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Siyapatha Finance

(Finance Company of Sampath Bank Group)

Navigating Resilience

SIYAPATHA FINANCE PLC
ANNUAL REPORT 2023





NAVIGATING RESILIENCE

In 2023, Siyapatha Finance PLC adeptly navigated a challenging business landscape, displaying resilience and adaptability. Embracing challenges as an opportunity to rise up stronger, we reshaped our strategies and operations, to become more agile.

Our commitment to quality and trust remained unwavering, propelling us to explore new avenues amidst economic turbulence. Guided by a relentless pursuit of excellence, we leveraged on emerging opportunities to fortify our market position. Looking forward, our dedication to becoming a future-ready organization remains unwavering as we focus on core values to deliver sustained growth and value for all stakeholders.

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Despite the dissonance of the broader economic environment, Siyapatha Finance's financial performance resonated with unwavering resilience. Our profit before tax soared by 12.7% to LKR. 1,199.2 Mn, a resounding melody composed by the dedication and agility of our crew. Our profit after tax reached LKR 710.2 Mn, further underscoring the inherent strength and profitability of our core operations.

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ABOUT US



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சியபத பிளான்ஸ்
Siyapatha Finance**

(Finance Company of Sampath Bank Group)

Our Values

Loyalty
Openness
Trust
Unity
Service Excellence

Our Vision

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.

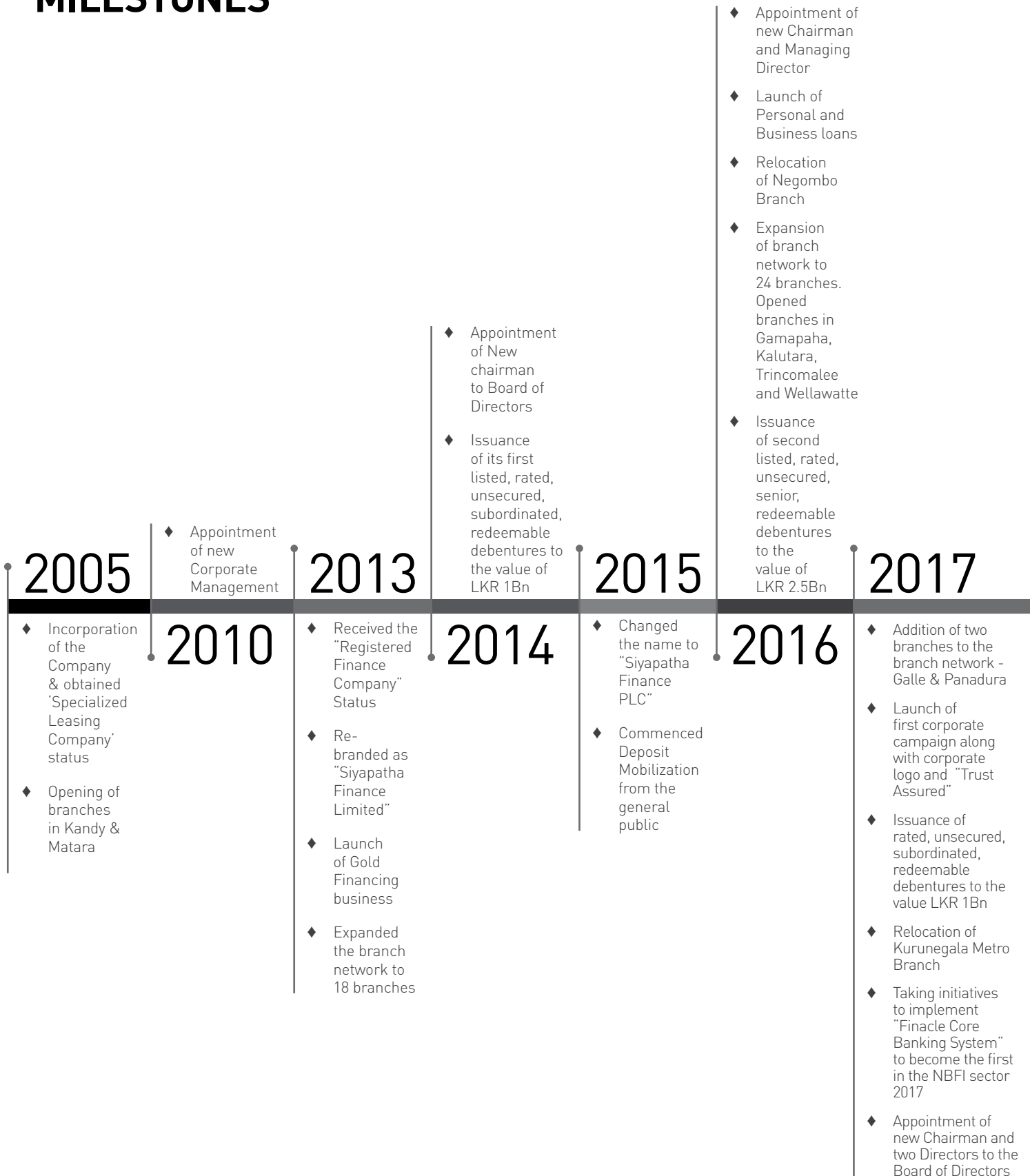
Company Profile

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 18 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, fast draft, 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 48 branches in principal cities and towns, powered by a dynamic team of 849 employees.

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

MILESTONES



- ◆ 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 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

- ◆ Recognized and awarded as one of "Sri Lanka's Best 50 Workplaces in 2022". Recognized as one of the "Best Workplaces for Millennials™ in Sri Lanka for 2022. Siyapatha ranked "No.54 on the Best Workplaces in Asia™ in 2022" list in the Large size category
- ◆ Addition of 3 Branches to the network - Nawam Mawatha, Polonnaruwa and Kilinochchi
- ◆ Relocation of Kandy Branch
- ◆ Branch network expanded to 43 branches

2023

2018

- ◆ 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

- ◆ 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 the 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

2022

- ◆ Awarded a Gold Award from the SLAQQP - Sri Lanka Association for the Advancement of Quality and Productivity(SLAAQP) from their Annual National Convention of Quality and Productivity
- ◆ Launch of the new products of "Sampath Siyapatha" co-branded credit card, Siyapatha fast draft and Siyapatha Smart pay
- ◆ Branch network expanded to 48 branches
- ◆ Addition of 05 branches to the network which are Dehiwala, Embilipitiya, Akkaraipattu, Badulla, Puttalam
- ◆ Commencement of "Siyapathen Mihikathata" (Tree planting) CSR program
- ◆ Awarded a gold Award in the technologies-led innovation category at the Infosys Finacle Innovation Award 2023 for Digitalized Delinquency Management Process

FINANCIAL HIGHLIGHTS

	2023	2022	Change %
Profitability - (LKR Mn)			
Gross income	11,063	9,299	19.0
Total operating income	4,049	3,507	15.4
Operating expenses & impairment charges	2,372	2,043	16.1
Operating profit before taxes on financial services	1,677	1,465	14.5
Taxes on financial services	478	401	19.3
Profit before income tax	1,199	1,064	12.7
Income tax expense	489	309	58.4
Profit for the year	710	755	(5.9)
Assets & Liabilities [LKR Mn]			
Customer deposits	23,566	19,342	21.8
Other borrowings	13,284	16,412	(19.1)
Gross loans & receivables	39,631	38,808	2.1
Total equity	7,247	6,567	10.3
Total liabilities	38,993	37,527	3.9
Total assets	46,240	44,095	4.9
Investor Information			
Net asset value per share (LKR)	72.23	67.59	6.9
Earnings per share - Basic /Diluted (LKR)	7.08	7.52	(5.9)
Total dividend per share (LKR)	0.07	2.33	(97.0)
Gross dividend (LKR Mn)	7.02	226.40	(96.9)
Dividend payout ratio (%)	1.00	30.00	(96.7)
Regulatory Ratios [%]			
Capital funds to deposit liabilities ratio	42.74	49.45	(6.7)
Liquid assets ratio	16.51	15.95	0.6
Other Ratios [%]			
Total Impairment on loans as a % of gross loans	9.50	10.85	(1.4)
Gross stage 3 loans ratio	19.42	25.89	(6.5)
Net stage 3 loans ratio	12.25	17.68	(5.4)
Net stage 3 loans to core capital ratio	71.79	108.64	(36.9)
Stage 3 impairment coverage ratio	36.92	31.70	5.2
Cost to income ratio	56.59	54.49	2.1

Key performance indicators	2023	2022	2021	2020	2019
Profit for the year (LKR Mn)	710	755	1,095	409	480
Return on average assets (ROA) (%)	1.55	1.68	2.59	0.96	1.22
Return on average shareholders' funds (ROE) (%)	10.41	11.82	19.16	9.54	12.88
Growth in total assets (%)	4.87	3.14	2.88	1.48	13.22
Capital adequacy ratios					
Tier I capital ratio (%)	17.06	16.11	14.74	9.77	8.96
Total capital ratio (Tier I+ Tier II) (%)	20.17	20.95	21.36	14.18	14.16

CHAIRMAN'S MESSAGE



The past year was not merely about weathering storms; it was about crafting our own compass, navigating with agility and unwavering commitment to our stakeholders.

Dear Shareholder,

As we bid farewell to 2023, the echoes of economic turbulence fade, replaced by a resolute hum of resilience within Siyapatha Finance PLC. The past year was not merely about weathering storms; it was about crafting our own compass, navigating with agility and unwavering commitment to our stakeholders.

Entering 2023 draped in the lingering uncertainty of the pandemic and the complexities of Sri Lanka's structural economic challenges, the winds of rising interest rates and shifting market conditions threatened to buffet our course. Yet, within our Company, a steely resolve took root. We embraced strategic agility, adjusting our sails to navigate the choppy waters with prudence and foresight.

Setting Priorities

Emerging from the tumult of 2022, Siyapatha Finance PLC entered 2023 with the tenacity of a seasoned sailor, weathering the storm and prepared to chart a new course. The lessons learned amidst

political and economic turmoil fuelled our resilience and adaptability, paving the way for a year of proactive growth and positive transformation.

While the leasing book temporarily shrunk to LKR 24.9 Bn at year-end 2022, this strategic contraction served a crucial purpose. It allowed us to weather the storm and lay a strong foundation for future growth. As the winds of uncertainty began to abate in 2023, we strategically refocused on our core leasing product, gradually rebuilding our book. By the end of the year, we had successfully expanded it to LKR 26.6 Bn, a testament to our unwavering commitment to customer needs amidst challenging times.

Beyond simply restoring our leasing portfolio, we recognized the need to adapt to the evolving market landscape. To capitalize on the resilience and potential of the small business segment, we strategically re-balanced our portfolio mix, shifting focus towards smaller ticket leases and moving away from high-end vehicle financing. This targeted approach allowed us to diversify our risk profile while minimizing exposure to potential economic downturns.

While inherent to Non-Bank Financial Institutions, asset-liability mismatches present both opportunities and challenges. Recognizing this dynamic, Siyapatha Finance PLC is proactively mitigating these risks through a phased, data-driven approach that optimizes maturity structures and diversifies funding sources.

This focus on prudent risk management has not only bolstered profitability during economic volatility, but also paved the way for future growth. Our steadfast ambition is to personify Siyapatha Finance PLC as a best-in-class, iconic company, renowned for its unwavering commitment to best practices and financial foresight.

The new product 'Fast Draft' bears testimony to our ability of understanding and addressing customers' evolving needs, not just through words, but through tangible

CHAIRMAN'S MESSAGE

solutions that meet them effectively. 'Fast Draft' was not merely a product launch; it was our response to our customers' unspoken challenges. In 2023, we proudly introduced this revolutionary solution, a unique blend of loan flexibility and lease benefits.

Siyapatha Finance PLC's journey in 2022 and 2023 is not just a story of navigating turbulence, but one of resilience, adaptability, and unwavering customer focus. By prioritizing stability, embracing targeted growth, and spearheading innovative solutions like "Fast Draft," we have emerged stronger and more prepared to face the future. We remain committed to playing a pivotal role in Sri Lanka's economic recovery, empowering our customers to achieve financial well-being, whatever the challenges that may lie ahead.

Even amidst challenging times, we boldly chose to grow, strategically expanding our branch network with new outposts in thriving locations such as Puttalam, Dehiwala, Embilipitiya, Badulla and Akkaraipattu. This purposeful expansion resulted in a significant milestone; with the Badulla branch opening, we now proudly stand present in all nine provinces of Sri Lanka. These new branches are much more than brick and mortar; they are beacons of opportunity, bridges connecting us to the evolving needs of our ever-growing customer base. Our expansion journey is not merely about numbers; it is about forging deeper connections with communities, understanding their aspirations and providing them with the tools and resources to achieve their financial goals. As we plant seeds of opportunity across the nation, we look forward to seeing them blossom into vibrant hubs of financial empowerment and inclusive growth.

Digital transformation is woven into the fabric of Siyapatha Finance PLC. We recognized its potential early and have consistently invested in developing robust technological and operational capabilities. This foresight paid dividends during challenging times, enabling our employees to seamlessly adapt and deliver the efficient service our customers deserve. Yet for us, progress is a continuous journey. We are

determined to unlock the full potential of our systems, aiming to provide even more responsive, competitive and agile services in the future.

Our employees are the beating heart of Siyapatha Finance; the tireless engine that drives our success forward. Throughout the turbulence of the past year, they stood as pillars of strength, weathering potential disruptions with unwavering spirit and dedication. Witnessing them stand in solidarity, ensuring seamless operations and efficient customer service, filled us with immense pride. Recognizing the stress they shouldered, the Board prioritized their well-being, taking concrete steps to acknowledge their anxieties and support their needs. At Siyapatha Finance PLC, caring for our people is not just a responsibility, it is a gratitude for their invaluable contribution.

Sustainable Business Practices

We are currently in the process of aligning our initiatives with the guidelines set forth by the Central Bank of Sri Lanka (CBSL) in the "Roadmap for Sustainable Finance in Sri Lanka." Siyapatha Finance PLC is actively contributing to the ongoing progress in sustainable finance as outlined in the roadmap. In this endeavor, the leadership of our Managing Director, Mr. Ananda Senevirathne, who also plays a key role as the Chairman of the Finance Houses Association of Sri Lanka, has been instrumental in leading the industry towards embracing sustainable finance practices.

Recognizing the immense contribution of micro, small, and medium enterprises (MSMEs) – the backbone of Sri Lanka's economy, employing millions and contributing over 50% to GDP – we have prioritized their growth. Limited access to formal finance, often due to financial literacy gaps, can stifle their potential. Hence, we have tailored our strategy for financial inclusion, crafting micro leasing and gold loan facilities to align with entrepreneurial cash flows and mitigate risk. These tools empower individuals and businesses to turn their dreams into reality.

Financial literacy remains the cornerstone of our commitment to inclusion and a

stable financial system. We are proud to support communities and social enterprises that champion innovation and sustainable development. Continuous training of our frontline staff in lending and credit screening protocols, safeguards our practices and ensures early risk identification.

We are mindful of our environmental impact and hence we are committed to reducing our carbon footprint, integrated seamlessly into our cost management efforts. I wish to state that there were no departures from any of the provisions of the Finance Business Act Direction No. 5 of 2021 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. Upholding a robust compliance culture is our guiding principle, ensuring full conformance to regulations and our own lofty values.

Business Performance

Navigating the headwind of 2023's macroeconomic challenges, Siyapatha Finance PLC not only weathered the storm, but showcased its' supreme financial discipline. Our robust balance sheet, a result of prudent risk management practices, stood firm as a pillar of strength. This stability translated into a commendable 12.7% increase in pre-tax profits to LKR 1,199.2 Mn, a true mark of our operational resilience. While revised corporate tax regulations and the implementation of stricter Non-Performing Asset classification did impact the bottom line, this performance shines even brighter under the challenging circumstances. Our cautious lending approach, coupled with proactive recovery efforts, played a key role in safeguarding our profitability. This strategic combination resulted in a 2023 financial year profit after tax of LKR 710 Mn, a respectable achievement amidst the hazards.

Further affirming our strategic growth, total assets rose by 4.87% to reach LKR 46.2 Bn at year-end 2023. We strategically expanded our lending portfolio, with total interest-earning assets growing by 4.89% to LKR

42.06 Bn. Notably, our disciplined approach to risk management yielded positive results, as seen in the improved Stage 3 impairment coverage ratio of 36.92% by December 2023.

Beyond financial metrics, 2023 marked a triumph in earning the resolute trust of our customers. Their faith, akin to a steady trade wind, propelled us forward. This confidence is manifest in the impressive 21.8% growth in our deposit portfolio, a resounding testament to our commitment to stability and service excellence.

Strong capital ratios remain a cornerstone of our financial stability. As at 31st December 2023, the Company's Tier 1 capital ratio and total capital ratio stood comfortably above the statutory minimum requirements at 17.06% and 20.17%, respectively. Additionally, the statutory liquid asset ratio remained above regulatory expectations at 16.51%.

Balancing shareholder expectations with the Company's future growth aspirations, the Board has proposed a dividend of LKR 0.07 per share, to be distributed in the form of a scrip dividend totaling Sri Lankan Rupees Seven Million Twenty Three Thousand Sixty Seven and Cent Fifty Nine (7,023,067.59).

Looking Ahead

We will actively champion financial inclusion, illuminating the path towards safer, more secure financial transactions by raising awareness about the benefits of transacting with registered finance companies like Siyapatha Finance PLC. We will be empowering individuals and communities to navigate the financial landscape with informed confidence.

Our commitment extends beyond financial inclusion. We are embracing technological innovation, investing in cutting-edge solutions to enhance efficiency, optimize service delivery and remain at the forefront of the financial landscape. Sustainability is not just a buzzword; it is woven into the fabric of our operations. We are dedicated to operating with environmental, social, and governance principles at our core, ensuring long-term viability for our Company and a brighter future for the communities we serve.

Beyond financial acumen, we shall articulate the Siyapatha brand to radiate our core values and ethos, showcasing our unyielding resolve to customer-centricity, financial prudence, and social responsibility. We will relentlessly strive to forge an emotional connection with our stakeholders, transforming Siyapatha into a household name synonymous with trust, reliability, and innovation, as a true champion among Non-Bank Financial Institutions.

The political landscape in 2024 promises to be dynamic, with the possibility of elections influencing the economic trajectory. While uncertainties remain, we are confident that Siyapatha Finance PLC is well positioned to adapt and navigate any changes. Our focus remains on responsible lending, financial inclusion, and sustainable practices, regardless of the political winds.

Though the future holds uncertainties, we face it with cautious optimism, our sails filled with the confidence of a Company that has weathered storms and emerged stronger. We are not mere passengers on this journey; we are the architects of our own destiny, committed to navigating the challenges, seizing the opportunities and charting a course towards economic prosperity for our nation. Together, as Siyapatha Finance PLC, we stand tall, a testament to the collective strength and unwavering commitment that define us. As we embark on 2024, we do so with strong conviction in our ability to contribute ever more to the well-being of our nation.

Appreciation

With immense gratitude, I turn to acknowledge the steadfast support of the Board of Directors. Their invaluable counsel and decisive action proved instrumental in navigating the complex challenges of 2023. Our utmost gratitude is due to Mr. Malinda Boyagoda, who stepped down from the Board of Directors on 31st December 2023 in conformance with Direction No. 5 of 2021 on Corporate Governance of Non-Bank Financial Institutions issued by the Monetary Board of the Central Bank of Sri Lanka, having served with distinction as an Independent Non-Executive Director and the Chairman of the Board Audit Committee.

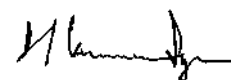
His profound expertise on governance, finance, accounting, auditing and best practices, was invaluable to the Company. We wish Mr. Boyagoda the very best.

Subsequent to the financial year ending on 31st December 2023, Mr. Laknath Jayawickrama joined the Board as an Independent Non-Executive Director effective 29th January 2024. I extend a warm welcome to Mr. Jayawickrama and I am delighted by the wealth of experience and technical skills he brings to the company's Board, which will undoubtedly benefit us moving forward.

My deepest appreciation goes to our dedicated Management Team, led by the Managing Director. Their relentless pursuit of excellence, even amidst adversity, propelled the Company forward, laying the foundation for future success. As we embark on the challenges of another year, I take comfort in knowing that Siyapatha Finance PLC is guided by their steady hand.

Our sincere appreciation extends to every single employee who faced personal battles while contributing with utmost determination and dedication. Your extraordinary commitment is the bedrock of our achievements. We are also profoundly grateful to our customers and depositors for their resolute faith. We remain committed to continually enhancing the value you receive as we strive towards our shared aspirations.

We acknowledge the invaluable support of our parent Company, Sampath Bank PLC. Their steadying aura fostered synergies and broadened our horizons, strengthening our position in the financial services landscape. Finally, our appreciation goes to the officials of the Central Bank of Sri Lanka for their understanding and cooperation, and to the members of the Finance Houses Association of Sri Lanka for their unity in facing industry challenges.



Sumith Cumaranatunga
Chairman

27th February 2024

MANAGING DIRECTOR'S REVIEW



Despite the dissonance of the broader economic environment, Siyapatha Finance's financial performance resonated with unwavering resilience. Our profit before tax soared by 12.7% to LKR. 1,199.2 Mn, a resounding melody composed by the dedication and agility of our crew. Our profit after tax reached LKR 710.2 Mn, further underscoring the inherent strength and profitability of our core operations.

Steady amidst the storm: Siyapatha's resilient journey in 2023

The past year was no leisurely cruise; it was a daring passage through turbulent seas, a testament to our unwavering resolve and agility in navigating unexpected storms. While rising interest rates threatened to veer us off course, we tightened our sails, adjusted our bearings, and emerged from the tempest stronger and more united than ever before.

Entering 2023, whispers of economic uncertainty grew into howling winds, testing every vessel's mettle. Yet, Siyapatha, a seasoned captain in these rough waters, refused to be swayed. We strategically charted a new course, focusing on select market segments where measured risks and prudent lending practices could be effectively deployed. This cautious approach ensured our financial stability even as economic storms raged around us.

Our navigation was not solely guided by financial instruments and charts. In the heart of the storm, our true compass

remained our unwavering commitment to customers. We absorbed the rising cost of funds, aligning with the Central Bank's efforts to alleviate financial pressures. This decision shielded our customers from the immediate impact of the economic crisis, fostering a deep bond of trust and loyalty. Witnessing this support, our deposit base swelled by a remarkable 21.84%, a powerful testament to the strength of the collective journey we undertake with our stakeholders.

As the winds of economic anxiety began to abate in the latter half of 2023, we cautiously steered the ship back towards normalcy. This measured approach, a crescendo of calculated moves, began with a renewed focus on our micro-leasing and large-ticket leasing portfolios. These segments, once carefully restrained, were now nurtured with strategic precision, leading to 2.5% and 31.9% growth respectively. Coupled with the sustained performance of our robust gold loan portfolio, this propelled our total lending portfolio to LKR 36.01 Bn, marking a 3.97% increase compared to 2022. Driven by a clear vision and strategic adaptation, we gradually regained momentum, proving our dedication to riding the waves of economic change.

Despite the dissonance of the broader economic environment, Siyapatha Finance's financial performance resonated with unwavering resilience. Our profit before tax soared by 12.7% to LKR. 1,199.2 Mn, a resounding melody composed by the dedication and agility of our crew. Our profit after tax reached LKR 710.2 Mn, further underscoring the inherent strength and profitability of our core operations. While new corporate tax rates resulted in a 5.9% decrease in post-tax profits compared to 2022, it serves as a counterpoint. This decrease, albeit influenced by external factors, emphasizes the effectiveness of our robust financial strategies and risk management practices, keeping us afloat even in turbulent waters. Our consistent profitability in the face of these challenges stands as a demonstration of

our commitment to financial stability and sustainable growth.

Our commitment extends beyond the fleeting gains of fair weather. We are a well-capitalized vessel, sailing towards a future of sustainable growth, exceeding regulatory requirements with Tier I Core Capital Ratio and Total Capital Ratio standing at 17.06% and 20.17% respectively. These robust financial metrics are the ballast that keeps us steady on course, ensuring liquidity and stability throughout our journey.

Beyond Boundaries: A Year of Transformation and Recognition

Tough times did not break us; they ignited a fire of resilience within Siyapatha. We embraced challenges as catalysts for transformation, revamping our operations and shedding outdated practices. In 2022, we planted the seeds of a revolutionary approach—cross-functional teams. These dynamic groups, armed with sharp analytical minds, delved deep into our operations, seeking opportunities to streamline processes and optimize costs. Their efforts bore fruit in 2023, leading to significant efficiency gains and enhanced productivity. This relentless pursuit of excellence culminated in the Gold award for Sustainable Development through innovative quality solutions at the NCQP 2022, a powerful cornerstone on our path towards sustainable growth.

At Siyapatha, we believe in the magic of internal growth. While others searched for talent outside, we saw fertile ground within. We prioritized internal promotions, empowering individuals who started their careers with Siyapatha to blossom into leaders of their domains. Today, our department heads stand as testaments to this philosophy, guiding their teams with the wisdom earned from years within our walls. By nurturing internal talent, fostering job satisfaction, and keeping our team motivated, we are building the foundation for a brighter tomorrow for Siyapatha as a whole.

I remember the thrill of watching our flag unfurl in Puttalam, Dehiwala, Embilipitiya, and Akkaraipattu, each a step closer to our ambitious goal. But the most cherished moment was undoubtedly raising the Siyapatha banner in Badulla, finally completing our presence in all nine Sri Lankan provinces. This expansion embodies our unwavering commitment to reaching every corner of Sri Lanka.

In today's digital landscape, embracing transformation is not a choice, it is a necessity. Siyapatha Finance PLC recognized this truth long ago, weaving digital threads into the very fabric of our operations. But at Siyapatha, we celebrate progress not as a destination, but as a continuous journey. Driven by a constant hunger for innovation, we are relentlessly optimizing our systems, aiming to unlock their full potential and deliver even more responsive, competitive, and agile services in the future.

Our commitment to digital excellence has not gone unnoticed. This year, Siyapatha stood tall on the global stage, receiving the coveted Gold award in the Technologies-led Innovation category at the Infosys Finacle Innovation Awards 2023 for our "Digitalized Delinquency Management Process." This accolade is not just a validation of our past efforts but a springboard propelling us towards even greater achievements. We pledge to continue pushing boundaries, leveraging the power of technology to create a smarter, more inclusive financial future for all Sri Lankans.

Siyapatha's Impactful Year: A Future Built on Responsibility and Inclusivity

This pivotal year has seen Siyapatha Finance weave a future built on the twin threads of environmental responsibility and financial inclusivity. Our commitment to sustainability is not a passive nod to regulations; it is an active force shaping the industry landscape. Under the Board's guidance, we are driving progress towards the Central Bank's Roadmap for Sustainable Finance in Sri Lanka.

On the parallel thread of financial inclusion, we believe access to financial services must be a fundamental right, not a privilege. This year, we have made significant strides across Sri Lanka, ensuring diverse communities and individuals have the right tools to build brighter futures.

Financial literacy is the bedrock of our inclusion mission. We empower individuals to take control of their financial journeys by supporting grassroots initiatives and social enterprises that champion financial education, fostering informed decisions and effective management.

Every innovation we craft aims to reach underserved segments, often excluded from traditional banking. These accessible products, coupled with financial literacy programs, aim to break down financial barriers, enabling individuals and small businesses to invest in their dreams and fuel Sri Lanka's economic growth.

Looking ahead, we remain dedicated to expanding our reach and impact. We will continue to collaborate with stakeholders, develop innovative financial solutions, and empower individuals with the knowledge and tools they need to navigate their financial journey. Our vision is a Sri Lanka where everyone has access to financial services, enabling them to build a brighter future for themselves and their communities.

