VIII) Information on Directorate of the Company during and at the end of the accounting period.	Section 168 (1) (h)	Refer pages 106 -107
IX) Separate disclosure on amounts payable by the Company to the Auditor as Audit Fees and fees for other services rendered during the accounting period.	Section 168 (1) (i)	Refer page 110
X) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer page 110
XI) Acknowledgment of the contents of this report/signatures on behalf of the Board by two Directors and the Secretary of the Company	Section 168 (1) (k)	Refer page 110

CORPORATE VALUES

The Company's vision, mission and values are provided on page 03 of the Annual Report. Business activities of the Company are conducted in an environment of high level of compliance while conforming to ethical practices.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were acceptance of customer deposits, providing finance lease, hire purchase and vehicle loan facilities, mortgage loans, gold loans, revolving loans, personal/business loans and debt factoring.

There were no significant changes in the nature of the principal activities of the Company during the year under review.

REVIEW OF OPERATIONS

A review of the financial and operational performance of the Company, together with significant events which took place during the year 2021 are stated in the Chairman's Message on pages 07 to 10, the Managing Director's Review on pages 11 to 14 and Management Discussion and Analysis on pages 15 to 28 which form an integral part of this report.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message on pages 07 to 10 and Managing Director's Review on pages 11 to 14. These reports form an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No.42 of 2011 and regulatory requirements inclusive of specific disclosures.

The aforementioned Financial Statements for the year ended 31 December 2021 duly signed by the Head of Finance, Managing Director and two Directors of the Company are given on page 118 to page 207. These Financial Statements form an integral part of this Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of its state of affairs.

The Directors are of the view that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to Financial Statements appearing on pages 118 to 207 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on page 123 and forms an integral part of the Annual Report of the Board of Directors on the affairs of the company.

DIRECTORS' STATEMENT ON INTER- NAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 10 (2(b) of Finance Companies (Corporate Governance) Direction No. 03 of 2008. 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 111 to 112. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to in page 113.

AUDITORS' REPORT

The Auditors of the Company Messrs Ernst & Young, Chartered Accountants carried out the audit on the Financial Statements of the Company for the year ended 31 December 2021 and their report on the said Financial Statements is given on pages 114 to 117.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES DURING THE YEAR

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 123 to 205.

FINANCIAL RESULTS AND APPROPRIATIONS

Interest Income

Total interest income of the Company for the year ended 31 December 2021 was Rs. 6,786,436,000/- (Rs 6,814,216,000/- in 2020). An analysis of the interest income is given in Note 6 to the Financial Statements.

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

Profit and Appropriations

The Company has recorded a 125% increase in profit before tax and 167% increase in profit after tax in 2021 compared to 2020. The Company's Total Comprehensive Income (net of tax) for the year was Rs. 1,100,130,000/- (2020: Rs. 410,140,000/-). A detailed breakup of the profits and appropriations of the Company is given below.

For the year ended 31 December	2021 Rs.000	2020 Rs.000
Profit before tax	**1,526,074**	678,019
Less: Income tax expense	**(431,531)**	(268,528)
Net profit after tax	**1,094,543**	409,491
Actuarial (losses) / gains on defined benefit plans, net of tax	**(966)**	649
	1,093,577	410,140
Unappropriated balance brought forward from previous year	**2,600,132**	2,353,951
Profit available for appropriation	**3,693,709**	2,764,091
Appropriations		
Transfer to Statutory Reserve Fund	**(55,000)**	(21,000)
Dividend		
Final scrip dividend paid-2020 (Rs. 1.95 per share)	**-**	(142,959)
Final scrip dividend paid-2021 (Rs. 1.37 per share)	**(123,214)**	
Unappropriated balance carried forward	**3,515,495**	2,600,132
Proposed dividend		
Final scrip dividend - 2020 (Rs. 1.37 per share)		123,214
Final scrip dividend - 2021 (Rs.3.57 per share)	**328,344**	

TAXATION

The Income Tax rate applicable on the Company's operations is 24% (2020: 28%).

The Company is also liable for VAT on financial services at 15% (2020: 15%).

The Company has provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 (Income Taxes).

In the budget Proposals 2022, the Government has proposed to impose a surcharge tax at the rate of 25%, on individuals or companies with a taxable income over Rs.2,000 Million for the year of assessment 2020/2021. However, this proposal has not yet been substantively enacted. As such, the Company has not recognized any liability in 2021 financial statements against the proposed surcharge tax.

DIVIDEND

The Directors have recommended a scrip dividend of Rs.3.57 per share (2020-:Rs. 1.37 per share) to be paid for the financial year ended 31 December 2021. The said dividend is subject to approval of the shareholders at the Annual General Meeting to be held on 29th March 2022.

The Board of Directors were satisfied that the Company would meet the solvency test immediately after the payment of final scrip dividend proposed, in terms of Section 31(3) of the Companies Act No. 7 of 2007. The Company provided the Statement of Solvency to the Auditors and obtained the Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the statutory provision. Further details are given in Note 14 to the Financial Statements.

RESERVES

A summary of the Company's reserves is given below.

As at 31st December	2021 Rs.000	2020 Rs.000
Statutory Reserve Fund	**240,000**	185,000
Revaluation Reserve	**124,504**	117,951
Retained Earnings	**3,515,495**	2,600,133
Total	**3,879,999**	2,903,084

CAPITAL EXPENDITURE

The total capital expenditure on acquisition of property, plant and equipment and intangible assets of the Company amounted to Rs. 711,107,112/- (2020: Rs. 404,404,633/-). Details are given in Notes 26 and 29 to the Financial Statements.

CAPITAL COMMITMENTS

The capital expenditure approved and contracted for, as at the reporting date is given in Note 42.3 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of property, plant and equipment are given on Note 26 to the Financial Statements.

MARKET VALUE OF FREEHOLD LAND

The Company applies Revaluation model given in Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) to the freehold land of the Company.

Such freehold land is revalued every three years or more frequently if the fair value is substantially different from the carrying value. Accordingly, freehold land of the Company was revalued as at the end of 2019 by professionally qualified independent valuers. The results of the revaluation were brought into the Financial Statements to ensure that the carrying amount of such freehold land reflects the market price prevailed at that time. On the basis that changes in land prices were not significant compared to the previous year due to the prevailing market situation in the country, the Company did not revalue its freehold land during this year for accounting purposes. The Directors are of the view that the previous year prices reflect the current market value of such freehold land as at 31 December 2021.

STATED CAPITAL AND DEBENTURES

Stated Capital

The Stated Capital of the Company as at 31 December 2021 amounted to Rs.2,346,095,301.49 consisting of 91,973,156 ordinary shares (2020: Rs. 1,522,880,851.55 consisting of 76,212,072 ordinary shares). The number of shares issued by the Company increased from 76,212,072 ordinary shares to 91,973,156 ordinary shares as a result of the payment of a Scrip Dividend and a Rights Issue during the year 2021.

DEBT CAPITAL

The Company has issued rated, unsecured, subordinated, redeemable debentures to the value of Rs 1,500,000,000/- during the year ended 31 December 2021.Further, the Company has also issued rated, unsecured, senior, redeemable debentures to the value of Rs. 2,000,000,000/- during the year ended 31 December 2020 and these debentures of the Company are listed on the Colombo Stock Exchange. The details of the debentures outstanding as at 31 December 2021 are given in Note 31.3 to the Financial Statements. The rated, unsecured, subordinated, redeemable debentures issued in year 2017,2019 and 2021 totalling to Rs. 4,000,000,000/- are eligible for the Tier II Capital of the Company.

SHARE INFORMATION

Information relating to earnings, dividends and net assets are given in the Financial Highlights on page 06 and in the Investor Information section on pages 29 to 31.

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

SHAREHOLDING

The Company has eight shareholders and the details of which are appended below.

Name	No. of Shares	% of Issued Share Capital
Mr.C.P.Palansuriya	1	>0.00%
Mr.Y.S.H.R.S.Silva	1	>0.00%
Mr.P.S.Cumaranatunga	1	>0.00%
Mr.J.H.Gunawardena	1	>0.00%
Mr.J.Selvaratnam	1	>0.00%
Ms.H.S.R.Ranatunga	1	>0.00%
Mr.S.Sudarshan	1	>0.00%
SampathBankPLC	91,973,149	100.00%
Total	91,973,156	100.00%

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all shareholders are treated equitably.

THE BOARD OF DIRECTORS

The Board of Directors of the Company comprises of nine Directors (2020: nine) with wide financial and commercial knowledge with experience. The names of the Directors who held office during the financial year from 01 January 2021 to 31 December 2021 are given below. The classification of Directors is given next to the names of the Directors as per Listing Rules of the Colombo Stock Exchange and the Finance Companies Direction No.03 of 2008 and subsequent amendments thereto issued by the Central Bank of Sri Lanka. A brief profile of the Directors is given on pages 32 to 37 of the Annual Report.

Name	Classification	Remarks (Appointed date, change of directorate to chairman etc).
Mr. P.S.Cumaranatunga	ID/NED	30.10.2017 (Appointed as the Chairman w.e.f 12. 02. 2020)
Mr. H.M.A.Seneviratne	ED	01.03.2019
Mr. Y.S.H.R.S.Silva	NID/NED	01.06.2018
Mr. J.Selvaratnam	NID/NED	18.12.2018
Mr. J.H.Gunawardena	ID/NED	29.01.2019
Mr. D.Sooriyaarachchi	ID/NED	20.11.2019 (Re-designated as an Independent Non-Executive Director w.e.f. 23.02.2021)
Mr. W.S.C.Perera	NID/NED	16.01.2020
Ms. H.S.R.Ranatunga	ID/NED	28.01.2020
Mr. M.D.B.Boyagoda	ID/NED	28.04.2020

All Directors have submitted affidavits and declarations for the year 2021 under the Finance Companies (Assessment of Fitness and Propriety of all Directors on the Board and Officers Performing Executive Functions) Direction No. 03 of 2011.

CHANGES IN DIRECTORATE

In terms of Section 168 (1) (h) of the Companies Act No.7 of 2007, the names of the persons holding office as Directors at the end of the accounting period along with the Directors who have joined soon after the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period have been disclosed.

RETIREMENT AND REELECTION / REAPPOINTMENT OF DIRECTORS

In terms of Articles 24(7) and 24(8) of the Articles of Association of the Company, Mr. P. S. Cumaranatunga, Mr. J. Selvaratnam and Ms. H. S. R. Ranatunga retire by rotation and being eligible, offered themselves for reelection on the unanimous recommendation of the Board of Directors.

REGISTER OF DIRECTORS AND SECRETARIES

As required under Section 223 (1) of the Companies Act No.7 of 2007,the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business, occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary.

BOARD SUB-COMMITTEES

The Board of Directors of the Company has formed eight Board sub-committees in compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, the Securities and Exchange Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange and as per the recommended Code of Best Practice on Corporate Governance 2013 issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

The following Directors served as members of the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Human Resource and Remuneration Committee, the Board Credit Committee, the Board Corporate Governance Committee, the Board Related Party Transactions Review Committee, the Board Nomination Committee and the Board IT Committee.

The Board Audit Committee

- Mr. M. D. B. Boyagaoda - Chairman
- Mr. P. S. Cumaranatunga
- Mr. J. H. Gunawardena
- Ms. H. S. R. Ranatunga

The Report of the Board Audit Committee appears on pages 84 to 86.

The Board Integrated Risk Management Committee

- Mr. J. H. Gunawardena – Chairman
- Mr. P. S. Cumaranatunga
- Mr. H. M. A. Seneviratne
- Mr. J. Selvaratnam
- Mr. M. D. B. Boyagaoda

The Report of the Board Integrated Risk Management Committee appears on pages 89 to 90.

The Board Human Resource and Remuneration Committee

- Mr. D. Sooriyaarachchi - Chairman (appointed as Chairman w.e.f. 24.02.2021)
- Mr. P. S. Cumaranatunga (served as Chairman until 23.02.2021)
- Ms. H. S. R. Ranatunga

The Report of the Board Human Resource and Remuneration Committee appears on pages 87 to 88.

The Board Credit Committee

- Mr. J. Selvaratnam – Chairman
- Mr. H. M. A. Seneviratne
- Ms. H. S. R. Ranatunga
- Mr. W. S. C. Perera

The Report of the Credit Committee appears on pages 95 to 96.

The Board Corporate Governance Committee

- Ms. H. S. R. Ranatunga - Chairperson
- Mr. J. H. Gunawardena
- Mr. H. M. A. Seneviratne
- Mr. J. Selvaratnam
- Mr. M. D. B. Boyagaoda

The Report of the Board Corporate Governance Committee appears on pages 97 to 98.

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The Board Related Party Transactions Review Committee

- Mr. D. Sooriyaarachchi – Chairman (appointed as the Chairman w.e.f. 24.02.2021)
- Mr. J. H. Gunawardena (served as the Chairman until 23.02.2021)
- Mr. H. M. A. Seneviratne
- Mr. J. Selvaratnam
- Ms. H. S. R. Ranatunga
- Mr. M. D. B. Boyagaoda

The Report of the Board Related Party Transactions Review Committee appears on pages 91 to 92.

The Board Nomination Committee

- Mr. P. S. Cumaranatunga – Chairman
- Mr. D. Sooriyaarachchi
- Mr. J. H. Gunawardena (resigned from the Committee w.e.f. 27.07.2021)
- Mr.J. Selvaratnam (appointed w.e.f. 27.07.2021)

The Report of the Board Nomination Committee appears on pages 93 to 94.

The Board IT Committee

- Mr. W. S. C. Perera– Chairman
- Mr. H. M. A. Seneviratne
- Mr. D. Sooriyaarachchi
- Mr. M. D. B. Boyagaoda

The Report of the Board IT Committee appears on page 99.

DIRECTORS' MEETINGS

The details of the Board meetings, the Board Sub Committee meetings and the attendance of the Directors at these meetings are given in the Corporate Governance Report on pages 40 to 73 of the Annual Report.

DIRECTORS' INTEREST REGISTER AND DIRECTORS' INTEREST IN CONTRACTS OR PROPOSED CONTRACTS

The Company maintains the Directors' Interest Register as required under the provisions of Section 168 (1) (e) of the Companies Act No.7 of 2007. The Directors of the Company have made necessary declarations of their interest in contracts or proposed contracts, in terms of the Sections 192 (1) and 192 (2) of the Companies Act No.7 of 2007. These interests have been recorded in the Interest Register which is available for inspection in terms of the Companies Act No.7 of 2007. The particulars of the Directors' Interest in Contracts are given on pages 108 to 109 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. As a practice action and in terms of Corporate Governance, the Directors have refrained from voting on matters in which they were materially interested. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed, in the notes to the Financial Statements.

RELATED PARTY TRANSACTIONS

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 Disclosure) which is disclosed in the Financial Statements. Those transactions disclosed by the Directors are given in Note 44 to the Financial Statements which form an integral part of the Annual Report of the Board of Directors on the affairs of the company. The Related Party Transactions Review Committee has reviewed all related party transactions that require their review for the year ended 31st December 2021 in compliance with the relevant listing rules.

DIRECTORS' INTEREST IN ORDINARY SHARES AND DEBENTURES

The Directors' shareholding and the relevant interests of the Directors in the shares of the Company as at 31 December 2020 and 31 December 2021 are as follows:

Name	Position	No. of Shares as at 31 December 2020	**No. of Shares as at 31 December 2021**
Mr. P. S. Cumaranatunga	Chairman	01	**01**
Mr. Y. S. H. R. S. Silva	Director	01	**01**
Mr. J. H. Gunawardena	Director	01	**01**
Mr. J. Selvaratnam	Director	01	**01**
Ms. H. S. R. Ranatunga	Director	01	**01**

Except 225,000 Listed, Rated, Unsecured, Subordinated, Redeemable Debentures held by Mr. P. S. Cumaranatunga, no debentures were registered in the name of the Directors at the beginning and at the end of the year under review.

DIRECTORS' REMUNERATION

Details of Directors' emoluments and other benefits paid in respect of the Company during the financial year under review are given in Note 44.2 to the Financial Statements.

OUR TEAM MEMBERS

The Company believes that its real potential rests on the strength and capabilities of its team members in a rapidly changing environment. All efforts are directed at having a motivated and competent team in order to grow and achieve results as projected in the Strategic Plan and Budget. As at 31 December 2021, the number of employees on the payroll of the Company was 804 (2020: 783).

ENVIRONMENTAL PROTECTION

To the best knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirm that to the best of their knowledge and belief the Company has complied with the relevant environmental laws and regulations.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government, other regulatory bodies and related to the employees have been paid on a timely basis.

OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or the future operations of the Company. Details of litigation pending against the Company are given in Note 42.3 to the Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to, or disclosure in, the accounts, except those disclosed in Note 43 to the Financial Statements

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka & The Institute of Chartered Accountants of Sri Lanka 2013 and the Finance Companies Direction No. 03 of 2008 and subsequent amendments thereto issued by the CBSL, are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

DONATIONS

During the year the Company made donations to the value of Rs. 500,000/- (2020: Rs. 500,000/-). The Company does not make donations for political purposes.

RISK MANAGEMENT AND INTERNAL CONTROL

Material Foreseeable Risk Factors

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. This process is detailed in the Risk Management Report on pages 74 to 83

The Directors, on a regular basis review the above mentioned process through the Board Integrated Risk Management Committee.

Internal Controls

The Directors of the Company have taken reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and any other irregularities. For this purpose, the Directors have instituted effective and comprehensive systems of internal controls for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it is being regularly reviewed by the Board of Directors.

This comprises of internal reviews, internal audit and the whole system of financial and other controls required to

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

carry on the operations in an orderly manner, safeguard the assets, prevent and detect frauds and other irregularities and secure, as far as practicable, the accuracy and reliability of the records.

CORPORATE GOVERNANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors of the Company are committed towards maintaining an effective Corporate Governance Framework by implementing processes required to ensure that the Company is compliant with the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the institute of Chartered Accountants of Sri Lanka 2013, the Finance Companies Direction No. 03 of 2008 and subsequent amendments thereto issued by the CBSL and Requirements of Section 7.6 of the Listing rules of the Colombo Stock Exchange. Details are given on Corporate Governance Report on pages 40 to 73 of this Annual Report.

Further the Board of Directors confirm that the Company is compliant with prudential requirements, regulations, laws and internal controls while measures have been taken to rectify any material non-compliances.

AUDITORS

The Auditors of the Company during the year were Messrs Ernst & Young, Chartered Accountants.

Audit fees paid to Ernst & Young for the year ended 31 December 2021 by the Company amounted to Rs. 1,540,000/- (2020: Rs. 1,430,000/-). Further, the Company paid Rs. 3,337,547/- (2020: Rs 4,087,000/-) to Messrs Ernst & Young as permitted non-audit related services including tax consultancy services.

Details of the audit fees paid are given in Note 11.1 to the Financial Statements.

Based on the declaration provided by Messrs Ernst & Young, and as far as the Directors are aware, the Auditors do not have any relationship with or interest with the Company that in their judgments may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report.

The retiring Auditors, Messrs Ernst & Young, have expressed their willingness to continue in office. They come up for re-appointment at the Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re- appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors is being proposed at the Annual General Meeting.

NOTICE OF MEETING

The Annual General Meeting of the for Company will be held at 9.30 a.m. on 29th March 2022 as a hybrid meeting centered at Siyapatha Tower, 111, Dudley Senanayake Mawatha, Colombo 08. The Notice of Meeting is given on page 217 of this Annual Report.

As required by Section 168 (1) (k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this report.

For and on behalf of the Board of Directors,

P. S. Cumaranatunga
Chairman

Y. S. H. R. S. Silva
Deputy Chairman

Ananda Seneviratne
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Company Secretary

Siyapatha Finance PLC
22nd February 2022.

Directors' Statement on Internal Control over Financial Reporting

Responsibility

The board of directors ("the Board") of Siyapatha Finance PLC (the Company) presents this report on Internal Control over Financial Reporting, in compliance with Section 10(2) (b) of Finance Companies corporate Governance Direction No 03 of 2008.

The board is responsible for ensuring the adequacy and effectiveness of the internal control mechanism of the Company. This mechanism is designed to provide a reasonable assurance to maintain proper accounting records and generate reliable financial information and also to safeguard assets of the Company. The internal control mechanism can therefore provide only reasonable but not absolute assurance against material misstatement of Management and financial information and records or against financial losses of fraud.

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the mechanism of Internal Control over Financial Reporting as and when there are changes to business environment or regulatory guidelines.

Reviews of this process are conducted by the Board on a regular basis. On the basis of such reviews the board expresses the view that the internal control mechanism over financial reporting in place is adequate to provide reasonable assurance regarding reliability of financial reporting and that the preparation of Financial Statement for external purpose is in accordance with relevant accounting principles and regulatory requirements.

Board policies and procedures pertaining to internal control over financial reporting have been documented. The implementation of such policies and procedures is carried out with the assistance of the management. In order to assess the internal control system over financial reporting, identified officers of the company collated all procedures and control that are connected with significant accounts and disclosures of the Financial Statement of the Company. The Internal Audit Department of the Company observes and checks them annually for suitability of design and operating effectiveness.

Given below are the key processes which have been established to review the adequacy and integrity of internal controls, with respect of financial reporting:

- Establishment of various sub Committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the board.

- The Internal Audit Department of the company verifies whether policies and procedures of the Company are being complied with, while ascertaining effectiveness of the internal control mechanism, on an ongoing basis, using samples and rotational procedures and highlights any significant non-compliance. All departments and branches are subjected to audits, the frequency of which is determined by the level of risk assessed which is approved by the Board Audit Committee. The Internal Audit Department submits the Annual Audit Plan for review and approval of the Board Audit Committee. Independent and objective reports covering significant Observations of the Internal Audit Department are also tabled for review by the Board Audit Committee, at their periodic meetings.

- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit Committee.

- Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit Committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management. In order to ensure that Key Management Personnel comply with laid down systems and procedures and implement the required internal control systems at their work locations, a procedure has been introduced to obtain an annual certification from the respective officers.

- In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are being continuously reviewed and updated by identified officers of the Company. The Internal

Directors' Statement on Internal Control over Financial Reporting

Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.

- The Company further strengthened its internal control processes to ensure that the impact on COVID-19 related debt moratoriums on interest income and impairment provisions were timely and accurately captured in the financial reporting. The Management also ensured that all critical reconciliations were performed without interruption during the lockdown periods.

- To ensure business continuity, protect workers and continue to serve customers during the COVID-19 pandemic, the Company had to move certain areas of its operations online. However, this was done with all required protection in place that are necessary to safeguard the organization and its customers.

Confirmation

Based on the above process, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statements by External Auditors

The external Auditors, Messrs. Ernst & Young, have reviewed the above Directors' Statement on Internal Control over Financial Reporting included in this Annual Report of the Company for the year ended 31 December 2021 and reported to the board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal Controls over Financial Reporting of the Company. Their report on the statement of Internal Control over Financial Reporting is given on page 113 of this Annual Report.

By order of the Board,

H. M. A Seneviratne
Managing Director

P. S. Cumaranatunga
Chairman

M. D. B. Boyagoda
Chairman - Board Audit Committee

Siyapatha Finance PLC
11TH February 2022

Independent Assurance Report

To the Board of Directors of Siyapatha Finance PLC

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Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

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Fax (Gen): +94 11 269 7369
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Report on the Director's Statement on Internal Control

We were engaged by the Board of Directors of Siyapatha Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") included in the annual report for the year ended 31 December 2021.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction no. 3 of 2008/ section 10 (2) (b) of the Finance Leasing (Corporate Governance) Direction no. 4 of 2009, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

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

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

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

Summary of work performed

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

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

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

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

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

Our conclusion

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

11 February 2022
Colombo

Independent Auditors' Report
to the Shareholders of Siyapatha Finance PLC

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Siyapatha Finance PLC ("the Company"), which comprise the statement of financial position as at 31 December 2021, income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at 31 December 2021, 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 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 our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for credit impairment on financial assets carried at amortised cost Provision for credit impairment on financial assets carried at amortised cost as stated in Note 40.4.1 is determined by management in accordance with the accounting policies described in Note 3.1.8	We assessed the alignment of the company's provision for credit impairment computations and underlying methodology including consideration of COVID 19 impacts and related industry responses with its accounting policies, based on the best available information up to the date of our report. Our audit procedures included amongst others the following: • We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management

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Key audit matter	How our audit addressed the key audit matter
This was a key audit matter due to: • materiality of the reported provision for credit impairment which involved complex calculations; and • degree of management judgement, significance of assumptions and level of estimation uncertainty associated with its measurement Key areas of significant judgements, estimates and assumptions used by management in the assessment of the provision for credit impairment included the following; • management overlays to incorporate the probable ongoing impacts of COVID-19 and related industry responses such as government stimulus packages and debt moratorium relief measures granted by the company; the incorporation of forward-looking information to reflect current and anticipated future external factors, including judgments related to the ongoing impact of COVID-19, both in the multiple economic scenarios and the probability weighting determined for each of these scenarios	• We checked the completeness and accuracy of the underlying data used in the impairment computation by agreeing details to relevant source documents and accounting records of the company. We also checked the underlying calculations. • In addition to the above, following focused procedures were performed: ■ **For loans and advances assessed on an individual basis for impairment:** - We assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on the borrower's particular circumstances - We evaluated the reasonableness of key inputs used in the provision for credit impairment made with particular focus on the ongoing impact of COVID-19. Such evaluations were carried out considering value and timing of cash flow forecasts, elevated risk industries, status of recovery action and collateral values ■ **For financial assets assessed on a collective basis for impairment:** • We tested the key calculations used in the provision for credit impairment. • We assessed whether judgements, estimates and assumptions used by the Management in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered and probability weighting assigned to each of those scenarios • We assessed the adequacy of the related financial statement disclosures set out in notes 40.4.1

Independent Auditors' Report to the Shareholders of Siyapatha Finance PLC

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Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems and controls over financial reporting A significant part of the client's financial reporting process is primarily reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting was considered a key audit matter.	**Our audit procedures included the following:** • We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • We identified and test checked relevant controls of key IT systems related to the Company's financial reporting process. • We involved our internal specialized resources to evaluate the design and operating effectiveness of IT controls, including those related to user access and change management. • We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of the general ledger reconciliations. • We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. Further, we checked changes if any have been made to security monitoring procedures, given the increase in remote workers including the Client's monitoring on remote workers activities.

Other information included in the 2021 Annual Report

Management is responsible for the other information. The other information comprises the Company's 2021 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 will 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

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.

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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:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. 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 controls.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. 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.

5. 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 ethical requirements in accordance with the Code of Ethics 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, related safeguards.

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 1884.

11 February 2022
Colombo

Income Statement

For the year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
Interest income		**6,786,436**	6,814,216
Less: Interest expenses		**(2,813,728)**	(3,856,315)
Net interest income	6	**3,972,708**	2,957,901
Fee and commission income		**281,024**	278,704
Less: Fee and commission expenses		**-**	-
Net fee and commission income	7	**281,024**	278,704
Other operating income	8	**1,079,871**	486,775
Total operating income		**5,333,603**	3,723,380
Less:Credit loss expense on financial assets and other losses	9	**(1,618,176)**	(1,356,264)
Net operating income		**3,715,427**	2,367,116
Less: Operating expenses			
Personnel expenses	10	**(1,172,942)**	(873,311)
Other operating expenses	11	**(617,056)**	(589,235)
Operating profit before VAT on financial services		**1,925,429**	904,570
Less: VAT on financial services		**(399,355)**	(226,551)
Profit before income tax		**1,526,074**	678,019
Less: Income tax expense	12	**(431,531)**	(268,528)
Profit for the year		**1,094,543**	409,491
Basic/Diluted earnings per share (Rs.)	13	**12.35**	5.23
Dividend per share (Rs.)	14	**1.37**	1.95

The Accounting policies and Notes to the Financial Statements from pages 123 to 207 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31 December		2021	2020
	Note	Rs.'000	Rs.'000
Profit for the year		**1,094,543**	409,491
Other comprehensive income/ (expenses)			
Other comprehensive income not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	34.3	**(123)**	901
Deferred tax effect including the effect of tax rate change on the opening balance	28	**(843)**	(252)
		(966)	649
Surplus from revaluation of property,plant & equipment		**-**	-
Deferred tax effect of tax rate change on the opening balance		**6,553**	-
	37	**6,553**	-
Other comprehensive income for the year,net of tax		**5,587**	649
Total comprehensive income for the year,net of tax		**1,100,130**	410,140
Attributable to :			
Equity holders of the parent company		**1,100,130**	410,140
		1,100,130	410,140

The Accounting policies and Notes to the Financial Statements from pages 123 to 207 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	2021 Rs. '000	2020 Rs. '000
Assets			
Cash and bank balances	16	**250,277**	292,036
Securities purchased under repurchase agreements	17	**1,839,911**	2,781,162
Factoring receivables	18	**153,483**	261,944
Gold loan receivables	19	**5,781,780**	4,769,716
Loan receivables	20	**1,643,806**	1,750,116
Lease receivables	21	**29,088,209**	29,017,672
Hire purchase receivables	22	**934**	2,125
Other assets	23	**637,127**	851,671
Equity instruments at fair value through other comprehensive income	24	**56**	56
Debt instruments at amortised cost	25	**900,241**	34,145
Property, plant & equipment	26	**1,992,215**	1,353,815
Right-of-use assets	27	**362,870**	402,579
Deferred tax assets	28	**78,492**	-
Intangible assets	29	**20,847**	34,623
Total Assets		**42,750,248**	41,551,660
Liabilities			
Bank overdraft		**191,266**	250,536
Due to other customers	30	**17,114,923**	17,279,614
Debt issued and other borrowed funds	31	**17,077,514**	17,049,706
Other payables	32	**1,267,671**	1,312,080
Current tax liabilities	33	**768,927**	118,150
Deferred tax liabilities	28	**-**	328,349
Retirement benefit obligations	34	**103,853**	87,260
Total Liabilities		**36,524,154**	36,425,695
Equity			
Stated capital	35	**2,346,095**	1,522,881
Share application money pending allotment	35.1	**-**	700,000
Statutory reserve fund	36	**240,000**	185,000
Revaluation reserve	37	**124,504**	117,951
Retained earnings	38	**3,515,495**	2,600,133
Total Equity		**6,226,094**	5,125,965
Total Liabilities and Equity		**42,750,248**	41,551,660
Net asset value per share (Rs.)		**67.69**	67.26
Commitments and contingencies	42	**432,361**	731,739

We certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No.7 of 2007.

Managing Director

Head of Finance

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board by,

Chairman

Director

The Accounting policies and Notes to the Financial Statements from pages 123 to 207 form an integral part of these Financial Statements.

11 February 2022
Colombo

Statement of Changes in Equity

	Note	Stated Capital	Share Application Money Pending Allotment	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 31 December 2019		1,379,922	-	164,000	117,951	2,353,951	4,015,824
Profit for the year		-	-	-	-	409,491	409,491
Other comprehensive income,net of tax		-	-	-	-	649	649
Transfer to Statutory Reserve Fund	36	-	-	21,000	-	(21,000)	-
Scrip dividend paid		142,959	-	-	-	(142,959)	-
Share application money pending allotment	35.1	-	700,000	-	-	-	700,000
Balance as at 31 December 2020		1,522,881	700,000	185,000	117,951	2,600,132	5,125,964
Profit for the year		-	-	-	-	1,094,543	1,094,543
Other comprehensive income, net of tax		-	-	-	6,553	(966)	5,587
Transfer to Statutory Reserve Fund	36	-	-	55,000	-	(55,000)	-
Scrip dividend paid		123,214	-	-	-	(123,214)	-
Rights issue of shares	35.1	700,000	(700,000)	-	-	-	-
Balance as at 31 December 2021		2,346,095	-	240,000	124,504	3,515,495	6,226,094

The Accounting policies and Notes to the Financial Statements from pages 123 to 207 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December	Note	2021 Rs. '000	2020 Rs. '000
Cash flows from operating activities			
Profit before taxation from operations		1,526,074	678,019
Interest expenses	6.2	2,813,728	3,856,315
Fee & commission expenses	7	-	-
Credit loss expense on financial assets	9	1,618,176	1,356,264
Provision for staff gratuity	34.2	22,247	23,726
Provision for depreciation	26	62,182	62,899
Amortisation of software	29	23,993	23,119
Amortisation expenses on right-of-use assets	27	117,083	107,589
(Profit)/Loss on sale of motor vehicles		(1,452)	(1,280)
		4,655,957	5,428,632
Operating profit before working capital changes		6,182,031	6,106,651
(Increase)/Decrease in lease receivables		(1,137,250)	(915,686)
(Increase)/Decrease in hire purchase receivables		1,045	664
(Increase)/Decrease in factoring receivables		86,682	392,026
(Increase)/Decrease in gold loan receivables		(1,026,590)	240,304
(Increase)/Decrease in loan receivables		(310,483)	(497,150)
Increase/(Decrease) in due to other customers		62,776	4,018,841
(Increase)/Decrease in other assets		(35,220)	(466,116)
Increase/(Decrease) in other payables		184,022	150,361
		(2,175,018)	2,923,244
Cash generated from operating activities		4,007,013	9,029,895
Interest expense paid		(3,026,325)	(3,739,845)
Gratuity paid	34.1	(5,777)	(3,530)
Income tax paid	33	(181,885)	(449,053)
Net cash inflow from operating activities		793,026	4,837,467
Cash flow from investing activities			
Net investments in government bonds & government securities		(924,961)	504,502
Purchase of property, plant and equipment and intangible assets		(711,109)	(404,405)
Proceeds from sale of property, plant and equipment		1,761	1,280
Net cash inflow/(outflow) from investing activities		(1,634,309)	101,377
Net cash inflow/(outflow) before financing activities		(841,283)	4,938,844
Cash flow from financing activities			
Proceeds from long term loans & securitizations	31.1	1,000,000	2,450,000
Repayments of long long term loans & securitizations	31.1	(4,459,052)	(5,719,243)
Proceeds from debentures	31.3	1,500,000	2,000,000
Debentures redeemed	31.3	(1,078,010)	-
Share application money pending allotment	35.1	-	700,000
Net proceeds from short term borrowings	31.1	3,050,000	(3,100,000)
Repayment of principal portion of lease liabilities	32.1	(154,255)	(139,824)
Net cash outflow from financing activities		(141,317)	(3,809,067)
Net increase/(decrease) in cash and cash equivalents		(982,600)	1,129,777
Cash & cash equivalents at the beginning of the year		1,041,631	(88,146)
Cash and cash equivalents at end of the year		59,031	1,041,631
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances (Note 16)		250,297	292,051
Securities purchased under repurchase agreements less than three months		-	1,000,116
Bank overdraft		(191,266)	(250,536)
		59,031	1,041,631

The Accounting policies and Notes to the Financial Statements from pages 123 to 207 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Siyapatha Finance PLC ("The Company"), formerly known as Siyapatha Finance Limited is a domiciled, public limited liability company incorporated in Sri Lanka on 03 March 2005 under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto. The registered office of the Company is located at No.110, Sir James Pieris Mawatha, Colombo 02. The principal place of business is located at. No.46/12, Nawam Mawatha, Colombo 02.

The debentures of the Company were initially listed on the Colombo Stock Exchange on 2 January 2015.

The staff strength of the Company as at 31 December 2021 was 804 (2020:783).

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits, providing finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loan, debt factoring, revolving loans and business/personal loans.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking / ultimate parent and the controlling party is Sampath Bank PLC, which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011, Listing Rules of the Colombo Stock Exchange and the CBSL guidelines.

2.2 Responsibility for Financial Statements

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

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company as at and for the year ended 31 December 2021 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 11 February 2022.

2.4 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following items in the Statement of Financial Position.

- Financial Assets at fair value through other comprehensive income at fair value (Note 24)
- Freehold land, which is measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation (Note 26)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets (Note 34)

2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs), which is the currency of the primary economic environment in which Siyapatha Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Company's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 41 to the financial statements.

2.7 Materiality, Aggregation and Offsetting

In compliance with Sri Lanka Accounting Standard -LKAS 01(Presentation of Financial Statements), each material

Notes to the Financial Statements

class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an Accounting Standard.

2.8 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's classification in order to provide a better presentation.

2.9 Statement of Cash Flow

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

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

2.10 Significant Accounting Judgements, Estimates and Assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

2.10.1 Going Concern

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

2. 10.2 Impairment losses on loans and receivables

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

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, the management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively by categorising 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

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. The above assumptions and judgements are discussed in detail under Note 3.1.8 to the Financial Statements.

Impact of COVID-19 on the provision for impairment on loans and receivables

The COVID-19 pandemic, together with measures implemented to contain the virus, has had a profound impact on the Sri Lankan and global economy, driving heightened levels of market uncertainty and a significant deterioration, or expected deterioration, in macroeconomic conditions, notably unemployment, and gross domestic product(GDP). This, in turn, has resulted in a significant impact on the provision for impairment on financial assets, as forecast macroeconomic conditions are a key factor in determining the expected credit loss (ECL) for loans and advances.

In response to COVID-19 and the Company's expectations of economic impacts, the key assumptions used in the Company's calculation of ECL have been revised. The economic scenarios and forward - looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.1.8 while the impact on changing the weightages of different macroeconomic scenarios during the year are given in Note 40.4.1(h). At reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Company's calculation of ECL have remained consistent with prior periods.

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL).A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. The Company has identified industries such as tourism, manufacturing, construction (including condominiums), and transportation as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and has specifically identified as stage 1. This approach ensures that the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

A breakdown of the loans and advances of the Company classified under stage 2 is given in Note 40.4.1(i) while an analysis of loans under the COVID-19 debt moratorium is given in Note 40.4.1(l) Sensitivity of individually significant loan impairment to recovery cash flows is given in Note 40.4.1(f) while sensitivity of the collective impairment provision to the staging of the loans and advances is disclosed in Note 40.4.1(g).

2.10.3 Impairment of Other Financial Assets

The Company reviews its debt securities classified as amortised cost, at each reporting date to assess whether they

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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.

Equity instruments classified as FVOCI are not subjective for impairment assessment.

2.10.4 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position for which there is no observable market price on using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in Note 39 to the Financial Statements.

The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 39 to the Financial Statements. The determination of the fair value of the financial instruments of the Company were not materially affected by the significant volatility in financial markets created by the COVID – 19 pandemic.

2.10.5 Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instruments is given in Note 15 "Analysis of Financial Instruments by Measurement Basis". The COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Company did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

2.10.6 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 28 to the Financial Statements.

2.10.7 Defined Benefit Plans

The cost of defined benefit pension plan and the present value of its obligation are determined using actuarial valuation. The actuarial valuation involves making assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rate of the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 34 to the Financial Statements.

2.10.8 Fair Value of Property, Plant & Equipment

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

2.10.9 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

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

2.10.10 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. 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 reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 42 to the Financial Statements.

2.10.11 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties. Currently the Company does not have any investment property.

3. GENERAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.1.1 Date of Recognition

Financial assets and liabilities are initially recognised on the trade date. i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes “regular way trades”. Regular way trades means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

3.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, and except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for “Day 1 profit or loss”, as described below.

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 instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (‘Day 1’ profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

3.1.3 Measurement categories of Financial Assets and Financial Liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortised cost,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss(FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.1.3.1 Financial Assets at Amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

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- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and Receivables consist of cash and bank balances, securities purchased under repurchase agreements, factoring receivables, lease receivables, hire purchase receivables, loan receivables, gold loan receivables and other assets.

The details of the above conditions are outlined below.

3.1.3.1(a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model(and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.3.1 (b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.

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

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

In contrast, contractual terms that introduce a more than de minimis 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.

3.1.3.2 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in income statement as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non- quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 24 to the Financial Statements.

3.1.3.3 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The company does not have compound financial instruments which contains both a liability and an equity component and require separation as at the date of the issue.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at amortised Cost in the form of term loans, short term loans, securitizations and debentures.

3.1.3.4 Financial guarantees and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and ECL Provision under SLFRS 9.

The premium received is recognised in the Income Statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in within the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded - in the Statement of Financial Position. The nominal values of these instruments are disclosed in Note 42.

3.1.4 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are measured as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

a) Financial liabilities held for trading

b) Financial liabilities designated at fair value through profit or loss

(ii) Financial liabilities at amortised cost, when they are held for trading, derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognized in the Income Statement.

ii. Financial Liabilities at Amortised Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' 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 assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at amortised Cost in the form of term loans, short term loans, securitizations and debentures.

3.1.5 Reclassifications of Financial assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2021.

3.1.6 Derecognition of Financial Assets and Financial Liabilities

3.1.6.1 Derecognition due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan,

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with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors.

- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.1.6.2 Derecognition other than for substantial modification

3.1.6.2(a) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset

or

- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if 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

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as 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 the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.1.6.2(b) Derecognition - Financial Liabilities

A financial liability is derecognised 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 recognised in the income statement.

3.1.7 Determination of Fair Value

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

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

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

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

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

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

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

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

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

The disclosure of fair value of financial instruments is disclosed in Note 39 to the Financial Statements.

3.1.8 Impairment of Financial Assets

3.1.8.1 Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 40.4.1(b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from

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default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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

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

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

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

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.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.1.8.2 The Calculation of Expected Credit Loss (ECL)

The Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below.

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 derecognised and is still in the portfolio. The concept of PD is further explained in Note 3.1.8.4(a).

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 principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.1.8.4(b).

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 lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.1.8.4(c).

With the exception of debt factoring and other revolving facilities, for which the treatment is separately set out in Note 3.1.8.7 the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

3.1.8.3 Calculation of ECLs for individually significant loans

The Company first assesses ECLs individually for financial assets that are individually significant to the Company. In the event the Company determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 40.4.1(a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. In determining the expected future cash flows, the Company takes in to account the base case, the best case and the worst case scenarios considering various modes of settlement of the impaired credit facilities. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on individually impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The likely dividend available on liquidation or bankruptcy

3.1.8.4 Grouping financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on an individual basis include:

All customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be not impaired such customers are moved back to collective ECL calculation.