Standing shoulder-to-shoulder with The Finance Houses Association of Sri Lanka's ambitious 500,000 Tree Planting Project, Siyapatha launched "Siyapathen Mihikathata" on our 18th anniversary, solidifying our enduring dedication to environmental responsibility. Through collective effort and valuable partnerships with universities, schools, and communities, we have planted over 10,000 trees across the island nation, leveraging our extensive branch network. "Siyapathen Mihikathata" underscores not only our dedication to a greener future but also our commitment to promoting

MANAGING DIRECTOR'S REVIEW

sustainable financing practices. It is a powerful step towards reducing Sri Lanka's carbon footprint and fostering a more environmentally conscious financial landscape.

At Siyapatha, we believe our success is intertwined with the well-being of the communities we serve. This conviction inspires our dedicated Corporate Social Responsibility (CSR) initiatives, focused on building a safer, brighter future for all. Recognizing the rising concern of road accidents, we have invested in ongoing programs across Sri Lanka, equipping selected police stations with vital road safety equipment and signage. Witnessing its effectiveness in reducing accidents and traffic violations, we remain committed to this impactful initiative.

Beyond road safety, our CSR projects encompass a diverse range of areas, implemented both at the Company and branch levels. From renovating school buildings and donating computers to fostering educational resources, we strive to create tangible positive change. Our branch teams, deeply integrated within their communities, actively engage with schools and local entities, tailoring their contributions to meet specific needs and empower individuals.

Whether it is promoting road safety, enhancing educational opportunities, or supporting critical local services, each of our CSR initiatives reflects our core values. We believe that by investing in social well-being, we not only build a more secure environment but also pave the way for a brighter future for generations to come.

Future Outlook: Navigating Towards Prosperity

We are actively exploring innovative financial instruments and services, tailored to the evolving needs of our customers and the shifting dynamics of the Sri Lankan market. Additionally, we are committed to responsible environmental and social practices, ensuring that our voyage towards

prosperity benefits not just ourselves, but the communities and landscapes we navigate.

As we turn the page to 2024, the air vibrates with cautious optimism. The clouds of economic uncertainty are gradually parting, revealing a horizon brimming with new possibilities. We are poised to further unlock our potential, capitalizing on the nascent economic revival. With a planned expansion of our branch network to 55 branches and the introduction of market-driven products, we are confident in navigating towards a brighter future for Siyapatha Finance and our stakeholders.

Appreciations: Gratitude to Our Partners in Success

With profound gratitude, I express my appreciation for the exceptional efforts contributed by the dedicated individuals who have woven an impressive tapestry throughout this year. The Board of Directors, with their steadfast vision and strategic guidance, successfully navigated our organization through challenging and uncertain times, ensuring sustainable growth. The unwavering support from our Corporate Management team during the most testing moments proved to be invaluable.

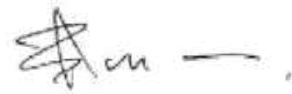
However, the highest praise is reserved for our outstanding employees, who consistently met every challenge with unwavering commitment and dedication, exemplifying the true spirit of Siyapatha. Their resilience and hard work have been instrumental in our success.

I would also like to extend our deep gratitude to Sampath Bank PLC, our unwavering parent Company, and to the Central Bank of Sri Lanka and the Department of Non-Bank Financial Institutions Supervision for their invaluable guidance and understanding.

As we look ahead, I urge all our stakeholders to stay actively engaged

in this transformative journey. Together, with renewed purpose and unwavering dedication, we are poised to accelerate our growth, charting a course towards a brighter future for Siyapatha Finance PLC and the communities we proudly serve.

Your continued support and commitment will be pivotal as we navigate the evolving landscape and pursue new heights of success. Thank you for being an integral part of our journey, and we look forward to achieving greater milestones together in the times ahead.



Ananda Seneviratne
Managing Director

27th February 2024

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

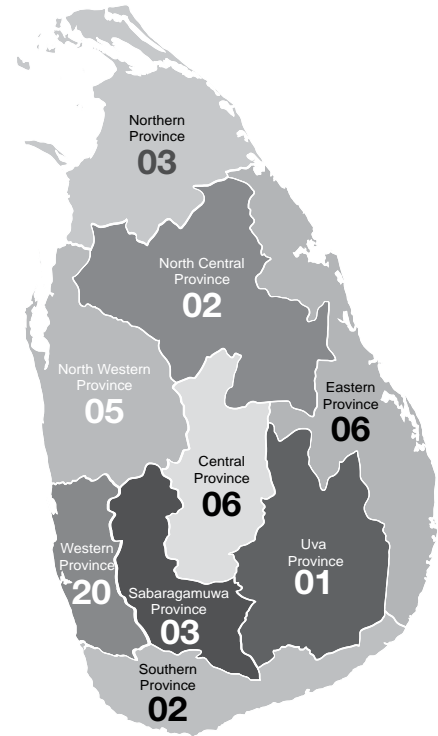
Throughout 2023, Siyapatha Finance PLC navigated through the challenging macroeconomic environment with resilience, building upon the strengths demonstrated in the preceding year. Despite the escalating uncertainties stemming from the global pandemic and Sri Lanka's economic challenges, we remained steadfast in our commitment to serving our diverse customer base nationwide.

In response to the evolving needs of our customers, we proactively engaged in comprehensive dialogue to gain insights into their specific requirements. This customer-centric approach enabled us to develop tailored solutions that provided essential support and fostered recovery for both businesses and individuals.

Looking ahead, Siyapatha reaffirms its dedication to maintaining financial stability amidst the prevailing uncertainties. We are committed to a continuous cycle of innovation, ensuring that our solutions remain relevant and effective. By delivering exceptional service and personalized offerings, we aim to empower our customers and contribute to the resilience and prosperity of their communities.

Product Portfolio

- Leasing: Siyapatha Finance caters to diverse leasing needs through a range of solutions tailored for Corporates, SMEs, Self-Employed individuals, Professionals, and Executives. Our lifestyle leasing products feature bespoke solutions for various assets, coupled with competitive rates.
- Micro Leasing: We empower individuals and small businesses with Micro Leasing facilities for three-wheelers, motorcycles, and buddy trucks.
- Fast Draft: Our Fast Draft facility offers a convenient way to unlock cash from customers' vehicles. Customers pay interest monthly, with the principal due at maturity. Flexible options include early partial payments at any time.
- Fixed Deposits & Savings: Attractive interest rates on our Fixed Deposits and Savings accounts provide enhanced returns on your investments.
- Gold Financing: Gold Loans and Business Gold Loan facilities provide short-term financial solutions for our customers' diverse needs.
- Factoring: We support business continuity with working capital solutions through our Factoring services.
- Loans: Customer-centric loan schemes like personal loans, auto loans, educational loans, and business loans cater to a variety of requirements.



Branch Expansion

In 2023, Siyapatha Finance reached a significant milestone by establishing nationwide presence with five new branches in Puttalam, Dehiwala, Embilipitiya, Badulla and Akkaraipattu. This strategic expansion, guided by local needs of growth, focused on providing convenient access to Microfinance, Gold financing, and Fixed deposit solutions. By empowering communities and fueling regional economic development, Siyapatha empowers individuals and businesses across all nine provinces of Sri Lanka, paving the way for a more inclusive and prosperous future.

Branch Locations and Addresses

Branch	Address
1 Head Office	No. 534 & 111, Dudley Senanayaka Mawatha, Colombo 08
2 Katugastota	No:274A, Katugastota Road, Kandy.
3 Peliyagoda	No.304, Negombo Road, Peliyagoda
4 Ampara	No. 32, D.S. Senanayaka Street, Ampara
5 Kurunegala	No.254 C, Colombo Road, Kurunegala
6 Negombo	No:287, Main Street, Negombo
7 Matara	No. 5B, Hakmana Road, Matara
8 Nuwara ELLiya	No:28/1, Kandy Road, Nuwara ELLiya
9 Anuradhapura	No. 10, Maithripala Senanayake Mawatha, Anuradhapura
10 Kuliyaipitiya	No:50/52, Kurunegala Road, Kuliyaipitiya
11 Sainthamaruthu	No 1610 , Main Street , Sainthamaruthu.
12 Nugegoda	No. 181, 181-1/1, Stanly Thilakarathne Mawatha, Nugegoda
13 Rathnapura	No 186, Main Street, Rathnapura

MANAGEMENT DISCUSSION AND ANALYSIS

Branch	Address
14 Kegalle	No.137, Kandy Road, Kegalle
15 Avissawella	No.16, Colombo Road, Avissawella.
16 Kandy	No.28, Hill Street ,Kandy
17 Kurunegala Metro	No. 36, Negombo Road, Kurunegala
18 Kalmunai	No. 172/4, Baticaloa Road, Kalmunai
19 Batticaloa	No.257,259,Trinco Road Baticaloa
20 Vavuniya	NO.156,Bazar road , Vavunia
21 Gampaha	No.03/A,Mangala Road,Gampaha
22 Kalutara	No 169,169/1/1, Main Street, Kalutara
23 Trincomalee	No.273A,273/1/1,Central Road,Trincomalee
24 Wellawatta	No.226,Galle Road,Wellawatta.
25 Galle	No.27,Old Matara Road,Pettigalawatta,Galle.
26 Panadura	No.414, Galle Road,Panadura.
27 Kiribathgoda	No.211/1/1, Kandy Road, Kiribathgoda.
28 Maharagama	No.137, Piliyandala Road, Maharagama.
29 Wattala	No.540, Negambo Road,Wattala.
30 Hatton	No.07, Circular Road, Hatton.
31 Piliyandala	No.88, Moratuwa Road, Piliyandala.
32 Chilaw	No. 111/A, Colombo Road, Chilaw.
33 Moratuwa	No. 168, Galle Road, Idama, Moratuwa.
34 Pettah	No.341, Main Road, Colombo 11.
35 Jaffna	No.388, Hospital Road, Jaffna.
36 Kohuwala	No.69, 69/01, S.D.S. Jayasinghe Mawatha, Kohuwala.
37 Nittambuwa	No.195, Colombo Road, Nittambuwa.
38 Malabe	No.793/C, Kaduwela Road, Talangama North, Malabe.
39 Matale	No.313,315, Trincomalee Street, Matale.
40 Dambulla	No.705, Anuradhapura Road, Dambulla.
41 Nawam Mawatha	No.46/12,Nawam Mawatha, Colombo 02.
42 Polonnaruwa	No. 804, Main St, Kaduruwela, Polonnaruwa
43 Kilinochchi	No. 317, Kaka kadai Junction, A9 Road, Kilinochchi
44 Puttalam	No. 113/1A, Kurunegala Road, Jaya Mawatha, Puttalam
45 Embilipitiya	No. 74, Main Street, Pallegama, Embilipitiya
46 Dehiwala	No. 249, Gall Road, Dehiwala
47 Badulla	No.65, Lower Street, Badulla
48 Akkaraipattu	No. 130, Sagama Road, Akkaraipattu

The Local Economy

Reflecting on the aftermath of the unprecedented crisis in 2022, the Sri Lankan economy in 2023 remained entrenched in uncertainty, albeit with signs of stabilization emerging amidst ongoing challenges. The enduring effects of the economic downturn persisted, particularly impacting sectors vulnerable to foreign currency shortages, fuel disruptions, and supply chain bottlenecks. While inflation moderated somewhat from its peak, it continued to pose a significant obstacle, diminishing household purchasing power and exacerbating existing difficulties.

Nevertheless, 2023 marked notable progress towards economic recovery. Successful efforts in restructuring sovereign debt and the implementation of the IMF-backed Extended Fund Facility program contributed to restoring macroeconomic stability. Strategic policy interventions, such as import rationalization and exchange rate adjustments, aimed to rectify underlying imbalances in the economy.

Despite these advancements, the journey towards full recovery remains lengthy and demanding. The lingering impacts of inflation and unemployment underscore

the importance of sustained social safety nets and targeted interventions. Prioritizing initiatives to bolster domestic production, diversify exports, and attract foreign investment will play a pivotal role in fostering long-term resilience.

In summary, 2023 was characterized by cautious optimism for the Sri Lankan economy. While significant challenges persist, a clear roadmap towards stability and sustainable growth has been delineated. Successfully navigating these challenges will require steadfast commitment, effective policy execution, and continued collaboration among governmental entities, the private sector, and international partners.

Industry Performance

Throughout 2023, the Sri Lankan economy faced continued turbulence, yet the Non-Bank Financial Institutions (NBFI) sector maintained a stance of cautious optimism, achieving measured growth amidst persistent challenges. As of September 30th, 2023, the industry's total asset base experienced a modest 1.56% increase to LKR 1,636 Bn compared to the previous year-end on December 31st, 2022.

A key highlight was the 41.94% surge in the investment portfolio, reaching LKR 283 Bn, reflecting a strategic shift towards alternative avenues amidst subdued loan performance. Loans and advances, the traditional mainstay of the sector, declined by 5.59% to LKR 1,132 Bn, impacted by tightening credit conditions. However, deposit mobilization remained robust, with a 7.49% increase to LKR 929 Bn, indicating continued trust in the NBFI sector.

Capital adequacy remained a strong suit, with both the core capital adequacy ratio and total capital adequacy ratio climbing to 21.35% and 22.59%, respectively. This positive trend testifies to sound prudential practices and risk management strategies implemented by the industry.

Profitability, while impacted by prevailing economic conditions, showed signs of resilience. During the first nine months of 2023, the sector recorded a net interest

income of LKR 93.51 Bn, a 6.16% increase year-over-year. Despite total expenses outpacing total income, the sector still managed a LKR 29.28 Bn profit after tax, albeit a 23.64% decrease compared to the first nine months of 2022.

Encouragingly, the liquidity position remained robust, with Regulatory Liquid Assets to Total Assets reaching a healthy 14.35%. This provides a critical buffer against potential future shocks. The Central Bank continued to play a vital role in maintaining stability, conducting statutory examinations, enforcing prudential regulations, and ensuring compliance within the NBFi landscape.

Looking Ahead: Resilience in Uncertain Times

Reflecting on the sentiments expressed in the preceding year, the financial services sector, encompassing NBFIs, must anticipate a potentially challenging path in 2024. The global economic landscape remains subdued, marked by geopolitical tensions, inflationary pressures, and disruptions in supply chains, all of which present significant hurdles. The Sri Lankan economy is expected to grapple with ongoing strains, which could impact the NBFi sector, particularly in terms of credit risks and operational vulnerabilities.

Nevertheless, the resilience and adaptability demonstrated by the financial services industry over the past two years have been noteworthy. Through strategic resource allocation, adaptation of business models, and maintenance of robust capital adequacy, NBFIs can effectively navigate through these turbulent times and emerge strengthened. Transparent communication and collaboration with policymakers will be pivotal in fostering an environment conducive to sustained growth and stability.

The NBFi sector's unwavering commitment to meeting the diverse needs of Sri Lanka's populace, coupled with prudent risk management and diligent regulatory oversight, will serve as its guiding principles as it traverses the uncertainties of 2024 and beyond.

FINANCIAL REVIEW

Building upon a solid foundation, Siyapatha Finance PLC maintained its impressive streak, surpassing LKR 1 Bn in profit before tax for the third consecutive year, reaching LKR 1.20 Bn in 2023, marking a 12.74% increase over 2022. This notable achievement underscores the company's adept navigation of a challenging economic landscape.

Despite experiencing a slight dip in profit after tax due to increased tax burdens, the company witnessed robust growth in key areas such as net interest income and credit quality. By optimizing costs, diversifying revenue streams, and strategically balancing investor rewards, Siyapatha is poised to navigate challenges and achieve sustainable growth in the years to come.

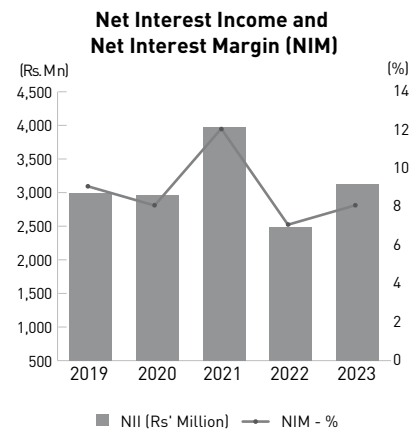
Net Interest Income (NII)

Siyapatha Finance PLC navigated rising funding costs in 2023, delivering a commendable 25.75% increase in net interest income to LKR 3.12 Bn. This significant growth outpaced the 21.11% rise in interest expenses, showcasing the company's ability to generate strong returns. The gold loan and leasing portfolios emerged as key drivers of success, contributing LKR 721.6 Mn and LKR 510.2 Mn, respectively, to the increase in interest income on advances. Government securities also played a role, with a combined effect of higher average balances and yields generating an additional LKR 554.35 Mn.

Despite the increase in interest expenses, Siyapatha efficiently managed both income and outgoings, resulting in a notable improvement in its net interest margin (NIM). The NIM climbed from 7.11% to 7.90%, indicating the company's effectiveness in converting interest-bearing assets into profit.

This impressive performance highlights Siyapatha's strategic focus on lucrative segments like gold loans and leasing,

enabling it to overcome challenges and drive sustainable growth. With robust net interest income and an improved NIM, the company is well-positioned for continued success in the coming years.



Fee and commission income and other operating income

In 2023, the Company reported fee and commission income and other operating income of LKR 0.93 Bn, compared to LKR 1.02 Bn recorded in 2022, reflecting a decline of 9.47%. This decrease can primarily be attributed to a reduction in early terminations during the year, impacting overall fee and commission income. Despite this decline, the Company remains focused on enhancing operational efficiencies and exploring avenues for revenue diversification to mitigate such fluctuations in the future.

Credit loss expense

Siyapatha Finance demonstrated further strides in credit quality management in 2023. Total impairment charges against loans and advances decreased by LKR 51 Mn to LKR 81 Mn, marking a 38.6% improvement compared to the previous year.

The decline in 2023 signifies an encouraging improvement in risk mitigation strategies and borrower performance. This is further reinforced by a 23.1% reduction in stage 3 facilities, reflecting progress in resolving distressed loans and advances or reclassifying them to performing categories. The total stage 3 loans and advances stood at

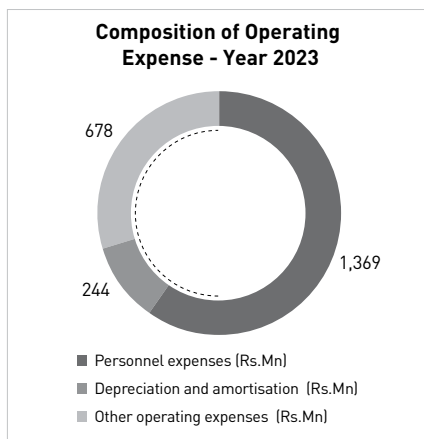
MANAGEMENT DISCUSSION AND ANALYSIS

LKR 7.84 Bn at the end of 2023. Additionally, the impairment coverage ratio for stage 3 loans and advances increased to 36.92%, up from 31.70% in 2022. This indicates that Siyapatha has set aside adequate provisions to cover potential losses on these potentially troubled loans, demonstrating a proactive approach to managing risk.

These positive developments point towards a more robust credit risk management framework, improved borrower creditworthiness, and potentially efficient collection efforts. However, it's crucial to maintain close monitoring and implement effective strategies to sustain this positive trend and further reduce credit losses in the future.

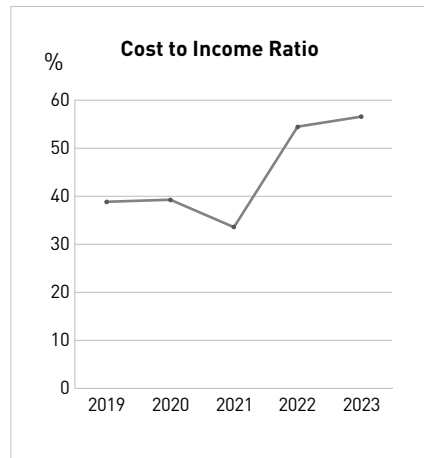
Operating expenses

In 2023, Siyapatha Finance experienced a notable surge in operating expenses, marking a 19.88% increase compared to 2022, totaling LKR 2.29 Bn. Personnel expenses continued to wield significant influence, comprising 59.75% of the total and rising by 14.79% to LKR 1.37 Bn. While this growth rate is slightly lower than the overall expense increase, other operating expenses, including depreciation, amortization, and miscellaneous costs, also recorded a substantial uptick of 28.32% compared to 2022.



The collective impact of these expense escalations led to a rise in the cost-to-income (CIR) ratio, climbing from 54.49%

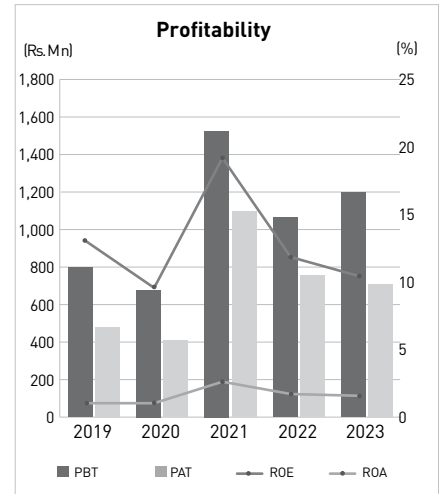
in 2022 to 56.59% in 2023. Notably, the CIR reached elevated levels in the first half of 2023; however, through strategic cost management initiatives, the Company successfully mitigated this trend, demonstrating our commitment to financial prudence and operational efficiency.



Profit before tax and profit after tax

Siyapatha recorded a profit before tax of LKR 1,199 Mn in 2023, representing a noteworthy increase of 12.74% compared to the previous year's figure of LKR 1,064 Mn. Despite this growth, the company faced an uptick in income tax expenses, reaching LKR 489 Mn in 2023, marking a substantial increase of LKR 180.2 Mn (58.3%) over the preceding year. This increase is attributed to both improved profitability and adjustments in corporate tax rates. Consequently, the profit after tax experienced a modest decline of 5.93%, decreasing from LKR 755 Mn in 2022 to LKR 710 Mn in 2023. Despite this decline, Siyapatha remains committed to optimizing operational efficiencies and maximizing shareholder value in a dynamic economic environment.

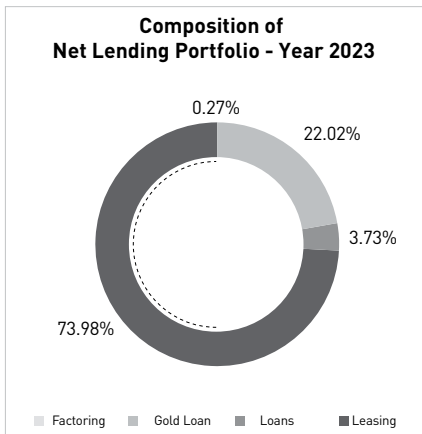
	2023	2022
ROE	10.41%	11.82%
ROA	1.55%	1.68%



Total Assets

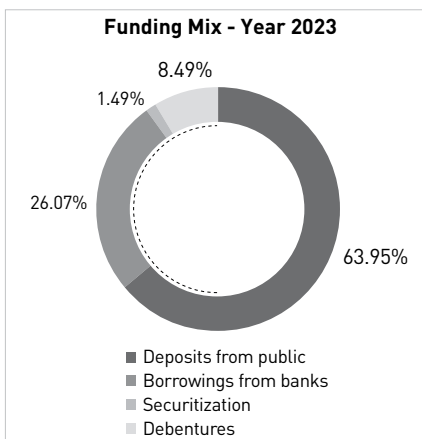
In the year ended December 31, 2023, total assets of Siyapatha surged to LKR 46.24 Bn, marking a robust growth of LKR 2,146 Mn (4.87%) compared to the previous year's total of LKR 44.09 Bn. The net lending portfolio also witnessed a notable increase, reaching LKR 36.01 Bn by the end of 2023, compared to LKR 34.64 Bn as of December 31, 2022, representing a growth of LKR 1.37 Bn (3.97%).

Leasing continued to command a substantial portion of the net lending portfolio, accounting for 73.98%, followed by gold loans at 22.02%. The leasing portfolio experienced commendable growth of 7.15% during the year. However, net gold loans slightly decreased to LKR 7,930 Mn from LKR 8,666 Mn in 2022, reflecting an 8.49% decrease compared to the previous year. Conversely, the net loan portfolio saw a significant increase, rising by 35.19% to reach LKR 1,343 Mn by December 31, 2023, compared to LKR 993 Mn at the end of 2022. Overall, the total net lending portfolio recorded a healthy increase of 3.97%, totaling LKR 36.01 Bn at the close of 2023, compared to LKR 34.64 Bn recorded in the previous year.



Total liabilities

The Company's total liabilities stood at LKR 38.99 Bn, indicating an increase compared to LKR 37.53 Bn as of December 31, 2022. This growth reflects the Company's continued expansion and strategic initiatives. Furthermore, the deposit base of the Company experienced significant growth, increasing by LKR 4.22 Bn during the year to reach LKR 23.56 Bn as of December 31, 2023. This increase underscores the Company's ability to attract and retain deposits, which play a crucial role in funding its operations and supporting its growth objectives.



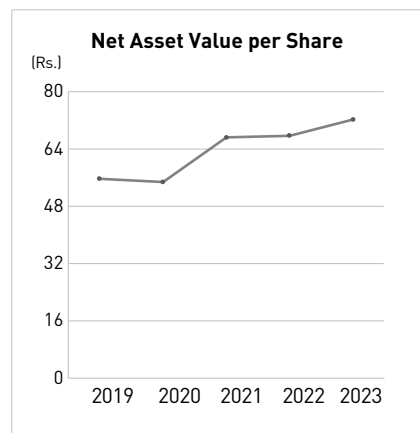
Capital

As of the end of the year under review, total equity, consisting of capital, retained earnings, and other reserves, reached LKR 7,246 Mn, marking a commendable increase

of 10.35% compared to the previous year. Stated capital also saw an uptick, rising to LKR 2,866 Mn. Moreover, the Company's Tier 1 and Total Capital ratios stood at 17.06% and 20.17%, respectively, as of the end of 2023. These ratios remained well-aligned with regulatory capital adequacy requirements, underscoring the robustness of our financial position and our commitment to maintaining strong capital buffers to support our ongoing operations and growth initiatives.

Net asset value per share and earnings per share

In the financial year 2023, earnings per share decreased to LKR 7.08 compared to LKR 7.52 recorded at the end of the previous year. This decline can be attributed to a decrease in net profit after tax and the increase in the number of shares resulting from the scrip dividend issuance. Additionally, net asset value per share increased to LKR 72.23 per share during the year from LKR 67.59 in 2022.



Dividends

Dividend per share decreased to LKR 0.07 for the year 2023 against LKR 2.33 of the prior year due to the decrease in profit distribution. Similar to the previous year, the dividend for the year 2022 was paid in the form of a scrip dividend, which not only facilitated value to shareholders but also supported capital formation for the growth plans of the Company. Despite the decrease in dividend per share, the Company remains committed to balancing

shareholder returns with its strategic initiatives aimed at sustainable growth and value creation.

OPERATIONAL REVIEW

2023 presented financial strain for Siyapatha's clients, impacting loan repayments. Undeterred, we prioritized stability, pursuing selective growth through capital-efficient lending. Additionally, enhanced recovery procedures saw our stage 3 loan portfolio decrease by 23.11%, demonstrating proactive risk management. Deepening customer engagement helped identify challenges, enabling us to offer customized solutions and support financial well-being. By navigating these complexities, Siyapatha positioned itself for sustainable growth in the face of ongoing economic uncertainties.

Risks and concerns of 2023

In 2023, Siyapatha Finance continued to operate within a challenging economic landscape characterized by political instability, high borrowing costs, and reduced disposable incomes. These lingering concerns, coupled with emerging threats like technological disruptions and talent retention, demanded a proactive approach to risk management.