For all other asset classes, the Company calculates ECL on a collective basis. The Company categorises these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Industry of the borrower
- Whether the facility is restructured/ rescheduled

3.1.8.4(a) The internal rating and PD estimation process

The Company has its own internal rating models. These models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Although these PDs are used for regulatory purposes, the same is not used for PD estimation under SLFRS 9.

PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Banks and Non-Bank Financial Institutions in the country at present.

Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

However, for loans granted to banks, debt & other financial instruments classified as amortised cost/FVOCI, the Company relies on external credit ratings in determining their respective PDs. Due to limited stage movements in loan portfolios under moratorium schemes, the Company has used additional assessments of SICR as explained in Note 40.4.1(b) to build an allowance

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of overlay to better reflect the portfolio position.

3.1.8.4(b) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2 and Stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

3.1.8.4(c) Loss given default

LGD values are assessed at least annually for each material collateral type. The Company segregates its customer loan book based on following major types of collaterals when calculating the LGD.

- Secured against cash/deposits held within the Company
- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against lease receivables

These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g. product type, collateral type) as well as borrower characteristics. Further, recent data and forward-looking economic scenarios are used in order to determine the LGD for each collateral type. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

3.1.8.5 Financial Guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability - weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

3.1.8.6 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

3.1.8.7 Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

3.1.8.8 Forward looking information

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

assigned for each scenario is given below along with the weightages used in 2020.

	2021	2020
Base Case	30%	30%
Best Case	10%	25%
Worst Case	60%	45%

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

To ensure completeness and accuracy, the Company obtains the above data primarily from the Central Bank of Sri Lanka. Other third party sources such as World Bank and International Monetary Fund etc. are also used when CBSL data is not available.

3.1.8.9 Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.1.8.10 Rescheduled and restructured loans

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Reschedule/ restrucuture may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor rescheduled/restructured loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 rescheduled/restructured asset until it collected or written off.

When the loan has been rescheduled/ restructured or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 40.4.1(b). The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is derecognised as explained in Note 3.1.8.10.

3.1.8.11 Relief Measures to assist COVID-19 affected businesses and individuals by the Central Bank of Sri Lanka (CBSL)

The COVID-19 pandemic has significantly impacted the local economy as the government had to impose travel bans and lockdowns on millions of people. Many people in many locations are still subjected to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. As a result of the disruption to businesses, some people lost their jobs and many businesses have been adversely affected. The Central Bank of Sri Lanka has provided financial assistance to disrupted industry sectors and the affected businesses /individuals in the form of a debt moratorium through licensed banks/ financial institutions in the country.

(a).Extension of concessions for COVID-19 affected businesses and individuals: Circular No. 9 of 2021

The Central Bank of Sri Lanka issued Circular no: 09 of 2021 instructing Licensed Finance Companies and Specialised Leasing Companies (thereinafter referred to as Non-Bank Financial Institutions (NBFIs)) to extend the concessions for COVID-19 affected businesses and individuals under different qualifying criteria. The eligible borrowers of transportation and tourism sectors, who have availed the concessions under the Circular No. 04 and No. 05 2021, were also eligible to obtain concessions under this scheme. Eligible borrowers for concessions under this scheme shall entitle one of the three options given below.

<u>Option I: Restructuring of credit facilities</u>

NBFIs shall restructure the existing credit facilities (performing and non performing as at 01 October 2021) over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan agreed by both parties. The NBFIs were allowed to charge interest at the original contractual interest rate minus

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3% per annum.Further, a minimum of 3 months grace period shall be granted to commence repaying original portion of the instalment as per the restructured terms. In addition,any interest charged on inability to repay the instalment as per agreed terms, shall not exceed 2% per annum and charged only on the amount in arrears.

Option II: Facilitating early settlement

If any eligible borrower is willing to settle the existing credit facilities on or before 31 March 2022, NBFIs shall fully waive-off future interest, fees and applicable charges.

Option III: Extending the moratorium for performing credit facilities as at 01 October 2021

The NBFIs shall convert the capital and interest falling due during the moratorium period from 01 October 2021 to 31 March 2022 into a term loan of which repayment shall commence from July 2022 with a minimum repayment period of 12 months. However, the borrower shall commence the repayment of the original loan instalment from 01 April 2022.The NBFIs were allowed to charge an interest of the new loan, not exceeding 11.5% per annum.

The finance companies were also allowed to recover interest at the original EIR during the moratorium period and therefore did not recognize any modification loss on account of the COVID-19 moratorium. An analysis of the loans eligible under Circular No.9 of 2021 is presented in Note 40.4.1(l) to the Financial Statements.

The granting of the moratorium is directly related to the cash flow difficulties generated by the occurrence of the COVID-19 pandemic. However, it did not lead to an automatic transfer of these credit facilities into stage 2 or stage 3. A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. Further, the real impact of the pandemic on ECL allowance is expected to be realised upon the cessation of the moratorium.

3.1.8.12 Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

3.1.8.13 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists, Audited Financial Statements and other independent sources.

3.1.8.14 Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. The company did not transfer any repossessed assets to its property, plant and equipment during the years ended 31 December 2021 and 2020.

3.1.9 Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position. Income and expenses are presented on a net basis only when permitted under LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

3.1.10 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2 Leases

At inception of a contract, the Company assesses whether the 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 a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has right to obtain substantially all of the economic benefits from use of asset throughout the period of use; and
- The Company has right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either;
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

3.2.1 Company as the Lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 10 years.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements 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 or, if that rate cannot be readily determined, the Company' incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments such as company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured 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 under Note 27 to the financial statements while the corresponding lease liability is presented in Note 32, 'Other Liabilities'.

3.2.1 (a) Short term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Company recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.2.2 Company as the Lessor

When the Company acts as a lessor, it determines at least inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case,

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then the lease is a finance lease. If not it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the assets.

When the Company is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 21, 'Lease receivables'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

3.3 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.4 Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Company which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.5 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 any indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.6 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria that must be met before revenue is recognized is discussed under Note 6 - Net Interest Income, Note 7- Net Fee and Commission Income, Note 8 - Other Operating Income.

3.7 Other Taxes

3.7.1 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

In the Budget proposals 2022, the Government has proposed to increase the rate of Value Added Tax (VAT) on financial services from 15% to 18% with effect from 1 January 2022. However, the said proposal is yet to be enacted by the Parliament.

3.8 Regulatory provisions

3.8.1 Deposit Insurance and Liquidity Support Scheme

In terms of the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 02 of 2021" issued on 06 August 2021, all Finance

Companies are required to insure their deposit liabilities in the “Sri Lanka Deposit Insurance and Liquidity Support Scheme”.

The deposits to be insured shall include demand, time and savings and certificates of deposit liabilities inclusive of any interest accrued and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

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

3.8.2 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

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 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Amendments to SLFRS 16 Leases: COVID-19-Related Rent

Concessions beyond 30 June 2021

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

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

However, the amendments to Sri Lanka Accounting Standard - SLFRS 16 (Leases): COVID-19 Related Rent Concessions also did not have a material impact on the Financial Statements of the Company.

4.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

- **IBOR reform Phase 1**

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

Highly Probable Requirement:

According to SLFRS 9 and LKAS 39, when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

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Prospective assessments:

A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

LKAS 39 retrospective assessment:

To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.

Separately identifiable risk components:

While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

- **IBOR reform Phase 2**

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

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

The requirements under phase 1 amendments have to be applied retrospectively. However, the reliefs only apply to hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements. It follows that it is not possible to apply the reliefs retrospectively to hedge relationships that were not previously designated as such.

The requirements under phase 2 amendments have to be applied retrospectively. Hedge relationships are not designated retrospectively. However, discontinued hedging relationships must be reinstated if, and only if,

- The hedging relationship was discontinued solely due to changes required by the Reform, and, therefore, the entity would not have been required to discontinue that hedging relationship if the Phase 2 Amendments had been applied at that time and
- At the date of initial application of the Phase 2 Amendments, that discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of the Phase 2 Amendment

The Company is in the process of assessing potential impact of implementation of the aforementioned amendments.

The Company has applied all relevant accounting standards which have been issued up to 31 December 2021 in the preparation of the Financial Statements for the year ended 31 December 2021.

5. ACCOUNTING STANDARDS/ CBSL DIRECTIVES ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2021

5.1 Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- **SLFRS 17 Insurance Contracts**

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

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

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

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

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

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

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

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

The Financial Statements of the Company is not expected to have a material impact from the Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Costs of Fulfilling a Contract.

- **Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use**

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

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

The Financial Statements of the Company is not expected to have a material impact from the Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use.

- **Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework**

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

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

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

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

The Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework is not applicable to the Company.

The following amendments to the existing accounting standards which have been issued by the Institute of Chartered Accountants of Sri Lanka are also effective for annual periods beginning on or after 1 January 2022.

- **SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adopter**
- **SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**
- **LKAS 41 Agriculture – Taxation in fair value measurements**

5.2 Finance Business Act Directions issued by the Central Bank of Sri Lanka

The Central Bank of Sri Lanka issued the Finance Business Act Direction No. 1 of 2020 (Classification and Measurement of Credit Facilities) with the intention of harmonizing regulatory reporting framework with the Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and establishing consistent and prudent practices in the Licensed Finance Companies (LFCs). This Direction is effective for financial years beginning on or after 1 April 2022.

6. NET INTEREST INCOME

ACCOUNTING POLICY

Recognition of Interest Income

The Company recognises interest income for all financial instruments measured at amortised cost, financial instruments designated at FVPL and interest-bearing financial assets measured at FVOCI using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

When a financial asset becomes credit-impaired (as set out in Note 40.4.1. (a)) and is, therefore, regarded as ‘Stage 3’, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

The finance companies were also allowed to recover interest at the original EIR during the moratorium period and therefore did not recognize any modification loss on account of the COVID-19 moratorium.

Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
6.1 Interest income		
Interest income on lease receivables	**4,924,340**	5,013,181
Interest income on hire purchase receivables	**488**	182
Interest income on factoring receivables	**33,141**	88,253
Interest income accrued on impaired financial assets	**17,441**	14,640
Interest income on loan receivables	**198,896**	135,233
Interest income on gold loan receivables	**948,639**	1,102,334
Interest income on government securities	**116,884**	185,937
Interest income on overdue rentals	**513,901**	234,310
Interest income on staff loans	**31,321**	35,007
Interest income on placements with banks	**1,385**	5,139
Total interest income	**6,786,436**	6,814,216

Notes to the Financial Statements

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
6.2 Interest expenses		
Bank overdraft	3,320	13,933
Short term borrowings	144,317	242,521
Lease liabilities	50,219	53,007
Customer deposits	1,366,686	1,667,917
Long term borrowings	534,029	1,267,447
Securitization loans	9,513	26,504
Redeemable debentures	705,644	584,986
Total interest expenses	2,813,728	3,856,315
Net interest income	3,972,708	2,957,901

7. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of an acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Other fee and commission expense

Other fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Documentation charges	81,453	72,648
Insurance commission	95,185	108,852
Service charges-Gold loan	99,656	93,634
Processing fees	417	318
Fee based income-Savings	19	82
Other fee & commission income	4,294	3,170
Total fee and commission income	281,024	278,704
Fee and commission expenses		
Guarantee fee	-	-
Total fee and commission expenses		
Net fee and commission income	281,024	278,704

8. OTHER OPERATING INCOME

ACCOUNTING POLICY

Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

Other Income

Other income is recognised on an accrual basis.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Profit on early terminations	840,461	333,835
Profit on disposal of motor vehicles	1,452	1,280
Recovery of bad debts written off	61,295	29,327
Recovery of charges	40,924	33,937
Sundry income	135,739	88,396
Total other operating income	1,079,871	486,775

Notes to the Financial Statements

9. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

The below shows the expected credit loss (ECL) charges for financial instruments for the year recorded in the income statement.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Bank balances (Note 16.1)		
Stage 1	5	4
Stage 2	-	-
Stage 3	-	-
	5	4
Factoring receivables (Note 18.5 & 18.6)		
Stage 1	8,680	(934)
Stage 2	(9,401)	(13,823)
Stage 3	22,501	15,928
	21,780	1,171
Gold loan receivables (Note 19.4 & 19.5)		
Stage 1	4,013	(181)
Stage 2	6,954	(156)
Stage 3	3,560	1,585
	14,527	1,248
Loan receivables (Note 20.5 & 20.6)		
Stage 1	(18,161)	17,780
Stage 2	42,385	18,388
Stage 3	392,569	244,579
	416,793	280,747
Lease receivables (Note 21.6 & 21.7)		
Stage 1	26,004	20,959
Stage 2	415,885	153,865
Stage 3	624,824	746,384
	1,066,713	921,208
Hire purchase receivables (Note 22.6 & 22.7)		
Stage 1	-	(5)
Stage 2	(1,827)	1,848
Stage 3	1,973	(1,195)
	146	648
Repossessed stock (Note 23.1 & 23.2)		
Stage 1	-	-
Stage 2	-	-
Stage 3	68,780	150,397
	68,780	150,397
Other receivables (Note 23.3)		
Stage 1	-	-
Stage 2	-	-
Stage 3	25,118	-
	25,118	-
Credit related commitments & contingencies (Note 42.2)		
Stage 1	4,679	635
Stage 2	(365)	206
Stage 3	-	-
	4,314	841
	1,618,176	1,356,264

10. PERSONNEL EXPENSES

ACCOUNTING POLICY

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

Defined Contribution Plans

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 services in the current and prior periods, as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability under 'Other liabilities'.

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund. Further, the Company also contributes 12% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to "Defined Contribution Plans" as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Basic Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

An actuarial valuation is carried out at every year end to ascertain the full liability under gratuity.

Funding Arrangements

The gratuity liability is not externally funded.

The Company determines the interest expense on this defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds (10 years) that have maturity dates approximating to the terms of the Company's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31 December 2021 (current service cost) has been recognised in the Income Statement under 'Personnel expenses' together with the net interest expense. The Company recognises the total actuarial gain/loss that arises in calculating the Company's obligation in respect of gratuity in other comprehensive income during the period in which it occurs. There were no plan amendments or curtailments affecting the Company's gratuity liabilities during the year ended 31 December 2021 other than those disclosed in Note 34.4 to the Financial Statements.

The demographic assumptions underlying the valuation are retirement age (2021:60 years & 2020:55 years), early withdrawals from service and retirement on medical grounds etc.

Notes to the Financial Statements

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Salaries and bonus	980,641	710,674
Contribution to defined contribution plan	82,643	73,279
Gratuity charge for the year	22,247	23,726
Others	87,411	65,632
	1,172,942	873,311

11. OTHER OPERATING EXPENSES

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Directors' emoluments	31,477	28,385
Auditors' remuneration (Note 11.1)	4,877	5,517
Professional & legal expenses	22,735	20,002
Depreciation & amortization expenses (Note 11.2)	203,258	193,607
Deposit insurance premium	24,455	22,115
Office administration & establishment expenses	258,327	248,716
Advertising expenses	24,638	28,918
Other expenses	47,289	41,975
	617,056	589,235

11.1 Auditors' remuneration

Audit fees	1,540	1,430
Audit related fees & expenses	1,426	1,399
Non - audit expenses	1,911	2,688
	4,877	5,517

11.2 Depreciation & amortization expenses

ACCOUNTING POLICY

Depreciation of Property, Plant and Equipment

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates, on a straight-line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company. Freehold land of the Company not depreciated.

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 derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Asset Category	Depreciation Rate per Annum (%)	
	2021	2020
Office equipment	**15.00**	15.00
Computer equipment	**16.67**	16.67
Office furniture	**15.00**	15.00
Motor Vehicles (except Motor Bicycles)	**12.50**	12.50
Motor Bicycles	**20.00**	20.00
Fixtures	**20.00**	20.00

Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight-line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Company. The Company assumes that there is no residual value for its intangible assets.

Asset Category	Depreciation Rate per Annum (%)	
	2021	2020
Computer software & Licenses	**25.00**	25.00

Amortisation of Right-of-Use Assets

The right of use assets are depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 10 years.

Changes in Estimates

Depreciation/amortization methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. During the year ended 31 December 2021, the Company conducted an operational efficiency review and estimates were revised accordingly.

Notes to the Financial Statements

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Depreciation on property, plant and equipment	62,182	62,899
Amortization of intangible assets	23,993	23,119
Amortisation expenses on right-of-use assets	117,083	107,589
	203,258	193,607

12. INCOME TAX EXPENSE

ACCOUNTING POLICY

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income. The Company applied IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment” in the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Company to provide additional disclosures in the financial statements.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 12.2 to the Financial Statements.

Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in Note 33 and Note 28 to the Financial Statements respectively.

12.1 The major components of income tax expense for the year ended 31 December are as follows.

12.1.1 Current tax expense

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Current tax based on profit for the year (Note 33)	876,882	280,949
(Over)/Under provision of current taxes in respect of previous years (Note 33)		
- Due to income tax rate reduction from 28% to 24%	(56,646)	-
- Due to others	12,426	(110,411)
Current tax expense	832,662	170,538

12.1.2 Deferred tax expense

- Impact on opening deferred assets/liabilities due to income tax rate reduction from 28% to 24%	(41,227)	-
- Impact due to current year movement	(359,904)	97,990
Deferred taxation charge/(reversal) (Note 28)	(401,131)	97,990
Income tax expense (Note 12.2)	431,531	268,528
Effective tax rate	28.3%	39.6%

12.2 Reconciliation of the accounting profit to current tax expense

For the year ended 31 December	2021		2020	
	%	Rs. '000	%	Rs. '000
Profit before tax		1,526,074		678,019
Tax effect on accounting profit before tax	24.0%	366,258	28.0%	189,845
Tax effect of non deductible expenses	44.5%	679,653	132.3%	896,810
Tax effect of other allowable credits	-11.1%	(169,029)	-118.8%	(805,706)
(Over)/ Under provision of current taxes in respect of previous years	-2.9%	(44,220)	-16.3%	(110,411)
Deferred tax charge/(reversal)	-26.3%	(401,131)	14.5%	97,990
	28.3%	431,531	39.6%	268,528

The Company's income is taxed at the rate of 24% and 28% during the years 2021 and 2020 respectively.

Notes to the Financial Statements

12.3 Change of the Income Tax Rate from 28% to 24%

The Company applied the revised rate of 24% and other amendments in line with the Inland Revenue Amendment Act No. 10 of 2021 to calculate the income tax and deferred tax liabilities of the Company as at 31 December 2021. Although these amendments were effective from 1 January 2020, both income tax and deferred tax assets/liabilities for the comparative year have been calculated on the basis that these amendments were not legally enacted in 2020. Accordingly, with the adoption of the new Act, additional tax expense of Rs.97.87 Mn booked in the previous financial year was reversed to the Income Statement in 2021, while Rs 5.68 Mn was reversed to the Statement of Other Comprehensive Income.

12.4 Imposition of a Surcharge Tax at the rate of 25%

In the Budget Proposals 2022, the Government has proposed to impose a surcharge tax at the rate of 25%, on individuals or companies with a taxable income over Rs.2,000 Million for the year of assessment 2020/2021.However, this proposal has not yet been substantively enacted. As such, the Company has not recognized any liability in 2021 financial statements against the proposed surcharge tax.

13. EARNINGS PER ORDINARY SHARE - BASIC/DILUTED (Rs.)

ACCOUNTING POLICY

The Company presents basic /diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Profit attributable to ordinary shareholders (Rs. 000)	**1,094,543**	409,491
Weighted average number of ordinary shares during the year (13.1)	88,626,393	78,247,666
Basic/Diluted earnings per ordinary share- (Rs.)	12.35	5.23

13.1 Weighted average number of ordinary shares (basic)

	Outstanding No: of Shares		Weighted Average No: of Shares	
As at 31 December	**2021**	2020	**2021**	2020
Number of shares in issue as at 1 January	**76,212,072**	73,312,409	**76,212,072**	73,312,409
Add:				
Number of shares issued due to scrip dividend 2020	**-**	2,899,663	**-**	2,899,663
Number of shares issued under rights issue 2021	**13,725,490**	-	**10,378,727**	-
Number of shares issued due to scrip dividend 2021	**2,035,594**	-	**2,035,594**	2,035,594
Number of shares in issue/weighted average number of ordinary shares at 31st December	**91,973,156**	76,212,072	**88,626,393**	78,247,666

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements, which would require the restatement of EPS.

14. DIVIDEND PAID

ACCOUNTING POLICY

Dividends on ordinary shares are recognised as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 on 'Events after the reporting period'.

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Scrip dividends paid (Rs. 000)	**123,214**	142,959
Number of Ordinary Shares	89,937,562	73,312,409
Dividends per Ordinary Share (Rs.)	**1.37**	1.95

A scrip dividend of Rs. 1.37 per share for the year 2020 was paid in May 2021. (A scrip dividend of Rs. 1.95 per share for the year 2019 was paid in June 2020).

Notes to the Financial Statements

15. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) under headings of the Statement of Financial Position.

As at 31 December 2021	Amortised Cost	Equity instruments- FVOCI	Total
	Rs. '000	Rs. '000	Rs. '000
Financial Assets			
Cash and bank balances	250,277	-	250,277
Securities purchased under repurchase agreements	1,839,911	-	1,839,911
Factoring receivables	153,483	-	153,483
Gold loan receivables	5,781,780	-	5,781,780
Loan Receivables	1,643,806	-	1,643,806
Lease receivables	29,088,209	-	29,088,209
Hire purchase receivables	934	-	934
Other assets	487,930	-	487,930
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	900,241	-	900,241
Total Financial Assets	40,146,571	56	40,146,627
Financial Liabilities			
Bank overdraft	191,266	-	191,266
Due to other customers	17,114,923	-	17,114,923
Debt issued and other borrowed funds	17,077,514	-	17,077,514
Other payables	1,049,054	-	1,049,054
Total Financial Liabilities	35,432,757	-	35,432,757

As at 31 December 2020	Amortised Cost	Equity instruments- FVOCI	Total
	Rs. '000	Rs. '000	Rs. '000
Financial Assets			
Cash and bank balances	292,036	-	292,036
Securities purchased under repurchase agreements	2,781,162	-	2,781,162
Factoring receivables	261,944	-	261,944
Gold loan receivables	4,769,716	-	4,769,716
Loan Receivables	1,750,116	-	1,750,116
Lease receivables	29,017,672	-	29,017,672
Hire purchase receivables	2,125	-	2,125
Other assets	747,028	-	747,028
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	34,145	-	34,145
Total Financial Assets	39,655,944	56	39,656,000
Financial Liabilities			
Bank overdraft	250,536	-	250,536
Due to other customers	17,279,614	-	17,279,614
Debt issued and other borrowed funds	17,049,706	-	17,049,706
Other payables	1,192,954	-	1,192,954
Total Financial Liabilities	35,772,810	-	35,772,810

16. CASH AND BANK BALANCES

ACCOUNTING POLICY

Cash and bank balances comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and bank balances are carried at amortised cost in the Statement of Financial Position.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above, placements with banks (less than 3 months) net of unfavourable balances with local banks.

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Cash in hand	134,617	119,237
Balances with local banks	115,680	172,814
Less: Allowance for expected credit losses (Note 16.1)	(20)	(15)
	250,277	292,036

16.1 The movement in provision for expected credit losses is as follows.

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Stage 1		
Balance as at 01 January	15	11
Charge/(Reversal) for the year (Note 9)	5	4
Balance as at 31 December	20	15

17. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Securities purchased under repurchase agreements	1,839,911	2,781,162
	1,839,911	2,781,162

18. FACTORING RECEIVABLES

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Factoring receivables	506,840	604,825
Less: VAT suspense	(293)	(293)
Gross factoring receivable	506,547	604,532
Less : Allowance for expected credit losses/ individual impairment(Note 18.3)	(344,224)	(333,028)
Allowance for expected credit losses/ collective impairment(Note 18.4)	(8,840)	(9,560)
	153,483	261,944

Notes to the Financial Statements

18.1 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individually impaired factoring receivables	-	-	358,533	358,533
Factoring receivables subject to collective impairment	148,014	-	-	148,014
Gross factoring receivables	148,014	-	358,533	506,547
Allowance for expected credit losses(ECL)	(8,840)	-	(344,224)	(353,064)
	139,174	-	14,309	153,483

18.2 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individually impaired factoring receivables	-	162,485	426,618	589,103
Factoring receivables subject to collective impairment	15,429	-	-	15,429
Gross factoring receivables	15,429	162,485	426,618	604,532
Allowance for expected credit losses(ECL)	(160)	(9,401)	(333,027)	(342,588)
	15,269	153,084	93,591	261,944

18.3 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Individually impaired loans		
Balance as at 01 January	333,028	322,948
Charge/ (Reversal) to income statement	22,500	14,839
Write-off during the year	-	-
Interest income accrued on impaired loans(Note 6.1)	(17,441)	(14,640)
Other movements	6,137	9,881
Balance as at 31 December	344,224	333,028

18.4 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	9,560	23,228
Charge/ (Reversal) to income statement	(720)	(13,668)
Balance as at 31 December	8,840	9,560

18.5 Movement in allowance for expected credit losses

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2021	160	9,401	333,027	342,588
Charge/ (Reversal) to income statement (Note 9)	8,680	(9,401)	22,501	21,780
Write-off during the year	-	-	-	-
Interest income accrued on impaired loans (Note 6.1)	-	-	(17,441)	(17,441)
Other movements	-	-	6,137	6,137
Balance as at 31 December 2021	8,840	-	344,224	353,064

18.6 Movement in allowance for expected credit losses

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2020	1,094	23,224	321,858	346,176
Charge/ (Reversal) to income statement (Note 9)	(934)	(13,823)	15,928	1,171
Write-off during the year	-	-	-	-
Interest income accrued on impaired loans (Note 6.1)	-	-	(14,640)	(14,640)
Other movements	-	-	9,881	9,881
Balance as at 31 December 2020	160	9,401	333,027	342,588

19. GOLD LOAN RECEIVABLES

	2021	2020
	Rs. '000	Rs. '000
Gold loan receivables	5,807,067	4,780,476
Less : Allowance for expected credit losses/ collective impairment(Note 19.3)	(25,287)	(10,760)
	5,781,780	4,769,716

19.1 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold loan receivables- subject to collective impairment	3,257,576	1,518,376	1,031,115	5,807,067
Allowance for expected credit losses(ECL)	(7,599)	(9,941)	(7,747)	(25,287)
	3,249,977	1,508,435	1,023,368	5,781,780

19.2 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold loan receivables- subject to collective impairment	3,531,089	693,108	556,279	4,780,476
Allowance for expected credit losses(ECL)	(3,586)	(2,987)	(4,187)	(10,760)
	3,527,503	690,121	552,092	4,769,716

Notes to the Financial Statements

19.3 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	10,760	9,512
Charge/ (Reversal) to income statement	14,527	1,248
Balance as at 31 December	25,287	10,760

19.4 Movement in allowance for expected credit losses

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2021	3,586	2,987	4,187	10,760
Charge/ (Reversal) to income statement (Note 9)	4,013	6,954	3,560	14,527
Balance as at 31 December 2021	7,599	9,941	7,747	25,287

19.5 Movement in allowance for expected credit losses

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2020	3,767	3,143	2,602	9,512
Charge/ (Reversal) to income statement (Note 9)	(181)	(156)	1,585	1,248
Balance as at 31 December 2020	3,586	2,987	4,187	10,760

20. LOAN RECEIVABLES

	2021	2020
	Rs. '000	Rs. '000
Revolving loan receivables	85,481	91,272
Personal/Business loan receivables	2,859,597	2,543,323
Gross loan receivables	2,945,078	2,634,595
Less : Allowance for expected credit losses/ individual impairment(Note 20.3)	(947,444)	(538,525)
Less : Allowance for expected credit losses/ collective impairment(Note 20.4)	(353,828)	(345,954)
	1,643,806	1,750,116

20.1 Analysis of loan receivables on maximum exposure to credit risk

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individually impaired loan receivables	-	129,203	1,157,635	1,286,838
Loan receivables subject to collective impairment	447,328	267,364	943,548	1,658,240
Allowance for expected credit losses(ECL)	(2,049)	(65,834)	(1,233,389)	(1,301,272)
	445,279	330,733	867,794	1,643,806

20.2 Analysis of loan receivables on maximum exposure to credit risk

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individually impaired loan receivables	-	167,053	901,637	1,068,690
Loan receivables subject to collective impairment	698,980	37,714	829,211	1,565,905
Allowance for expected credit losses(ECL)	(20,210)	(23,449)	(840,820)	(884,479)
	678,770	181,318	890,028	1,750,116

20.3 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Individually impaired loans		
Balance as at 01 January	**538,525**	369,638
Charge/ (Reversal) to income statement	**408,919**	168,887
Balance as at 31 December	**947,444**	538,525

20.4 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	**345,954**	234,094
Charge/ (Reversal) to income statement	**7,874**	111,860
Balance as at 31 December	**353,828**	345,954

20.5 Movement in allowance for expected credit losses

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2021	**20,210**	**23,449**	**840,820**	**884,479**
Charge/ (Reversal) to income statement (Note 9)	**(18,161)**	**42,385**	**392,569**	**416,793**
Balance as at 31 December 2021	**2,049**	**65,834**	**1,233,389**	**1,301,272**

20.6 Movement in allowance for expected credit losses

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2020	2,430	5,061	596,241	603,732
Charge/ (Reversal) to income statement (Note 9)	17,780	18,388	244,579	280,747
Balance as at 31 December 2020	20,210	23,449	840,820	884,479

Notes to the Financial Statements

21. LEASE RECEIVABLES

As at 31 December	2021	2020
	Rs. '000	Rs. '000
At Amortized cost		
Total lease rentals receivable	40,237,489	39,486,385
Less: Unearned lease interest income	(8,567,560)	(8,952,904)
Less: VAT suspense	-	(802)
Gross lease receivable	31,669,929	30,532,679
Less: Allowance for expected credit losses/ collective impairment(Note 21.5)	(2,581,720)	(1,515,007)
Net lease receivable (Note 21.1 & 21.2)	29,088,209	29,017,672

Lease receivables include receivables amounting to Rs.12,654,759,247/- (2020- Rs.12,753,269,099/-) that have been assigned under term loan funding arrangement.

21.1 Maturity analysis of net lease receivable

As at 31 December 2021	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	16,449,751	23,682,021	105,717	40,237,489
Less: Unearned lease interest income	(3,968,093)	(4,592,412)	(7,055)	(8,567,560)
Gross lease receivable	12,481,658	19,089,609	98,662	31,669,929
Less: Allowance for expected credit losses	(1,025,453)	(1,548,178)	(8,089)	(2,581,720)
Net lease receivable	11,456,205	17,541,431	90,573	29,088,209

21.2 Maturity analysis of net lease receivable

As at 31 December 2020	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	16,096,350	23,327,826	61,407	39,485,583
Less: Unearned lease interest income	(4,157,620)	(4,791,295)	(3,989)	(8,952,904)
Gross lease receivable	11,938,730	18,536,531	57,418	30,532,679
Less: Allowance for expected credit losses	(598,218)	(913,653)	(3,136)	(1,515,007)
Net lease receivable	11,340,512	17,622,878	54,282	29,017,672

21.3 Analysis of lease receivables on maximum exposure to credit risk

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross lease receivables- subject to collective impairment	10,177,965	14,215,847	7,276,117	31,669,929
Allowance for expected credit losses(ECL)	(122,119)	(673,994)	(1,785,607)	(2,581,720)
	10,055,846	13,541,853	5,490,510	29,088,209

21.4 Analysis of lease receivables on maximum exposure to credit risk

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross lease receivables- subject to collective impairment	10,846,414	11,561,610	8,124,655	30,532,679
Allowance for expected credit losses(ECL)	(96,115)	(258,109)	(1,160,783)	(1,515,007)
	10,750,299	11,303,501	6,963,872	29,017,672

21.5 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	**1,515,007**	690,882
Charge/ (Reversal) to income statement(Note 9)	**1,066,713**	921,208
Write-off during the year	-	(97,083)
Balance as at 31 December	**2,581,720**	1,515,007

21.6 Movement in allowance for expected credit losses

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2021	**96,115**	**258,109**	**1,160,783**	**1,515,007**
Charge/ (Reversal) to income statement (Note 9)	**26,004**	**415,885**	**624,824**	**1,066,713**
Write-off during the year	**-**	**-**	-	**-**
Balance as at 31 December 2021	**122,119**	**673,994**	**1,785,607**	**2,581,720**

21.7 Movement in allowance for expected credit losses

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2020	75,156	104,244	511,482	690,882
Charge/ (Reversal) to income statement (Note 9)	20,959	153,865	746,384	921,208
Write-off during the year	-	-	(97,083)	(97,083)
Balance as at 31 December 2020	96,115	258,109	1,160,783	1,515,007

Notes to the Financial Statements

22. HIRE PURCHASE RECEIVABLES

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Total hire purchase rentals receivable	3,432	4,729
Less: Unearned hire purchase interest income	(502)	(754)
Gross hire purchase receivable	2,930	3,975
Less: Allowance for expected credit losses/ collective impairment(Note 22.5)	(1,996)	(1,850)
Net hire purchase receivable (Note 22.1 & 22.2)	934	2,125

No hire purchase receivables have been assigned under term loan funding arrangements as at 31 December 2021.(2020-Nil).

22.1 Maturity analysis of net hire purchase receivable

As at 31 December 2021	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total hire purchase rentals receivable	2,134	1,298	-	3,432
Less: Unearned hire purchase interest income	(228)	(274)	-	(502)
Gross hire purchase receivable	1,906	1,024	-	2,930
Less: Allowance for expected credit losses	(1,354)	(642)	-	(1,996)
	552	382	-	934

22.2 Maturity analysis of net hire purchase receivable

As at 31 December 2020	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total hire purchase rentals receivable	2,996	1,734	-	4,730
Less: Unearned hire purchase interest income	(269)	(486)	-	(755)
Gross hire purchase receivable	2,727	1,248	-	3,975
Less: Allowance for expected credit losses	(1,289)	(561)	-	(1,850)
	1,438	687	-	2,125

22.3 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross hire purchase receivables- subject to collective impairment	-	1,331	1,599	2,930
Allowance for expected credit losses(ECL)	-	(23)	(1,973)	(1,996)
	-	1,308	(374)	934

22.4 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross hire purchase receivables- subject to collective impairment	-	3,975	-	3,975
Allowance for expected credit losses(ECL)	-	(1,850)	-	(1,850)
	-	2,125	-	2,125

22.5 Allowance for expected credit losses/Impairment

	2021	2020
	Rs. '000	Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	**1,850**	1,202
Charge/ (Reversal) to income statement (Note 9)	**146**	648
Write-off during the year	**-**	-
Balance as at 31 December	**1,996**	1,850

22.6 Movement in allowance for expected credit losses

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2021	**-**	**1,850**	**-**	**1,850**
Charge/ (Reversal) to income statement (Note 9)	**-**	**(1,827)**	**1,973**	**146**
Write-off during the year	-	-	-	-
Balance as at 31 December 2021	**-**	**23**	**1,973**	**1,996**

22.7 Movement in allowance for expected credit losses

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2020	5	2	1,195	1,202
Charge/ (Reversal) to income statement (Note 9)	(5)	1,848	(1,195)	648
Write-off during the year	-	-	-	-
Balance as at 31 December 2020	-	1,850	-	1,850

Notes to the Financial Statements

23. OTHER ASSETS

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Financial Assets		
Repossessed stock	85,699	163,950
Less: Provision for repossessed stock (Note 23.1 & 23.2)	(85,699)	(163,950)
Insurance premium receivable	301,467	487,876
Less: Provision for insurance premium receivable	(4,901)	-
Staff loan	191,927	160,444
Less: Staff loan fair value adjustment	(23,225)	(16,417)
Insurance commission receivable	33,507	62,872
Less: Provision for insurance commission receivable	(20,217)	-
Other financial assets	9,372	52,253
	487,930	747,028
Non Financial Assets		
Pre paid expenses	37,870	35,542
Pre-paid staff cost (Note 23.4)	23,225	16,417
Advance payments	56,920	19,132
Inventories	3,838	3,001
Taxes receivable	250	250
Other non financial assets	27,094	30,301
	149,197	104,643
	637,127	851,671

23.1 Movement in provision for repossessed stock

As at 31 December 2021	Lease	Hire purchase Rs. '000	Loan Rs. '000	Factoring Rs. '000	Total Rs. '000
Balance as at 01 January	159,442	1,843	1,855	810	163,950
Charge/ (Reversal) during the year (Note 9)	67,029	478	875	398	68,780
Write-off during the year	(147,031)	-	-	-	(147,031)
Balance as at 31 December	79,440	2,321	2,730	1,208	85,699

23.2 Movement in provision for repossessed stock

As at 31 December 2020	Lease	Hire purchase Rs. '000	Loan Rs. '000	Factoring Rs. '000	Total Rs. '000
Balance as at 01 January	128,473	4,614	82	66	133,235
Charge/ (Reversal) during the year (Note 9)	147,119	761	1,773	744	150,397
Write-off during the year	(116,150)	(3,532)	-	-	(119,682)
Balance as at 31 December	159,442	1,843	1,855	810	163,950

Repossessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

23.3 Movement in provision for other receivables

	2021	2020
	Rs. '000	Rs. '000
Stage 3		
Balance as at 01 January	-	-
Charge/(Reversal) for the year (Note 9)	25,118	-
Balance as at 31 December	25,118	-

23.4 The Movement in the pre-paid sfaff cost

	2021	2020
	Rs. '000	Rs. '000
Balance as at 1 January	16,417	18,392
Add:Adjustment for new grants (net of settlements)	20,259	11,734
Charge to personnel expenses	(13,451)	(13,709)
Balance as at 31 December	23,225	16,417

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Equity instruments at fair value through OCI	56	56
	56	56

Unquoted equity instruments at FVOCI are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

In 2021, the Company received dividends of Rs.240,000/-(2020-Rs.320,000/-) from these unquoted equity investments, recorded as other operating income.

25. DEBT INSTRUMENTS AT AMORTISED COST

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Government debt securities - treasury bills	900,241	-
Government debt securities - treasury bonds	-	34,145
	900,241	34,145

25.1 Analysis of debt instruments at amortised cost

	2021	2020
	Rs. '000	Rs. '000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	900,241	34,145
	900,241	34,145

Notes to the Financial Statements

26. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period.The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised 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.

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 cost incurred subsequently to add to, replace part of an item of property, plant & equipment. 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

The Company applies the cost model to property, plant & equipment except for freehold land and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Company applies the revaluation model to the entire class of freehold land. Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Freehold land of the Company are revalued every three years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. The Company has revalued its freehold land during the year 2019 and details of the revaluation are given in Note 26.3 to the Financial Statements.

On revaluation of an asset, any increase in the carrying amount is recognised in ‘Other comprehensive income ‘and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In these circumstances, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. 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.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day to day servicing of property, plant and equipment are charged to the Income Statement as incurred.

Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Capital Work -in -Progress

Capital work in progress is stated at cost. It would be transferred to the relevant asset 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 management. Capital work in progress is stated at cost less any accumulated impairment losses.

Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

During the year, Company capitalized Rs.53.34 Million (2020- Rs.36.87 Million)as borrowing cost related to the acquisition of property, plant & equipment. The capitalisation rates used to determine the amount of eligible borrowing costs for capitalisation was 5.0%-8.6% (2020- 5.1%-11.7%).

De-recognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Rates of depreciation for each category of Property, Plant & Equipment are given in Note 11.2, "Depreciation and amortization expenses"

Notes to the Financial Statements

26. PROPERTY, PLANT & EQUIPMENT

26.1 Cost/Valuation

	Freehold Land Rs. '000	Fixtures Rs. '000	Office furniture Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Computer equipment Rs. '000	Capital work-in progress Rs. '000	Total Rs. '000
Balance as at 1 January 2020	367,900	192,800	42,707	98,888	8,528	112,774	463,215	1,286,812
Additions and improvements	-	26,522	3,761	5,860	-	11,803	355,143	403,089
Revaluation surplus	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	(2,730)	-	-	(2,730)
Transfers/Adjustments	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	367,900	219,322	46,468	104,748	5,798	124,577	818,358	1,687,171
Additions and improvements	-	11,570	2,362	3,791	-	74,222	608,946	700,891
Revaluation surplus	-	-	-	-	-	-	-	-
Disposals during the year	-	(364)	(132)	(4,694)	(3,077)	(6,029)	-	(14,296)
Transfers/Adjustments	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	367,900	230,528	48,698	103,845	2,721	192,770	1,427,304	2,373,766
Accumulated Depreciation								
Balance as at 1 January 2020	-	118,709	24,653	52,464	7,780	69,581	-	273,187
Depreciation charge for the year	-	31,012	4,724	12,662	191	14,310	-	62,899
Disposals during the year	-	-	-	-	(2,730)	-	-	(2,730)
Transfers/Adjustments	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	-	149,721	29,377	65,126	5,241	83,891	-	333,356
Depreciation charge for the year	-	25,669	4,848	11,704	181	19,780	-	62,182
Disposals during the year	-	(331)	(124)	(4,668)	(3,077)	(5,787)		(13,987)
Transfers/Adjustments	-	-	-	-		-	-	-
Balance as at 31 December 2021	**-**	**175,059**	**34,101**	**72,162**	**2,345**	**97,884**	**-**	**381,551**
Net book value as at 31 December 2021	**367,900**	**55,469**	**14,597**	**31,683**	**376**	**94,886**	**1,427,304**	**1,992,215**
Net book value as at 31 December 2020	367,900	69,601	17,091	39,622	577	40,686	818,358	1,353,815

The Company's Head Office building is under work-in-progress as at 31 December 2021. Cost incurred up to the reporting date on the building is included under capital work-in-progress of the Company.