Building on 2022's strategies, Siyapatha prioritized customer relationships and support. Branch recovery clinics, special settlement rebates, and flexible payment options offered breathing space for struggling borrowers. Additionally, fostering open communication and understanding helped mitigate default risks. The company also strategically adjusted its product portfolio.

Beyond credit risk, Siyapatha remained vigilant in managing operational, legal, compliance, and reputational risks. Implementing transparent processes and robust control measures ensured adherence to regulations and protected the company's brand image. Further information on this can be found in the Risk Management report on pages 91 to 105.

MANAGEMENT DISCUSSION AND ANALYSIS

Key marketing initiatives introduced in 2023

In 2023, the Company embarked on several key marketing initiatives aimed at enhancing its product portfolio and expanding its market presence. Despite the continued market volatility, the company demonstrated resilience by introducing innovative offerings tailored to meet evolving customer needs.

One notable introduction was the Siyapatha-Sampath Co-branded credit card, a strategic partnership that leveraged the strengths of both entities to provide customers with enhanced financial solutions and benefits. This collaboration not only expanded Siyapatha's product range but also positioned the company as a leading player in the credit card market, catering to diverse customer segments with tailored features and rewards.

Additionally, the Company introduced a new loan product called "Fast Draft," designed to provide customers with quick and convenient access to funds to meet their immediate financial needs. This product filled a crucial gap in the market, offering flexible repayment options and competitive interest rates to meet the varying requirements of borrowers.

Furthermore, recognizing the growing trend, the company launched "Siyapatha Smart Pay" in collaboration with Dialog Axiata PLC. This module enabled customers to conveniently settle their utility bills, mobile bills and institutional payments through Siyapatha's branch network. This initiative not only enhanced customer convenience but also strengthened Siyapatha's position as a forward-thinking financial institution embracing digital innovation and strategic partnerships.

In tandem with these product launches, the Company continued to leverage PR communication to highlight corporate achievements and branch expansion initiatives, reinforcing its brand reputation and visibility in the market. Moreover, greater emphasis was placed on below-the-line (BTL) communication activities at the branch level and outdoor promotions,

targeting specific segments such as micro-leasing and gold financing to further penetrate these markets and gain a competitive edge.

In addition to the above, the company heavily invested in digital exposures, focusing on non-conventional advertising mediums to target customers who cannot be reached through traditional channels.

Despite the challenging market conditions, the Company's strategic marketing initiatives in 2023 underscored its commitment to innovation, customer-centricity, and sustained growth. By expanding its product offerings, enhancing customer engagement, and leveraging strategic partnerships with industry leaders specially to cater to the agriculture sector, the company strengthened its position as a trusted financial partner, poised for continued success in the dynamic landscape of the financial industry.

Sustainable Finance Initiatives at Siyapatha Finance PLC

In our ongoing endeavor to foster sustainable finance growth in Sri Lanka, Siyapatha Finance PLC remains steadfast in our commitment to integrating environmental, social, and governance (ESG) factors into our investment decisions. Recognizing the significance of collaboration with diverse stakeholders, including financial institutions, regulatory bodies, and businesses, we aim to develop and implement sustainable strategies that prioritize responsible investing and green financing initiatives. Our goal extends beyond mere financial success; we strive to contribute meaningfully to a more environmentally and socially responsible economy. We have focused our efforts on several key areas:

- **Environmental Integration:** At Siyapatha Finance, environmental stewardship is at the core of our sustainable finance initiatives. We are dedicated to reducing carbon dioxide emissions and mitigating greenhouse gas (GHG) levels in the atmosphere. Through

the introduction of innovative product offerings and active engagement in green projects, our aim is to promote environmental consciousness and encourage responsible consumption within our community.



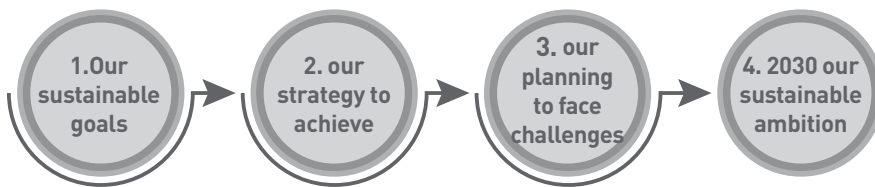
- **Social Responsibility:** In addition to our environmental efforts, Siyapatha Finance places a strong emphasis on social responsibility. We are committed to enhancing educational facilities in rural areas through various initiatives, including scholarship programs, seminars, and volunteer opportunities for our employees. By investing in education and empowering women, we seek to contribute to societal development and foster inclusivity and diversity. Furthermore, with the opening of new branches, the company recognizes the needs of schools in the respective regions and contributes to the development of infrastructure facilities.
- **Green Financing Products:** We take pride in introducing innovative green finance products that align with our sustainability goals. These financial products are meticulously designed

to contribute to environmental protection and social well-being while delivering value to our customers and communities. Through these initiatives, we aim to make a positive impact on both the environment and the communities we serve.

- **Employee Training:** At Siyapatha Finance, we prioritize the training of our employees in sustainable initiatives and encourage them to share their knowledge within society. By empowering our workforce to actively participate in building a green environment, we foster a culture of sustainability that transcends organizational boundaries.

As a responsible entity committed to sustainable growth, we firmly believe that the restoration of natural resources is a fundamental obligation. We always adopt best practices to improve and enhance environmentally friendly business operations to a great extent. To make this effort a success, the Company is committed to minimizing direct environmental impacts from its business by monitoring and assessing the usage of natural resources and strives to adhere to best practices in discharging organic and non-organic waste.

Sustainability Road Map:



Current Initiatives: We have successfully executed the Siyapathen Mihikathata island-wide tree planting program and have pledged to plant trees on the first day of inaugural branch openings. These initiatives aim to systematically reduce carbon dioxide levels in the atmosphere and promote environmental sustainability. The company has planted more than 10,000 trees in the surrounding areas of each respective branch.

Future Goals: Our sustainable goals include significantly decreasing net carbon dioxide levels in the atmosphere, promoting the adoption of hybrid and electric vehicles, and investing in renewable energy production. Additionally, we aim to enhance environmental resilience, protect biodiversity, and empower women through collaborative efforts with non-governmental organizations.

Siyapatha Finance PLC is dedicated to promoting sustainable finance and contributing to a greener and more socially responsible economy. Our initiatives, spanning environmental integration, social responsibility, green financing products, employee training, and education sustainability, underscore our commitment to environmental stewardship, social equality, and ethical business practices. Through our sustainability roadmap, we outline both our current initiatives and future goals, reflecting our unwavering dedication to creating a positive and lasting impact on society and the environment.

IT and innovation

Siyapatha Finance PLC continued its journey of technological advancement and process enhancement throughout the year 2023. The focus remained on leveraging emerging technologies to streamline business

operations, enhance efficiency, and fortify security measures. Key initiatives centered around business process automation, network infrastructure upgrades, and information security enhancements, all aimed at driving sustainable growth and resilience in an increasingly digital landscape.

A cornerstone of our success in IT and innovation is the dedicated and skilled team behind these initiatives. Recognizing the

critical role of talent in driving technological transformation, Siyapatha prioritizes building a strong and committed IT team. Our strategies not only revolve around plans and processes but also hinge on the skills, commitment, collaboration, and adaptability of our team members. These individuals, fuelled by a common objective, are the driving force behind Siyapatha’s technological evolution and success. This year alone, our team completed an average of 40 projects, a testament to their dedication and efficiency.

Among the noteworthy projects undertaken in 2023 were the implementation of Fast Draft and Loan Origination systems, the launch of a Co-Branded Credit Card, and the introduction of a Utility Bill Payment module. Each of these initiatives underscores Siyapatha’s unwavering commitment to innovation, customer-centricity, and technological excellence.

Enforcing the directives outlined in the 2022 Technology Risk Management and Resilience guidelines issued by the Central Bank of Sri Lanka (CBSL), the team adeptly navigated the implementation process, successfully meeting the initial deadlines. This initiative reflects our commitment to robust risk management practices and the cultivation of resilience within our technological infrastructure. We deployed a Privilege Access Monitoring system aimed at safeguarding systems against unauthorized access and modifications at the administrative level. Biannual vulnerability assessments were performed to meticulously identify weaknesses within the systems, servers, and network infrastructure. Currently, active remediation measures are underway to address and rectify the identified issues, ensuring enhanced security and resilience.

Furthermore, resilience remained a focal point in 2023, with Siyapatha conducting two Disaster Recovery Drills to test the readiness of critical applications and systems. Capacity planning exercises identified the imperative for network optimizations and bandwidth upgrades, underscoring our commitment to ensuring

MANAGEMENT DISCUSSION AND ANALYSIS

uninterrupted service delivery and operational continuity.

Finally, Siyapatha’s technological prowess was acknowledged on the global stage, with the company receiving the prestigious Gold award in the Technologies-led Innovation category at the Infosys Finacle Innovation Awards 2023. This accolade, bestowed upon our “Digitalized Delinquency Management Process,” serves as a testament to Siyapatha’s unwavering commitment to excellence and innovation in the dynamic landscape of financial technology.

Corporate Social Responsibility (CSR)

At Siyapatha Finance PLC, we are deeply committed to our corporate social responsibility (CSR) initiatives, which are integral to our mission of contributing positively to the communities we serve. Our CSR efforts in 2023 continued to prioritize impactful projects aimed at addressing societal challenges and promoting sustainable development across Sri Lanka.

One of our key CSR initiatives focused on road safety, a pressing issue in Sri Lanka. In collaboration with local authorities, we extended our support to equip selected police stations with essential road safety equipment and signage. These efforts have contributed to a significant reduction in road accidents and traffic violations, underscoring our commitment to promoting safer roads for all.

Additionally, our CSR projects extended to various community engagement programs aimed at fostering positive change. From renovating school buildings to donating computers and educational resources, we worked closely with local schools and entities to empower individuals and enhance educational opportunities. Our branch teams played a crucial role in these endeavors, actively engaging with communities to address specific needs and promote social well-being.

As part of our CSR framework, we remain dedicated to environmental stewardship and sustainability. We actively monitor and assess our environmental footprint, striving

to minimize direct environmental impacts from our business operations. Our initiatives focus on energy conservation, waste management, and sustainable practices, aligning with our commitment to preserving natural resources and promoting a cleaner, greener environment.

At Siyapatha Finance PLC, our CSR initiatives are rooted in our core values of integrity, responsibility, and community engagement. Looking ahead, we remain steadfast in our commitment to driving positive change and making a meaningful impact on society and the environment. Through continued collaboration with stakeholders and innovative CSR programs, we aim to build a more sustainable and inclusive future for all.

HUMAN CAPITAL

Siyapatha Finance PLC is driven by a profound commitment to empowering and transforming our human capital. In the face of challenges, our team’s unwavering dedication serves as the bedrock of our strength and agility, allowing us to navigate even the most daunting conditions with resilience and determination. As a company, we recognize the immense value of our employees and strive to create an environment that not only rewards their contributions but also nurtures their individual talents, enabling them to thrive both personally and professionally.

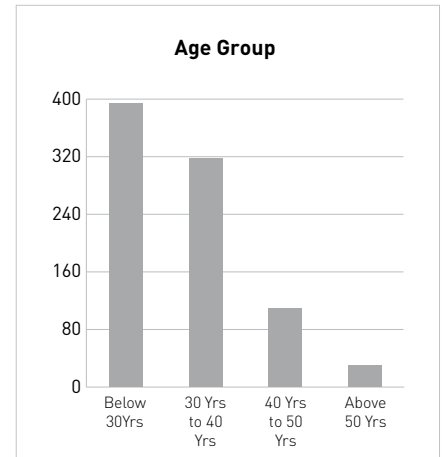


Composition of the Team

At Siyapatha Finance PLC, we firmly believe in the power of diversity and inclusiveness to foster a dynamic and invigorating corporate culture. In 2023, we made significant strides in this regard by creating over 288 new job opportunities, with 39% of these opportunities located outside the

Western province. Additionally, 42% of our new recruits were female, reflecting our commitment to gender diversity and equality in the workplace.

Gender	No. of Staff
Female	286
Male	563
Total	849



Grade	Total
Assistant	207
Junior Executive	226
Executive	219
Senior Executive	94
Assistant/Deputy Manager	54
Manager	36
Senior Manager	8
Corporate Manager	5

Recruitment Process and Employee Retention

The recruitment process at Siyapatha Finance PLC is characterized by rigor, transparency, and a commitment to finding the best fit for our team. Despite the challenges posed by economic uncertainties and shifting market dynamics, we have implemented a comprehensive set of measures to attract, select, and retain top talent. Our recruitment apparatus is manned by certified and adept internal recruiters who leverage diverse talent pools

to identify the most suitable candidates for respective positions. We employ a merit-based selection process that includes competency testing and formal interviews conducted collaboratively by the HR Department and Department Heads. Thorough due diligence, including credential verification, is conducted to ensure the integrity of the hiring process. Additionally, new hires undergo a mandatory probation period of at least 6 months, during which their performance is evaluated to determine their eligibility for permanent employment.

Despite the challenging market conditions, Siyapatha Finance PLC remains steadfast in its commitment to employee retention. We understand that retaining top talent is crucial for organizational success, especially in times of uncertainty. To this end, we have implemented various strategies to enhance retention levels and foster a culture of loyalty and engagement among our employees. Our approach encompasses several key initiatives, including:

1. **Compensation and Recognition:** We believe in recognizing and rewarding the contributions of our employees. Our competitive compensation packages are benchmarked against industry standards to ensure fairness and transparency. Additionally, we offer robust recognition and reward programmes, annual increments, and revamped incentives to celebrate employee dedication and performance.
2. **Professional Development and Growth:** We are committed to investing in the growth and development of our employees. Our professional development initiatives include internal promotions, leadership development programs, and hands-on training opportunities. We provide clear career paths and mentorship opportunities to help our employees reach their full potential. Additionally, our Industrial Placement program offers young undergraduates valuable experience and skills to enter the corporate workforce and excel in their careers. Many of these bright talents become

integral members of our team, and as of December 2023, 10 former interns are now permanent staff at Siyapatha.

3. **Communication and Active Involvement:** We believe that open communication and inclusive decision-making are essential for employee engagement. We maintain open channels of communication, celebrate milestones, and actively involve employees in decision-making processes. Employee feedback is valued and encouraged, and we actively promote Employee Resource Groups to ensure that every voice is heard.
4. **Employee Well-being:** We prioritize the well-being of our employees and offer comprehensive workplace well-being programs to support their physical and mental health. Our initiatives include mental health support, medical check-ups, and flexible family-friendly policies. We also provide continued education assistance and have raised the limits of employees' health insurance coverage to ensure their well-being is prioritized.
5. **Technological Advancements:** We embrace technological advancements to provide our team with cutting-edge tools and opportunities. Our cross-training initiatives and Tech Tonic CFTs (Cross-Functional Teams) ensure that our employees stay ahead of the curve and remain engaged in our technological journey.

Performance Management Systems

A performance-driven culture is integral to organizational success at Siyapatha Finance PLC. Our transparent Performance Management System (PMS) empowers employees to excel and achieve their personal and organizational goals. The PMS is structured around two models: probationary assessments for new employees and annual/bi-annual reviews for permanent staff. We utilize a combination of 180-degree and 360-degree evaluations to provide comprehensive feedback and facilitate continuous improvement. Our performance management system is

designed to align individual growth with organizational success, ensuring that every employee's contributions are recognized and valued.

Training and Development Initiatives

Investing in the learning and development of our employees is a cornerstone of Siyapatha Finance PLC's philosophy. In 2023, we expanded and enhanced our training and development initiatives to provide our team with the skills and knowledge they need to succeed. Our approach to skill development begins with a thorough evaluation of training needs at the organizational, departmental, and individual levels. We offer a wide range of internal and external training programs, including orientation programs, internal training sessions, external training programs, and familiarization programs. Additionally, we provide ongoing evaluation and re-orientation to ensure that our employees continue to grow and develop throughout their careers.



In 2023, Siyapatha Finance PLC conducted a total of 134 training programmes, comprising of 84 internal training programmes and 50 external training programmes. These programs covered a variety of topics, including technical skills, soft skills, leadership development, and industry-specific knowledge. We also provided training hours per employee and invested in continuous learning and upskilling to ensure that our team remains competitive in the rapidly evolving business landscape.

MANAGEMENT DISCUSSION AND ANALYSIS



	No. of Male employees who participated	No. of Female employees who participated
	1615	1,334
Total No of Technical skill training programmes		124
Total No. of Soft skill training programmes		10

Employment grade	No:of people participated
Industrial Placement	30
Assistant	585
Junior Executive	691
Executive	546
Senior Executive	257
Assistant / Deputy Manager	140
Manager	184
Senior Manager	38
Corporate Manager	13
Board of Directors	15
Training hours per employee	4.3
Total training hours	12,725
Total days of training	166

Succession Planning and Leadership Development

Succession planning and leadership development are critical components of Siyapatha Finance PLC's talent management strategy. We are committed to identifying and nurturing high-potential individuals to ensure a seamless

transition of skilled employees into key roles. Our succession planning initiatives include Individual Development Plans (IDPs), Management Development Plans (MDPs), and Young Leaders' Development Programs. These programs are designed to equip emerging leaders with the skills and capabilities they need to succeed in leadership roles. We actively invest in internal talent and provide ongoing training and mentorship to develop a pipeline of future leaders within our organization.

Employee Benefits

Siyapatha Finance PLC is dedicated to the well-being and financial security of its employees. We offer a comprehensive range of employee benefits designed to empower our workforce and provide them with the support they need to excel in their roles. Our employee benefits include:

Medical reimbursement (Surgical, Hospitalization and OPD)	Hospitalisation cover for employees and immediate family members and OPD reimbursement for employees and family members.
Reimbursement of travelling, meals, and accommodation	Reimbursement schemes for travel, meals and accommodation have been introduced to motivate employees to achieve set targets and encourage them to go the extra mile in terms of their work scope. The implementation of these reimbursement schemes has established a transparent and fair payments procedure 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 to enhance their life style.
Other Benefits	<ul style="list-style-type: none"> • Maternity benefits • Membership subscriptions • Medical and health campaigns • Insurance schemes • Staff loan facility • Mobile reimbursement • Per diem reimbursement

Work-Life Balance at Siyapatha

Siyapatha recognizes and prioritizes the philosophy of "Working to Live" over "Living to Work." While driving our talented workforce towards achieving their business goals, we also take proactive measures to ensure they can attend to their family and personal commitments. To this end, we've implemented various policies aimed at fostering work-life balance and enhancing the overall well-being of our employees. We have implemented the Attendance and Leave Policy, Flexible Working Hours Policy, Occupational Health and Safety Policy, Transfer, Secondment, and Job Rotation Policy, Learning and Development Policy, and Work-from-Home Policy. Through the implementation of these policies, Siyapatha aims to create an inclusive and supportive work environment where employees can thrive both personally and professionally.

Employee Engagement Activities Conducted in 2023

Throughout 2023, Siyapatha remained committed to creating a positive and engaging workplace culture through various employee engagement activities. These initiatives fostered camaraderie, celebrated cultural diversity, and promoted overall well-being among our staff. Some highlights from our activities include:

- **1st of January Official Celebrations:** Commencing the year with official celebrations to set a positive tone and foster team spirit.



- **Poson Dansela:** Organizing a traditional Poson Dansela to promote cultural unity and religious observance.



- **Annual Pirith Chanting Ceremony:** Hosting an annual ceremony to promote spiritual well-being and harmony among employees.



- **Participation in FHA Sports Festival:** Encouraging staff participation in sports activities to promote physical fitness and teamwork.



- **Siyapatha Night:** Providing an opportunity for employees to socialize, foster camaraderie, and celebrate togetherness.



- **Women's Day Event:** Celebrating the contributions of female employees, empowering their potential, and promoting gender equality in the workplace.



- **Christmas Xmas Competition on Decorations:** Celebrating the festive season by spreading cheer and creativity through a Christmas decoration competition.



- **Desktop Wallpaper Competition:** Encouraging artistic expression and personalization of workspaces through a creative competition.

These activities not only provided opportunities for relaxation and enjoyment but also strengthened team bonds and employee morale.

Challenges in the HR Space and Company Strategies

Managing human resources effectively presents several challenges, including talent acquisition and retention, diversity and inclusion, work-life balance, company culture, and compliance with employment laws. Siyapatha recognizes these challenges and has implemented strategic measures to address them:

Strategic Talent Acquisition: Focusing on employer branding, competitive compensation, and internal talent development to attract and retain top talent.

Diversity and Inclusion Initiatives: Promoting diversity through awareness sessions, training programs, and inclusive policies to create an environment where everyone feels valued.

Work-Life Balance Programs: Implementing flexible work arrangements, remote work options, and well-being initiatives to support employees in balancing work and personal life.

Cultivating a Strong Company Culture: Fostering a positive work culture through engagement activities, leadership development, and continuous communication.

MANAGEMENT DISCUSSION AND ANALYSIS

Continuous Compliance Management: Maintaining compliance with employment laws through regular audits and updates to policies and practices.

Employee Well-being Programs: Prioritizing mental health and well-being through assistance programs and flexible benefits packages.

Leadership Development Initiatives: Investing in leadership development to identify and nurture emerging leaders within the organization.

Technology Integration for Efficiency: Adopting HR technologies to streamline processes and enhance communication.

Crisis Management Protocols: Establishing protocols and contingency plans to address unexpected crises affecting the workforce.

Skills Development Programs: To bridge the skills gap through training and collaboration with educational institutions.

By proactively addressing these challenges, Siyapatha aims to create a supportive and inclusive workplace environment conducive to the growth and well-being of its employees.

Key HR Initiatives Introduced in 2023

In 2023, Siyapatha continued its commitment to innovation and employee well-being through various initiatives:

Establishment of CFT for Technological Advancement: Creating a team focused on technological innovation and process improvement.

HR as a Business Partner: Promoting a cost-conscious culture through knowledge sharing sessions and communications.

Cost-Saving Awareness Sessions: Educating staff on cost-saving measures and resource conservation.

Healthcare Initiatives by HR: Providing information and support on healthcare matters for employees.

Bidding Motorbikes Among Staff: Promoting employee engagement through fun activities.

Best Practices for Health and Safety: Ensuring compliance with health and safety guidelines in the workplace.

HR as a Portal of Open Communication: Recognizing and appreciating staff achievements and contributions.

Establishment of First Aid and Firefighting Teams: Enhancing workplace safety and emergency preparedness.

Encouraging Ethical and Compliant Culture: Promoting ethical behaviour and compliance with company policies.

Community Engagement and Social Responsibility Programs: Engaging in activities to give back to the community.

Continuous Employee Feedback Mechanism: Providing channels for staff feedback and communication.

FD Incentives: Offering incentives to recognize and reward employee performance.

These initiatives reflect Siyapatha’s commitment to sustainability, cost administration, employee well-being, and continuous learning.

Way Forward for the Future

Looking ahead, Siyapatha’s HR capabilities are poised for transformation, embracing technology and data-driven approaches to address emerging challenges and opportunities.

Key areas of development include:

Automation of Routine Tasks: Increasing reliance on automation to streamline HR processes.

Emphasis on Employee Experiences: Designing programs to enhance employee satisfaction and engagement.

Data-Driven Decision Making: Leveraging data analytics to inform HR strategies and initiatives.

Remote Work and Virtual HR: Adapting HR practices to support virtual and remote teams.

Diversity, Equity, and Inclusion: Promoting a diverse and inclusive workplace culture.

Agile Workforce Management: Implementing flexible staffing models and dynamic team structures.

Enhanced Learning and Development: Revamping training programs for continuous upskilling and fostering a learning culture.

Well-being and Mental Health Support: Prioritizing employee well-being and mental health.

Strategic Workforce Planning: Aligning talent strategies with long-term organizational goals.

Global Talent Acquisition: Expanding recruitment efforts globally.

Ethical AI and People Analytics: Ensuring ethical use of AI and analytics in HR processes.

Innovative Employee Engagement: Exploring new ways to engage with employees and foster a vibrant workplace culture.

Crisis and Change Management: Refining strategies to respond to unexpected challenges.

Green and Sustainable Practices: Incorporating sustainability into HR processes.

Employee Advocacy and Employer Branding: Advocating for employees and enhancing employer branding.

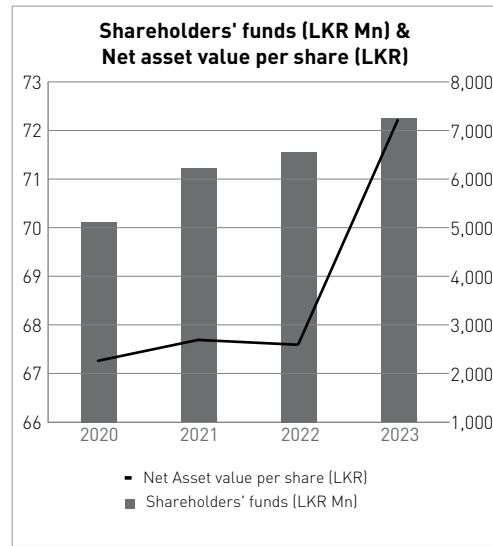
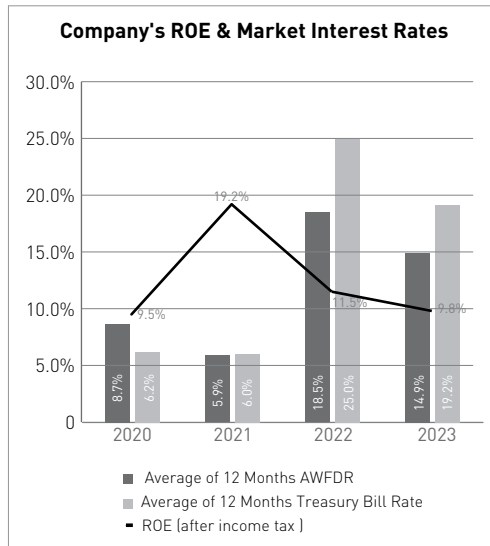
As we navigate the challenges and opportunities of the modern business landscape, Siyapatha Finance PLC remains steadfast in its commitment to empowering its employees to reach their full potential and achieve their career aspirations.

By fostering a culture of continuous learning, collaboration, and accountability, we are laying the foundation for sustained success and prosperity for years to come. With our talented and dedicated team leading the way, we are confident that Siyapatha Finance PLC will continue to thrive and make a positive impact on the lives of our customers, employees, communities and its’ stakeholders.

INVESTOR INFORMATION

Value Creation for Shareholders	2023	2022	Change %
Net asset value per share (LKR)	72.23	67.59	6.9
Earnings per share (LKR)	7.08	7.52	(5.9)
Dividend per share (LKR)	0.07	2.33	(97.0)
Dividend payout ratio (%)	1.00%	30.00%	(96.7)

The Board of Directors have recommended a scrip dividend of LKR 0.07 per share on 100,329,537 ordinary shares, totaling to LKR 7.02 Mn subject to approval of Shareholders of the Company.



INFORMATION ON SHARES

	As at 31 December 2023		As at 31 December 2022	
	Number	LKR	Number	LKR
Ordinary Shares	100,329,537	2,866,876,754	97,166,011	2,674,439,468
Total	100,329,537	2,866,876,754	97,166,011	2,674,439,468

Shareholders' list as at 31 December 2023

Name	No. of Shares	% Holding
(01). Sampath Bank PLC	100,329,530	100.00%
(02). Mr. P.S.Cumaranatunga	01	0.00%
(03). Mr.Y.S.H.R.S.Silva	01	0.00%
(04). Mr.J.H.Gunawardena	01	0.00%
(05). Mr.J.Selvaratnam	01	0.00%
(06). Ms.H.S.R.Ranatunga	01	0.00%
(07). Mr.D.Sooriyaarachchi	01	0.00%
(08). Mr.W. S. C.Perera	01	0.00%
	100,329,537	100.00%

INVESTOR INFORMATION

PUBLIC HOLDINGS

The percentage of ordinary shares held by the public as at 31 December 2023 was 0%. Directors'/ MD's Holding in Shares as at 31 December 2023.