26.2 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs.700.89 Million (2020- Rs.403.09 Million).

Cost of fully depreciated assets of the Company which are still in use as at 31 December 2021 is Rs.205.58 Million (2020 - Rs.151.17 Million).

26.3 Fair value related disclosures of freehold land

Freehold land is carried at the revalued amount, being the fair value at the valuation date less any subsequent accumulated impairment losses. The independent valuers provide the fair value of land and buildings once in three years or more frequently if the fair values are substantially different from carrying amounts according to the Company policy. The Company revalued its freehold land as of 31 December 2019,the details of which are given below.

Valuer / Location	Date of Valuation	Net book value before revaluation Rs. '000	Revaluation Amount Rs. '000	Revaluation Gain Rs. '000	Revaluation Gain Recognized in OCI Rs. '000
Valuer -C Wellappilli					
No:111,Dudley Senanayake Mawatha,Colombo 08	31.12.2019	353,750	367,900	14,150	14,150

Fair value hierarchy

The fair value of the Company's freehold land is categorised into Level 3 of the fair value hierarchy.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of freehold land, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Range (weighted average) 2019
Market Comparable Method	Estimated price per perch	Rs.5 Million-Rs.18 Million
	Land extent: 29.1 perches	

"Significant increases/ (decreases) of significant unobservable input (Estimated price per perch) would result in a significantly higher/ (lower) fair value".

26.4 The carrying value of Company's revalued freehold land,if it was carried at cost,would be as follows.

	2021 Cost Rs. '000	2021 Carrying value Rs. '000	2020 Cost Rs. '000	2020 Carrying value Rs. '000
Freehold land	**204,079**	**204,079**	204,079	204,079
	204,079	**204,079**	204,079	204,079

26.5 Temporarily idle Property, Plant and Equipment

The Company does not have any temporarily idle property, plant & equipment as at 31 December 2021 (2020-NIL).

26.6 Property, Plant and Equipment retired from active use

No any property, plant and equipment have been retired from active use as at 31 December 2021 (2020-NIL).

26.7 Title restriction on Property, Plant and Equipment

There were no restrictions on the title of property, plant and equipment as at 31 December 2021 (2020: NIL).

26.8 Property, Plant and Equipment pledged as security against liabilities

The freehold land of the Company has been pledged as a security against a term loan arrangement with the Parent Company -Sampath Bank PLC (2020-NIL).

26.9 Compensation from third parties for items of Property, Plant and Equipment

There were no compensations received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2020: NIL).

Notes to the Financial Statements

27. RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

	2021	2020
	Rs. '000	Rs. '000
Cost		
Balance as at 01 January	**613,552**	507,037
Additions and improvements	**77,374**	106,515
Cost as at 31 December	**690,926**	613,552
Accumulated amortisation		
Balance as at 01 January	**210,973**	103,384
Amortisation expenses for the year	**117,083**	107,589
Accumulated amortisation as at 31 December	**328,056**	210,973
Net book value as at 31 December	**362,870**	402,579

27.1 Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumptions

27.1.1 Sensitivity to Discount Rates

1% increase/(decrease) in discount rate as at 31 December 2021 would have (decreased)/increased the lease liability by approximately Rs 2.0 Million with a similar (decrease)/increase in the right-of-use asset. Had the Company increased/(decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs.0.13 Million.

27.1.2 Sensitivity to Lease Term

Had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31 December 2021 would have increased by Rs. 51.57 Million with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 10.00 Million.

28. DEFERRED TAX LIABILITIES/(ASSETS)

Deferred Tax (Assets), Liabilities and Income Tax relates to the following.

	Accelerated depreciation for tax purposes					
	Property, plant & equipment	Leased assets	Provision for loan losses	Revaluation on land	Retirement benefit obligation	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 31 December 2019	10,477	286,591	(93,801)	45,870	(19,030)	230,107
Income statement(Note 12.1)	(7,206)	(82,609)	193,460	-	(5,655)	97,990
Other comprehensive income	-	-	-	-	252	252
Balance as at 31 December 2020	**3,271**	**203,982**	**99,659**	**45,870**	**(24,433)**	**328,349**
Income statement(Note 12.1)	**(5,751)**	**(119,044)**	**(275,001)**	**-**	**(1,335)**	**(401,131)**
Other comprehensive income	**-**	**-**	**-**	**(6,553)**	**843**	**(5,710)**
Balance as at 31 December 2021	**(2,480)**	**84,938**	**(175,342)**	**39,317**	**(24,925)**	**(78,492)**

29. INTANGIBLE ASSETS

ACCOUNTING POLICY

Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible assets.

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation 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 the specific asset to which it relates. All other expenditure is expensed as incurred.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Intangible assets of the Company as at 31 December 2021 only include computer software and cost of licenses. Rates of amortization for computer software and licenses are given in Note 11.2, 'Depreciation & amortization expenses'.

	2021	2020
	Rs. '000	Rs. '000
Cost		
Balance as at 01 January	**131,373**	130,057
Additions and improvements	**10,217**	1,316
Write off during the year	**-**	-
Cost as at 31 December	**141,590**	131,373
Accumulated amortisation		
Balance as at 01 January	**96,750**	73,631
Amortisation for the year	**23,993**	23,119
Write off during the year	-	-
Accumulated amortisation as at 31 December	**120,743**	96,750
Net book value as at 31 December	**20,847**	34,623

During the financial year, the Company acquired intangible assets (Computer Software) to the aggregate value of Rs.10.21 Million (2020 - Rs.1.31 Million).Cost of fully amortised intangible assets of the Company as at 31 December 2021 which are still in use is Rs. 41.16 Million (2020 - Rs. 39.7 Million). Useful life of the above is estimated as 4 years.

Notes to the Financial Statements

30. DUE TO OTHER CUSTOMERS

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Term deposits	**16,977,557**	17,199,403
Saving deposits	**137,366**	80,211
	17,114,923	17,279,614

31. DEBT ISSUED AND OTHER BORROWED FUNDS

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Loans (31.2)	**10,809,899**	10,761,230
Securitizations	**-**	447,924
Redeemable debentures (31.3)	**6,267,615**	5,840,552
	17,077,514	17,049,706

The company has not had any default of principal, interest or other breaches with regard to any liability during 2020 & 2021.

31.1 Movement in Debt issued and other borrowed funds

	2020	Grantings/ Accrual	Repayments	2021
	Rs. '000	Rs. '000	Rs. '000	**Rs. '000**
Long-term borrowings & securitizations	9,843,438	1,000,000	(4,459,052)	**6,384,386**
Short-term borrowings	1,350,000	3,050,000	-	**4,400,000**
Redeemable debentures	5,578,010	1,500,000	(1,078,010)	**6,000,000**
Capital outstanding of debt issued and other borrowed funds	16,771,448	5,550,000	(5,537,062)	**16,784,386**
Interest on debt issued and other borrowed funds	278,258	1,447,041	(1,432,171)	**293,128**
	17,049,706	6,997,041	(6,969,233)	**17,077,514**

31.2 Loans - on terms

		Amortised cost	
		2021	2020
	Period	**Rs. '000**	Rs. '000
Short term loans			
Sampath Bank PLC	01 Month	**700,997**	-
Nations Trust Bank PLC	03 Months	**1,703,158**	550,524
Seylan Bank PLC	03 Months	**2,007,257**	800,562
		4,411,412	1,351,086

		Amortised cost	
		2021	2020
	Period	**Rs. '000**	Rs. '000
Long term loans			
Sampath Bank PLC	60 Months	**2,236,741**	2,974,556
Commercial Bank PLC	60 Months	**1,882,482**	1,986,961
Hatton National Bank PLC	60 Months	**1,776,800**	3,277,467
Seylan Bank PLC	60 Months	**502,464**	1,171,160
		6,398,487	9,410,144
		10,809,899	10,761,230

The above short term loans and long lerm loans were institution wise aggregated values as at 31 December 2021 and 31 December 2020.

31.2.1 Loans - on maturity

	Payable within 1 year	Payable after 1 year	Total
	Rs. '000	Rs. '000	Rs. '000
Short term loans and long lerm loans payable	6,934,731	3,875,168	10,809,899
	6,934,731	3,875,168	10,809,899

31.3 Redeemable debentures - movement

	2021	2020
	Rs. '000	Rs. '000
Balance as at 01st January	**5,840,552**	3,578,010
Debentures issued	**1,500,000**	2,000,000
Debentures redeemed	**(1,078,010)**	-
	6,262,542	5,578,010
Interest payable	**700,554**	670,023
Interest paid	**(695,481)**	(407,481)
Balance as at 31st December	**6,267,615**	5,840,552

31.3.1 Redeemable debentures - maturity

	Payable within 1 year	Payable after 1 year	Total
	Rs. '000	Rs. '000	Rs. '000
Debentures payable	1,267,615	5,000,000	6,267,615
	1,267,615	5,000,000	6,267,615

Notes to the Financial Statements

31.3.2 Details of debentures issued

	No of Debentures	Issue Date	Maturity Date	Rate of Interest	Amortised cost 2021 Rs. '000	Amortised cost 2020 Rs. '000
Rated unsecured senior redeemable debentures*	10,780,100	20-Sep-16	20-Sep-21	13.50%	**-**	1,119,476
Rated unsecured subordinated redeemable debentures	10,000,000	4-Oct-17	4-Oct-22	12.50%	**1,030,479**	1,030,822
Rated unsecured subordinated redeemable debentures	15,000,000	8-Aug-19	8-Aug-24	13.33%	**1,579,980**	1,580,528
Rated unsecured senior redeemable debentures	20,000,000	7-Jul-20	7-Jul-23	11.25%	**2,109,726**	2,109,726
Rated unsecured subordinated redeemable debentures	15,000,000	1-Sep-21	1-Sep-26	9.46%	**1,547,430**	-
					6,267,615	5,840,552

*The Company has redeemed these debentures on 20 September 2021.

32. OTHER PAYABLES

As at 31 December	2021 Rs. '000	2020 Rs. '000
Financial Liabilities		
Vendor payable	**260,998**	238,610
Insurance premium payable	**100,489**	198,664
Lease liabilities(Note 32.1 & 32.2)	**414,660**	441,322
Other financial liabilities	**272,907**	314,358
	1,049,054	1,192,954
Non Financial Liabilities		
Other taxes payable	**111,953**	69,494
Accrued expenses	**36,604**	22,837
Deposit insurance premium	**2,116**	2,007
Deferred guarantee income	**49**	48
Other non financial liabilities	**67,895**	24,740
	218,617	119,126
	1,267,671	1,312,080

32.1 Movement of lease liabilities during the year is as follows.

	2021	2020
	Rs. '000	Rs. '000
Balance as at 1 January	**441,322**	421,624
Additions	**77,374**	106,515
Accretion of interest (Note 6.2)	**50,219**	53,007
Payments during the year	**(154,255)**	(139,824)
Balance as at 31 December	**414,660**	441,322

32.2 Maturity analysis of lease liabilities

	2021	2020
	Rs. '000	Rs. '000
Less than one year	**146,845**	159,950
One to five years	**193,371**	244,864
More than five years	**74,444**	36,508
Total lease liabilities as at 31 December	**414,660**	441,322

33. CURRENT TAX LIABILITIES

	2021	2020
	Rs. '000	Rs. '000
Balance as at 1 January	**118,150**	407,066
Adjustment (ESC/WHT/Notional Tax etc.)	**-**	(10,401)
Current tax based on profit for the year (Note 12.1)	**876,882**	280,949
Over provision in respect of previous years (Note 12.1)	**(44,220)**	(110,411)
Payment of tax	**(181,885)**	(449,053)
Balance as at 31 December	**768,927**	118,150

34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 December 2021 by Messrs. Piyal S Goonethilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard-LKAS 19 (Employee Benefits).

34.1 Defined benefit obligation reconciliation

	2021	2020
	Rs. '000	Rs. '000
Balance as at 01 January	**87,260**	67,965
Amount recognised in the income statement (34.2)	**22,247**	23,726
Amounts recognised in other comprehensive income (34.3)	**123**	(901)
Benefits paid by the plan	**(5,777)**	(3,530)
Balance as at 31 December	**103,853**	87,260

Notes to the Financial Statements

34.2 Amount recognised in the Income Statement

	2021	2020
	Rs. '000	Rs. '000
Current service cost for the year	**18,496**	16,529
Interest on the defined benefit liability	**6,980**	7,197
Gain on plan amendment during the year	**(3,229)**	-
Total amount recognised in income statement	**22,247**	23,726

34.3 Amounts recognised in Other Comprehensive Income (OCI)

	2021	2020
	Rs. '000	Rs. '000
Actuarial (gain)/loss due to changes in assumptions		
- Financial Assumptions	**(601)**	(1,292)
- Demographic Assumptions	**-**	-
Liability experience (gain) losses arising during the year	**724**	391
Total amount recognized in OCI	**123**	(901)

34.4 Assumptions

	2021	2020
Financial assumptions*		
Discount rate	**11.50%**	8.00%
Future salary increment rate	**10.90%**	7.41%
Demographic assumptions		
Mortality	**GA 1983**	GA 1983
	Mortality Table	Mortality Table
Retirement age **	**60 Years**	55 Years

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

Expected average future working life of the active participants is 16.4 years. (2020: 14.0 years)

The weighted average duration of the defined benefit obligation is 15.7 years(2020:12.7 years)

**The minimum retirement age has been extended up to 60 years with effect from 17 November 2021 as per the “Minimum Retirement Age of Workers Act, No. 28 of 2021” .

34.5 Sensitivity assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Gratuity liability is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

		2021		2020	
Variable	Rate Change	Sensitivity Effect on gratuity liability- Increase/ (Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income- (Charged)/ Reversal (Rs. Mn.)	Sensitivity Effect on gratuity liability- Increase/ (Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income- (Charged)/ Reversal (Rs. Mn.)
Discount rate	1.00%	(13.04 Million)	13.04 Million	(9.25 Million)	9.25 Million
Discount rate	-1.00%	15.80 Million	(15.80 Million)	10.93 Million	(10.93 Million)
Salary Increment rate	1.00%	15.50 Million	(15.50 Million)	10.64 Million	(10.64 Million)
Salary Increment rate	-1.00%	(13.04 Million)	13.04 Million	(9.20 Million)	9.20 Million

35. STATED CAPITAL

As at 31 December	2021		2020	
	No. of shares	Rs.000	No. of shares	Rs.000
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01 January	76,212,072	1,522,881	73,312,409	1,379,922
Rights issue	13,725,490	700,000	-	-
Scrip dividend	2,035,594	123,214	2,899,663	142,959
Ordinary shares as at 31 December	91,973,156	2,346,095	76,212,072	1,522,881

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

35.1 Share application money pending allotment

Share application money pending allotment as at 31 December 2020 represented applications received from existing shareholders on rights issue of shares. The equity shares have been allotted against the aforementioned share application money during the year 2021.

36. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly

Notes to the Financial Statements

5% of the net profit for the year is transferred to the Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Balance as at 01 January	185,000	164,000
Transfer during the year	55,000	21,000
Balance as at 31 December	240,000	185,000

37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land as at the date of revaluation.

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Balance as at 01 January	117,951	117,951
Revaluation surplus(net of tax)	-	-
Deferred tax effect of rate change on the opening balance	6,553	-
Balance as at 31 December	124,504	117,951

38. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

39. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Equity instruments at fair value through OCI/Financial Assets-Available for Sale

Equity instruments at fair value through OCI/Available for sale financial assets primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

Variable rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value and non financial assets carried at fair value in the financial statements.

	2021					2020				
	Rs. '000					Rs. '000				
		Fair value measurement using					Fair value measurement using			
	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Siginificant unobservable inputs (Level 3)	Total	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Siginificant unobservable inputs (Level 3)	Total
FINANCIAL ASSETS										
Factoring receivables	153,483	-	950,530	-	950,530	261,944	-	889,022	-	889,022
Gold loan receivables	5,781,780	-	5,781,405	-	5,781,405	4,769,716	-	4,745,591	-	4,745,591
Loan receivables	1,643,806	-	3,015,054	-	3,015,054	1,750,116	-	2,576,936	-	2,576,936
Lease receivables	29,088,209	-	32,175,996	-	32,175,996	29,017,672	-	31,582,949	-	31,582,949
Debt instruments at amortised cost	900,241	-	900,241	-	900,241	34,145	-	34,609	-	34,609
Equity instruments at fair value through OCI	56	-	-	56	56	56	-	-	56	56
Hire purchase receivables	934	-	3,300	-	3,300	2,125	-	4,163	-	4,163
TOTAL FINANCIAL ASSETS	37,568,509	-	42,826,526	56	42,826,582	35,835,774	-	39,833,270	56	39,833,326
FINANCIAL LIABILITIES										
Due to other customers	17,114,923	-	17,632,330	-	17,632,330	17,279,614	-	18,405,585	-	18,405,585
Debt instruments issued and other borrowed funds	17,077,514	-	17,112,936	-	17,112,936	17,049,706	-	17,515,667	-	17,515,667
TOTAL FINANCIAL LIABILITIES	34,192,437	-	34,745,266	-	34,745,266	34,329,320	-	35,921,252	-	35,921,252

There were no transfers between levels of fair value hierarchy during 2020 and 2021.

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature ore re-priced to current market rates frequently.

Assets

Cash and bank balances
Securities purchased under repurchase agreements
Placements with banks
Other assets

Liabilities

Bank overdraft
Other payables

Notes to the Financial Statements

40. RISK MANAGEMENT

40.1 Introduction

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

The Company is mainly exposed to Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk, Regulatory & Compliance Risk, Reputation Risk and Environmental Risk.

40.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board, oversees the risk management function in line with the Board approved policies and strategies. The Integrated Risk Management Committee shall develop the policy and operations for Company-wide risk management. The Committee comprises of Executive and Non-Executive Directors. Meeting of the BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The said Committee consists of such number of members, as the Board may determine from time to time. The Committee currently consists of membership of 4 Directors, Managing Director and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the BIRM Committee, the Risk Management function is managed by the Risk Management Department (RMD). The RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. The RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

Responding to COVID-19 pandemic risks

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

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

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

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

40.3 Risk measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defense". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions.

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigating measures suggested.

Credit Risk	**1.Default Risk** Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations **2. Concentration Risk** Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)	• Probability of Default • Loss Given Default • Sector / Asset / Client / Branch Concentrations of Lending Portfolio • Concentrations in Repossessed assets • Macro Credit Portfolio risk measures such as a) Provision Coverage b) Net NPL as a % of Equity Funds	• Board approved credit policies/ procedures/ framework and annual review • Delegated authority levels/ segregation of duties • Setting Prudential limits on maximum exposure - Overall NPL Ratio setting based on risk appetite - Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios - Concentration limits for clients/ groups, asset types • Monitoring of exposures against the limits • Trend analysis reported to BIRMC Strict compliance with CBSL Guidelines

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Interest rate risk	Adverse effect on Net Interest Income	• Net Interest Yield and Movement in Net Interest Yield • Lending to Borrowing Ratio • Tracking of Movements in Money Market rates • Marginal Cost of funds / Risk based Pricing • Gaps in asset Liability Re-Pricing • Cumulative Gaps as a % of Cumulative Liabilities	• Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets • Setting of Lending to Borrowing ratios • Gaps limits for structural liquidity, • Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets
Liquidity Risk	Inability to meet obligations as they fall due	• Gaps in dynamic liquidity flows • Stocks of high quality liquid assets	• Volatile Liability Dependency measures • Balance sheet ratios

40.4 Credit Risk

Credit risk is the risk of financial loss to the Company, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit facilities given to customers and investments in debt securities. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Management of Credit Risk

In credit risk management, the rigorous credit screening process adopted has been a core competency of the Company. The multiple layers of approving lines ensure that credit risk is mitigated in all aspects.

At the initial level, the credit facilities are preliminary screened at the branch level and a credit evaluation is done. Then based on the exposure the facility is escalated upwards for approval along with a credit risk assessment. In determining the borrower's credit risk the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility the equity contribution, security cover and guarantors are taken in to consideration.

Post approval pre-disbursement stage is covered by the Credit Administration department under which security documentation and disbursement is done. Post disbursement monitoring is efficiently carried out by both the branch network and the recoveries department based on the repayment pattern.

Early warnings signals captured through trigger lists done by credit risk management is also shared with respective departments to aid the post disbursement monitoring. Further timely reviews of facilities also ensure that any early warning signs are captured and required corrective steps are taken to arrest any unexpected default.

40.4.1 Impairment Assessment

The methodology of the impairment assessment has explained in Note 3.1.8 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

40.4.1. (a) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

* Internal assessment of the borrower indicating default or near-default
* The borrower requesting emergency funding from the Company
* The borrower having past due liabilities to public creditors or employees
* The borrower is deceased
* A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
* A material decrease in the borrower's turnover or the loss of a major customer
* A covenant breach not waived by the Company
* The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
* Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

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40.4.1 (b) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the SLFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). Accordingly, as explained in Note 3.1.8, a case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2. The Company has identified industries such as tourism, manufacturing, construction (including condominiums), and transportation as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and has specifically identified as stage 1.

This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

40.4.1 (c) Analysis of the total allowance for expected credit losses is as follows.

As at 31 December	2021				2020			
	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
Cash & cash equivalents	20	-	-	20	15	-	-	15
Loans & Advances:								
Factoring receivables	8,840	-	344,224	353,064	160	9,401	333,027	342,588
Gold loan receivables	7,599	9,941	7,747	25,287	3,586	2,987	4,187	10,760
Loan receivables	2,049	65,834	1,233,389	1,301,272	20,210	23,449	840,820	884,479
Lease receivables	122,119	673,994	1,785,607	2,581,720	96,115	258,109	1,160,783	1,515,007
Hire purchase receivables	-	23	1,973	1,996	-	1,850	-	1,850
Repossessed stock	-	-	85,699	85,699	-	-	163,950	163,950
Other receivables	-	-	25,118	25,118	-	-	-	-
Credit related commitments & contingencies	5,431	-	-	5,431	753	364	-	1,117
Total impairment for expected credit losses	146,058	749,792	3,483,757	4,379,607	120,839	296,160	2,502,767	2,919,766

40.4.1(d) Movement of the total allowance for expected credit losses during the period

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Balance as at 01 January	2,919,766	1,785,024
Net charge to profit or loss (Note 9)	1,618,176	1,356,264
Write-off during the year	(147,031)	(216,763)
Interest income accrued on impaired loans & receivables (Note 6.1)	(17,441)	(14,640)
Other movements	6,137	9,881
Balance as at 31 December	4,379,607	2,919,766

The methodology used in the determination of expected credit losses is explained in Note 3.1.8 to Financial Statements. As explained in the said Note, the company has made allowances for overlays where required to address the uncertainties and potential implications of COVID-19.

40.4.1 (e) Credit exposure and provision for impairment (ECL) movement - Loans and Advances

The following table show reconciliations from the opening to closing balance of the gross carrying amounts and provision for impairment of loans and advances.

	2021							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and advances at amortised cost								
Balance as at 1 January 2021	15,091,718	120,071	12,625,946	295,797	11,002,542	2,502,765	38,720,206	2,918,633
- Transfer to stage 1	(3,338,221)	(35,325)	2,485,127	26,517	853,094	8,808	-	-
- Transfer to stage 2	653,257	11,005	(3,059,849)	(73,285)	2,406,592	62,280	-	-
- Transfer to stage 3	15,302	93	471,684	23,662	(486,986)	(23,755)	-	-
Net remeasurement of impairment	-	(4,543)	-	66,872	-	724,826	-	787,155
New financial assets originated or purchased	9,770,242	90,187	10,129,263	495,164	3,106,676	1,022,400	23,006,181	1,607,751
Financial assets that have been derecognised	(8,161,415)	(40,881)	(6,574,245)	(91,794)	(5,902,236)	(695,594)	(20,637,896)	(828,269)
Write-offs	-	-	-	-	(147,031)	(147,031)	(147,031)	(147,031)
Interest accrued on impaired loans and advances	-	-	-	-	-	(17,441)	-	(17,441)
Other changes	-	-	-	-	-	6,137	-	6,137
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	54,195	6,859	21,595	15,244	75,790	22,103
Balance as at 31 December 2021	14,030,883	140,607	16,132,121	749,792	10,854,246	3,458,639	41,017,250	4,349,038

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40. Risk Management Contd;

	2020							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and advances at amortised cost								
Balance as at 1 January 2020	22,804,869	92,297	9,300,501	125,830	5,906,121	1,566,611	38,011,491	1,784,738
- Transfer to stage 1	(6,850,835)	(22,031)	4,320,859	18,682	2,529,976	3,349	-	-
- Transfer to stage 2	189,792	(708)	(14,662)	(8,925)	(175,130)	9,633	-	-
- Transfer to stage 3	(189,922)	3,657	(3,031,031)	(11,393)	3,220,953	7,736	-	-
Net remeasurement of impairment	-	7,486	-	4,146	-	243,567	-	255,199
New financial assets originated or purchased	10,416,756	71,788	7,631,863	213,434	2,292,216	1,029,260	20,340,835	1,314,482
Financial assets that have been derecognised	(11,278,748)	(32,415)	(5,607,045)	(46,496)	(2,753,864)	(224,759)	(19,639,657)	(303,670)
Write-offs	-	-	-	-	(216,765)	(216,765)	(216,765)	(216,765)
Interest accrued on impaired loans and advances	-	-	-	-	-	(14,640)	-	(14,640)
Other changes	-	-	-	-	-	9,882	-	9,882
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	25,460	518	198,843	88,893	224,303	89,411
Balance as at 31 December 2020	15,091,912	120,074	12,625,945	295,796	11,002,350	2,502,767	38,720,207	2,918,637

40.4.1(f) Sensitivity Analysis : Impact of extending the recovery of cash flows by further one year for individually significant impaired loans

Had the Company further extended the recovery of cash flows by one year, only for instances where cash flows is forecasted based on collateral realization, the cumulative impairment provision for individually significant impaired loans would have increased by Rs.54.78 Million (2020:Rs.29.1 Million).

40.4.1(g) Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses

As explained in Note 3.1.8.1, the Company categorises its loans into stage 1, stage 2, stage 3 and originated credit impaired when determining the collective impairment provision under SLFRS 9. The sensitivity of collective impairment provision to staging of the loans is given below.

*If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Company as at 31 December 2021 would have reduced by approximately 28% (2020 - 12%). The total loans and advances in stage 2 as at 31 December 2021 amounts to Rs.16.21 Billion.

*If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Company as at 31 December 2021 would have further increased by approximately 7% (2020 - 15%). The total loans and advances in stage 1 as at 31 December 2021 amounts to Rs.14.25 Billion. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

40.4.1(h) Sensitivity Analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

The Company calculates expected credit losses based on three probability-weighted scenarios. The weightages used by the Company as at 31 December 2021 are disclosed in Note 3.1.8.8 along with the weightages used in 2020. During the year, due to the uncertainties created by COVID-19 pandemic, the Company further increased the weightage assigned to the worst case scenario by 15%, decreasing the weightage of the best case scenario by 15% .

A further 20% increase in the worst case scenario with a similar decrease in the base case scenario would have increased the collective impairment provision of the Company by approximately Rs. 5.9 Mn as at 31 December 2021.

40.4.1(i) Breakdown of loans classified under stage 2

	2021				2020			
	Not Contractually Past due	Contractually Past due 31 - 60 Days	61 - 90 Days	Total	Not Contractually Past due	Contractually Past due 31 - 60 Days	61 - 90 Days	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Factoring receivables	-	-	-	-	152,927	-	9,558	162,485
Gold loan receivables	-	859,324	659,051	1,518,375	-	520,799	172,309	693,108
Loan receivables	235,415	67,193	93,960	396,568	120,925	25,598	58,244	204,767
Lease receivables	8,331,771	3,498,377	2,385,699	14,215,847	5,152,021	3,619,804	2,789,785	11,561,610
Hire purchase receivables	-	1,331	-	1,331	-	-	3,975	3,975
	8,567,186	4,426,225	3,138,710	16,132,121	5,425,873	4,166,201	3,033,871	12,625,945

40.4.1(j) Overview of rescheduled / restructured loans and advances (except individually impaired loans and advances)

An analysis of rescheduled/restructured loans and advances of the Company which are in stage 2 and stage 3 is given below along with the impairment for ECL. This does not include individually significant impaired loans and advances for which ECLs have been derived by discounting future cash flows of such loans.

As at 31st December	2021							2020						
	Gross Carrying Value			Allowance for ECL				Gross Carrying Value			Allowance for ECL			
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Net Carrying Value	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Net Carrying Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Loan receivables	2,535	62,152	64,687	156	8,972	9,128	55,559	6,726	196,578	203,304	100	60,101	60,201	143,103
Lease receivables	455,497	832,926	1,288,423	17,325	334,014	351,339	937,084	258,632	1,060,755	1,319,387	5,101	138,940	144,041	1,175,346
	458,032	895,078	1,353,110	17,481	342,986	360,467	992,643	265,358	1,257,333	1,522,691	5,201	199,041	204,242	1,318,449

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40.4.1(k) Analysis of upgraded rescheduled / restructured loans and advances during the year (except individually impaired loans and advances)

As at 31 December	2021		2020	
	Amortised Cost Rs. '000	Allowance for ECL Rs. '000	Amortised Cost Rs. '000	Allowance for ECL Rs. '000
Loan receivables	170	574	3	301
Lease receivables	80,712	106,800	977	7,659
	80,882	107,374	980	7,960

40.4.1(l) Analysis of the loans and advances eligible for the COVID-19 Debt Moratorium

Following table shows the stage-wise analysis of loan and advances which are under COVID -19 debt moratorium.

As at 31 December	2021		2020	
	Amortised Cost Rs. '000	Allowance for ECL Rs. '000	Amortised Cost Rs. '000	Allowance for ECL Rs. '000
Stage 1	759,704	29,764	1,991,719	27,129
Stage 2	1,909,637	125,662	1,756,034	40,836
Stage 3	3,341,707	645,763	2,398,885	264,417
	6,011,048	801,189	6,146,638	332,382

Impairment for expected credit losses for loans and advances classified under all stage 1 and stage 2 includes, an additional provision of approximately Rs. 382.4 Mn by way of an allowance for overlay, in anticipation that some of these loans would move into Stage 3 after the end of the COVID-19 moratorium.

40.4.2 Risks on Credit-related Commitments

The Company makes available to its customers, guarantees that may require the Company to make payments on behalf of customers and enters into commitments to extend credit lines to secure their liquidity needs. Letters of guarantees are commitments to make payments on behalf of customers in the event of a specific act. Such commitments expose the Company to risks similar to loans and are mitigated by the same control processes and policies.

40.4.3 Maximum Exposure to Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained include mortgages over residential properties, motor vehicles, gold etc.

The Company also obtains guarantees from parent companies as securities against loans granted to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Company’s policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets.

As at 31 December	2021		2020	
	Maximum Exposure to Credit Risk Rs. '000	**Net Exposure Rs. '000**	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000
Financial Assets				
Cash and bank balances	**250,277**	**115,680**	292,036	172,814
Securities purchased under repurchase agreements	**1,839,911**	**-**	2,781,162	-
Factoring receivables	**153,483**	**100,370**	261,944	215,056
Gold loan receivables	**5,781,780**	**-**	4,769,716	-
Loan receivables	**1,643,806**	**164,427**	1,750,116	427,872
Lease receivables	**29,088,209**	**-**	29,017,672	-
Hire purchase receivables	**934**	**-**	2,125	-
Other assets	**487,930**	**296,003**	747,028	603,001
Equity instruments at fair value through OCI	**56**	**56**	56	56
Debt instruments at amortised cost	**900,241**	**-**	34,145	-
Total Financial Assets	**40,146,627**	**676,536**	39,656,000	1,418,799

Approximately 9.7% (2020:91.6%) of the loans and receivables are secured against securities including movable property, gold, lease receivables etc.Further, 1.2% and 1.3% (2020: 2.0% and 0.7%) of the loans and receivables of the Company are secured against immovable property and deposits held within the Company respectively.

40.4.4 Collateral and other credit enhancements - Stage 3 loans

The tabel below sets out the carrying amounts of stage 3 loans and receivables, grouped based on the collateral held against those loans and advances

As at 31 December 2021		Type of collateral						
	Gross amount Rs'000	**Vehicles Rs'000**	**Gold articles Rs'000**	**Land security Rs'000**	**Offsetting agreements Rs'000**	**Other securities Rs'000**	**Total Collateral Rs'000**	**Associated ECL Rs'000**
Factoring receivables	**358,533**	**-**	**-**	**-**	**1,924**	**-**	**1,924**	**344,224**
Gold loan receivables	**1,031,114**	**-**	**1,031,114**	**-**	**-**	**-**	**1,031,114**	**7,747**
Loan receivables	**2,101,183**	**463,782**	**-**	**653,953**	**39,661**	**36,508**	**1,193,904**	**1,233,389**
Lease receivables	**7,276,117**	**7,276,117**	**-**	**-**	**-**	**-**	**7,276,117**	**1,785,607**
Hire purchase receivables	**1,599**	**1,599**	**-**	**-**	**-**	**-**	**1,599**	**1,973**
Total	**10,768,546**	**7,741,498**	**1,031,114**	**653,953**	**41,585**	**36,508**	**9,504,658**	**3,372,940**

As at 31 December 2020		Type of collateral						
	Gross amount Rs'000	**Vehicles Rs'000**	**Gold articles Rs'000**	**Land security Rs'000**	**Offsetting agreements Rs'000**	**Other securities Rs'000**	**Total Collateral Rs'000**	**Associated ECL Rs'000**
Factoring receivables	426,618	-	-	-	16,898	-	16,898	333,027
Gold loan receivables	556,279	-	556,279	-	-	-	556,279	4,187
Loan receivables	1,730,848	22,171	-	652,133	56,683	67,490	798,477	840,820
Lease receivables	8,124,655	8,124,655	-	-	-	-	8,124,655	1,160,783
Hire purchase receivables	-	-	-	-	-	-	-	-
Total	10,838,400	8,146,826	556,279	652,133	73,581	67,490	9,496,309	2,338,817

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40.4.5 Offsetting financial assets and liabilities

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed.

	2021			2020		
	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000	Gross amount Rs. '000	Amount subject to netting but do not qualify for offsetting Rs. '000	Net amount Rs. '000
Financial Assets						
Loan receivables	583,026	482,737	100,289	265,800	237,623	28,127

40.4.6 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position, including geography of counterparty and industry.

	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
As at 31st December 2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and bank balances	-	-	-	-	-	-	-	-	250,277	-	-	250,277
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	1,839,911	-	-	-	1,839,911
Factoring receivables	91,297	-	21,227	22,111	1,924	-	16,924	-	-	-	-	153,483
Gold loan receivables	-	-	-	-	-	-	-	-	-	5,781,780	-	5,781,780
Loan receivables	175,070	43,193	68,673	345,905	240,439	95,928	313,874	-	-	179,861	180,863	1,643,806
Lease receivables	2,810,907	969,467	3,363,755	5,308,071	2,027,471	2,985,648	8,563,301	-	1,063,539	1,529,408	466,642	29,088,209
Hire purchase receivables	-	-	-	-	-	-	-	-	934	-	-	934
Other assets	24,744	18,739	28,910	55,661	25,780	32,586	74,952	-	104,579	106,412	15,567	487,930
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	900,241	-	-	-	900,241
	3,102,018	1,031,399	3,482,565	5,731,748	2,295,614	3,114,162	8,969,051	2,740,152	1,419,385	7,597,461	663,072	40,146,627

40. Risk Management Contd;

As at 31st December 2020	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and bank balances	-	-	-	-	-	-	-	-	292,036	-	-	292,036
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	2,781,162	-	-	-	2,781,162
Factoring receivables	171,184	-	22,786	34,774	2,880	-	30,320	-	-	-	-	261,944
Gold loan receivables	-	-	-	-	-	-	-	-	-	4,769,716	-	4,769,716
Loan receivables	304,918	36,681	54,084	463,637	279,491	63,740	164,121	-	-	228,111	155,333	1,750,116
Lease receivables	2,420,865	1,380,914	2,987,262	5,055,334	2,023,709	2,725,798	8,655,739	-	1,561,661	1,720,932	485,458	29,017,672
Hire purchase receivables	-	-	267	555	-	-	-	-	1,303	-	-	2,125
Other assets	-	-	-	-	-	-	-	-	-	-	747,028	747,028
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	34,145	-	-	-	34,145
	2,896,967	1,417,595	3,064,399	5,554,300	2,306,080	2,789,538	8,850,180	2,815,307	1,855,056	6,718,759	1,387,819	39,656,000

The provisional breakdown for factoring,gold loan,loans,leasing and hire purchases is as follows.

	2021	2020
Province	Rs. '000	Rs. '000
Central	**4,907,336**	4,496,306
Eastern	**3,439,816**	3,049,502
North Central	**1,534,123**	1,464,198
North Western	**3,883,754**	3,796,590
Northern	**1,062,923**	759,466
Sabaragamuwa	**2,283,725**	2,118,583
Southern	**2,587,624**	2,614,071
Uva	**524,493**	419,484
Western	**16,444,418**	17,083,373
Total	**36,668,212**	35,801,573

Notes to the Financial Statements

40.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing brands. ALCO is the monitoring body for compliance with these limits and assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

40.5.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Income Statement & Equity.

Rs. Million

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2021	**2021**	**2021**
Long Term Loans linked to AWPLR	**1/ (-1)**	**(102.93)/102.93**	**1.65%**
	0.5 / (0.5)	**(51.46)/51.46**	**0.83%**
	0.25 / (0.25)	**(25.73)/25.73**	**0.41%**
	2020	**2020**	**2020**
Long Term Loans linked to AWPLR	1/ (-1)	(87.59)/87.59	1.71%
	0.5 / (0.5)	(43.79)/43.79	0.85%
	0.25 / (0.25)	(21.90)/21.90	0.43%

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 61.32% (2020-52.22%) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

40.5.2 Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities

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

As at 31 December 2021	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets							
Cash and bank balances	250,277	-	-	-	-	-	250,277
Securities purchased under repurchase agreements	369,283	1,470,628	-	-	-	-	1,839,911
Factoring receivables	25,477	128,006	-	-	-	-	153,483
Lease receivables	4,362,727	7,093,477	12,546,582	4,994,849	90,574	-	29,088,209
Hire purchase receivables	489	63	382	-	-	-	934
Gold loan receivables	4,554,911	1,226,869	-	-	-	-	5,781,780
Loan receivables	790,478	349,767	356,338	94,732	52,491	-	1,643,806
Other assets	5,671	39,538	80,997	63,894	1,828	296,002	487,930
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	-	900,241	-	-	-	-	900,241
Total Financial Assets	10,359,313	11,208,589	12,984,299	5,153,475	144,949	296,002	40,146,627
Financial Liabilities							
Bank overdraft	191,266	-	-	-	-	-	191,266
Due to other customers	5,626,382	9,510,671	1,521,150	454,795	1,925	-	17,114,923
Debt instruments issued and other borrowed funds	10,343,232	1,342,615	3,700,000	1,691,667	-	-	17,077,514
Other payables	-	-	-	-	-	1,049,054	1,049,054
Total Financial Liabilities	16,160,880	10,853,286	5,221,150	2,146,462	1,925	1,049,054	35,432,757
Interest Sensitivity Gap	(5,801,567)	355,303	7,763,149	3,007,013	143,024	(753,052)	4,713,870

Notes to the Financial Statements

40. Risk Management Contd;

As at 31 December 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets							
Cash and bank balances	292,036	-	-	-	-	-	292,036
Securities purchased under repurchase agreements	1,773,880	1,007,282	-	-	-	-	2,781,162
Factoring receivables	93,230	168,714	-	-	-	-	261,944
Lease receivables	4,789,880	6,550,631	13,019,480	4,603,397	54,284	-	29,017,672
Hire purchase receivables	1,361	78	270	416	-	-	2,125
Gold loan receivables	3,178,579	1,591,137	-	-	-	-	4,769,716
Loan receivables	79,749	1,099,262	355,553	130,719	84,833	-	1,750,116
Other assets	482,418	26,189	68,854	47,850	6,591	115,126	747,028
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	-	34,145	-	-	-	-	34,145
Total Financial Assets	10,691,133	10,477,438	13,444,157	4,782,382	145,764	115,126	39,656,000
Financial Liabilities							
Bank overdraft	250,536	-	-	-	-	-	250,536
Due to other customers	5,859,184	8,125,050	2,742,597	551,520	1,263	-	17,279,614
Debt instruments issued and other borrowed funds	10,657,396	1,532,310	3,360,000	1,500,000	-	-	17,049,706
Other payables	-	-	-	-	-	1,192,954	1,192,954
Total Financial Liabilities	16,767,116	9,657,360	6,102,597	2,051,520	1,263	1,192,954	35,772,810
Interest Sensitivity Gap	**(6,075,983)**	**820,078**	**7,341,560**	**2,730,862**	**144,501**	**(1,077,828)**	**3,883,190**

40.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Finance Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The key elements of the Company's liquidity strategy are as follows.

Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.

- Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.

- Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more sensitive market conditions.

40.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2, 3 & 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013 and amendments thereto.

The Company's liquid asset ratio is 7.50% (2020-5.00%) of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction and amendments thereto). Liquid assets are maintained with Sri Lanka Government securities.

Notes to the Financial Statements

40.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 December 2021.

Repayments of short term loans which are subject to notice are treated as if notice were to be given immediately. However the company expects that banks will not request repayment on the earliest date that the company is required to pay and the table does not reflect the expected cash flows indicated by the company.