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
Mr. D. Sooriyaarachchi	Director	01
Mr. W.S.C. Perera	Director	01

DISTRIBUTION OF SHARE OWNERSHIP

	31-12-2023				31-12-2022			
	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%	100,329,530	100.00%	1	12.50%	97,166,004	100.00%
	8	100.00%	100,329,537	100.00%	8	100.00%	97,166,011	100.00%

RECORD OF SCRIP ISSUES

Year	Issue	Basis / Proportion	No. of Shares Issued	Consideration per share (LKR)	Consideration to Stated Capital (LKR Mn)	Reason for Issue
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
2022	Final Scrip Dividend for 2021	1 for 17.71	5,192,855	63.23	328.34	Increase Stated Capital
2023	Final Scrip Dividend for 2022	1 for 30.71	3,163,526	60.83	192.44	Increase Stated Capital

RECORD OF RIGHTS ISSUES

Year	Issue	Basis /Proportion	No. of Shares Issued	Price per share (LKR)	Consideration to Stated Capital (LKR 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 2023.

INFORMATION ON LISTED DEBENTURES

(i).Market Values

	Highest (LKR)		Lowest (LKR)		Period End (LKR)	
	2023	2022	2023	2022	2023	2022
Debentures-2019/2024	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2021/2026	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded

(ii).Interest Rates

	2023		2022	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2019/2024	13.33%	13.33%	13.33%	13.33%
Debentures -2021/2026	9.46%	9.46%	9.46%	9.46%

(iii).Interest rates of comparable Government Securities

	31-12-2023	31-12-2022
6 months treasury bill	13.85%	29.50%
1 year treasury bill	12.75%	28.50%
5 year treasury bond	13.75%	26.76%

(iv).Current Yield & Yield to maturity

	2023		2022	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
Debentures Issued-August 2019 5 year Fixed rated(13.33% p.a. payable annually)	Not Traded	Not Traded	Not Traded	Not Traded
Debentures Issued-September 2021 5 year Fixed rated(9.46% p.a. payable annually)	Not Traded	Not Traded	Not Traded	Not Traded

(v).Ratios

	31-12-2023	31-12-2022
Debt to Equity Ratio (Times)	1.12	1.53
Interest Cover(Times)	1.17	1.18
Quick Asset Ratio (%)	91.92%	89.51%

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 previously held the positions of Chairman and Managing Director of the David Pieris Group of Companies, where he served a tenure spanning thirty years and nine months. During this time, he functioned as a Director for 24 years and prior to that as the General Manager for two years. His journey with the Company began as an Accountant on 01st July 1985 and he subsequently retired as the Chairman on 31st March 2016.

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 LKR 43.3 Mn and a net profit of LKR 311,000 in 1985/86, to one of the most profitable, professionally managed conglomerates in Sri Lanka, with a turnover of LKR 86.2 Bn and a net profit of LKR 11.1 Bn 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 LKR 10 Bn in net profit thrice in five years, from 2011/12 to 2015/16.

He also served as the 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 (CGMA ACMA-UK), a Certified Practising Accountant (CPA), and a Member of the Chartered Institute of Marketing (DipM MCIM)

CURRENT APPOINTMENTS:

Currently, he serves as the Chairman of Suvimie Associates (Pvt) Ltd, a Company engaged in global trading, plantations, and renewable energy.

FORMER APPOINTMENTS:

He commenced his career as an Executive at Ceylon Shipping Lines Ltd in 1981. In 1985, he joined Richard Pieris & Company Ltd as the first Accountant of Richard Pieris Motor Company Ltd (subsequently David Pieris Motor Company Ltd). Throughout his career, he was extensively involved both strategically and operationally, in the disciplines of finance & accounting, sales & marketing, information communication technology, and operations. He served as a Council Member of the University of Colombo from 27th January 2020 to 20th April 2022.

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 Resource 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 1st 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. An Associate Member of the Chartered Institute of Management Accountants, UK (ACMA). A 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 and an alumnus of Harvard Business School (USA).

CURRENT APPOINTMENTS:

He is the Deputy Chairman of Sampath Bank PLC, Director of Sampath Centre Limited, The Managing Director of Indra Traders (Pvt) Ltd, Director of Indra Motor Spares (Pvt) Ltd, Indra Property

Development (Pvt) Ltd, Chairman of Indra Hotels & Resort 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 serves as a member of the Board Nomination Committee of the Company.



MR. ANANDA SENEVIRATNE

Managing Director
Executive Director

Appointed and assumed duties as the Managing Director and serves as an Executive Director of Siyapatha Finance PLC on 1st 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 Jayawardenepura and holds a Masters 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. In 2008, he joined Loadstar (Pvt) Ltd as Director/General Manager of Procurement and continued up until 2009. Subsequently, he joined Assetline Leasing Company Limited in 2009 as Director of Operations and promoted to 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:

Chairman of the Finance Houses Association of Sri Lanka and Board Member of the Credit Information Bureau of Sri Lanka (CRIB). In addition, he serves as an ex-officio member of the Stakeholder Engagement Committee (SEC) of the Central Bank of Sri Lanka (CBSL).

MEMBERSHIP OF BOARD SUB – COMMITTEES:

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



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 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 high 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 (Prifysgol Cymru) and a Diploma in Banking from the Institute of Bankers of Sri Lanka. He engages in business

BOARD OF DIRECTORS

development and consultancies in the Banking, Non-Banking Financial Institutions, Insurance Brokerage and Corporate Sectors.

CURRENT APPOINTMENTS:

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

FORMER APPOINTMENTS:

He commenced his career at Citibank N. A., Sri Lanka in 1990. He held several key leadership 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 SUBCOMMITTEES:

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 and the Board Related Party Transactions Review Committee of the Company.



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:

He had a distinguished career at Standard Chartered Bank, Colombo holding several senior managerial positions such as Imports Manager, Exports Manager, 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 the time of his early retirement, he held the position of Manager Quality Control and Operational Risks where he was mainly responsible for maintaining a stronger control environment in the Bank. Further, he was acting as the Anti-Money Laundering Monitoring Officer responsible for reporting suspicious transactions to the Financial Intelligence Unit of the Central Bank of Sri Lanka.

Subsequent to his early retirement from the Bank, he joined Messrs. 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.

He was also responsible for carrying out Corporate Governance Compliance Audits for number of years at several leading licensed Commercial Banks and Registered Finance Companies as required by the CBSL directions.

He 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 SUBCOMMITTEES:

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



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 from 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. A 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 Limited, Singer Sri Lanka PLC, Kelani Cables PLC, Prime Lands Residencies PLC, Lanka Shipping and Logistics (Pvt) Ltd., Non Executive Director of Panasian Power PLC, Consulting Partner – RBL Group USA, a Member of the Board of Management of the Postgraduate Institute of Management (PIM), Managing Director of 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 of Aviva NDB Insurance PLC, and Commissioner of the Sri Lanka Inventors' Commission.

MEMBERSHIP OF BOARD SUB – COMMITTEES:

Currently, he is the Chairman of the Board Human Resource and Remuneration Committee and the Board Related Party Transaction Review Committee of the Company. He also serves as a member of the Board Nomination Committee and the Board Information Technology Committee of the Company.



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 the Information Technology and Engineering Industry. He holds an Honors degree in Engineering from the University of Moratuwa. He gained 25 years of experience by closely collaborating with CXOs, Consultants, and 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 of IBM World Trade Corporation, thereafter as Operations Manager to Stretchline (Pvt) Ltd - MAS Group, Chief Operating Officer to Stretchline – Indonesia - MAS Group, General Manager of IMAS Corporate Software – Ceylinc 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:

He serves as a Non-Executive Director on the Boards of Sampath Information Technology Solutions Ltd.

MEMBERSHIP OF BOARD SUB-COMMITTEES:

Currently, he serves as the Chairman of the Board Information Technology Committee and a member of the Board Credit Committee, and the Board Integrated Risk Management Committee of the Company.



MS. SRIYANI RANATUNGA

Independent Non-Executive Director

Appointed to the Board as an Independent Non-Executive Director on 28th January 2020.

BOARD OF DIRECTORS

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 a past pupil 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 a period of 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. 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 Organisation 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 OF 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 of the Company.

**MR. MALINDA BOYAGODA**

Served as an Independent Non-Executive Director

Appointed to the Board as an Independent Non-Executive Director on 28th April 2020 and having served as a Director for two years and eight months, he resigned from the Board on 31st December 2023.

QUALIFICATIONS, SKILLS & EXPERIENCE

Posses over 20 years of post-qualification experience of which nearly 17 years is with Big-4 professional services firms, 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. 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). He graduated from the University of Sri Jayawardenepura, Sri Lanka with a Degree in BSc Business Administration specialized in Finance.

CURRENT APPOINTMENTS:

Partner at Deloitte 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 (2017 to date).

FORMER APPOINTMENTS:

His participation and contribution to the profession include being a member of 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.

Before stepping down from the Board, he held the position of Chairman of the Board Audit Committee and member of several other committees including the Board Information Technology Committee, the Board Integrated Risk Management Committee, the Board Corporate Governance Committee, and the Board Related Party Transactions Review Committee of the Company.



MR. LAKNATH JAYAWICKRAMA

Independent Non-Executive Director

Laknath Jayawickrama is a Governing Council Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) from 2022. He counts over 21 years of post-qualifying experience and spent over a decade with the Global Accounting Firm PricewaterhouseCoopers (PwC) in Sri Lanka, Southern Africa and in East Asia. Subsequently, he joined a conglomerate based in Singapore overseeing Tax & regulatory matters in number of countries including Indonesia, Malaysia, Singapore and India. He was admitted as a partner of a leading law firm in Sri Lanka before embarking as an Independent Practitioner. His practice areas include finance, tax, legal services and forensic accounting.

He has also been serving as a visiting lecturer for finance, tax and legal subjects in the University of Sri Jayawardenepura, General Sir John Kotelawala Defence University, SLTC Research University, Chartered Institute of Taxation, and the CA Sri Lanka. He has also been a resource person for a number of training programs conducted locally and overseas.

Mr. Jayawickrama obtained B.Sc. (Accountancy & Financial Management) Special degree from the University of

Sri Jayawardenepura and a Bachelor of Laws degree from the Open University of Sri Lanka. He is Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Further, he is also an attorney-at-Law at the Supreme Court of Sri Lanka.

He is the current Chairman of the School of Taxation in CA Sri Lanka whereas he was the Chairman of its Business School during 2022-2023 period. Currently, he is a member of the Committee on Insolvency of the South Asian Federation of Accountants (SAFA).

APPOINTED TO THE BOARD :

Appointed to the Board as an Independent Non-Executive Director on 29th January 2024.

MEMBERSHIP OF 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 of the Company.

KEY REPORTING PERSONS



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. Ruwan Wanniarachchi
Chief Financial Officer



Mr. Indraka Liyanage
Head of Risk



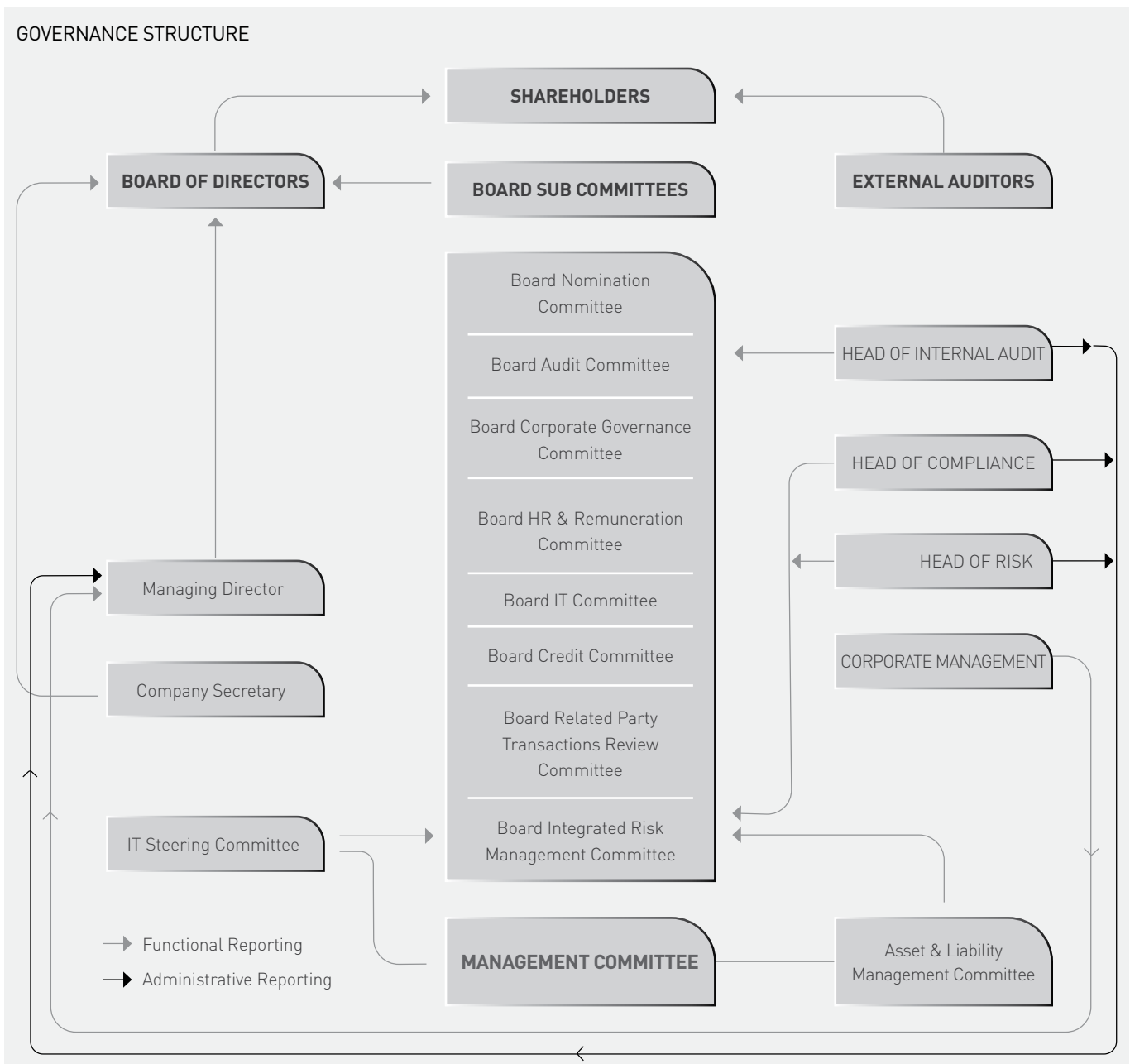
Ms. Mahika Rajakaruna
Head of Compliance

CORPORATE GOVERNANCE REPORT

Corporate Governance is the structures and processes in place 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 that is aligned with its core values, provides strong risk and performance

management, has checks and controls to ensure accountability, and promotes sound decision-making, transparency, and effective and ethical leadership. The Corporate Governance framework is reviewed annually to comply with internal and external developments and to stay aligned with evolving best practices.



CORPORATE GOVERNANCE REPORT

The Board of Directors bears the 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 Committee, the Board Integrated Risk Management Committee, the Board Related Party Transaction Review Committee, Board Human Resources and Remuneration Committee, Board Nomination Committee, the Board Credit Committee, Board Corporate Governance Committee, and the Board Information Technology Committee have been formed in line with the business' requirements and in compliance with the regulatory requirements. The terms of reference and work of the committees are given in the reports of the Board subcommittees on pages 116 to 118.

The Managing Director is responsible for the day-to-day management of the operations of the Company and is accountable to the Board. He is supported by Key Responsible Persons, who collectively form the Corporate Management Team responsible for business lines or key support functions.

GOVERNANCE FRAMEWORK

Siyapatha Finance PLC's 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 Business Act Directions No.05 of 2021 on Corporate Governance and Finance Business Act Directions No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.

- E. Continuing Listing Rules of the Colombo Stock Exchange.

The Annual Report of the Board of Directors on the State of Affairs of the Company on pages 121 to 128 provides insights into how the Company complies with the requirements of the Companies Act No.7 of 2007. Compliance with the Finance Business Act Directions No.05 of 2021 on Corporate Governance is set out on pages 36 to 66 providing an overview of the governance mechanisms in place at the Company.

The Finance Business Act Directions No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies.

Section	Corporate Governance Principle	Compliance
1	BOARD'S OVERALL RESPONSIBILITIES	
1.1	The Board shall have overall responsibility and accountability for the Finance Company (Company), including approving and overseeing management's implementation of the Company's corporate strategy, setting up the governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below in effectively discharging its responsibilities.	The Board approved Strategic Business Plan for 2023-2025 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, the Board approved Strategic Plan for 2023-2025 has also been established .
1.2	Corporate Strategy and Governance Framework	
1.2.a	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least next three years and update annually in light of the current developments.	Board approved Strategic Plan for 2023-2025 and projected financial statements / budget for the year 2023 are in place. The Board measures corporate performance against predetermined goals. The Company's Strategic Plan for 2023-2025 includes measurable goals for the next three years.
1.2.b	Approving and implementing Company's governance framework in the light of the Company's size, complexity, business strategy and regulatory requirements.	The Board approved governance framework is in place.
1.2.c	Assessing the effectiveness of its governance framework periodically	The governance framework is assessed annually by the Board of Directors.

Section	Corporate Governance Principle	Compliance
1.2.d	Appointing the chairman and the chief executive officer and define the roles and responsibilities.	<p>The Board approved functions and responsibilities of the Managing Director and Chairman is in place which complies with the section 6.4 and 6.5 of the Finance Business Act Direction 05 of 2021. The Chairman and 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.</p> <p>There is a clear division of responsibilities between conducting the business of the Board and the 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 ensuring its effectiveness. The Managing Director's role is primarily to conduct the business operations of the Company with the help of Corporate Management. The roles of the Chairman and the Managing Director are clearly distinct from one another.</p>
1.3	Corporate Culture and Values	
1.3.a	Ensuring that there is a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior	The Company invests in building Human Resources culture and there is a people management strategy in place that focuses on leadership and management culture, and embeds cultural values across all levels of the organization. A Board approved Code of Conduct for employees is in place. The Code of Conduct translates generic values into more specific policies and guidance, which in turn influences behaviour. The Code of Conduct emphasize that the Company sees the value in acting with integrity.
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	<p>The Board approved Code of Conduct is available to all employees including the Board of Directors. This Code focuses mainly on the following areas:</p> <p>Fair dealing, protection, and proper use of the Company's assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination, and harassment, health, and safety, discipline, etc.</p>
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies.	Sustainable development goals are included in the Board approved Strategic Plan 2023 - 2025.
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects in public and regulators.	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.
1.4	Risk Appetite, Risk Management and Internal Controls	
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	The Board approved Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Risk indicators and monitoring pertaining to Credit Risk, Market Risk, Operational Risks, and other residual risks are discussed and appropriate mitigating actions are recommended at the BIRMC meeting.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company. The Internal Audit Department helps the process by carrying out audits to assess the internal controls over financial reporting and MIS. The Board reviews the adequacy and 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 was submitted to the Board.
1.4.d	Approving and overseeing business continuity and disaster recovery plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Board approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place. BCP is being reviewed by the BIRMC and the current status is updated at meetings.
1.5	Board Commitment and Competency	
1.5.a	All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the Company	The views of the Board of Directors on issues under consideration are ascertained, and a record of such deliberations are reflected in the minutes. Further, the Board is in complete control of the Company's affairs and aware of its obligations to all shareholders and other stakeholders.
1.5.b	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
1.5.c	The Board shall regularly review and agree the training and development needs of all the members.	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programs relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation.
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. 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.
1.5.e	The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the Company.	A Board approved policy is in place that enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.
1.6	Oversight of Senior Management	
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, the Board of Directors, Chief Operating Officer, Chief Marketing Officer, Chief Human Resources Officer, Chief Financial Officer, Head of Risk, Head of Compliance and Head of Internal Audit have been identified as Key Responsible Persons (KRPs).

Section	Corporate Governance Principle	Compliance
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	Job Descriptions of the Key Responsible Personnel are approved by the Board and include the functions and responsibilities of the KRPs. Areas and limits of authority of the KRPs are covered under the Delegation Authority (DA) limits assigned to them.
1.6.c	Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the Company's strategic objectives.	The job description (JD) and job specification (JS) of a particular position of KRPs are approved by the Board of Directors. JD and JS include key responsibilities, skills, competencies, and required qualifications. The set of skills and competencies expected by the Company is determined through the recruitment process. A candidate is evaluated and verified during the interview process as per the recruitment policy. Information related to experience and qualifications is verified through their affidavit and declaration, which is submitted to the CBSL. Further, the physical documents/ confirmations are verified and obtained from the candidates during the on-boarding process.
1.6.d	Ensuring there is an appropriate oversight of the affairs of the Company by senior management.	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, KRPs make regular presentations to the Board on matters under their purview.
1.6.e	Ensuring the Company has an appropriate succession plan for senior management.	The Company has established a Board approved succession plan for all the KRPs.
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	The Managing Director and Chief Operating Officer are called to regular Board Meetings to review policies and monitor the progress towards the corporate objectives. The other KRPs attend Board meetings on invitation and make presentations, which provide the opportunity to share their views and contribute towards the performance of the Company.
1.7	Adherence to the Existing Legal Framework	
1.7.a	Ensuring that the Company does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders.	A Board approved Governance Framework and Communication policies are in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board approved Code of Conduct for all employees is in place, and the Board regularly monitors compliance with the Code of Conduct.
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	Civil liabilities are covered through "Director's and Officer's liability insurance policy. Continuous monitoring is in place to avoid criminal liabilities through implementing a governance framework, recruiting Directors of suitable caliber and obtaining fit & propriety of members annually.

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
2.	GOVERNANCE FRAMEWORK	
	<p>Board shall develop and implement a governance framework in line with these directions and including but not limited to the following;</p> <p>(a) role and responsibilities of the Board</p> <p>(b) matters reserved for the Board;</p> <p>(c) delegation of authority;</p> <p>(d) composition of the Board</p> <p>(e) the Board's independence;</p> <p>(f) the nomination, election and appointment of directors and appointment of senior management.</p> <p>(g) the management of conflicts of interests</p> <p>(h) access to information and independent advice</p> <p>(i) capacity building of Board members;</p> <p>(j) the Board's performance evaluation;</p> <p>(k) role and responsibilities of the chairman and the chief executive officer</p> <p>(l) role of company secretary;</p> <p>(m) Board sub committees and their role</p> <p>(n) limits on related party transactions (not available in the governance framework)</p>	A Board approved Governance Framework is in place.
3	COMPOSITION OF THE BOARD	
3.1.	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13	<p>The Board consists of nine Directors, which is within the statutory requirement.</p> <p>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 2023.</p>
3.3.	The total period of service of a director other than a director who holds the position of chief executive officer/executive director shall not exceed nine years , subject to direction 3.4.	The period of service of all Directors of the year 2023 is below nine years.

Section	Corporate Governance Principle	Compliance
3.4	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth (¼) of the total number of directors of the Board.	Mr. H. M.A. Seneviratne is the only Executive Director of the Company who currently holds the position of Managing Director.
3.5	Executive Directors	
3.5.a	Only an employee of a Company shall be nominated, elected and appointed, as an executive director of the Company, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	Mr. H. M.A. Seneviratne is the only Executive Director of the Company who currently holds the position of Managing Director.
3.5.b	A shareholder who directly or indirectly holds more than 10% of the voting rights of the Company, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the Company and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	In 2023, no such circumstance transpired.
3.5.c	In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the Company.	Mr. H.M.A. Seneviratne is the only Executive Director of the Company who currently holds the position of Managing Director.
3.5.d	All Executive directors shall have a functional reporting line in the organization structure of the Company.	
3.5.e	The executive directors are required to report to the Board through CEO.	
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Mr. H.M.A.Seneviratne (Managing Director) does not hold any executive directorships or senior management positions in any other Company.
3.6	Non-executive Directors	
3.6.a	Non-executive directors (NED) shall possess credible track records, have necessary skills and experience to bring independent judgment to bear on issues of strategy, performance, resources and standards of business conduct	The Non-Executive Directors of the Company possess vast experience and skills in the relevant fields.

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Section	Corporate Governance Principle	Compliance
3.6.b	A non-executive director cannot be appointed or function as the CEO/executive director of the Company.	None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.
3.7	Independent Directors	
3.7.a	The number of independent directors of the Board shall be at least three or one third of the total numbers of directors, whichever is higher.	During the year, the Board comprised of five Independent Non-Executive Directors. The composition of the Board of Directors is published on pages 28 to 33 of the Annual Report.
3.7.b	Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	All Independent Non-Executive Directors of the Company are of the highest caliber with professional qualifications, a proven track records, and sufficient experience in the given fields. A brief profile of their expertise and experience is given on pages 28 to 33.
3.7.c	A non-executive director shall not be considered independent if such:	
3.7.c.i	Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company.	In 2023, no such circumstance transpired.
3.7.c.ii	Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the Company, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the Company as shown in its last audited statement of financial position.	In 2023, no such circumstance transpired.
3.7.c.iii	Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	In 2023, no such circumstance transpired.
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as director.	In 2023, no such circumstance transpired.
3.7.c.v	Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company.	In 2023, no such circumstance transpired.
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the Company;	In 2023, no such circumstance transpired.
3.7.c.vii	Director is an employee or a director or has direct or indirect shareholding of 10% or more of the stated capital in a company or business organization, in which any of the other directors of the Company is employed or a director;	In 2023, no such circumstance transpired.

Section	Corporate Governance Principle	Compliance
3.7.c.viii	Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the Company.	In 2023, no such circumstance transpired.
3.7.d	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	In 2023, no such circumstance transpired.
3.7.e	An independent director shall immediately disclose to the Board any change in his circumstances that may affect his status as an independent director. In such a case, the Board shall review his designation as an independent director and notify the Director in writing of its decision to affirm or change his designation.	Declarations have been obtained from the Directors regarding the status of their independence / non-independence against the specified criteria, and copies of the same are under the custody of the Company Secretary for review. In 2023, no such circumstance transpired.
3.8	Alternate Directors	
3.8.a	Representation through an alternate director is allowed only if,	There were no Alternate Director appointments.
3.8.a.i	With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and	
3.8.a.ii	If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.	
3.8.b	The existing directors of the Company cannot be appointed as an alternate director to another existing director of the Company.	
3.8.c	A person appointed as an alternate director to one of the directors cannot extend his role by acting as an alternate director to another director in the same Board	
3.8.d	An alternate director cannot be appointed to represent an executive director	
3.8.e	In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to the independent director	
3.9	Cooling off Periods	In 2023, no such appointments were made.

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
3.9.a	There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the Company, who was previously employed as a CEO or director, of another Company. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a Company which needs restructuring, shall be made with prior approval of the Monetary Board.	
3.9.b	A director, who fulfil the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	
3.10	Common Directorships	
3.10	Director or a KMP of a Company including CEO shall not be appointed, elected or nominated as a director of another Company except where such Company is a parent company, subsidiary company or an associate company of the first mentioned Company subject to conditions stipulated in Direction 3.5(f).	No Directors or KRPs held positions in other Finance Companies during the year 2023.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the Company.	As per declarations given by the directors for the year 2023, none of the directors holds office as a director of more than 20 Companies.
4.	ASSESSMENT OF FIT AND PROPER CRITERIA	
4.1	No person shall be nominated, elected or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Board shall appoint directors subject to the policy on selection, nomination, appointment, election, and retirement of directors. Further, the policy is in line with the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
4.2	A person over the age of 70 years shall not serve as a director of a Company.	None of the Directors of the Company are above the age of 70 years.
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,	In 2023, no such appointments occurred.
4.3.a	Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	In 2023, no such appointments occurred.

Section	Corporate Governance Principle	Compliance
4.3.b	Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	In 2023, no such appointments occurred.
4.3.c	The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.	In 2023, no such appointments occurred.
4.3.d	The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	In 2023, no such appointments occurred.
5.	APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT	
5.1	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Company conforms to the provisions of Finance Business Act Direction No.6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.
6.	THE CHAIR AND THE CHIEF EXECUTIVE OFFICER	
6.1	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	The roles of the Chairman and the Managing Director are separated and not performed by the same individual.
6.2	The chairperson shall be an independent director, subject to 6.3 below.	The Chairman, Mr. P.S.Cumaranatunga is an Independent, Non-Executive Director. Hence, the appointment of a Senior Director has not arisen. Chairperson's performance has been assessed for the year 2023.
6.3	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	
6.4	Responsibilities of the Chairperson	
	The responsibilities of the chairperson shall at least include the following:	Chairman's key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled. Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman. The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers.
6.4.a	provide leadership to the Board;	
6.4.b	maintain and ensure a balance of power between executive and non- executive directors;	
6.4.c	secure effective participation of both executive and non-executive directors	
6.4.d	ensure that the Board works effectively and discharges its responsibilities	
6.4.e	ensure that all key issues are discussed by the Board in a timely manner	
6.4.f	Implement decisions/directions of the regulator.	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary.	

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
6.4.h	Not engage in activities involving direct supervision of senior management or any other day to day operational activities.	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	
6.4.j	Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	
6.5	Responsibilities of the CEO	<p>The Board approved functions and responsibilities of the Managing Director are in place.</p> <p>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.</p>
	The CEO shall function as the apex executive-in-charge of the day-to-day- management of the Company's operations and business. The responsibilities of the CEO shall include:	
6.5.a	implementing business and risk strategies in order to achieve the Company's strategic objectives;	
6.5.b	establishing a management structure that promotes accountability, and transparency throughout the Company's operations, and preserves the effectiveness and independence of control functions;	
6.5.c	promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior	
6.5.d	Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	
6.5.f	Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5.g	CEO must devote the whole of the professional time to the service of the Company and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.	
7.	MEETINGS OF THE BOARD	
7.1	<p>The Board shall meet at least twelve times a financial year at approximately monthly intervals.</p> <p>Obtaining the Board's consent through the circulation of papers shall be avoided as far as possible.</p>	<p>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. 14 Board Meetings were held during the year under review.</p> <p>A Board approved procedure is in place to obtain consent through the circulation of written or electronic resolutions / papers other than those under urgent circumstances.</p>
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	The Annual Board meeting calendar is scheduled at the end of the previous year enabling the Board of Directors to attend meetings. Directors are given notice of at least 3 days for regular Board Meetings.

Section	Corporate Governance Principle	Compliance
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth of the number of directors that constitute the quorum at such meeting are independent directors.	In 2023, no such incidents occurred.
7.6	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	2 meetings were held only with the participation of the Non-Executive Directors, without the Executive Directors being present.
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	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 policy on Conflict of Interest in place for directors.
7.8	A director who has not attended at least two-thirds of the meetings in the period of 12 months, immediately, preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance. However, continuous attendance (more than 6 meetings) through an alternate director will result in discontinuation of the directorship of the original director.	The Board of Directors has fully complied with the requirement and each Director of the Board is well-informed and acquainted with their attendance. Further, the Company Secretary monitors attendance. During the year 2023, none of the directors has been absent for three consecutive meetings. Details of the Director's attendance are set out on page 90 of the Annual Report.
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings	
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Please refer 'Directors' Attendance and Committee Memberships' table given on page 90 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes.
8.	COMPANY SECRETARY	
8.1.a	The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	In terms of section 221 of the Companies Act No. 07 of 2007, a qualified 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.

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Section	Corporate Governance Principle	Compliance
8.1.b	The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of Company and shall not become an employee of any other institution.	The Company would comply with the direction by appointing a Company Secretary considered as Senior Management by 01st July 2024. A transitional period until 01st July 2024 has been granted to comply with the same.
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	A Board approved procedure is in place to enable all Directors to have access to the advise and services of the Company Secretary and to ensure all Board procedures, applicable laws, rules, directions, and regulations are followed.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Company Secretary is responsible for the preparation of the agenda, in consultation with the Chairman.
8.4	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.
8.5	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.	
8.6	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:	Minutes of the Board meetings are recorded in sufficient detail.
8.6.a	a summary of data and information used by the Board in its deliberations;	
8.6.b	the matters considered by the Board;	
8.6.c	the fact-finding discussions and the issues of contention or dissent including contribution of each individual director.	
8.6.d	the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations;directions	
8.6.e	the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted;	
8.6.f	the decisions and Board resolutions.	
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Minutes are available for the inspection of the Directors. A Board approved procedure is available to inspect the minutes.

Section	Corporate Governance Principle	Compliance
9	DELEGATION OF FUNCTIONS BY THE BOARD	
9.1	The Board shall approve a DA and give clear directions to the senior management ,as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.	The Board approved delegation authority limits is in place.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Asset and Liability Committee , IT & Security Steering Committee are in operation.
9.4	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board's capacity to perform its duties has not been impacted by its delegation of authority.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	The delegation process is periodically reviewed to ensure it fulfills the demands of the Company.
10	BOARD SUB-COMMITTEES	
10.1	For the purpose of specifying the requirements for board committees, Companies are divided into two categories based on asset base as per the latest audited SoFP. Companies with asset base of more than 20 bn considered as category A and Companies with asset base of less than 20 bn to be considered as category B.	In terms of the FBAD No.05 of 2021, the Company has in operation a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Nomination Committee (BNC), Board Human Resource and Remuneration Committee (BHRRC), and Board Related Party Transactions Review Committee (BRPTRC). In addition, Board Corporate Governance Committee (BCGC), Board Credit Committee (BCC), and Board IT Committee (BIT) have been formed.
	Board Sub-Committees	
	Companies with asset base of more than Rs. 20 bn	
	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	
	Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	There were 07 BAC meetings and 04 BIRMC meetings held during the year 2023, which comply with the requirements. Please refer 'Directors' Attendance and Committee Memberships' table given on page 90 of the Annual Report.

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Section	Corporate Governance Principle	Compliance
10.1.b	Each sub-committee shall have a written term of reference specifying clearly its authority and duties.	Written Term of References clearly specifying the authority and duties are in place for each Sub-Committee.
10.1.c	The Board shall present a report on the performance of duties and functions of each committee, at the annual general meeting of the company.	Performance, duties, and functions of all subcommittees are disclosed on pages 106 to 118 of the Annual Report.
10.1.d	Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	<p>The Company Secretary is the Secretary to the Board Nomination Committee, Board Human Resources and Remuneration Committee, and Board Related Party Transaction Review Committee. Further, the Head of Compliance, Head of Internal Audit, and Head of Risk are the secretaries to the Board Corporate Governance Committee, Board Audit Committee, and Board Integrated Risk Management Committee respectively.</p> <p>A qualified Secretary acts as the secretary to the Board Credit Committee and Board IT Committee. They discharge their secretarial functions under the supervision of the Chairperson of the subcommittees. Performance, duties, and functions of all subcommittees are disclosed on pages 106 to 118 of the Annual Report. Minutes of all of the above Committees are submitted to the Board for their review.</p>
10.1.e	Each board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the board sub-committees.	Members of all Board subcommittees consist of Board members and the performance, duties, and functions of all subcommittees are disclosed on pages 106 to 118 of the Annual Report.
10.1.f	The Board may consider occasional rotation of members and of the Chairperson of Board sub-committees as to avoid concentration of the power and promote new perspective.	When necessary, the Chairs and members of the Board's subcommittees will be taken into consideration for rotation.
10.2	Board Audit Committee (BAC)	
	The following shall apply in relation to the Audit Committee	
10.2.a	The chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit	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 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 Degree in B.Sc Business Administration specializing in Finance.
10.2.b	The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	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 and Ms. H.S.R. Ranatunga. All of them have expertise and knowledge in the fields of banking, finance, leasing, information technology, etc.
10.2.c	The secretary to the audit committee shall preferably be the chief internal auditor (CIA)	Head of Internal Audit functions as the Secretary of the Audit Committee.
10.2.d	External Audit Function	

Section	Corporate Governance Principle	Compliance
10.2.d.i	The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	The Auditor's appointments, service periods, and fees are determined and recommended by the BAC at the end of each financial year.
10.2.d.ii	Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, Company shall not use the service of the same external audit firm for not more than ten years consecutively.	E&Y functions as the External Auditor of the Company. The Company will adhere to the aforesaid section once it takes effect on 01st July 2024.
10.2.d.iii	Audit partner of an Company shall not be a substantial shareholder, director, senior management or employee of any Company.	E&Y functions as the External Auditor of the Company. The Company will adhere to the aforesaid section once it takes effect on 01st July 2024.
10.2.d.iv	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	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.
10.2.d.v	Audit partner shall not be assigned to any non-audit services with the Company during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	There is a separate Board approved policy for the provision of non-audit services by the External Auditor. During the year 2023, the External Auditor provided the following non-audit services all of which conforms with the governance rules and requirements. <ul style="list-style-type: none"> • Post Implementation Review of ECL model in line with SLFRS 09. • Report on Internal Controls over financial reporting for the year ended 31st December 2023. • Report on Corporate Governance for the year ended 31st December 2023.
10.2.d.vi	The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	The Board Audit Committee has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Auditing Standards. The Audit Engagement Letter for the year ending 31st December 2023 has been submitted to the Board Audit Committee.

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Section	Corporate Governance Principle	Compliance
10.2.d.vii	The BAC shall review the financial information of the Company, in order to monitor the integrity of the financial statements of the Company in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Quarterly Financial Statements as well as year-end Financial Statements are discussed and recommended to the Board for approval by 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 take place, and required clarifications are obtained in respect to all areas before being recommended for Board's approval.
10.2.d.viii	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	The Board Audit Committee discusses issues, problems, and reservations arising from the interim and final audits with the External Auditors. During the year the Committee has held two meetings with the External Auditors, without the Executive Management being present, to discuss any matters (if any) the auditor may wish to discuss.
10.2.d.ix	The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	The Committee has reviewed the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 31st December 2022.
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 129 to 130 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting".
10.2.f	The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of an Company.	BAC monitors this through regular reporting from the Internal Audit Department.
10.2.g	Internal Audit function:	
10.2.g.i	The committee shall establish an independent internal audit function either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes	There is an in house Internal Audit Department.
10.2.g.ii	The internal audit function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively.	There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Auditor. The said mandate establishes the independence of the department too. 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 is taken to rectify the same.

Section	Corporate Governance Principle	Compliance
10.2.g.iii	The BAC shall take the following steps with regard to the internal audit function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	Board Audit Committee has discussed 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 and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit ;	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 is taken to rectify the same.
	(iii) Assess the performance of the head and senior staff members of the internal audit department;	The Board Audit Committee has carried out the performance appraisal of the Head of Internal Audit for the year 2023 .
	(iv) Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care;	In terms of the Organization Chart of Siyapatha Finance PLC, the Head of Internal Audit reports directly to the BAC and the audit work has been performed with impartiality proficiency and due care.
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	BAC reviews the annual compliance review conducted by Internal Audit Function.
	(vi) Examine the major findings of internal investigations and management's responses thereto. ;	There is regular reporting to the BAC on the status of investigations.
10.2.h	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	BAC reviews on a quarterly basis the progress of implementation of recommendations of CBSL on-site investigation report.
10.2.i	Meetings of the Committee	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Every BAC meeting is duly recorded and minutes are submitted to the Board for its information.
	ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Members of the Board Audit Committee, the Head of Internal Audit, and the Head of Finance attend the meetings. Managing Director and Chief Operating Officer attend by invitation.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/ senior management/employees being present.	2 meetings were held with the External Auditors without any other directors / senior management being present.
10.3	Board Integrated Risk Management Committee (BIRMC)	
	The following shall apply in relation to the BIRMC:	

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10.3.a	The committee shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Committee consisted of five Non-Executive Directors. The Managing Director and Head of Risk may attend the meetings upon invitation. The Committee closely works with Key Responsible Personnel and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
10.3.b	The secretary to the committee may preferably be the CRO.	Head of Risk functions as the Secretary to the BIRMC.
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, Compliance and technology to the Company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee has an appropriate process to assess the impact of all risks periodically through identified risk indicators and management information. Further, the Committee make recommendations on the risk strategies and the risk appetite to the Board.
10.3.d	Developing Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a Company will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the Company is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the Company.;	The Company's risk appetite is developed through a Risk Tolerance Limit Statement, which articulates the individual and aggregate level and types of risk that Siyapatha Finance PLC will accept or avoid, in order to achieve its strategic business objectives. The Risk Appetite is monitored via the Risk Register and includes quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation. Compliance risks as well as money laundering are also discussed at the meetings.
10.3.e	The BIRMC shall review the Company's risk policies including RAS, at least annually.	All policies including the Risk policies are reviewed by BIRMC on an annual basis.
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	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.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	BCP is been reviewed by the BIRMC and the position is updated at meetings.
10.3.h	BIRMC shall annually assess the performance of the Compliance Officer and the CRO.	BIRMC assessed the performance of the Head of Compliance and Head of Risk for the year 2023.
10.3.i	Compliance function	

Section	Corporate Governance Principle	Compliance
10.3.i (i)	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	The BIRMC has established an independent Compliance Function.
10.3.i (ii)	For Company's with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	A Compliance Officer has been appointed.
10.3.i (iii)	For Companies with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not applicable.
10.3.i (iv)	The responsibilities of a compliance officer, would broadly encompass the following:	
	i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;	Board approved policies and procedures are in place.
	ii) ensure compliance policies and procedures are clearly communicated to all levels of the Company to enhance the compliance culture;	Board approved Compliance policy is in place and available on the intranet which is accessible by all employees of the Company.
	iii) ensure that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.
	iv) understand and apply all new legal and regulatory developments relevant to the business of Company;	The Company implements all new legal and regulatory developments that are applicable to its business.
	v) secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance and ethical standards	Board approved new product policy is available to streamline the process of designing or redesigning a product in the Company.
	vi) highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and	Compliance Audits are carried out periodically and action is taken to rectify if deviations are noted.
	vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity	With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications

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10.3.j	Risk management function	
10.3.j (i)	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the Company.	The Company has established an Independent Risk Management function.
10.3.j (ii)	For Companies with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	A separate department for Risk Management Function is established, which is headed by the Head of Risk. Reports / observations are submitted to the BIRMC.
10.3.j (iii)	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the Company's risk management function is robust and effective to support its strategic objectives and to fulfil broader responsibilities to various stakeholders.	The Company has established Risk Management policies with relevant RAS and is in line with the strategic objectives of the Company.
10.3.j (iv)	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: <ul style="list-style-type: none"> (a) various potential risks and frauds (b) possible sources of such risks and frauds; (c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing (d) effective measures to control and mitigate risks at prudent levels; and (e) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually. 	Risk Management controls are functioning in an integrated manner in the Company as required by the direction. A stress testing policy is established and testing results are presented at the BIRMC meetings periodically. The Risk Register has identified 89 various potential risks which are discussed at the Committee level. In addition, R& CSA reviews are carried out periodically to identify the potential risks in the Company.
10.3.j (v)	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc. and make recommendations on risk management	Head of Risk is a part of the strategic planning session of the Company.
10.3.j (vi)	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	The Risk Register is submitted to the BIRMC on a quarterly basis.
10.3.j (vii)	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	The Board of Directors have the ultimate responsibility for the risk management of the Company. Minutes of the BIRMC meetings and Risk Trajectory is 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. The Risk Trajectory Report based on discussions at the BIRMC is submitted to the subsequent Board Meeting.

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10.4	Nomination Committee	
	The following shall apply in relation to the Nomination Committee:	
10.4.a	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The committee is comprised of Non-Executive Directors and two third of the directors are independent. The members are Mr. P.S.Cumaranatunga (Chairman), Mr.D. Sooriyaarachchi and Mr. Y.S.H.R.S. Silva.
10.4.b	Secretary to the nomination committee may preferably be the company secretary.	Secretary to the committee is the Company Secretary.
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer.	A Board approved policy for the selection, nomination, appointment, and election of directors is in place. Selection and appointment of KRPs are carried out with the recommendation of the Board Nomination Committee and in accordance with the Recruitment policy.
10.4.d	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and propriety of Key Responsible Persons)	The Committee ensures that this has complied with the terms of FBA (Assessment of Fitness and Propriety of Key Responsible Persons)
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is carried out to conform with the stated section.
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the Company as a whole.	The composition of the Board is not in any manner dominated by an individual or a small group of individuals.
10.4.g	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	The qualification and experience of MD and senior management have been documented in job descriptions (JDs) which were recommended by the BHRRC and approved by the Main Board.
10.4.h	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The Company conforms to the stated section.

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10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the Company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	The Company conforms to the stated section.
10.4.j	The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management	With the recommendation of BHRRC, the Succession of the senior management has been approved by the Board. Further, a Management Development Plan (MDP) and Individual Development Plan (IDP) have been identified to enhance the expertise of the competencies of the senior management. This is considered at the BNC and BNC is responsible for the selection, nomination, appointment, election, and retirement of KRPs.
10.4.k	A member of the Nomination Committee shall not participate in decision making relating to own appointment/reappointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Members of the Board Nomination Committee is not involved in the decision-making process for their own appointment or reappointment. Moreover, the Board Chairperson abstains from the meeting when the topics of discussion concern the appointment of the successor.
10.5	Human Resources and Remuneration Committee:	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
10.5.a	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	The Committee is comprised of three Independent Non-Executive Directors and is chaired by Mr.D.Sooriyaarchchi. Other members of the committee are Mr. S.Cumaranatunga and Ms. H. S. R. Ranatunga.
10.5.b	The secretary to the human resource and remuneration committee may preferably be the company secretary.	The Company Secretary functions as the secretary to the committee.
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the Company and fees and allowances structure for non-executive directors.	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the BHRRC.
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	The Remuneration and Benefits Policy has been formulated and developed to achieve fair and equitable benefits with transparent guidelines which integrate with the market-related modern remuneration practices. Further, the Remuneration and Benefits Policy is reviewed annually by considering the material changes which are to be included in the policy.
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the Company. The policy shall be subject to periodic review of the Board, including when material changes are made.	The remuneration and benefits policy is reviewed annually. The reviewed policy is recommended by the BHRRC and approved by the main Board.

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10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It also includes measures to prevent conflicts of interest.
10.5.g	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	The performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance has been reviewed by the BHRRC. Financial benefits have been decided based on their performances.
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	The committee adheres to the stated section.
11.	INTERNAL CONTROLS	
11.1	Company shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks	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 audits to assess the internal controls over financial reporting and management information systems. Board reviews the adequacy and 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.
11.2	A proper internal control system shall: (a) promote effective and efficient operation; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of loss from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations and internal policies.	
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives	

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12.	RELATED PARTY TRANSACTIONS	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following	
12.1.a	All Companies shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.	The Board has established a Board Related Party Transactions Review Committee, in conformity with the Direction.
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	A Board approved mechanism is in place in this regard.
12.1.c	The business transactions with a related party that are covered in this Direction shall be the following:	There is a documented process approved by the Board which speaks on types of related party transactions 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 2023.
12.1.c i.	Granting accommodation;	
12.1.c ii.	Creating liabilities to the Company in the form of deposits, borrowings and any other payable;	
12.1.c iii.	Providing financial or non-financial services to the Company or obtaining those services from the Company; or	
12.1.c iv.	Creating or maintaining reporting lines and information flows between the Company and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Guide is in place which discusses categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
12.2.a	Directors and senior management.	
12.2.b	Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company.	
12.2.c	Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the Company exert control over or vice versa	
12.2.d	Directors and senior management of legal persons in paragraph (b) or (c).	

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12.2.e	Relatives of a natural person described in paragraph (a), (b) or (d).	
12.2.f	Any concern in which any of the Company's directors, senior management or a relative of any of the Company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	
12.3	The Board shall ensure that the Company does not engage in business transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Company. For the purpose of this paragraph, "more favourable treatment" shall mean:	There is a documented process approved by the Board which clearly defines related party transactions and ensures 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.
12.3.a	Granting of "total accommodation" to a related party, exceeding a prudent percentage of the Company's regulatory capital, as determined by the committee.	The Company has a detective system that 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 favourable treatments offered to such related parties than that accorded to other constituents of the Company carrying on the same business.
12.3.b	Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;	
12.3.c	Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties;	
12.3.d	Providing or obtaining services to or from a related party without a proper evaluation procedure	
12.3.e	Maintaining reporting lines and information flows between the Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions	
13.	GROUP GOVERNANCE	
13.1	Responsibilities of the Company as a Holding Company.	The Company is a fully owned subsidiary of Sampath Bank PLC. Further, the Company does not have subsidiaries or associates.
13.2	Responsibilities as a Subsidiary	The Company is a fully owned subsidiary of Sampath Bank PLC. The Company fulfills its own legal and governing obligations.
	If the Company is a subsidiary of another financial institution subject to prudential regulation, Company shall discharge its own legal and governance responsibilities.	

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14	CORPORATE CULTURE	
14.1	A Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	<p>The Company has an internally developed Code of Conduct for its directors and this Code covers the 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 behavior, etc.</p> <p>Further, the Code of Conduct is available for all employees including Corporate and Senior Management. This Code focuses mainly on the following areas:</p> <p>Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline, etc.</p>
14.2	The Company shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.
14.3	The Company shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the Code of Ethics of the Company. Further, BAC reviews the policy on an annual basis.
15.1	CONFLICTS OF INTEREST	
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Guide is in place which speaks on categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,	A Policy on managing conflicts of interest is in place and the policy is reviewed periodically.
15.1.b.i	Identify circumstances which constitute or may give rise to conflicts of interests.	
15.1.b.ii	Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.	
15.1.b.iii	Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.	

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15.1.b.iv	Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.	
15.1.b.v	Identify those responsible for maintaining updated records on conflicts of interest with related parties, and	
15.1.b.vi	Articulate how any non-compliance with the policy to be addressed	
16.	DISCLOSURES	
16.1.	<p>The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> <p>The Board shall ensure that at least following disclosures are made in the Annual Report of the Company.</p>	Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Further, such statements are published in the newspapers in Sinhala, Tamil and English.
16.1.i	<p>Financial statements-</p> <p>In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none"> • A 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. • A statement of responsibility of the Board in preparation and presentation of financial statements. 	This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on pages 121 to 128 of the Annual Report.

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Section	Corporate Governance Principle	Compliance
16.1.ii	<p>Chairperson, CEO and Board related disclosures-</p> <ul style="list-style-type: none"> • Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director who is serving as the senior director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other directors of the company. • Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity. • Number/percentage of board meetings of the Company attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member. 	<p>Details of the Directors including names and transactions with the Finance Company are given on pages 28 to 33 of the Annual Report. Declaration was obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company.</p>
16.1.iii	<p>Appraisal of board performance-</p> <ul style="list-style-type: none"> • An overview of how the performance evaluations of the Board and its committees have been conducted 	<p>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.</p>
16.1.iv	<p>Remuneration-</p> <ul style="list-style-type: none"> • A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) • The aggregate values of remuneration paid by the Company to its directors and senior management. 	<p>Performance driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Strategic Plan and the Budget. All employee's annual promotions, increments, bonus are directly in relation with the employee's performance, contribution, commitment, professional conduct and behavior. The remuneration structure of the staff, Senior Management and Executive Directors shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivize employees to take excessive risk or act in self-interest.</p> <p>Aggregate values of remuneration paid for:</p> <p>Senior Management Remuneration - Rs.101,501,556.91</p> <p>Directors fees are given in Note 44.3 of the financial statement.</p>

Section	Corporate Governance Principle	Compliance
16.1.v	<p>Related party transactions-</p> <ul style="list-style-type: none"> The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital. The aggregate values of the transactions of the Company with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the Company. 	<p>Details of the Directors including names and transactions with the Finance Company are given on pages 28 to 33 of the Annual Report.</p> <p>Declaration was obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company.</p> <p>The nature of relationship if any between the Chairperson and the CEO and the relationship among members of the Board.</p> <p>Total of net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital.</p> <p>Net accommodation for Directors – Nil</p> <p>Net accommodation for Senior Management - Nil</p> <p>The aggregate values of the transactions of the Company with senior Management is follows;</p> <p>Deposits – Rs. 333,600,116.26</p>
16.1.vi	<p>Board appointed committees-</p> <ul style="list-style-type: none"> The details of the chairperson and members of the board committees and attendance at such meetings. 	<p>Please refer 'Directors' attendance and Committee Memberships' tables are given on page 90 of the Annual report.</p>
16.1.vii	<p>Group Structure-</p> <ul style="list-style-type: none"> The group structure of the Company within which it operates. The group governance framework. 	<p>The Company is a fully owned subsidiary of Sampath Bank PLC. The Company fulfills its own legal and governing obligations.</p>
16.1.viii	<p>Director's report-A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> The Company has not engaged in any activity, which contravenes laws and regulations. The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested. The Company has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness. 	<p>Given on pages 121 to 128 of the Annual Report.</p>

CORPORATE GOVERNANCE REPORT

Section	Corporate Governance Principle	Compliance
16.1.ix	<p>Statement on Internal Control-</p> <ul style="list-style-type: none"> A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, and rules and directions 	Given on pages 129 to 130 of the Annual Report.
16.1.x	<p>Corporate governance report-</p> <ul style="list-style-type: none"> Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction. 	<p>The Corporate Governance Report is set out on pages 35 to 90 of the Annual Report of the Company.</p> <p>The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.</p>
16.1.xi	<p>Code of Conduct -</p> <ul style="list-style-type: none"> Company's code of business conduct and ethics for directors, senior management and employees. The Chairperson shall certify that the company has no violations of any of the provisions of this code. 	A Board approved Code of Conduct for directors and for all employees are in place. Please refer the Chairperson's message on pages 7 to 9 that the Company has no violations of any of the provisions of this code.
16.1.xii	<p>Management report -</p> <ul style="list-style-type: none"> Industry structure and developments Opportunities and threats Risks and concerns Sustainable finance activities carried out by the company Prospects for the future 	Please refer 'Management Discussion and Analysis' on pages 13 to 24 and Managing Director's Review on pages 10 to 12.
16.1.xiii	<p>Communication with shareholders -</p> <ul style="list-style-type: none"> The policy and methodology for communication with shareholders. The contact person for such communication. 	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary shall communicate with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.