As at 31 December 2021	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets						
Cash and bank balances	250,277	-	-	-	-	250,277
Securities purchased under repurchase agreements	370,074	1,508,366	-	-	-	1,878,440
Factoring receivables	824,958	149,040	-	-	-	973,998
Lease receivables	6,004,703	10,658,366	17,555,952	6,126,068	105,718	40,450,807
Hire purchase receivables	2,064	327	1,298	-	-	3,689
Gold loan receivables	4,613,821	1,378,991	-	-	-	5,992,812
Loan receivables	1,756,890	615,796	628,596	167,112	92,597	3,260,991
Other assets	298,555	58,806	100,227	70,977	1,882	530,447
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	-	918,000	-	-	-	918,000
Total Financial Assets	14,121,342	15,287,692	18,286,073	6,364,157	200,253	54,259,517
Financial Liabilities						
Bank overdraft	191,266	-	-	-	-	191,266
Due to other customers	6,015,351	10,373,097	1,800,534	492,804	1,925	18,683,711
Debt instruments issued and other borrowed funds	5,406,486	3,823,034	7,985,187	2,318,245	436,089	19,969,041
Other payables	638,512	72,466	187,472	151,106	173,549	1,223,105
Total Financial Liabilities	12,251,615	14,268,597	9,973,193	2,962,155	611,563	40,067,123
Net Financial Asset/Liabilities	1,869,727	1,019,095	8,312,880	3,402,002	(411,310)	14,192,394

As at 31 December 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets						
Cash and bank balances	292,036	-	-	-	-	292,036
Securities purchased under repurchase agreements	1,775,053	1,058,498	-	-	-	2,833,551
Factoring receivables	740,450	176,128	-	-	-	916,578
Lease receivables	6,351,638	9,982,117	17,839,167	5,488,658	61,408	39,722,988
Hire purchase receivables	2,808	327	871	863	-	4,869
Gold loan receivables	3,227,263	1,769,928	-	-	-	4,997,191
Loan receivables	375,122	1,635,423	529,269	194,585	126,282	2,860,681
Other assets	775,990	44,723	90,054	55,312	7,240	973,319
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	-	33,465	-	-	-	33,465
Total Financial Assets	13,540,360	14,700,609	18,459,361	5,739,418	194,986	52,634,734
Financial Liabilities						
Bank overdraft	250,536	-	-	-	-	250,536
Due to other customers	6,429,062	8,935,343	3,312,952	632,573	1,263	19,311,193
Debt instruments issued and other borrowed funds	2,694,922	5,175,730	8,959,502	3,018,801	-	19,848,955
Other payables	869,627	96,767	176,928	149,445	209,311	1,502,078
Total Financial Liabilities	10,244,147	14,207,840	12,449,382	3,800,819	210,574	40,912,762
Net Financial Asset/Liabilities	**3,296,213**	**492,769**	**6,009,979**	**1,938,599**	**(15,588)**	**11,721,972**

Notes to the Financial Statements

41. MATURITY ANALYSIS

As at 31 December 2021	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets						
Cash and bank balances	250,277	-	-	-	-	250,277
Securities purchased under repurchase agreements	369,283	1,470,628	-	-	-	1,839,911
Factoring receivables	25,477	128,006	-	-	-	153,483
Lease receivables	4,362,727	7,093,477	12,546,582	4,994,849	90,574	29,088,209
Hire purchase receivables	489	63	382	-	-	934
Gold loan receivables	4,554,911	1,226,869	-	-	-	5,781,780
Loan receivables	790,478	349,767	356,338	94,732	52,491	1,643,806
Other assets	380,923	70,333	97,150	71,157	17,564	637,127
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	-	900,241	-	-	-	900,241
Property, plant & equipment	-	-	-	-	1,992,215	1,992,215
Right-of-use assets	-	-	-	-	362,870	362,870
Deferred tax assets	-	-	-	-	78,492	78,492
Intangible assets	-	-	-	-	20,847	20,847
Total Assets	10,734,565	11,239,384	13,000,452	5,160,738	2,615,109	42,750,248
Liabilities						
Bank overdraft	191,266	-	-	-	-	191,266
Due to other customers	5,626,382	9,510,671	1,521,150	454,795	1,925	17,114,923
Debt instruments issued and other borrowed funds	5,225,455	2,976,891	6,600,639	1,928,429	346,100	17,077,514
Other payables	948,493	51,362	115,788	77,583	74,445	1,267,671
Income taxation payable	-	768,927	-	-	-	768,927
Retirement benefit obligations	-	-	-	-	103,853	103,853
Total Liabilities	11,991,596	13,307,851	8,237,577	2,460,807	526,323	36,524,154

As at 31 December 2020	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Assets						
Cash and bank balances	292,036	-	-	-	-	292,036
Securities purchased under repurchase agreements	1,773,880	1,007,282	-	-	-	2,781,162
Factoring receivables	93,230	168,714	-	-	-	261,944
Lease receivables	4,789,880	6,550,631	13,019,480	4,603,397	54,284	29,017,672
Hire purchase receivables	1,361	78	270	416	-	2,125
Gold loan receivables	3,178,579	1,591,137	-	-	-	4,769,716
Loan receivables	79,749	1,099,262	355,553	130,719	84,833	1,750,116
Other assets	623,044	51,587	99,272	55,676	22,092	851,671
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	-	34,145	-	-	-	34,145
Property, plant & equipment	-	-	-	-	1,353,815	1,353,815
Right-of-use assets	-	-	-	-	402,579	402,579
Intangible assets	-	-	-	-	34,623	34,623
Total Assets	10,831,759	10,502,836	13,474,575	4,790,208	1,952,282	41,551,660
Total Liabilities						
Bank overdraft	250,536	-	-	-	-	250,536
Due to other customers	5,859,184	8,125,050	2,742,597	551,520	1,263	17,279,614
Debt instruments issued and other borrowed funds	2,510,459	4,286,528	7,469,416	2,783,303	-	17,049,706
Other payables	961,183	69,526	194,555	50,308	36,508	1,312,080
Deferred taxation liability	-		-	-	328,349	328,349
Income taxation payable	-	118,150	-	-		118,150
Retirement benefit obligations	-		-	-	87,260	87,260
Total Liabilities	9,581,362	12,599,254	10,406,568	3,385,131	453,380	36,425,695

Notes to the Financial Statements

42. COMMITMENTS AND CONTINGENCIES

As at 31 December	2021					2020				
	Rs. '000					Rs. '000				
	On Demand	With in 01 year	1-5 years	More than 5 years	Total	On Demand	With in 01 year	1-5 years	More than 5 years	Total
Credit related commitments & contingencies										
Undrawn-direct credit facilities										
- Factoring	37,998	-	-	-	37,998	44,663	-	-	-	44,663
-Revolving Loans	-	-	-	-	-	4,569	-	-	-	4,569
Guarantees	-	6,200	-	-	6,200	-	6,500	-	-	6,500
Impairment for expected credit losses - credit related commitments & contingencies	(5,431)	-	-	-	(5,431)	(1,117)	-	-	-	(1,117)
	32,567	6,200	-	-	38,767	48,115	6,500	-	-	54,615
Other commitments & contingencies										
Capital commitments (Note 42.3)	-	393,594	-	-	393,594	-	677,124	-	-	677,124
Commitments & contingencies net of impairment for expected credit losses	32,567	399,794	-	-	432,361	48,115	683,624	-	-	731,739

42.1 Analysis of Credit Related Commitments and Contingencies based on the Exposure to Credit Risk

As at 31 December	2021				2020			
	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
Unutilised facilities-Direct credit facilities	37,998	-	-	37,998	48,790	442	-	49,232
Guarantees	6,200	-	-	6,200	6,500	-	-	6,500
Impairment for Expected Credit Losses	(5,431)	-	-	(5,431)	(752)	(365)	-	(1,117)
	38,767	-	-	38,767	54,538	77	-	54,615

42.2 Impairment for Expected Credit Losses- Credit Related Commitments and Contingencies

As at 31 December	2021				2020			
	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
Balance as at 1st January	752	365	-	1,117	117	159	-	276
Net charge for the year (Note 9)	4,679	(365)	-	4,314	635	206	-	841
Balance as at 31st December	5,431	-	-	5,431	752	365	-	1,117

42.3 Capital commitments

Capital expenditure approved by the Board of Directors, for which provisions have not been made in the Financial Statements are detailed below.

As at 31 December	2021 Rs. '000	2020 Rs. '000
Approved and contracted for	383,792	670,247
Approved but not contracted for	9,802	6,877
	393,594	677,124

42.3 Other Contingent Liabilities

42.3.1 Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken and in that light, the Company has formal controls and policies for managing and defending the legal actions instituted against it. Pursuant to obtaining professional advice and estimating any loss likely to be incurred, adjustments are made to the accounts of the Company in order to accommodate any adverse effects that such claims may have on its financial standing. There was no pending litigation against the Company as at 31 December 2021 which would have a material impact on the Financial Statements other than those disclosed below.

The following case instituted against the Company is currently being adjudicated before Court:

D C Kandy Case No. DLM/213/2018

Previous owner of the customer's property has filed an action against the present owner and Siyapatha Finance PLC, challenging the Deed of Transfer between herself and the customer. Siyapatha Finance PLC has already filed action against the customer under case No. CHC/452/18/MR demanding a sum of Rs.19,363,739.24, which is fixed for trial on 28/02/2022.

The maximum possible loss to Siyapatha would be Rs.20 Mn in the event the judgment is delivered in favour of the Plaintiff.

42.3.2 Litigation on Employment and Industrial Relations

There are no material legal issues outstanding against the Company on employment and industrial relations as at 31 December 2021.

43. EVENTS AFTER THE REPORTING PERIOD

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 authorised for issue. No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements,other than those disclosed below.

Notes to the Financial Statements

43.1 Surcharge Tax

The Government of Sri Lanka in its Budget proposals 2022 has proposed a one-time tax, to be called as 'Surcharge Tax' at the rate of 25% to be imposed on companies earned a taxable income in excess of Rs. 2,000 Million for the Year of Assessment 2020/2021. If the aggregate taxable income of a group of companies exceeds Rs. 2,000 Million, each company of the group of companies will be liable for surcharge tax. The proposed tax shall be deemed to be an expenditure in the Financial Statements of 2020.

The Bill introducing the proposed tax was published on 07 February 2022. Accordingly, the proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the Financial Statements have not been adjusted to reflect the consequences of this proposal.

44. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with the parties who are defined as Sri Lanka Accounting Standard No.24 Related Party Disclosure, details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

44.1 Parent and Ultimate Controlling Party

The Company is 100% owned by Sampath Bank PLC. Hence, Sampath Bank PLC is the parent company and the ultimate controlling party.

44.2 Transactions with Key Managerial Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition(i.e. planning, directing and controlling the activities of the entity).Such KMPs include the Board of Directors of the Company, Managing Director and the KMPs of the Sampath Bank PLC.

	2021	2020
	Rs. '000	Rs. '000
Directors' fees & short term employee benefits	**57,042**	49,013
Total	**57,042**	49,013

In addition to the above, the Company has also paid for fuel and medical benefits to KMP who are employees of the Company in line with the approved benefit plans of the Company.

44.3 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFMs)

CFMs of the KMP are those family members who may be expected to influence the KMP or be influenced by that KMP in their dealings with the entity. They may include KMP's spouse, children, domestic partner, children of the KMP's spouse/domestic partner and dependents of the KMP, KMP's spouse/domestic partner. Aggregate value of the transactions with KMP and their CFMs are disclosed below.

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Loans and advances	-	-
Term/Savings deposits	238,970	216,751
Debentures	22,500	22,500
For the year ended 31 December		
Interest on term/savings deposits	17,870	20,520
Interest on Debentures	2,875	2,875

44.4 Transactions with Group Companies

44.4.1 Sampath Bank PLC - Parent Company

The Company has obtained short term loans, term loans and overdraft facilities from the bank. All the transactions with the bank were on terms and conditions similar to facilities obtained through other banks.

as at 31 December	2021	2020
	Rs. '000	Rs. '000
Investment in government securities - REPOs/Treasury bills		
Opening Balance	1,000,116	10,772
Net investments during the year	(1,000,116)	989,345
Closing Balance	-	1,000,116
Other receivables	-	505
Term Loan (Only capital)		
Opening Balance	2,970,333	4,920,733
Granted during the year	500,000	-
Less : Repayment during the year	(1,237,000)	(1,950,400)
Closing Balance	2,233,333	2,970,333
Short Term Loan (Only capital)	700,000	-
Bank Overdraft	191,266	249,605
Total Accommodation obtained	3,124,599	3,219,938
Less : Favourable balances in current accounts with bank	(107,438)	(132,895)
Net Accommodation	3,017,161	3,087,043
Net Accommodation as a percentage of Capital Funds	48.46%	60.22%

Notes to the Financial Statements

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Expenses		
Interest expenses	219,852	522,879
Rent paid (for the branch located within Sampath Bank premises)	-	416
Fees paid for acting as Bankers to the debentures issued in year 2021 & 2020.	298	324
Other expenses	1,626	156
Income		
Fee for locating ATM machines at Company's branch premises operations	480	56
Interest Income on short term government securities	1,096	852
Interest Income on call/savings deposits	1,385	5,139
The company has invested in short term government securities through Sampath Bank PLC.		
Issue of shares/Dividend		
Proceeds for rights issue of shares	-	700,000
Scrip Dividend(Gross)-number of shares-2,035,594(2020-2,899,663)	123,214	142,959

44.4.2 Sampath Information Technology Solutions Ltd

Sampath Information Technology Solutions Ltd is a subsidiary of Sampath Bank PLC which is the parent undertaking of Siyapatha Finance PLC.

The Company has obtained Hardware/ Software maintenance services from SITS and payments were made as per the maintenance agreement. The Company has purchased Leasing/ Loan Management & Pawning software and the same is disclosed below.

As at 31 December	2021	2020
	Rs. '000	Rs. '000
Facilities granted	3,976	5,600
Other receivables	-	134

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Interest Income on leasing facility granted	641	-
Hardware/Software maintenance paid	4,192	1,183
Operating lease expenses(Computer hire charges)	23	64

44.4.3 The Company had the following receivable/payable balances with other Group companies

For the year ended 31 December	2021	2020
	Rs. '000	Rs. '000
Interest expenses on deposits	-	25
Fees paid for acting as Managers to the debentures issued in year 2021	1125	-
Receivables as at 31 December		
SC Securities Pvt Ltd	-	67
Sampath Centre Ltd	-	201
Payables as at 31 December		
Sampath Centre Ltd:		
Consultancy fees payable	-	153

45. SEGMENT INFORMATION

ACCOUNTING POLICY

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment.

For management purposes, the Company has identified three operating segments based on products and services, as follows.

- Leasing and hire purchase
- Gold Loan
- Others

Leasing, hire purchase represents the finance leasing, hire purchase businesses of the Company where as gold loan represents gold loan product offered to the customers. All other business activities other than the above are segmented under "Others".

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on collective basis and not allocated to operating segments.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Company's total revenue in 2020 & 2021.

Notes to the Financial Statements

The following table presents income,profit,total assets and total liabilities of the Company's operating segments.

	Leasing and Hire Purchase		Gold Loan		Others		Total	
For the year ended 31 December	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	Rs. '000	Rs. '000	**Rs. '000**	Rs. '000	**Rs. '000**	Rs. '000	**Rs. '000**	Rs. '000
Interest Income	**5,503,942**	5,414,925	**963,655**	1,125,558	**318,839**	273,733	**6,786,436**	6,814,216
Less: Interest expenses	**(2,193,075)**	(3,017,256)	**(339,936)**	(468,710)	**(280,717)**	(370,349)	**(2,813,728)**	(3,856,315)
Net interest income	**3,310,867**	2,397,669	**623,719**	656,848	**38,122**	(96,616)	**3,972,708**	2,957,901
Net fee and commission income	**180,867**	184,667	**99,656**	93,638	**501**	399	**281,024**	278,704
Other operating income	**1,000,141**	469,757	**-**	-	**79,730**	17,018	**1,079,871**	486,775
Total operating income	**4,491,875**	3,052,093	**723,375**	750,486	**118,353**	(79,199)	**5,333,603**	3,723,380
Less: Impairment (charges)/reversal on loans and losses	**(1,135,639)**	(1,072,252)	**(14,529)**	(1,247)	**(468,008)**	(282,765)	**(1,618,176)**	(1,356,264)
Net operating income	**3,356,236**	1,979,841	**708,846**	749,239	**(349,655)**	(361,964)	**3,715,427**	2,367,116
Less: Total operating expenses (Including taxes on financial services)*	**(1,694,030)**	(1,170,427)	**(316,560)**	(241,329)	**(178,763)**	(277,341)	**(2,189,353)**	(1,689,097)
Operating profit before taxes	**1,662,206**	809,414	**392,286**	507,910	**(528,418)**	(639,305)	**1,526,074**	678,019
Less: Income tax expenses							**(431,531)**	(268,528)
Profit for the year							**1,094,543**	409,491
Non-controlling interest							**-**	-
Profit attributable to equity holders of the Company							1,094,543	409,491

*The Comparative information is re-classified wherever necessary to comply with the current year presentation.However,this re-classification did not have any impact on Income Statement and operating cash flows for the year ended 31 December 2021.

As at 31 December	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	**Rs. '000**	Rs. '000	**Rs. '000**	Rs. '000	**Rs. '000**	Rs. '000
Segment assets	**29,089,143**	29,019,797	**5,781,780**	4,769,716	**7,879,325**	7,762,147	**42,750,248**	41,551,660
Total assets	**29,089,143**	29,019,797	**5,781,780**	4,769,716	**7,879,325**	7,762,147	**42,750,248**	41,551,660
Segment liabilities	**24,852,636**	25,442,444	**4,939,728**	4,181,514	**6,731,790**	6,801,737	**36,524,154**	36,425,695
Total liabilities	**24,852,636**	25,442,444	**4,939,728**	4,181,514	**6,731,790**	6,801,737	**36,524,154**	36,425,695

46. CAPITAL

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

Capital Management

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

Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka(CBSL)sets and monitors capital requirements for licensed finance companies. Accordingly, finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 11.0% and a minimum core capital adequacy ratio (Tier I) of 7.0%.The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

Ten Year Summary

Year ended 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	**Rs.000**
Interest income	1,033,557	1,620,272	1,837,546	1,973,921	2,838,995	4,599,470	6,395,898	7,229,612	6,814,216	**6,786,436**
Interest expenses	(600,406)	(899,069)	(778,661)	(824,699)	(1,620,783)	(2,764,290)	(3,680,060)	(4,230,657)	(3,856,315)	**(2,813,728)**
Net interest income	433,151	721,202	1,058,885	1,149,223	1,218,212	1,835,180	2,715,838	2,998,955	2,957,901	**3,972,708**
Other income	61,610	114,085	139,354	232,315	312,774	465,904	567,459	690,293	765,479	**1,360,895**
Operating income	494,761	835,287	1,198,239	1,381,537	1,530,986	2,301,083	3,283,298	3,689,248	3,723,380	**5,333,603**
Operating expenses	(224,412)	(431,028)	(547,930)	(679,804)	(808,111)	(1,048,290)	(1,328,499)	(1,433,411)	(1,462,546)	**(1,789,998)**
Operating profit	270,349	404,259	650,309	701,733	722,875	1,252,794	1,954,799	2,255,837	2,260,834	**3,543,605**
Impairment (charges)/ reversals/provision for doubtful debts	(262)	(67,237)	(183,217)	(49,275)	(79,189)	(236,744)	(829,751)	(1,050,938)	(1,356,264)	**(1,618,176)**
Taxes on financial services	(18,100)	(35,740)	(61,536)	(93,305)	(128,500)	(230,810)	(291,259)	(406,369)	(226,551)	**(399,355)**
Profit before taxation	251,987	301,281	405,556	559,153	515,186	785,240	833,789	798,530	678,019	**1,526,074**
Tax expenses	(51,752)	(80,301)	(145,379)	(174,629)	(187,904)	(286,378)	(317,268)	(318,336)	(268,528)	**(431,531)**
Profit for the year	200,235	220,980	260,177	384,524	327,282	498,862	516,521	480,194	409,491	**1,094,543**