Corporate Governance 2013 was 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.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	<p>Board meetings are planned well ahead and dates of the monthly meetings are finalized at the end of the previous year.</p> <p>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 14 Board meetings were held.</p> <p>Please refer 'Directors' attendance and Committee Memberships' table given on page 90 in the Annual report.</p>
A.1.2	Responsibilities of the Board	Complied	<p>The Board while acting in line with the Company's values is responsible for the formulation of a sound business strategy for the organization. The Management formulates a three years strategic plan which addresses future challenges, which would be tabled, discussed, and approved by the Board.</p> <p>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 Company's ethical standards and corporate values are met to ensure that all stakeholders' interests are taken into consideration in the corporate decision-making process.</p>
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 sub-committees advise the Board on various matters under their purview, when necessary.
A.1.4	Advice and services of the Company Secretary	Complied	A clearly 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 all applicable rules and regulations are complied with. Legal matters for which the Board needs clarification are referred to the Company Secretary. She provides such information after obtaining necessary professional advice whenever required.
A.1.5	Independent judgement of directors	Complied	All directors are free to bring independent judgement to aid with the 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 ideas are recorded in detail by the Company Secretary with a view to indicate the rationale in which decisions are arrived at.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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.
A.1.7	Training for new and existing directors	Complied	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying 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 communicated to the Board by the Company Secretary for the director's participation.
<p>A.2 CHAIRMAN AND MANAGING DIRECTOR</p> <p>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 toward the Company's Strategic Vision and to ensure the 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 Senior Management. Hence, the roles of the Chairman and the Managing Director are clearly distinct from one another.</p>			
A.2.1	Separation of the roles of Chairman & Managing Director	Complied	<p>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 corporate management. The roles of the Chairman and the Managing Director are clearly distinct from one another.</p> <p>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.</p>
<p>A.3 CHAIRMAN'S ROLE</p> <p>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 the effective discharge of Board functions.</p>			

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.3.1	Role/functions of the Chairman	Complied	<p>The following functions of the Chairman were approved by the Board.</p> <ul style="list-style-type: none"> • To provide leadership to the Board. • Maintain and ensure a balance of power between the Executive and Non-Executive Directors. • Secure effective participation of both Executive and Non-Executive Directors. • To ensure that the Board works effectively and discharges its responsibilities. • To ensure that all key issues are discussed by the Board in a timely manner. • To implement decisions/directions of the regulator. • Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and maintaining minutes in an orderly manner to the Company Secretary. • Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities. • Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of the shareholders are communicated to the Board. • Annual assessment of the performance and the contribution during the past 12 months of the Board.
<p>A.4 FINANCIAL ACUMEN The Code of Best Practice requires that the Board comprises 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.</p>			

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A 4	Financial acumen and knowledge	Complied	<p>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 a Chartered Global Management Accountants (CGMA) qualification. He graduated from the University of Sri Jayawardenepura, with a Degree in BSc Business Administration specializing in Finance.</p> <p>Mr. P.S. Cumaranatunga is an Associate member of the Chartered Institute of Management Accountants of UK (ACMA, UK), holds a Chartered Global Management Accountants (CGMA) qualification, a Certified Practising Accountants (CPA) and is a Member of the Chartered Institute of Marketing (DipMMCIM).</p> <p>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 a Master's Degree in Business Administration (MBA) from the University of Colombo.</p> <p>Ms. H.S.R.Ranatunga is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA-UK), the Chartered Global Management Accountants (CGMA), has a 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.</p> <p>These members of the Board have the ability to offer to advice & guidance on matters of finance to the Board.</p>
	<p>A.5 BOARD BALANCE</p> <p>The Code requires that a balance is maintained between the Executive and Non-Executive Directors (NEDs) thus no individual or a small group of individual directors is able to dominate the Board's decision making.</p>		
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 a minimum of 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

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
A.5.6	Alternate Director	Complied	At present, there are no alternate Directors.
A5.7 & A5.8	Requirement to appoint a 'Senior Non-Executive Director' and make 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.
A5.9	Chairman holds meetings with NEDs only without EDs	Complied	During the year the Chairman met the Non-Executive Directors, twice in the absence of the Managing Director.
A.5.10	Recording of concerns in Board minutes	Complied	<p>Deliberations raised by the Directors are part of the Board Meetings and such information is adequately detailed by the Company Secretary in the minutes.</p> <p>The Company Secretary minutes as to how the decision had arrived at all times. All minutes are kept in a detailed manner.</p>
<p>A.6 SUPPLY OF INFORMATION</p> <p>The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions that would enable it to discharge its duties.</p>			
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 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 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.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
	<p>A.7 APPOINTMENT TO THE BOARD Company has a formal and transparent procedure in place to appoint new Directors.</p>		
A.7.1& .7.2	Presence of a Nomination Committee and annual assessment of the composition of the Board.	Complied	<p>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 and appointment of new directors and the Managing Director for the Company.</p> <p>The final decision is taken by the Board in terms of 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 match the strategic demand of the market.</p>
A.7.3	Disclosure of information to shareholders upon appointment of New Directors	Complied	<p>All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in the English language, together with brief resumes of such Directors. Such announcements set out the fields of the respective Director’s expertise, his/her directorships in other companies, and the number of shares he/she holds in the Company, whether he/she is appointed as an Executive Director or a Non-Executive Director, and whether as an Independent Director or as a Non-Independent Director.</p> <p>There are no such appointments to the Board in this manner during the year under review.</p>
	<p>A.8 RE-ELECTION The Code requires all Directors to submit themselves for re-election, at regular intervals and at least once every three years.</p>		
A.8.1 & A.8.2	Re-election of Non-Executive Directors including Chairman and Directors	Complied	<p>The procedure adopted by the Company to re-elect by rotation is in compliance with Articles 24(7), 2(8) and 3(9) of the Articles of Association. In accordance with articles, at least one-third of the Directors retire at the AGM.</p>
	<p>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.</p>		
A.9.1 & A.9.2	Annual appraisal of the Board’s performance and the performance of its Sub-Committees.	Complied	<p>The performance of the Board is evaluated by the Chairman and the directors. The Board subcommittees carry out a self-assessment process annually to ensure they function effectively and efficiently with the objective of facilitating continuous improvement and being in line with good governance.</p>
A.9.3	Disclosure of criteria used for performance evaluation	Complied	<p>The Company Secretary and the Board subcommittee secretaries submit the self-evaluation questionnaire to each director and obtain their individual responses. A summary of the responses is submitted to the Board for further action if deemed necessary.</p>
	<p>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.</p>		

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
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 28 to 33 (b) Other business interests - pages 121 to 128 Remuneration - Note 44.3.1 on page 216 Status of independence - page 28 to 33 Details of Board Meetings and Board Committee Meetings held during the year - page 90
	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 & A11.2	Setting annual targets and the appraisal of the performance of the CEO/Managing Director	Complied	At the beginning of each financial year, the Board discusses the 3-year rolling budget with the Managing Director to be achieved by the Managing Director within the course of that year. Assessment of the performance of the Managing Director is carried out by the Board on an ongoing basis to ensure that the performance of the Company is achieved.
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 to 'Board Human Resources and Remuneration Committee Report' on page 110 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, including members of the Remuneration Committee	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
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.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
	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	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
B.2.2	Competitiveness of levels of remuneration	Complied	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
B.2.3	Comparison of remuneration with other companies in the Group	Not Applicable	The Board HR& Remuneration Committee, where necessary, reviews the Company's remuneration levels in relation to the industry standards of the country.
B.2.4	Performance-based remuneration of Executive Directors	Complied	During the year under review, the Company did not provide performance-based remuneration for Executive Director.
B.2.5	Executive Share Options	Not Applicable	No Executive Share Options were granted during the year.
B.2.6	Designing the performance-related remuneration of Executive Directors.	Complied	The Board approved a challenging but transparent set of targets for the Managing Director. These targets are intended to provide the highest value to all stakeholders.
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	In terms of the Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the directors and senior management are decided by the BHRRC.
	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 to 'Board Human Resources and Remuneration Committee Report' in page 110 for disclosure of the names of the Remuneration Committee members and the Remuneration Policy of the Company. Please refer Note 44.3.1 to the Financial Statements for the aggregate remuneration paid to Directors.
C.	RELATIONS WITH SHAREHOLDERS		
C.	1CONSTRUCTIVE 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.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	Complied	The Parent Company holds 99.99% of the shares. Refer to shareholding on page 25. 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 Board Subcommittee Chairpersons.	Complied	Board Subcommittee Chairpersons are available at the AGM, to answer any questions raised at the AGM.
C.1.4 & C1.5	Adequate Notice of AGM to shareholders together with a 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.
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 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 the 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 company's 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 pages 121 to 128 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 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 121 to 128 contains the declarations as required by the Code.
D.1.3	Statements by Directors' and Auditors' on responsibility 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 140 of the Annual Report. Please also refer pages 132 to 134 for the Independent Auditor's Report.
D.1.4	Management Discussion and Analysis	Complied	Please refer to 'Management Discussion and Analysis'(MD&A) set out on pages 13 to 24 presented as an integrated report covering all aspects referred to in the code.
D.1.5	Declaration by Board on the going concern of the business	Complied	Please refer to 'Annual Report of the Board of Directors on the state of affairs of the Company' and Note 2.10.1 Estimates and Assumptions to the Audited Financial Statements on page 127.
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.
D.1.7	Declaration by Board on Related Party Transactions	Complied	Each Director and KRP have declared their interest in transactions with the Company during the year ended 31st December 2023, 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.

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
	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	Complied	The Company has established an Internal Audit Function headed by the Head of Internal Audit who is independent and reports directly to the Board Audit Committee. The Board Audit Committee exercises oversight over the same. The Board Audit Committee reviews the Internal Audit function at regular intervals.
	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 106 to 107.
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 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 are in place and 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 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 on pages 106 to 107.
	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 the presence of Code of Business Conduct and Ethics.	Complied	<p>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.</p> <p>Further, the Code of Conduct is available for all employees including Corporate and Senior Management. This Code focuses mainly on the following areas:</p> <p>Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination, and harassment, health, and safety, discipline, etc.</p>

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
D.4.2	Affirmative Statement by the Chairman	Complied	Please refer to the Chairman's message for details on pages 7 to 9.
	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). Finance Business Act Directions No. 05 of 2021 on Corporate Governance, Finance Business Act Directions No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons, Section 7.10 of the Listing rules of the Colombo Stock Exchange on Corporate Governance.		
D.5.1	Annual Corporate Governance Report in the Annual Report	Complied	Corporate Governance report is given on pages 35 to 90 in the Annual Report.
SECTION 2 : SHAREHOLDERS			
E.	INSTITUTIONAL INVESTORS		
E.1	SHAREHOLDER VOTING Due to the Parent Company holding 100% of the equity of the Company, the requirement of disclosures to institutional investors has not arisen from an equity point of view. In the event such a 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 100% of shares and is the only institutional investor. All required information to the Parent Company is provided in a timely manner.
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 100% 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 development in the context of business strategy and activities.		
G.1.1	Economic Sustainability	Complied	Please refer to 'Management Discussion and Analysis' on pages 13 to 24
G.1.2	The Environment	Complied	This is covered in the 'Management Discussion and Analysis' on pages 13 to 24
G.1.3	Labour Practices	Complied	Please refer 'Management Discussion and Analysis' on pages 13 to 24
G.1.4	Society	Complied	Please refer 'Management Discussion and Analysis' on pages 13 to 24
G.1.5	Product and Service Responsibility	Complied	Please refer to 'Management Discussion and Analysis' on pages 13 to 24

Code of Best Practice Reference	Requirement	Level of Compliance	Explanation of the Company
G.1.6	Stakeholder Identification, Engagement & Effective Communication	Complied	Please see the contents of the 'Management Discussion and Analysis' on pages 13 to 24
G.1.7	Sustainable Reporting & Disclosure	Complied	Please see the contents of the 'Management Discussion and Analysis' on pages 13 to 24

Corporate Governance Report

STATEMENT OF THE EXTENT OF COMPLIANCE UNDER SECTION 9 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE

Rule No.	Applicable Requirement	Extent of Compliance
9.2	Policies	
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; <ul style="list-style-type: none"> (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Committees - To mention regarding the TOR. (c) Policy on Corporate Governance, Nominations and Re-election. (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors 	Will be complied in line with the effective date as of 1st October 2024.
	<ul style="list-style-type: none"> (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption 	Will be complied in line with the effective date as of 1st October 2024.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	Listed Entities shall disclose in its Annual Report: <ul style="list-style-type: none"> (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above. 	Will be complied in line with the effective date as of 1st October 2024.
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
9.3	Board Committees	The Company has established the Board Committees in terms of the Listing rules.
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; <ul style="list-style-type: none"> (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee. 	
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The Company complies with the said requirement.
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Will be complied in line with the effective date by 1st October 2024.
9.4.	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	
9.4.1	Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC. <ul style="list-style-type: none"> (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained. 	The Company maintains records of all resolutions which are being considered at the Annual General Meeting.
9.4.2	Communication and relations with shareholders and investors <ul style="list-style-type: none"> (a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity. (b) Listed Entities shall disclose the contact person for such communication. (c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity. (d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange. 	The Company has a Board approved Communication Policy. However, additional requirements will be complied by 1st October 2024 in line with 9.1.4

Rule No.	Applicable Requirement	Extent of Compliance
9.5	Policy on matters relating to the Board of Directors	The Company has several Board policies on matters relating to the Board of Directors. However, additional requirements will be complied by 1st October 2024 in line with 9.1.4
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <p>(a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.</p> <p>(b) where a Listed Entity decides to combine the role of the Chairperson and CEO,</p> <p>(i) set out the rationale for combining such positions; and,</p> <p>(ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.</p> <p>(iii) set out the measures implemented to safeguard the interests of the SID.</p> <p>(c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.</p> <p>(d) stipulate the maximum number of Directors with the rationale for the same</p> <p>(e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.</p> <p>(f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.</p> <p>(g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.</p>	
	<p>(h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.</p> <p>(i) specify the maximum number of directorships in Listed Entities that may be held by Directors.</p> <p>(j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum.</p>	
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	
9.6	Chairperson and CEO	

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairperson is a Non-Executive Directors and the position of Chairperson and Managing Director are not held by the same individual.
9.6.2	A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules). Such Market Announcement shall include the following: (a) The reasons for non-compliance (b) The rationale for combining the positions of the Chairperson and CEO	Not applicable
9.6.3	The Requirement for a Senior Independent Director (a) A Listed Entity shall appoint an Independent Director as the SID in the following instances: i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement. (b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members. (c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate. (d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above. (e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.	The roles of Chairperson and CEO are not held by the same individual.
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	
9.7	Fitness of Directors and CEOs	The Company has complied as per the listing rules requirement under Circular No.04/2023 dated 11 September 2023.
9.7.3	Fit and Proper Assessment Criteria:	The Company has complied as per the listing rules requirement under Circular No.04/2023 dated 11 September 2023.

Rule No.	Applicable Requirement	Extent of Compliance
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company has complied as per the listing rules requirement under Circular No.04/2023 dated 11 September 2023.
9.7.5	Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/reports in the Annual Report; (a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. (b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	The Company relies on the annual fit and proper declaration as defined in the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons. No such instances recorded during the year under review.
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board consists of nine (09) Directors, which is within the statutory requirement.
9.8.2	Minimum Number of Independent Directors:	Mr. P.S. Cumararatunga (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 (Resigned w.e.f 31.12.2023) were the Directors of the Company during the year 2023. The Board consists of 5 independent directors during the year.
9.8.3	Criteria for determining independence:	The Company obtained a declaration as specified in appendix 9A to ensure their independence.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
9.8.5.	The Board of Directors of Listed Entities shall require: (a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. (b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report. (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.	The Company obtained a declaration from each director as specified in appendix 9A to ensure their independence. No such instances occurred during the year under review.
9.9	Alternate Directors	There are no Alternate Directors in the Board.
9.10	Disclosures relating to Directors	1st October 2023
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	Will be complied in line with the effective date as of 1st October 2024.
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;	No such matters occurred during the year under review
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	No such matters occurred during the year under review
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given in pages 28 to 33
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE	Board Nomination Committee and a Board Corporate Governance Committee have been in operation. A TOR for both committees are available defining its scope, roles and responsibilities etc. Will be complied in line with effective date of 1st October 2024.
9.12	REMUNERATION COMMITTEE	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	The company has a Board HR and Remuneration Committee in operation.
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	

Rule No.	Applicable Requirement	Extent of Compliance
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	A Board approved remuneration policy is in place for Executive Directors and a fee structure is in place for Non -Ex Directors.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	A TOR for both committees are available defining its scope, roles and responsibilities etc..
9.12.6	<p>Composition</p> <p>(1) The members of the Remuneration Committee shall;</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.</p> <p>(b) not comprise of Executive Directors of the Listed Entity.</p> <p>(2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>(3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.</p>	The Committee is comprised of three Independent Non-Executive Directors and is chaired by Mr.D.Sooriyaarchchi. Other members of the committee are Mr. S.Cumaranatunga and Ms. H. S. R. Ranatunga.
9.12.7	<p>Functions</p> <p>(1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.</p> <p>(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.</p>	The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and senior management are decided by the BHRRRC.
9.12.8	Disclosure in Annual Report	The report of BHRRRC is given in page 110.
9.13	AUDIT COMMITTEE	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate committees in operation a Board Audit Committee and a Board Integrated Risk Management Committee.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place .

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
9.13.3.	Composition	All members of the Board Audit Committee are Independent Non-Executive Directors. Members are Mr. M.D.B. Boyagoda (Resigned w.ef 31.12.2023), Mr. P.S.Cumaranatunga, Mr. J.H. Gunawardena and Ms. H.S.R. Ranatunga.
9.13.4	<p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity’s compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity’s external auditor is not suitable for re-appointment</p>	1st October 2024 -Until 1.10.24 ,The Listed Entity shall at a minimum comply with present rules 7.10.6 (b) (c) relating to functions and disclosures in the Annual Report relating to Audit Committee
	(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Quarterly Financial Statements as well as year-end Financial Statements are discussed and recommended to the Board for approval by 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 take place, and required clarifications are obtained in respect to all areas before being recommended for Board s approval.
	(iv) Obtain and review assurance received from:	
	(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity’s operations and finances; and	
	(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity’s risk management and internal control systems.	
	(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.	Currently this aspect is addressed by the BRPTRC.

Rule No.	Applicable Requirement	Extent of Compliance
	(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Complied with
	(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.	Complied with
	(viii) Review the risk policies adopted by the Entity on an annual basis.	Complied with
	(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.	1st October 2024
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	The Board Audit Committee and the Board Integrated Risk Management Committee executes its tasks relevant to respective committees.
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	
9.13.5	Disclosures in Annual Report	
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.	The Report of the Board Audit Committee and BIRMC is given in pages 106 to 109.
	(2) The Audit Committee Report shall contain the following disclosures:	
	(a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);	

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	The Report of the Board Audit Committee and BIRMC is given in pages 106 to 109.
	(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.	
	(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements. (e) whether the Listed Entity has a formal Audit Charter;	
	(e) Whether the listed entity has a formal Audit Charter	
	(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function; (g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity; (h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and (l) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.	
9.14	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	The Company has established its own BRPTRC. BRPTRC comprises a total of five Non-Executive Directors, out of which four of them are Independent Directors. The Chairperson is an Independent Director. All requirements will be complied by 1st October 2024 in line with 9.1.4 [2]
9.14.7	Disclosures	None
9.16	Additional Disclosures	
	(1) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Directors' interest register and Directors' interest in contracts or proposed contracts given in page 126.
	(2) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Directors' Statement on Internal Control over Financial Reporting given in 129 to 130.

Rule No.	Applicable Requirement	Extent of Compliance
	(3) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	Given in Corporate Governance and Compliance with Laws and Regulations section of the Annual Report of the board of Directors on the affairs of the company - page 127. Given in Corporate Governance Report - 'Governance Framework' section given in page 36.
	(4) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	None
9.17	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.	None

On behalf of the Board Corporate Governance Committee



H. S. R. Ranatunga

Chairperson - Board Corporate Governance Committee

27th February 2024

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 Transaction Review Committee	Board Nomination Committee	Board IT Committee
Mr. P. S. Cumaratunga	14 [C]	12[M]	8[M]	-	5[M]	-	-	4[C]	-
Mr. Y. S. H. R. S. Silva	14[M]	-	-	-	-	-	-	4[M]	-
Mr. H. M. A. Seneviratne	13[M]	-	-	11[M]	-	4[M]	1[M]	-	10[M]
Mr. J. Selvaratnam	14[M]	-	8[M]	13[C]	-	4[M]	4[M]	-	-
Mr. J. H. Gunawardena	14[M]	13[M]	7[C]	-	-	4[M]	4[M]	-	-
Mr. D. Sooriyaarachchi	14[M]	-	-	-	5[C]	-	3[C]	4[M]	9[M]
Mr. W.S.C. Perera	14[M]	-	8[M]	13[M]	-	-	-	-	11[C]
Ms. H. S. R. Ranatunga	13[M]	14[M]	-	13[M]	5[M]	4[C]	4[M]	-	-
Mr. M. D.B. Boyagoda	14[M]	14[C]	7[M]	-	-	4[M]	4[M]	-	11[M]
Total No of Meetings	14	14	8	13	5	4	4	4	11

Directors' Attendance for the Year 2023

- The Board Audit Committee had 12 meetings during the year 2023 and two (2) separate Board Audit Committee meetings were held without the Executive Director being present.
- The Chairperson of the Board held two meetings with the Non-Executive Directors only, without the executive director being present.

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 Transaction Review Committee	Board Nomination Committee	Board IT Committee
Mr. P. S. Cumaratunga	14/14	12/14	8/8	-	5/5	-	-	4/4	-
Mr. Y. S. H. R. S. Silva	14/14	-	-	-	-	-	-	4/4	-
Mr. H. M. A. Seneviratne	13/14	-	-	11/13	-	4/4	1/1	-	10/11
Mr. J. Selvaratnam	14/14	-	8/8	13/13	-	4/4	4/4	-	-
Mr. J. H. Gunawardena	14/14	13/14	7/8	-	-	4/4	4/4	-	-
Mr. D. Sooriyaarachchi	14/14	-	-	-	5/5	-	3/4	4/4	9/11
Mr. W.S.C. Perera	14/14	-	8/8	13/13	-	-	-	-	11/11
Ms. H. S. R. Ranatunga	13/14	14/14	-	13/13	5/5	4/4	4/4	-	-
Mr. M. D.B. Boyagoda	14/14	14/14	7/8	-	-	4/4	4/4	-	11/11
Total No of Meetings	14	14	8	13	5	4	4	4	11

[C - Chairman / Chairperson, M - Member]

- Mr. H. M. A. Seneviratne stepped down as a member of the Board Related Party Transaction Review Committee with effect from January 2023, in order to comply with the section 12.1.a of the Finance Business Act Directions No. 05 of 2021.

RISK MANAGEMENT

In 2023, Siyapatha Finance remains unwavering in its commitment to manage strategic risk, emphasizing the fundamental goal of cultivating an enterprise-wide approach rooted in industry best practices. Our exhaustive Integrated Risk Management Framework, the cornerstone of our risk management initiatives, has undergone scrupulous review and fortification to ensure resilience amidst the continually evolving financial landscape. Board oversight, delineation of governance structures, and rigorous processes for identifying, measuring, monitoring, and controlling risk exposures remain of paramount importance. Throughout all organizational levels, the Company fosters a pervasive risk-conscious culture that empowers individuals to contribute to our collective resilience. In response to dynamic shifts in the industry, our risk policies and procedures were meticulously revised, and the risk management process underwent thorough scrutiny, enabling us to adeptly navigate the impacts of economic challenges faced during the year. Siyapatha Finance remains steadfast in upholding the highest standards of risk management, establishing a robust foundation for sustained success and stakeholder satisfaction.

Global Economic Landscape and Risks in 2023 and beyond.

The global economy is navigating a complex recovery from the multifaceted challenges posed by the pandemic, Russia's invasion of Ukraine, the Gaza conflict and the cost-of-living crisis faced by many nations are a few of these challenges. Despite facing disruptions in energy and food markets due to the war and undergoing unprecedented global monetary tightening to address high inflation, the resilience displayed is noteworthy. However, the recovery is marked by a slow and uneven growth trajectory, accompanied by widening divergences on the global stage.

Projections highlight a deceleration in the global growth rate, transitioning from 3.5 percent in 2022 to 3 percent in 2023 and further to 2.9 percent in 2024, signifying a departure from pre-pandemic trends. Headline inflation is on a downward trend, moving from 9.2 percent in 2022 to 5.9 percent in 2023 and a projected 4.8 percent in 2024. Core inflation is also expected to gradually decline.

The divergence in economic performance becomes increasingly apparent, with advanced economies experiencing a more pronounced slowdown compared to their emerging market and developing counterparts. Notably, the United States demonstrates resilience in consumption and investment, while the euro area faces downward revisions. Meanwhile, China grapples with headwinds stemming from its real estate crisis and diminishing confidence.

Three influential global forces shape these dynamics: the near completion of the recovery in services, the impact of tighter monetary policy aimed at controlling inflation, and the repercussions of the previous year's commodity price shock. The tightening of credit conditions reverberates across housing markets, investment, and overall economic activity, manifesting differently in various countries.

Despite a moderation in extreme risks since April 2023, the overall risk landscape remains tilted towards the downside, presenting several key challenges that pose substantial threats to the global economy.

Firstly, a deepening real estate crisis in China emerges as a critical risk with far-reaching implications. Effectively addressing this complex challenge necessitates prompt restructuring of struggling property developers, preserving financial stability, and addressing strains in local public finance. Striking a delicate balance is imperative to restore confidence without triggering a rapid decline in real estate prices, which could adversely impact both banks' and households' balance sheets.

Secondly, potential volatility in commodity prices emerges as a risk amid renewed geopolitical tensions and climate change disruptions. Oil prices have surged by approximately 25% since June 2023, driven by extended supply cuts from OPEC+ countries. Elevated food prices, further exacerbated by an escalation of the war in Ukraine, pose significant challenges for low-income countries, presenting a serious risk to the disinflation strategy. Geo-economics fragmentation contributes to a sharp increase in commodity price dispersion, posing macroeconomic risks, particularly concerning the climate transition.

Thirdly, despite decreases, both underlying and headline inflation persist at uncomfortably high levels. Near-term inflation expectations, although showing signs of turning a corner, have risen markedly above target. Effectively managing these expectations is deemed critical in the ongoing battle against inflation, especially considering tight labor markets, excess savings, adverse energy prices, and the potential for inflation to become more entrenched, necessitating forceful action from central banks.

Fourthly, fiscal buffers have eroded in many countries, characterized by elevated debt levels, rising funding costs, slowing growth, and an increasing mismatch between state demands and fiscal resources. This vulnerability heightens the risk of crises, underscoring the need for a renewed focus on managing fiscal risks. The failure of Ethiopia to honor its debt was the latest crisis at the end of 2023.

Lastly, despite monetary policy tightening, financial conditions have eased in many countries, raising concerns of a sharp repricing of risk. This poses a particular threat to emerging markets, potentially leading to an appreciation of the US dollar, triggering capital outflows, and increasing borrowing costs and debt distress.

In summary, the global economic landscape in 2023 is defined by a multitude of risks, ranging from the potential real estate crisis

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in China to volatility in commodity prices and the ongoing challenge of managing inflation. The erosion of fiscal buffers and the ease of financial conditions further underscore the imperative for vigilant and adaptive risk management on a global scale, as the world economy navigates through the complexities of recovery and potential challenges ahead. (Source – IMF - world economic outlook – OCT 2023)

Local impact; the crisis management

Sri Lanka is currently experiencing a severe economic crisis, exacerbated by the Easter Sunday attacks in 2019 and further intensified by the COVID-19 pandemic. The government has implemented measures to stabilize the situation, but the economic downturn has significantly impacted households. Challenges include managing income, meeting commitments, and ensuring family well-being.

According to data from the Department of Census and Statistics (DCS), the economic crisis has had varying effects on individuals' income. Approximately 36.6% of income earners noted no change in their income, while nearly 60% reported a decrease in at least one source of income. Conversely, only a minor 3.4% of individuals engaged in income-generating activities reported an increase in at least one of their income sources since March 2022.

The economic crisis has significantly affected household income and expenditure, with a majority of households, constituting 60.5%, facing a reduction in their total income. In contrast, a modest percentage of households, specifically 5.6%, have managed to report an increase in income amidst these economic challenges. Approximately 33.9% of households have maintained an unchanged aggregate income despite the ongoing crisis. These changes will have a direct impact on the repayment capacity and the debt servicing ability of the borrowers. The financial sector will experience a higher default rates due to the declining income levels of both corporate and individuals.

As per the Department of Census and Statistics (DCS) data, the distribution of households affected by the economic crisis is reflected in their debt status. Specifically, 22% of households are identified as having debts, whereas the majority, comprising 78%, are characterized as non-indebted.

Budget 2024

The President's presentation of the 2024 budget to Parliament highlighted its transformative nature, emphasizing its role as a crucial step in shaping the country's future and aligning its economic framework with global trends. The budget, themed "Prelude to a Bright Future," carries significant implications for various sectors, as outlined in the key takeaways from the Budget Speech on November 13, 2023.

The government has set an ambitious revenue target of LKR 3,115 Bn for the year 2024. To facilitate economic initiatives, the borrowing limits will be increased substantially, rising from LKR 3,900 Bn to LKR 7,350 Bn. A notable allocation of LKR 450 Bn is earmarked to support the capital improvement process in the Banking System.

Addressing financial obligations, the budget allocates LKR 3,000 Bn for the implementation of Foreign Debt Restructuring and the Settlement of International Sovereign Bonds. Additionally, the digitization of the Department of Motor Traffic is slated for 2024. This action would facilitate the faster service level in the leasing industry pertaining to movables.

Recognizing the challenges faced by state sector workers and public pensioners, the budget proposes a substantial increase in the Monthly Cost of Living Allowance. State sector workers can expect an increase of LKR 10,000, bringing the allowance to LKR 17,800 from January 2024. Public pensioners will also see an increase of LKR 2,500, with their allowance reaching LKR 5,025. Hence the government sector employee disposable income will increase. A similar growth could be expected in the private sector too.

Social and economic development is a key focus, with significant allocations for various programs. The "Aswesuma" program, aimed at comprehensive development, sees a boost from LKR 60 Bn to LKR 183 Bn. Other notable allocations include LKR 50 Bn for SME development, LKR 4 Bn for granting land ownership and building houses for estate dwellers, and LKR 600 Mn for the "Bimsaviya" Program. An improvement in the construction sector could be expected with this allocation.

Infrastructure development receives substantial attention, with allocations for the rehabilitation of rural roads, recommencement of temporarily suspended projects, and the establishment of four new universities for the expansion of science and technology education. Private institutions, such as NSBM, SLIIT, Horizon Campus, and Royal Institute, are proposed for conversion into universities. The flow of foreign currency for higher education would retain within the country and education industry is expected to expand.

The budget underscores investments in education, vocational training, and technological advancement. Allocations include LKR 500 Mn for the development of Peradeniya University, LKR 450 Mn for vocational education, and LKR 750 Mn for Information and Technology training for job-seeking graduates. Additionally, LKR 150 Mn is allocated for youth training, focusing on those not eligible for university education. More job opportunities will be created in this industry with higher remuneration for individuals.

Efforts to enhance national capabilities extend to English literacy programs, medical tourism, and modernization of agriculture and fisheries. The budget allocates LKR 500 Mn for a national program to enhance English literacy, LKR 100 Mn for medical tourism, and LKR 2.5 Bn for agricultural and fisheries modernization. These improvements are new addition to the existing markets and will expand the horizons for these industries.

Other significant allocations encompass national branding, housing for internally displaced people, city development projects, and initiatives in the tourism sector. Noteworthy projects include the Lower Malwathu Oya Project, Maha Vihara University Development, and investments in cricket development, multi-transport centers, and the construction of the Hingurakgoda International Airport.

To bolster the capital of state-owned banks and reduce the burden on taxpayers, the budget proposes offering strategic investors or the public 20% of the shares of two large state-owned banks.

Lastly, the budget introduces mandatory requirements for the submission of a Taxpayer Identification Number (TIN) certificate in various transactions, such as opening a bank current account, obtaining building plan approval, registering a motor vehicle, and registering or transferring land titles. Increase of taxable revenue is expected with the requirements of each individual to register under a TIN certificate.

In summary, the 2024 budget outlines a comprehensive strategy for economic growth, social development, and infrastructure enhancement, with a focus on aligning the country with global trends and ensuring a bright future for its citizens.

According to the central bank reports of 30 November 2023, the following changes have taken place in the economy.

- Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100) increased to 3.4% in November 2023 from 1.5% in October 2023. This increase in the headline inflation is mostly in line with the projections envisaged by the Central Bank of Sri Lanka (CBSL) in November 2023.
- The Food deflation (Y-o-Y) continued for the fifth consecutive month recording 3.6% in November

2023 from 5.2% in October 2023. Meanwhile, the Non-Food inflation (Y-o-Y) increased to 6.8% in November 2023 from 4.9% in October 2023. Monthly change of CCPI recorded at 1.06% in November 2023 due to price increases observed in items of both Food and Non-Food categories, which were 0.12% and 0.95%, respectively. The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, decreased to 0.8% in November 2023 from 1.2% in October 2023.

- During the nine months ending September 2023, government revenue and grants increased to LKR 2,118.8 Bn compared to LKR 1,450.4 Bn recorded in the corresponding period of 2022.
- Total expenditure and net lending increased to LKR 3,732.3 Bn during the period from January-September 2023 compared to LKR 2,694.8 Bn recorded in the corresponding period of 2022.
- During the period from January-September 2023, net domestic financing increased to LKR 1,516.8 Bn compared to LKR 1,303.5 Bn in the corresponding period of 2022. Net foreign financing amounted to LKR 96.7 Bn during the period from January-September 2023, compared to the net repayment of LKR 59.1 Bn recorded in the corresponding period of 2022.
- During the year up to 01st December 2023, the Sri Lanka rupee appreciated against the US dollar by 10.9 per cent. Given the cross-currency exchange rate movements, the Sri Lanka rupee appreciated against the Japanese yen by 23.5 per cent, the pound sterling by 5.5 per cent, the Euro by 8.3 per cent and the Indian rupee by 11.6 per cent during this period.
- Workers' Remittances: Workers'

remittances amounted to US dollars 517 Mn in October 2023, in comparison to US dollars 355 Mn in October 2022 and US dollars 482 Mn in September 2023. Meanwhile, based on the provisional data, total departures for foreign employment in October 2023 and during January to October 2023 amounted to 25,330 and 249,429, respectively, in comparison to the total departures of 311,056 recorded in 2022.

- Tourist Arrivals: Tourist arrivals recorded 109,199 in October 2023, compared to 42,026 arrivals recorded in the corresponding period in 2022 and 111,938 arrivals recorded in the previous month of 2023, reflecting the seasonal pattern. However, the cumulative tourist arrivals improved notably during January to October 2023 to record 1,125,455, compared to 568,258 arrivals recorded during the corresponding period in 2022. Earnings from tourism in October 2023 were estimated at US dollars 137 Mn, in comparison to the estimates of US dollars 152 Mn in the previous month and US dollars 55 Mn in the corresponding month in 2022. Consequently, earnings from tourism during January to October 2023 amounted to US dollars 1,593 Mn, compared to US dollars 928 Mn in the corresponding period in 2022. India, Russia, United Kingdom, Germany, and China were the main source countries for tourist arrivals during the month of October 2023.

Risk Management at Siyapatha Finance PLC

Siyapatha Finance PLC places a robust emphasis on integrating risk management with strategic principles to attain a balanced and closely monitored path of growth. Recognizing the pivotal role of risk management in policy formulation and the sustainable operation of the business, the Company, as a financial intermediary,

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prioritizes resilient practices to protect the interests of depositors, investors, regulators and other stakeholders. Siyapatha Finance PLC underscores the crucial significance of sound risk management practices in ensuring sustained, long-term growth. The Company’s overarching goal is to bolster the entity’s resilience by adding optimal, sustainable value to all activities, meticulously assessing potential vulnerabilities that could impact business operations negatively. The Company’s commitment to a comprehensive approach is evident in the integration of the risk management strategy with the broader business strategy. Siyapatha Finance PLC’s risk management process encompasses identification, evaluation, mitigation, monitoring, and the facilitation of prompt and effective actions, reflecting a proactive stance in addressing potential risks.

Several emerging risks have been identified in the current business landscape, with a primary focus on mitigating these risks for sustained business development. Key strategies have been formulated to address the following risks:

- Market Impact: Addressing potential significant effects from market

activities, including challenges related to liquidity constraints and upward revisions in interest rates.

- Reputation Risk: Mitigating threats to reputation posed by rapid communication channels, such as social media. Any impact on the company’s reputation necessitates a strategic shift, making reputation management a critical consideration.
- Technological Risks: Managing risks associated with technological advancements, including potential disruptions caused by competitors’ new product developments. Cybersecurity threats from hackers are also acknowledged, emphasizing the need for robust protective measures amid the expected growth of technological tools.
- Human Capital: Recognizing human capital as a crucial asset, with an emphasis on talent retention to ensure the company’s sustained success in the future.
- Economic Environment: Monitoring

the overall economic position of the external environment and understanding its potential impact on stakeholders, allowing for adaptive strategies.

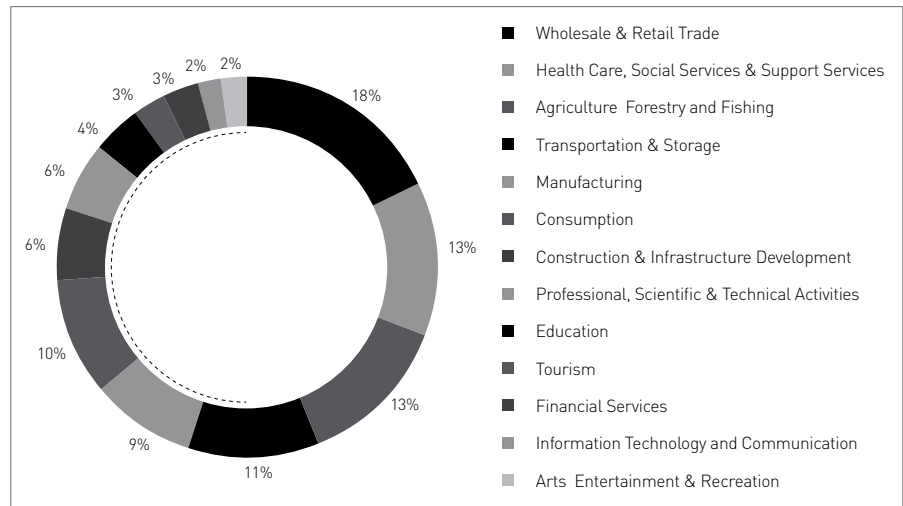
- Political Instability: Acknowledging the impact of political instability on the Company’s strategy, with an awareness that such instability may lead to deviations from original plans.
- Industry Impact: Considering the potential influence of industry dynamics on the Company’s performance and, consequently, its Non-Performing Asset (NPA) position.

In addition to these identified risks, the risk management division of the company has outlined overall objectives and strategies, as broadly depicted in the following table. These measures are designed to proactively address and mitigate the diverse array of risks that the Company may encounter in its operational environment.

Strategies	Action Plan
1. Adoption of a risk-based approach.	1. Conduct / review risk rating for customers /products /branches.
2. Looking at the economic and industry environment risks which may impact the company.	2. Identify areas to penetrate.
3. Managing the credit risk/ NPA.	3. Developing the credit risk evaluating process.
4. Adaptation to the Risks in market operations.	4. Analysis of funding process and reprising impact on ALM.
5. Continuously monitor Operational risks associated with proposed strategy and take actions.	5. Introducing a transaction monitoring system.
6. Identify and mitigate other residual risks which may impact.	6. Conducting training on related areas to enhance knowledge of staff.
7. Checking the risk and controls of the Branches and Departments.	7. Working closely with other control groups such as compliance and audit for better monitoring.
8. Take action to Risk rate the reviews of all Company policies influencing the strategies.	8. Conducting Risk & Control Self-Assessment for all Branches and Departments.
9. Checking of operational losses of the Branches.	9. All policies should be referred through BIRMC.
10. Checking the risk on gold loans.	10. Directly contacting the branch.
11. Risk review of the outsourced activities.	11. BOI/Branch manager role to be enhanced.
12. Monitor the Liquidity and Interest Rate Risks (IRR) and take precautionary actions.	12. Calculating stress testing on gold loan portfolio monthly.
	13. Collecting data from each Department/ Branch and risk rate.
	14. Train Risk Coordinators to become risk managers at the branch/ department level.

New Strategies adopted by the division,

- Develop and implement a comprehensive framework for risk management to mitigate the risk at the Company.
- Regularly analyze economic and industry trends to adapt business strategies.
- Monitor various risks using the Risk Register/KRIs & SAQs, informing relevant business units.
- Monitor economic and industry environment risks that may impact the company.
- Monitor and provide recommendations on credit risk and Non-Performing Assets (NPA).
- Conduct on-site control reviews of branch operations to mitigate risks associated within the branch network.
- Review and risk-rate all Company policies, manuals, and procedures.
- Conduct root cause analyses on operational losses to prevent recurrence.
- Analyze the risks associated with gold loans and leasing to mitigate potential losses.
- Review the risks of outsourced activities to manage outsourcing risks.
- Monitor liquidity and Interest Rate Risks (IRR).
- Provide risk recommendations on controls and procedures for the company.
- Create a risk management culture within the company.
- Stress testing on the portfolio of the Company.
- Monitor Market Risk activities.
- Identify and mitigate risks using R&CSA.



In the face of the demanding landscape of FY2023, the Company effectively mitigated the impact of credit risk through ongoing monitoring and the implementation of a resilient recovery strategy. The industry-wide challenge of escalating credit risk was proactively addressed within the Company by establishing specialized teams to monitor transactions. We successfully pinpointed the impacted segments within our portfolio and implemented strategic measures to avert any detrimental consequences for the Company. Throughout the year, these initiatives were executed seamlessly, resulting in satisfactory recovery rates.

Beyond overseeing credit risk, the Company proactively addresses market, operational, legal, compliance, and reputational risks through precautionary measures. The Risk and Control Self-Assessment (R&CSA) process, introduced in 2020, has been seamlessly integrated company-wide. Moreover, in response to current market conditions, the risk grid and tolerance limits were redefined and are diligently monitored to ensure alignment with the evolving landscape. A Company-wide Risk Appetite limits were established for efficient monitoring.

In 2023, the Company implemented significant enhancements in its risk management framework by introducing a pivotal role known as the "Risk Coordinator" across all branches and departments. This innovative step aimed to fortify the company's overall

risk management processes. The Risk Coordinator serves as a dedicated risk management professional within each branch or department, contributing to the proactive identification, assessment, and mitigation of potential risks. The Risk Management Department organized specialized training programs for risk coordinators, aiming to fortify the first line of defense in risk management.

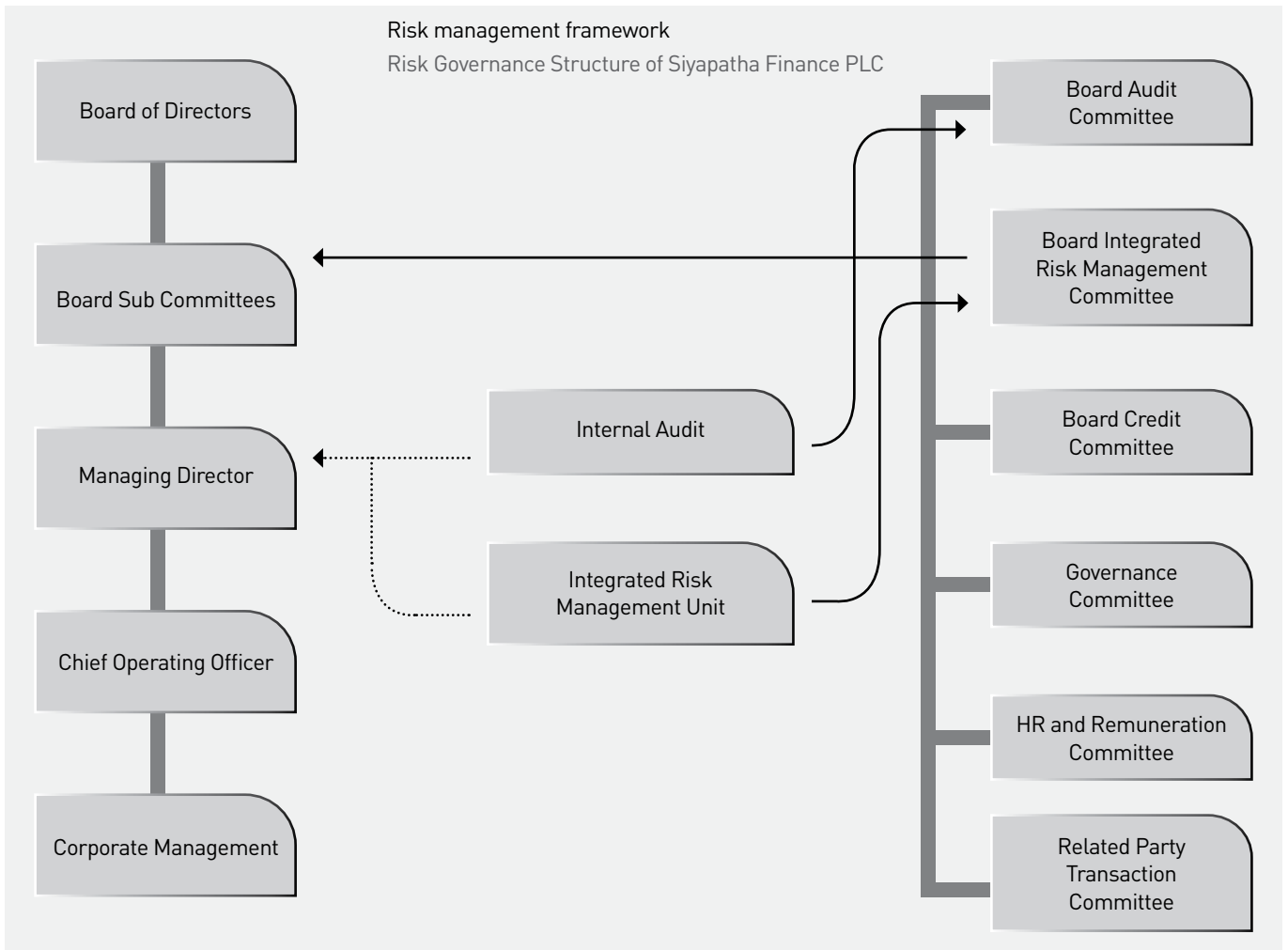
This strategic move has yielded positive outcomes for the Company's risk management procedures. The decentralized placement of Risk Coordinators ensures that each unit has a specialized individual focused on understanding, addressing, and managing the specific risks associated with its operations. By appointing Risk Coordinators for branches and departments, the organization has fostered a culture of risk awareness and responsiveness at the grassroots level.

Recognizing the significance of empowering the Risk Coordinators, the Company's Risk Management Department conducted comprehensive training programs. These training sessions were designed to enhance the knowledge and skills of the Risk Coordinators, enabling them to navigate the complexities of risk management effectively. The training covered various aspects, including risk identification methodologies, risk assessment techniques, and proactive risk mitigation strategies.

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Department's Risk Coordinators: after the successful awareness session of "Tomorrow's Risk Managers: Skills for Success"



The introduction of the Risk Coordinator role and the subsequent training initiatives have not only strengthened the Company's risk management framework but have also created a network of informed professionals equipped to handle and mitigate risks at the local level. This decentralized approach contributes to a more resilient and responsive risk management system, ultimately safeguarding the company's interests and fostering a proactive risk-aware culture across the organization.

Board of Directors

The Board of Directors is responsible for upholding 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. The 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)

The Board Integrated Risk Management Committee (BIRMC) is a subcommittee responsible for overseeing the risk management function, aligning its efforts with the Board's approved policies and strategies. BIRMC plays a fundamental role in recommending the approval of essential policies for integrated risk management to the Board and issuing instructions for addressing identified risks. The committee engages in active communication with the Managing Director, Board Audit Committee, and Board Credit Committee, ensuring coordination on various Risk Management-related activities.

BIRMC comprises representatives from the Board, including the Managing Director, COO, Head of Risk Management, Head of Compliance, Head of Treasury, and other key managerial personnel on invitation. The Head of Risk act as the secretary to Committee. This diverse group covers crucial risk areas within the company, spanning credit, marketing, operations, recoveries, finance, and deposits. The collaborative efforts of BIRMC contribute to a comprehensive and strategic approach to

risk oversight and management, aligning with the overall objectives and policies set forth by the Board.

Risk Management Department (RMD)

The Risk Management Department (RMD) functions autonomously, distinct from the business units assuming risks. RMD holds responsibility for executing the Company's comprehensive risk management activities at operational levels.

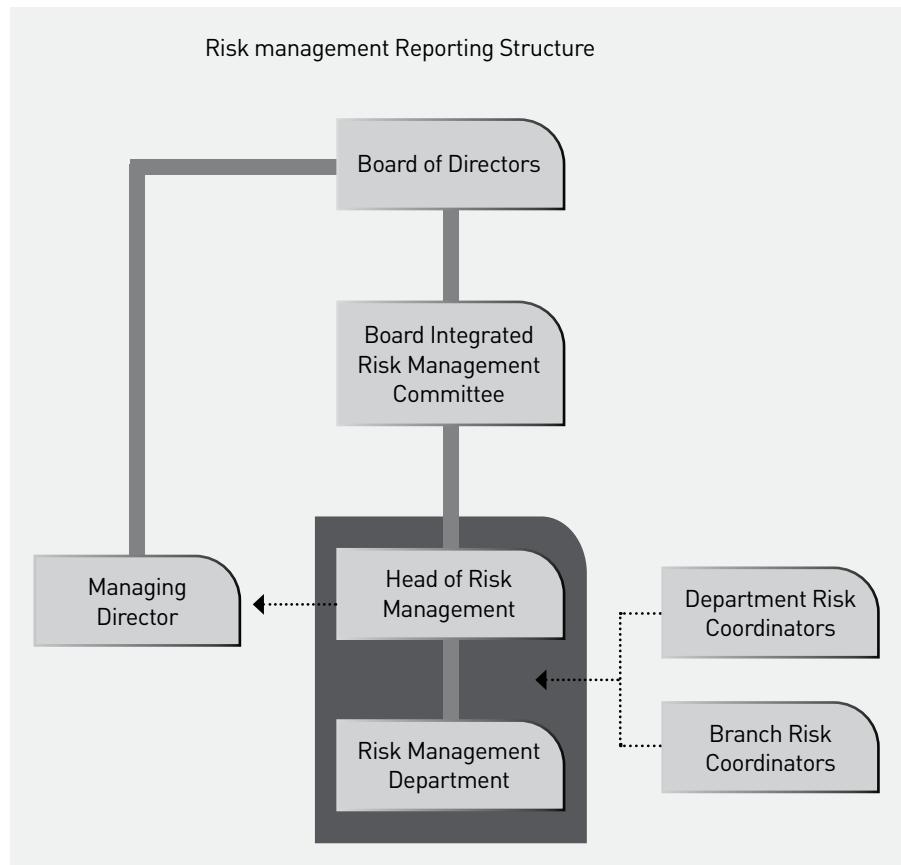
RMD conducts an assessment of the Company's overall risk exposure by utilizing Key Risk Indicators, which are then mapped onto a risk grid based on the analysis derived from the risk register. Additionally, RMD ensures the continuous expansion, review, and regular updates of the policy framework. The department ensures the implementation of approved policies and actively participates in the development of new business strategies or when the

Company ventures into new business lines, providing crucial risk management insights from the initial design stage.

Maintaining close communication with the Board Risk Management Committee, RMD collaborates on the implementation of enterprise-wide risk management controls. This collaboration ensures a holistic approach to risk oversight and control throughout the organization, aligning with the Company's strategic goals and risk management framework.

Approach to Risk Management

The organization's Risk Management approach follows the Three Lines of Defense model, which delineates the distinct responsibilities of three separate entities in managing risk. The first line of defense is represented by management control, encompassing the functions that

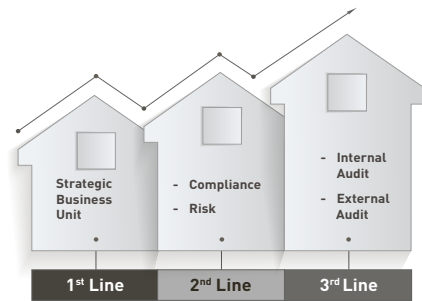


RISK MANAGEMENT

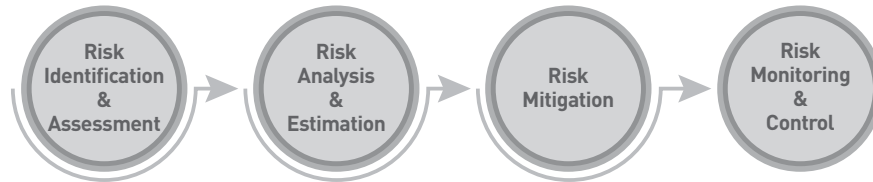
assume and manage risks. The second line is held by Risk and Compliance, fulfilling a supervisory role. The third line is Independent Assurance.

Each of these three “lines” assumes a unique role within the organization’s comprehensive governance framework, collectively contributing to effective risk management and oversight.

Three Lines of Defense at Siyapatha Finance PLC



Risk Management Principles



Risk Identification and assessment
Risk identification involves evaluating critical risks that have the potential to hinder the Company from achieving its objectives, thereby meeting the expectations of all stakeholders. A key consideration in this process is safeguarding shareholder value while maintaining a balance in risk-reward tradeoffs.

The primary tools employed for risk identification and assessment within the company include the risk grid and the register. Additionally, ongoing discussions between risk owners and monitoring units ensure that, for each new activity, product, or process, potential risks are identified before commencement. This proactive approach aims to enhance risk awareness and address potential challenges associated with emerging initiatives.

Risk Analysis & Estimation

The company employs a variety of techniques, including analytical review, stress testing, and scenario analysis, to assess and analyze risks.

a) Risk Appetite

The Company evaluates its risk appetite using both qualitative and quantitative parameters. These parameters are regularly assessed and adjusted to mirror market vulnerabilities and macroeconomic sentiments faced by the Company.

b) Stress Testing

Stress testing involves evaluating the Company’s ability to withstand expected performance levels under adverse conditions. The Board of Directors approves the stress testing policy, and the results are deliberated upon at the Board Integrated Risk Management Committee. Stress

testing scenarios consider key factors to assess their impact on overall performance. The Company conducts thorough stress testing, particularly for the gold financing portfolio, due to the susceptibility arising from market risk impacts.

Risk Mitigation

Risk mitigation involves four key strategies: acceptance, avoidance, limitation, and transference.

a) Risk Acceptance:

Processes of risk acceptance involve weighing risk-reward tradeoffs and assessing the cost of alternative risk management options, such as avoidance or limitation, before assuming specific types of risk,

like credit risk. Examples of risk acceptance processes include credit approval procedures, pre-disbursement processes, and approvals for borrowings.

b) Risk Avoidance:

Risk avoidance is the deliberate action to eliminate exposure to a particular risk at any level. An example of risk avoidance is the rejection of credit facilities that do not meet predefined criteria.

c) Risk Limitation:

The risk limitation strategy aims to restrict a company’s exposure to risk by taking specific actions. This approach involves accepting a certain level of risk while simultaneously mitigating the risk to a specified degree. Examples of risk limitation at the transaction level include imposing limits on size or duration, while single borrower limits are examples of limits concerning the aggregate risk assumed by the company.

d) Risk Transference:

Risk transference involves shifting the responsibility of risk to a willing third party. Common modes of risk transference include outsourcing and insurance arrangements. This strategy allows the company to share or transfer the burden of certain risks to external entities equipped to handle them.

Control and Monitoring

Key Risk Indicators (KRIs)

Key Risk Indicators (KRIs) serve as crucial markers that highlight potential adverse events or critical thresholds capable of impacting the Company. These indicators play a vital role in monitoring the consequences of changes in key factors influencing the Company’s performance, functioning as early warning signs. Formulated for all significant risks, the KRIs are based on identified key areas that undergo regular review, analysis, and monitoring. This proactive approach enables the Company to detect

and respond to potential risks promptly, contributing to effective risk management and mitigation strategies.