As at 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	**Rs.000**
Assets										
Cash and bank balances	32,586	65,378	88,655	130,070	169,333	297,858	191,556	273,429	292,036	**250,277**
Securities purchased under repurchase agreements	5,341	323,792	489,685	601,679	777,438	1,200,981	1,768,461	2,304,392	2,781,162	**1,839,911**
Investment in Fixed Deposits	81,246	-	-	-	-	65,699	-	-	-	**-**
Factoring receivables	566,584	1,052,411	996,440	1,157,136	1,979,243	65,699	1,332,310	655,141	261,944	**153,483**
Pawning / Gold loan receivables	-	412,753	456,193	770,839	1,768,922	2,563,352	3,548,666	5,011,268	4,769,716	**5,781,780**
Loan receivables	-	568,573	506,526	286,968	743,740	2,724,776	2,481,575	1,533,713	1,750,116	**1,643,806**
Lease receivables	2,678,159	2,833,933	3,383,597	9,230,730	13,851,890	19,873,470	25,601,932	29,023,194	29,017,672	**29,088,209**
HP receivable	2,155,384	3,393,593	4,250,553	2,083,571	837,560	252,000	48,525	3,437	2,125	**934**
Other assets	285,219	335,131	246,141	378,334	662,612	932,742	1,193,305	2,142,771	2,676,889	**3,991,848**
Total Assets	5,810,520	8,985,564	10,417,790	14,639,326	20,790,738	29,810,580	36,166,330	40,947,345	41,551,660	**42,750,248**
Liabilities										
Bank overdraft	62,124	63,982	83,921	163,583	460,494	456,018	321,821	361,586	250,536	**191,266**
Customer deposits	-	-	-	1,233,041	3,362,662	9,333,622	9,672,008	13,221,026	17,279,614	**17,114,923**
Debt issued and other borrowed funds	4,655,317	7,487,912	8,528,922	10,925,421	14,187,266	16,310,778	21,391,367	21,342,227	17,049,706	**17,077,514**
Other payables	216,553	359,769	493,303	706,150	849,956	1,231,877	1,240,142	2,006,680	1,845,839	**2,140,451**
Total Liabilities	4,933,994	7,911,662	9,106,146	13,028,194	18,860,377	27,332,295	32,625,339	36,931,520	36,425,695	**36,524,154**

As at 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	**Rs.000**
Equity										
Stated capital	525,000	525,000	525,000	525,000	576,975	635,917	948,666	1,379,922	1,522,881	**2,346,095**
Share application money pending allotment	-	-	-	-	-	-	400,000	-	700,000	**-**
Statutory reserve fund	26,738	37,787	50,831	70,059	86,422	113,000	139,000	164,000	185,000	**240,000**
Investment fund reserve	29,988	58,488	-	-	-	-	-	-	-	**-**
Revaluation Reserve	-	-	-	-	-	56,823	107,763	117,951	117,951	**124,504**
Retained earnings	294,800	452,627	735,813	1,016,073	1,266,964	1,672,545	1,945,562	2,353,952	2,600,133	**3,515,495**
Total Equity	876,526	1,073,902	1,311,644	1,611,132	1,930,361	2,478,285	3,540,991	4,015,825	5,125,965	**6,226,094**
Total Liabilities and Equity	5,810,520	8,985,564	10,417,790	14,639,326	20,790,738	29,810,580	36,166,330	40,947,345	**41,551,660**	**42,750,248**

Year ended 31 December	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Growth in Interest Income	86%	57%	13%	7%	44%	62%	39%	13%	-6%	**-0.41%**
Growth Interest Expenses	186%	50%	-13%	6%	97%	71%	33%	15%	-9%	**27.04%**
Cost to income ratio with taxes on financial services (%)	49.02%	55.88%	50.86%	55.96%	61.18%	55.59%	49.33%	49.87%	45.36%	**41.05%**
Cost to income ratio without taxes on financial services (%)	45.36%	51.60%	45.73%	49.21%	52.78%	45.56%	40.46%	38.85%	39.28%	**33.56%**
Interest Cover ratio	1.42	1.59	1.73	1.84	1.32	1.28	1.23	1.19	1.18	**1.54**
Growth in Operating Profit	28%	50%	61%	8%	3%	73%	56%	15%	0.2%	**56.74%**
Growth in Profit After Tax(PAT)	1%	10%	18%	48%	-15%	52%	4%	-7%	-15%	**167%**
Earning/(Loss) Per Share-Rs.	3.81	4.21	4.96	7.32	6.14	8.70	8.43	6.56	5.37	**12.35**
Growth in Advances	42%	53%	16%	41%	42%	42%	21%	10%	-1%	**2.42%**
Growth in Deposits and Borrowings	47%	60%	14%	43%	46%	45%	20%	11%	-1%	**-0.57%**
Growth in Shareholder's Funds	26%	23%	22%	23%	20%	28%	43%	13%	28%	**21.46%**
Debt/Equity Ratio	5.38	7.03	6.57	7.65	9.33	10.53	8.86	8.70	6.75	**5.52**
Net Assets per Share-Rs.	16.70	20.46	24.98	30.69	35.67	44.43	55.68	54.78	67.26	**67.69**
Return on Average Total Assets	4%	3%	3%	3%	2%	2%	2%	1%	1%	**2.59%**
Return on Average Equity	25%	22%	22%	26%	18%	23%	17%	13%	9.54%	**19.16%**

Capital Adequacy

Capital Adequacy

Capital Adequacy is one of the key financial indicators which illustrates the soundness and the stability of a Company. It acts as a “cushion” or “buffer” in safeguarding the depositors’ and lenders’ funds by absorbing potential losses arising from key risks faced by the Company. The Capital Adequacy Ratio is a measure used to determine whether the Company has sufficient capital to withstand unexpected losses arising from various risks during the course of the business, such as credit risk, market risk, operational risk etc. At present, Capital Adequacy Ratios of the finance companies in Sri Lanka are computed based on the Finance Business Act Direction No.3 of 2018 issued by the Central Bank of Sri Lanka (CBSL).

This Capital adequacy framework has introduced a more risk sensitive approach covering credit risk and operational risk. Market risk was not considered under this framework because the sector exposure to market risk was considered to be minimal.

In accordance with Finance Business Act Direction No. 03 of 2018, every finance company shall at all times maintain the minimum capital adequacy ratios of Tier I – 7% and Total Capital – 11% in relation to total risk weighted assets.

Tier 1 - Core capital

Tier 1 capital represents core capital of the company. Core capital includes shareholder’s equity and reserves.

- Tier I Ratio $\dfrac{\text{Tier I Capital}}{\text{Total Risk Weighted Amount}}$

Total of Tier 1 and Tier 2 Capital

Tier II capital represents supplementary capital such as instruments containing characteristics of equity and debt, revaluation gains and general provisioning/impairment allowances.

- Total Capital ratio $\dfrac{\text{Total Capital}}{\text{Total Risk Weighted Amount}}$

Risk Weighted Assets

Risk weighted assets are a measure of company’s assets and off-balance sheet exposures, weighted according to their risks, with each asset class assigned a different risk weightage.

As at 31 December 2021, the Company maintained a Tier I ratio of 14.74% and a Total Capital ratio of 21.36%. Both ratios are well above the minimum regulatory requirements (Tier I – 7% and Total Capital – 11%) set by CBSL.

Computation of Capital Ratios

Item	Amount Rs.’000
Tier 1 Capital	5,916,919
Total Capital	8,570,800
Risk Weighted Amount for Credit Risk	34,501,052
Risk Weighted Amount for Operational Risk	5,630,198
Total Risk Weighted Amount	40,131,249
Tier 1 Capital Ratio, %	14.74
Total Capital Ratio,%	21.36

Glossary of Financial Terms

A

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Allowance for Impairment
A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

Amortization
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost
The 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 rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

Asset and Liability Committee (ALCO)
A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

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

Basis Point (BP)
One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

C

Capital Adequacy Ratio
The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

Cash
Cash comprises cash in hand and demand deposits.

Cash Equivalents
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows
Inflows and outflows of cash and cash equivalents.

Collectively Assessed Impairment
Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Commercial Paper (CP)
An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments
Credit facilities approved but not yet utilised by the clients as at the reporting date.

Compounded Annual Growth Rate (CAGR)
The rate at which a variable would have grown if it grew at an even rate compounded annually.

Contingencies
A condition or situation existing at the Balance Sheet date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contract
An agreement between two or more parties that creates enforceable rights and obligations.

Control
An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Corporate Governance
The process by which corporate entities are governed, it is concerned with the

Glossary of Financial Terms

way in which power is exercised over the management and direction of an entity, the supervision of executive actions and accountability to owners and others.

Cost to Income Ratio

Operating expenses excluding loan/ lease loss provision as a percentage of total operating income.

Credit Ratings

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 potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

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.

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Deferred Tax

Sum set aside for tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognized financial asset or financial liability from an entity's Statement of Financial Position.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend pay-out ratio

The percentage of earnings paid out to shareholders as dividends.

Dividend per share (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Dividend Yield

Dividend earned per share as a percentage of its market value.

E

Earnings per Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in use.

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation expressed as a percentage of Profit before Tax.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Employee Retention Ratio

Represents the number of employees retained out of the employees attrition during the year as a percentage of average number of employees for the year end.

Equity Method

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post- acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss 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 estimate 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 which 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

Factoring

Factoring is a time-honored financial tool used by companies worldwide. It is the purchase of account receivables (invoices) for immediate cash.

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value through Profit or Loss

A financial asset/liability: Acquired/ incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

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 amortize the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset

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 Guarantee Contract

A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

A contractual obligation to deliver cash or another 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.

Group

A Group is a parent and all its subsidiaries.

Gearing

Long term borrowings divided by the total funds available for shareholders.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Guarantees

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations.

H

Hire purchase

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net Interest income expressed as a percentage of average interest earning assets.

Interest Spread

Represents the difference between average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

Glossary of Financial Terms

Interest in Suspense
Interest suspended on non- performing leases, hire purchases and other advances.

Impairment
This occurs when the recoverable amount of an asset is less than its carrying amount.

Impaired Loans
Loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowances
Management's best estimate of losses incurred in the loan portfolios at the balance sheet date.

Impairment Provisions
Provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

Individually Assessed Impairment
Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Individually Significant Loan Impairment Provision (Specific Impairment Provision)
Impairment is measured individually for assets that are individually significant to the company.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

Interest Rate Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Investment Properties
Investment property is a 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.

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

K

Key Management Personnel
Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L

Lending portfolio
Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Lifetime Expected Credit Losses
The expected credit losses that result from all possible default events over the expected life of a financial instrument.

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

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan/Credit Losses and Provisions
Amount set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollected.

Loans and Receivables
Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loan to value ratio (LTV)
The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss Given Default (LGD)
The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

M

Market Risk
This refers to the possibility of loss arising from changes in a value of a financial instrument as a result in changes of market variables such as interest rate, exchange rates, credit spread and other asset prices.

Materiality
The relative significance of a transaction or an event the omission or misstatement

of which could influence the economic decisions of users of Financial Statements.

N

Net Assets per Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned on interest bearing assets and costs incurred on financial instruments/ facilities used for funding.

Net Interest Margin (NIM)

Net interest income expressed as a percentage of average interest earning assets.

Non Performing Advances

A lease, hire purchase or other advance placed on cash basis (i.e. interest income is only recognised when cash is received), because in the opinion of management, there is a reasonable doubt regarding the collectability of principal and/ or interest. Rentals receivable in arrears for more than six rentals have been categorised as non-performing. Non-performing advances are reclassified as performing when all arrears rentals are settled in full.

NPA Ratio

The total non-performing leases, hire purchases and other advances expressed as a percentage of total loans and advances portfolio.

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 of financial statements

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

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent Company

An entity that controls one or more subsidiaries.

Past Due

A financial asset is past due when a counter party has failed to make a payment when contractually due.

Power

The Power is the existing rights that give the current ability to direct the relevant activities.

Probability of Default (PD)

The probability that an obligor will default within a one-year time horizon.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (sometimes known as the accrued benefit method pro- rated on service or as the benefit/ years of service method).

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on nonperforming loans, leases and advances.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under the conditions of uncertainty, such that asset or income are not overstated and liabilities or expenses are not understated.

R

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

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.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of average assets.

Return on Equity (ROE)

Net Profit after Tax less dividend on preference shares if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

Right-of-use asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

Glossary of Financial Terms

Risk Weighted Assets
The sum of on balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

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

Shareholders’ Funds
The total of stated capital and capital and revenue reserves.

Sri Lanka Financial Reporting Standards (SLFRSs)
Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka. They comprise of the following: Sri Lanka Accounting Standards (SLFRS & LKAS); and Interpretations adopted by the Council of ICASL (IFRIC and SIC).

Staff Turnover Ratio
Represents the number of employee attrition during the year as a percentage of average number of employees for the year end.

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

Substance over Form
The consideration that the accounting treatment and the presentation in financial statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Subsidiary Company
An entity, including an unincorporated entity, which is controlled by another entity.

T

Tier I Capital (Core Capital)
Tier I: Core capital representing permanent shareholders’ equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital (Supplementary capital)
Representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital (Capital Base)
Capital base is the summation of the core capital (Tier I) and the supplementary capital (Tier II).

Transaction Costs
Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Twelve Month Expected Credit Losses
The portion of lifetime expected credit losses that represent 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

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
Wealth created by providing financial and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Volatile Liability Dependency Ratio
Short Term borrowings (of maturity less than 12 months) expressed as a percentage of the Total Advances (Lending) Portfolio.

Y

Yield
Return of an investment in percentage terms, taking in to account annual income and any changes in capital value.

Yield to Maturity
Discount rate at which the present value of future payments would equal the security’s current price.

Notice of Annual General Meeting

NOTICE IS HEREBY given that the 17th Annual General Meeting of Siyapatha Finance PLC will be held as a hybrid meeting on Tuesday, 29th March 2022 at 9.30 a.m. centered at Siyapatha Tower 111, Dudley Senanayake Mawatha, Colombo 8.

AGENDA

(1) To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the Statement of Audited Accounts for the year ended 31st December 2021 with the Report of the Auditors thereon.

(2) To re-elect Mr. P.S. Cumaranatunga as a Director under Articles 24(7) and 24(8) of the Articles of Association of the Company.

(3) To re-elect Mr. J. Selvaratnam as a Director under Articles 24(7) and 24(8) of the Articles ofAssociation of the Company

(4) To re-elect Ms. H.S.R. Ranatunga as a Director under Articles 24(7) and 24(8) of the Articles of Association of the Company

(5) To declare a Dividend of Rs. 3.57 per share for the financial year 2021 and if though fit, to pass the following resolution by way of an Ordinary Resolution.

"IT IS HEREBY RESOLVED THAT a dividend of Rs. 3.57 per share be distributed in the form of a scrip dividend amounting to a total sum of Rupees Three Hundred and Twenty Eight Million Three Hundred and Forty Four Thousand One Hundred and Sixty Seven (LKR 328,344,167/-) for the year ended 31st December 2021.The shares issued in the scrip dividend shall be valued at Rs. 63.23 per share which results in One (01) share being issued for each existing 17.7114816416018 shares. Consequently the total number of shares to be issued under the scrip dividend shall be 5,192,855 Ordinary Shares."

(6) To re-appoint M/s. Ernest & Young, Charted Accountants as the Auditors of the Company for the ensuring year and authorize the Directors to determine their remuneration.

(7) To authorize the Directors to determine donations for the year ending 31st December 2022 and up to the date of the next Annual General Meeting.

By order of the Board
SIYAPATHA FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries
21st March 2022

Notes:
1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.

Notes

Proxy Form

I/We* .... (holder of NIC

No..................................) of..being a shareholder/s of

Siyapatha Finance PLC hereby appoint ………..…………………………………….. (holder of NIC No……………………………..) of

………………………………………………………… or failing him/her

Mr. P. S. Cumaranatunga of 325, Park Road, Colombo 5	failing him*
Mr. Y. S. H. R. S. Silva of 90, Galkanda Road, Aniwatte, Kandy	failing him*
Mr. H. M. A. Seneviratne of 156/12, Weragala Place, Thalawathugoda	failing him*
Mr. J. Selvaratnam, 441/5A, 2nd Lane, Cotta Road, Rajagiriya	failing him*
Mr. J. H. Gunawardena of 88, Pirivena Road, Ratmalana	failing him*
Mr. D. Sooriyaarachchi of 28/10, Birnamwood, Wijesekara Mawatha, Mirihana, Nugegoda	failing him*
Mr. W. S. C. Perera of 8 2/2,Skyline Residency, Magazine Road, Colombo 8	failing him*
Ms. H. S. R. Ranatunga of 36/50, Rosmead Place, Colombo 7	failing her*
Mr. M.D.B. Boyagoda of 396/17, Isuru Place, School Lane, Kalalgoda, Thalawathugoda	failing him*

as my/our* proxy to represent me/us* to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 29th March 2022 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		FOR	AGAINST
(1)	To re-elect Mr. P. S. Cumaranatunga as a Director under Articles 24(7) and 24(8) of the Articles of Association of the Company.		
(2)	To re-elect Mr. J. Selvaratnam as a Director under Articles 24(7) and 24(8) of the Articles of Association of the Company.		
(3)	To re-elect Ms. H.S.R. Ranatunga as a Director under Articles 24(7) and 24(8) of the Articles of Association of the Company.		
(4)	To declare a Scrip Dividend of Rs. 3.57 per share for the financial year 2021		
(5)	To re-appoint M/s Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.		
(6)	To authorize the Directors to determine donations for the year ending 31st December 2022 and up to the date of the next Annual General Meeting.		

In witness my/our* hands this …………………………… day of ………………………… Two Thousand and Twenty Two.

Signature of Shareholder/s

***Please delete what is inapplicable.**

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full names and address, and by signing on the space provided.
2. The completed form of proxy should be deposited at the Head Office of the Company at No.111, Dudley Senanayake Mawatha, Colombo 08, not less than 48 hours before the appointed time for the holding of the meeting.
3. If you wish to appoint a person other than Chairman, Deputy Chairman or a Director of the Company as your proxy, please insert the relevant details in the space provided on the Proxy Form.
4. Article 16(6) of the Articles of Association of the Company provides that;

   "Any corporation which is a member of the Company may by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company"
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy, at his discretion, will vote as he thinks fit.
6. 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.
7. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Head Office of the Company for registration.

Corporate Information

NAME OF THE COMPANY

Siyapatha Finance PLC (formerly known as Sampath Leasing and Factoring Limited)

Registration No.: PB 917PQ

Telephone: +94117605605

Fax: +94117605606

E-mail: info@siyapatha.lk

Website: www.siyapatha.lk

CREDIT RATING

Fitch Rating Lanka Limited has affirmed Siyapatha Finance PLC's National Long-Term Rating of A(lka) Stable Outlook.

LOCATION OF HEAD QUARTERS

No. 111, Dudley Senanayake Mawatha, Colombo 08

REGISTERED OFFICE

No. 110, Sir James Peiris Mawatha, Colombo 02

OPERATING COUNTRIES

Operations are limited to Sri Lanka

OWNERSHIP

Siyapatha Finance PLC is a fully owned subsidiary of Sampath Bank PLC. Siyapatha Finance PLC does not have any subsidiaries established.

LEGAL FORM

Sampath Leasing and Factoring Limited was incorporated on 3rd March 2005 under the Companies Act No. 17 of 1982 as a specialized leasing company and re- registered under the Companies Act No. 07 of 2007 on 18th March 2009. Sampath Leasing and Factoring Limited was renamed as "Siyapatha Finance Limited" on 2nd September 2013 upon being recognized as a Licensed Finance Company under the Finance Business Act No. 42 of 2011. Upon the listing of the unsecured subordinated redeemable debentures on the Colombo Stock Exchange on 31 December 2014, the status of the Company was changed from Siyapatha Finance Limited to Siyapatha Finance PLC with effect from 02nd January 2015.

BOARD OF DIRECTORS

Mr. P. Sumith Cumaranatunga
Chairman
(Independent / Non-Executive Director)

Mr. Rushanka Silva
Deputy Chairman (Non -Independent / Non-Executive Director)

Mr. Ananda Seneviratne
Managing Director (Executive)

Mr. Janakan Selvaratnam
Director (Non-Independent / Non-Executive)

Mr. Jayantha Harishchandra Gunawardena
Director (Independent / Non-Executive)

Mr. Deepal Sooriyaarachchi
Director (Independent / Non-Executive)

Mr. Shiran Perera
Director (Non-Independent / Non-Executive)

Ms. Sriyani Ranatunga
Director (Independent / Non-Executive)

Mr. Malinda Dileepa Bandara Boyagoda
Director (Independent / Non-Executive)

LAWYERS

Messrs Nithya Partners Attorneys-at-Law

COMPANY SECRETARY

P W Corporate Secretarial (Pvt) Ltd
(Appointed w.e.f. 11.05.2021)

AUDITORS

Messrs Ernst & Young Chartered Accountants

No.201, De Seram Place,

Colombo 10, Sri Lanka.

Tel : +94112463500

Fax : +94112697369

BANKERS

Sampath Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Bank of Ceylon

Nations Trust Bank PLC

National Development Bank PLC

Seylan Bank PLC

Deutsche Bank AG

MCB Bank Ltd

Union Bank of Ceylon PLC

MEMBERSHIPS

Leasing Association of Sri Lanka
Finance Houses Association of Sri Lanka
Employers Federation of Ceylon (EFC)
Credit Information Bureau of Sri Lanka

MARKETS SERVED

Our operations are spread across the island covering all provinces except one. Our primary market segments are individual customers, SMEs and corporate clients.

SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

There were no significant changes to the organization size, structure, ownership or supply chain during the reporting period.

This Annual Report is conceptualised, designed and produced by Redworks.

REDWORKS

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