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. It is intricately linked to business decisions, and the organization collects relevant metrics to measure it effectively.

Tolerance limits, on the other hand, represent quantitative indicators of the maximum level of risk that the Company is willing to accept. These tolerances are established at the overall enterprise level, encompassing key areas, with a particular focus on credit and funding. Ongoing monitoring ensures that the actual levels of risk align with the predetermined tolerances. The Company is committed to safeguarding against the compromise of regulatory limits.

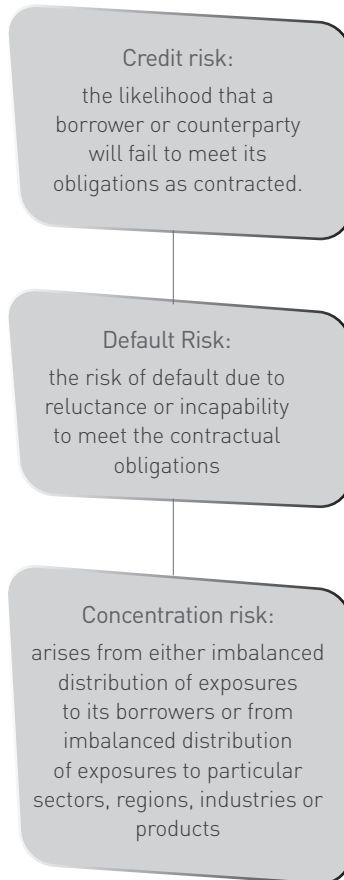
In defining and adhering to these limits, the Company pays special attention to available business opportunities and changes in the marketplace. The approval of risk tolerances is a prerogative of the Board Integrated Risk Management Committee (BIRMC) before implementation, and they undergo annual reviews or more frequent assessments if the need arises. This meticulous approach ensures that the Company strikes a balance between risk exposure and potential business advantages while prioritizing regulatory compliance.

Managing the key risks faced by the Company

Credit Risk

Identification and assessment

Credit Risk refers to the potential loss faced by a Company when a counterparty fails to meet its obligations as per agreed terms and conditions, leading to financial loss. This risk is critical for the Company’s growth, making it essential to have a robust credit risk management system. The Company’s strength lies in a thorough credit screening process, ensuring careful risk evaluation and acceptance.

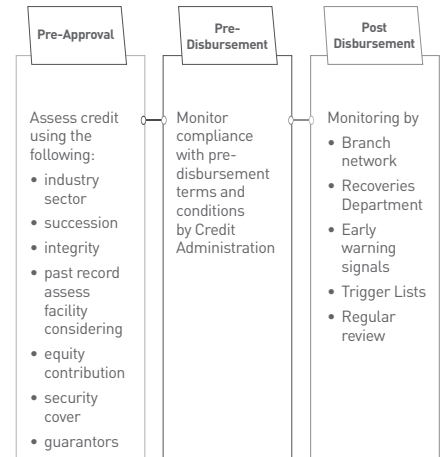


To mitigate credit risk, the Company employs a multi-layered approval system, aligning credit pricing with the assumed risk level. The initial evaluation occurs at the branch level, where the borrower’s creditworthiness is assessed. Approval limits are in place, allowing for escalation based on credit risk assessment, rating, and amount.

Maintaining a high-quality asset book involves a seamless connection between business origination and risk assessment units. The authority levels in the approval process undergo continuous evaluation, aligning with periodic reviews of the Company’s portfolio quality.

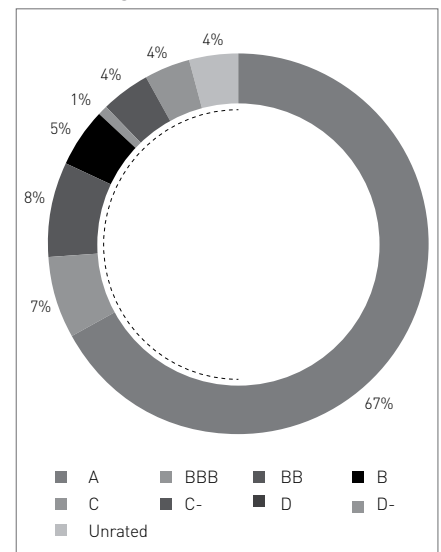
The credit risk assessment process, spanning the loan lifecycle, is visually depicted below. This ensures a

comprehensive understanding of the risk landscape and facilitates informed decision-making to uphold the quality of the Company’s asset portfolio.



Risk rating serves as a vital element in the risk management framework of a finance company, encompassing the systematic evaluation and classification of risk linked to each financial product. The following chart illustrates the company’s risk rating for all its products.

Risk Rating - All Products



RISK MANAGEMENT

Control and Monitoring

a) Asset quality

The Company’s product portfolio encompasses finance leases, hire purchase facilities, loans, gold financing, and factoring. The target market primarily includes salaried individuals and small to medium-sized enterprises. Effective risk management relies on the strategic segregation of the credit sanctioning process. Authority is delegated based on the type of facility, exposure, and security considerations. This approach ensures a systematic control and monitoring mechanism for mitigating risks associated with diverse financial products and customer segments.

Stress testing on NPA

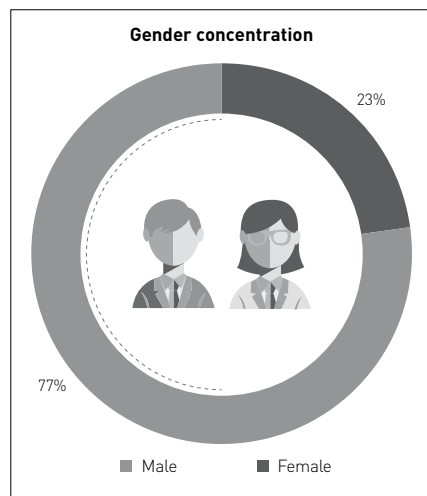
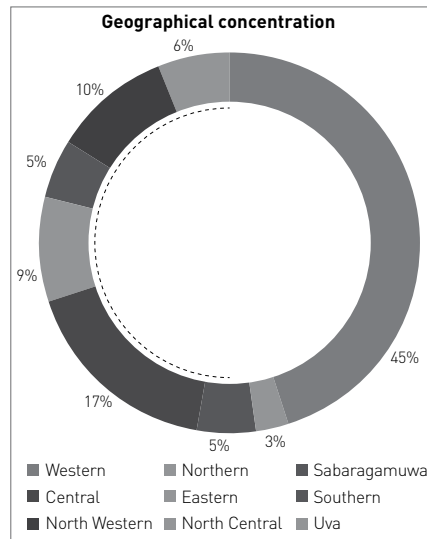
The Company conducts portfolio stress testing in adherence to its policy. This involves exploring three key scenarios: a shift in NPA categories, an increase in gross NPA, and an increase in net NPA. These scenarios serve as the foundation for stress testing on NPA, facilitating an assessment of the Capital Adequacy Ratio (CAR) due to its inverse relationship with NPA. A rise in NPA has a detrimental impact, affecting the CAR negatively.

The escalation of NPA has adverse implications for the Company’s retained earnings, a crucial component of the core capital. This impact is manifested through provisioning related to NPA. The predominant increase in NPA levels can be attributed to defaults in the factoring product, a situation that has since been addressed and contained.

b) Concentration

The risk of concentration arises when there is an excessive reliance or dependence on a specific segment within a portfolio, resulting from uneven growth of exposures. This concentration risk can stem from various sources, such as specific products, industries, asset categories, and geographical areas. It is imperative for the Company to ensure a balanced diversity across

these segments to mitigate the potential contagion effects in the event of a default.



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

KRI for Concentration

Appetite/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

Operational Risk

Effectively managing operational risk is a fundamental aspect of Siyapatha Finance PLC’s day-to-day operations, and adherence to sound practices is mandatory to align with the Company’s risk profile.

The Company has a well established Operational Risk Management Policy developed in line with the regulatory guidelines. Outlined in the Operational Risk Management policy, Siyapatha Finance PLC follows a systematic approach to operational risk management. The primary objective of this policy is to establish a clear operational risk management process that encompasses the identification, assessment, measurement, monitoring, and control/mitigation of operational risk. This includes addressing Information Technology (IT) risk associated with the use and operation of information technology.

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 operational risk policy is structured around seven standard criteria, namely execution, delivery, and process management; internal frauds; external

frauds; employment practices and workplace safety; clients, products, and business practices; damage to physical assets and business; and disruption and system failures. It is important to note that operational risk, as defined in this context, encompasses legal risk but excludes strategic and reputational risk. This comprehensive approach ensures a robust system for identifying, assessing, and managing operational risk in alignment with the Company's business-as-usual activities and risk profile.

Identification and assessment

The evaluation of internal controls, coupled with process audits, reveals any weaknesses in the processes. This enables the Company to identify vulnerabilities that require attention, allowing for proactive measures to address potential adverse scenarios and mitigate risk events. Operational risk is mainly observed through the following areas.

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

Control and monitoring

The Operational Risk Management policy delineates the roles and responsibilities of each section involved in operational risk management. Losses resulting from operational risk incidents can have severe consequences, not only in financial terms but also in terms of their impact on the overall business and reputation of the Company, occasionally posing a threat to its existence. The primary challenges in operational risk management include the identification of effective risk parameters, handling extensive data and intricate logic, and establishing a unified enterprise-wide perspective.

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

The Company has conducted thorough examinations of cybersecurity threats, conducting multiple audits to detect potential security vulnerabilities. The insights gained from these audits have been utilized to enhance the current IT system. Additionally, there is a board-approved Business Continuity Plan (BCP) in effect, encompassing Disaster Recovery planning. To ensure the effectiveness of this plan, testing of the Disaster Recovery site has been conducted.



Methods of Operational Risk Management

Key Risk Indicators (KRIs) and Self-Assessment Questions (SAQs):

Comprehensive KRI and SAQ programs are scheduled monthly to capture the evolving operational environment. Responses to KRIs are quantitative, while SAQs involve selecting answers from a dropdown list. The gathered information is then analyzed to identify trends that may pose operational risks or lead to losses for the Company. Subsequently, mitigative actions are taken accordingly.

Root Cause Analysis (RCA):

For operational risk events, the Risk Management department, in coordination with the relevant business units, conducts

a thorough Root Cause Analysis report. The RCA outlines preventive actions, mitigation strategies, and controls.

Risk and Control Self-Assessment (R&CSA):

Annual Risk and Control Self-Assessments are conducted to evaluate the company's risk areas and implement controls where necessary. In R&CSA programs, branches and departments take ownership of their risks and controls, assessing potential risks within their areas. R&CSAs have been conducted from 2020 to 2023, and the results are approved by the Board Integrated Risk Management Committee.

Ad-hoc Risk Incident Reporting:

The company promotes a culture of transparency and accountability by urging staff to report any operational lapses or potential/actual fraud directly to designated senior management officials. This process is clearly outlined in the Whistle Blowing policy, providing an alternative avenue for employees who may feel hesitant about raising concerns through the regular channels.

Customer Complaints Analysis:

The Risk department monitors complaints and their root causes, providing relevant information to the Board Integrated Risk Management Committee (BIRMC) for risk identification and measurement. Further analysis is conducted, and issues are escalated to the relevant department or branch for necessary action.

Risk Management Awareness Culture:

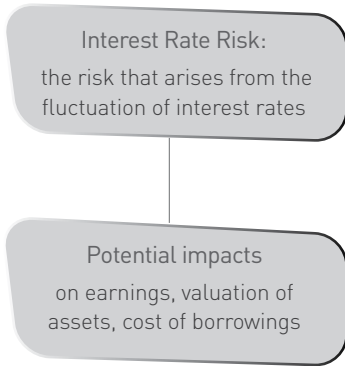
The Risk Management department conducts training sessions for Company staff to cultivate a risk management culture and emphasize the importance of risk reporting among the staff. Specialized training programs are also organized for the risk coordinators. These coordinators, in turn, are entrusted with the responsibility of training their respective department or branch staff.

RISK MANAGEMENT

Interest Rate Risk

Identification and assessment

Interest rate risk arises primarily from disparities in assets and their corresponding liabilities, stemming from fluctuations in interest rates at different maturities. Finance companies, due to varying fixed interest rates assigned to assets and liabilities within their portfolios, face exposure to market-driven interest rate changes.



These fluctuations impact earnings, the value of assets/liabilities, off-balance sheet items, and cash flow. At Siyapatha, the goal of interest rate risk management is to sustain earnings, absorb anticipated negative impacts, and ensure adequate returns for the risks undertaken.

Stress testing is employed to assess the impact of diverse interest rate scenarios on the net interest position and the re-pricing cycles of interest-sensitive assets and liabilities. Simulations involving interest rate variations are conducted to evaluate potential effects on the Company's profitability resulting from alternative interest rate scenarios.

To leverage market interest rate movements and take timely action, the Company consistently monitors macro market conditions. In the past year, there was substantial growth in the Company's deposit base, fostering a more balanced funding approach. Equity and borrowed funds constitute other funding sources, with the increased deposit base reducing the Company's reliance on borrowed funds, including both long-term and short-term

funding. The Company's strategy involves capitalizing on market rate volatility while maintaining a prudent liquidity level, a factor closely monitored at the Asset Liability Management Committee (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

Appetite limit

Volatile Liability Dependency Ratio (on interest rate basis) is fixed as per policy at an prudential level in comparison to the total portfolio.

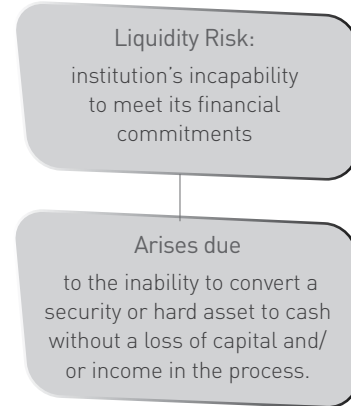
Further the ALCO closely monitors the movements in interest rate and reviews the interest rate structures within the company for both lending and borrowings. Accordingly, the committee issues directions on the adjustments to be done to the interest rates required.

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 pertains to an institution's inability to meet its financial obligations, thereby impacting the stability of the Company. Siyapatha places a strong emphasis on establishing a robust system to identify the funding requirements of the Company, ensuring that funds are available when needed and at the right cost.



A key component of liquidity risk management at Siyapatha involves the continuous observation and evaluation of the firm's current and anticipated fund requirements, encompassing debt obligations, and planning for contingencies arising from various scenarios. To preempt liquidity issues arising from mismatches in cash flow timing, the Company closely monitors cash flows to ensure that its liquid assets are adequate to meet obligations.

Vigilance is maintained through the monitoring of specific liquidity risk indicators, including the liquid asset ratio, maturity gap analysis, capital adequacy ratios, and the volatile liability dependency ratio on maturity and funding concentration. Additionally, the Asset Liability Management Committee (ALCO) oversees these risk indicators to ensure a healthy liquidity position and proactively address any potential challenges.

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 months as a percentage of the total lending portfolio.

People/ Conduct Risk

Human capital constitutes the combined skills, knowledge, and intangible assets of individuals within a Company, serving as a pivotal force in realizing corporate strategies and generating economic value. For service-oriented organizations like Siyapatha, a proficient team is indispensable in delivering effective financial solutions. In the current external environment, people risk holds a substantial influence on the industry. Siyapatha has proactively undertaken measures to mitigate risks stemming from prevailing conditions, successfully minimizing their impact.

The genesis of people risk often lies in shortcomings within the recruitment process, where the identification of individuals best suited for the company's needs may be deficient. This risk is perpetuated by insufficient mechanisms for recognizing and evaluating performance, instances of misconduct, unplanned absenteeism, and employee negligence. Siyapatha recognizes these challenges and has implemented strategies to address them, fortifying the organization against the potential adverse effects of people risk.

Identification and assessment

At Siyapatha, we adhere to a rigorous screening and recruitment process for team members, complemented by comprehensive orientation programs designed to communicate our Code of Ethics and corporate values to successful candidates. The onboarding of new recruits is accompanied by vigilant performance monitoring during probation periods, a crucial strategy to mitigate people risk. Our organizational culture emphasizes coaching and mentoring, providing crucial support to team members.

Concurrently, a continuous and open dialogue is fostered among team members, facilitated by HR team visits to all branches. Our open-door policy for grievance handling and the conduct of exit interviews further

contribute to the early identification of potential issues. Through these proactive measures, Siyapatha strives to create an environment that not only attracts and onboard talented individuals but also ensures ongoing engagement, development, and the mitigation of people-related risks.

Control and monitoring

During the onboarding phase, Siyapatha conducts a thorough induction program, clearly communicating the anticipated standards of performance, particularly in terms of internal processes and integrity. This ensures that new recruits are well-informed and aligned with the Company's expectations from the outset.

Additionally, the Company has instituted a comprehensive performance assessment and compensation system that captures all facets of employee performance. This approach guarantees that commendable performance is duly recognized and rewarded. To maintain a culture of disciplined conduct, a stringent disciplinary policy has been implemented to govern the behavior of all employees, emphasizing the importance of adherence to professional standards and ethical behavior.

Technology Risk

In the contemporary business landscape, the integration of technology is instrumental in driving efficiency and innovation. However, with the benefits of technology come inherent risks that, if not managed diligently, can lead to financial losses, operational disruptions, and damage to the company's reputation. At our Company, we recognize the critical importance of proactively addressing Technology Risk to ensure the security and integrity of our information assets.

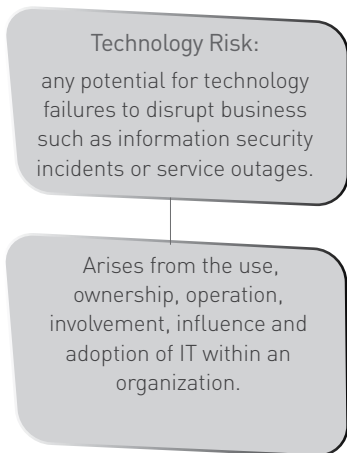
Technology Risk manifests in various forms, including unauthorized access to systems or data, failures of existing information technology systems, and the use of obsolete technology. The Company acknowledges that information is a key asset, and as

technological interconnectivity grows, so does the exposure to cyber threats and vulnerabilities. Therefore, we take comprehensive measures to prevent unauthorized access, limit access on a need-to-know basis, preserve confidentiality, maintain data integrity, ensure business continuity, and minimize overall business risk. These efforts are not only aimed at maximizing return on investment but also at preventing inappropriate use of information.

Our approach to managing Information Technology (IT) risk is rooted in the understanding that it holds strategic, financial, operational, regulatory, and reputational implications. IT Risk is considered a component of Operational Risk, further categorized into Internal IT Risk, External IT Risk, and Business Continuity. Within these components, we assess risks related to the Loss of Integrity, Loss of Availability, and Loss of Confidentiality.

The Information Security and Compliance division plays an essential role in driving a practical and consistent operating model across all IT domains. Their focus is on identifying, managing, and addressing risks effectively. The division ensures that information derived from the IT security risk management process is consistently reported, serving as a basis for objective-setting, decision-making, and accountability at all organizational levels. Notably, high-risk situations and instances of non-compliance are promptly reported to the Board of Information Technology Committee (BITC) and the Board of Integrated Risk Management Committee (BIRMC) by the Information Security and Compliance officer.

RISK MANAGEMENT



Our commitment to robust Technology Risk Management is underscored by the active involvement of the Board of Directors and senior management. They ensure clear accountabilities and responsibilities for managing IT risks, allocate necessary resources, and make key IT decisions within the established risk appetite of the company. Through these strategic measures, we aim to harness the benefits of technology while safeguarding our information assets for sustainable and secure operations. The policies were amended during the year to suite the current threats and requirements of the industry.

Identification and assessment

In the current dynamic and digitally driven market environment, coupled with business expansion, the Company has underscored the pivotal importance of ongoing investment in augmenting the IT system and security features.

A routine and comprehensive assessment of the IT system is consistently undertaken to guarantee uninterrupted operations and to fortify the system against potential vulnerabilities to cyber-attacks. This proactive approach aligns with our commitment to maintaining a secure and resilient technological infrastructure amidst the evolving business landscape.

Control and monitoring

The company prioritizes the security of its computing infrastructure by maintaining secure computers, servers, and networks. This commitment is further demonstrated through the utilization of anti-virus and anti-spyware protection, robust firewalls, and regular software updates. To enhance resilience and risk mitigation, comprehensive data backups, including off-site storage, are implemented within the technological framework.

In tandem with our dedication to technological security, the inception of new products undergoes a meticulous planning process that involves evaluating the specific technological requirements dictated by the nature of the product. Subsequent to system implementation, routine IT system audits are conducted to identify deficiencies and establish necessary controls. This proactive approach ensures that our systems remain adaptive, secure, and aligned with the evolving technological landscape.

Compliance Risk



The Compliance Department is entrusted with the responsibility of safeguarding the Company from potential losses, financial or otherwise, that may arise due to the Company's failure to comply with laws, regulations, rules or self-regulated organizational standards applicable to the Company's operations.

Identification and assessment

The impact of compliance risk can be rather far-reaching. It could even lead to loss of earnings and business

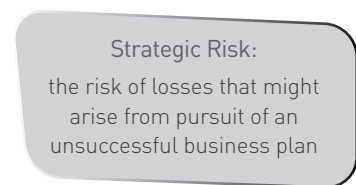
opportunities, tarnish the company image and imminent lawsuits.

Control and monitoring

The Company upholds strict compliance with pertinent regulations and laws, including directives issued by the Central Bank of Sri Lanka and the Colombo Stock Exchange. Oversight of this compliance is the responsibility of the dedicated compliance officer, who operates independently and directly reports to the Board of Integrated Risk Management Committee (BIRMC).

Any instances of non-compliance are promptly communicated to both the Committee and the Board. The Compliance department facilitates the dissemination of regulatory directives by issuing internal circulars tailored to meet specific requirements. This structured approach ensures a proactive and transparent adherence to regulatory frameworks.

Strategic Risk



Identification and assessment

Strategic risks can emerge from suboptimal business decisions, ineffective execution, insufficient resource allocation, or a lack of adaptability to changes in the business environment. The company actively manages strategic risk through a comprehensive approach.

The strategic direction for the next three years is carefully planned by the company, with ongoing reviews to facilitate necessary adjustments. The formulation of the strategic plan is a collaborative process, incorporating insights from all departments at various organizational levels. This inclusive approach ensures a

well-rounded and informed strategic vision that is adaptable to the dynamic business landscape.

Control and monitoring

Regular reviews of the strategic plan occur at the Board level as part of routine assessments and at the operational level on a frequent basis. Based on the outcomes and considering external factors, economic environment changes, and other relevant variables, the company implements review actions and adjusts plans accordingly.

In addition to routine reviews, a comprehensive assessment of key performance indicators, trend movements, and simulations is conducted. This proactive monitoring approach ensures not only the tracking of achievements but also the identification and resolution of potential issues in the implementation of the strategic plan.

Reputational Risk

Identification and assessment

In the realm of deposit mobilizing institutions, maintaining a reputation is paramount for success. As a subsidiary of a prominent bank, Siyapatha places a significant emphasis on upholding principles of good governance and transparency in all its transactions.

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

Ensuring the trust of stakeholders is a central tenet of Siyapatha's operational philosophy. The Company is dedicated to fostering clear and open communication

with all stakeholders, adhering to the principles of timely and efficient engagement. Recognizing the critical nature of reputational risk in the financial sector, Siyapatha remains steadfast in its commitment to preserving a positive image through ethical practices, governance, and transparent dealings.

Control and monitoring

In external communications, the Company adopts a meticulous approach by involving multiple stakeholders in the finalization process. This ensures that a diversity of perspectives contributes to the communication strategy, minimizing the risk of misalignment or unintended consequences. Extending beyond this, all external communications undergo thorough monitoring by several layers of authority, emphasizing the company's commitment to accuracy, transparency, and risk mitigation.

Internally, the company has implemented a robust set of controls to monitor the conduct of employees. This internal control framework plays a crucial role in upholding ethical standards, ensuring compliance with policies, and safeguarding against potential reputational risks. By combining a multilayered approach to external communication and a vigilant internal control system, the company actively works to fortify its reputation and maintain the trust of stakeholders.

Legal Risk

Basel II classified legal risk as a subset of operational risk. Legal Risk is the risk of losses arising from an unintentional or negligent failure to meet a professional (legal) obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.

Legal risk, an integral facet of operational risk, encapsulates the exposure to adverse effects stemming from inaccurately drafted contracts, their execution, absence of written agreements, or inadequacies in existing agreements. This encompasses the potential consequences of supervisory actions, including reprimands, fines, penalties, and punitive damages, along with the costs associated with private settlements. Siyapatha Finance proactively manages legal risk by placing a premium on compliance with applicable regulations across all business relationships.

A cornerstone of the legal risk management strategy involves a meticulous consideration of relevant regulations in all interactions and contracts with individuals and institutions maintaining business relationships with the finance company. This commitment is fortified by ensuring that every transaction is supported by the necessary documentation, minimizing the likelihood of legal complications.

To systematically address the potential risk of breaching rules and regulations, Siyapatha Finance has established and operates an effective system for verifying the conformity of operations with the regulatory landscape. This proactive approach not only safeguards against legal ramifications but also underlines the finance company's dedication to conducting operations with integrity, transparency, and in full compliance with the legal framework.

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 2023 is as follows:

Mr. M.D.B. Boyagoda

(ID/NED) - Chairman
(Resigned w.e.f 31st December 2023)

Mr. P.S. Cumararatunga

(ID/NED) - Member

Mr. J.H. Gunawardena

(ID/NED) - Member

Ms. H.S.R. Ranatunga

(ID/ NED)- Member

(ID – Independent Director,
NED – Non-Executive Director)

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). Also, he graduated from the University of Sri Jayawardenepura, Sri Lanka with a degree in B.Sc. Business Administration specialized in Finance.

Subsequent appointment;

Mr. P.L.C. Jayawickrama

(ID/NED) - Chairman
(Appointed w.e.f 31st January 2024)

Upon the resignation, Mr. M.D.B. Boyagoda, his Chairmanship in the Committee concluded on 31.12.2023 and Mr. P. L. C. Jayawickrama was appointed as the Chairman of the Committee on 31st January 2024, who is a Chartered Accountant and an Attorney-at-Law.

Brief profiles of the members are given on pages 28 to 33 of the Annual Report.

MEETINGS

During the year 2023, the Committee convened twelve (12) meetings and two (02) meetings were held with the External Auditors during the year, without any other Directors, Senior Management and employees being present. The details of attendance of the Committee members at these meetings are given in the table on page 90 of the Annual Report. The Head of Internal Audit functions as the Secretary to the Committee. The other members of the Board, the Managing Director, the management members and representative from the External Audit may also attend meetings upon the invitation of the Committee.

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 stated 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 best practices 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 the 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 risk management processes and 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 Committee assessed the Company's compliance with financial reporting requirements and information requirements under the Companies Act no. 7 of 2007, Finance Business Act no. 42 of 2011, Listing Rules issued by Colombo Stock Exchange (CSE), and other relevant financial reporting regulations/ frameworks, such as LKASs/ SLFRSs.

ROLES AND RESPONSIBILITIES

The Committee is responsible for

- a) Review the integrity of Interim Financial Statements and the Annual Financial Statements prepared for disclosure, prior to submission to the Board of Directors.
- b) Ensure adherence to applicable accounting standards, statutory and regulatory compliance requirements and best practices.
- c) Overseeing the appointment of the External Auditor for audit services is in compliance with the relevant statutes; approval of the audit fee, service period and any matters relating to the resignation or dismissal of Auditors.
- d) Ensure that the internal audit function is independent of the activities it audits and it is performed with impartiality, proficiency and due professional care.
- e) 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.
- f) 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 for the resigning senior staff members and outsourced service providers to submit reasons for resigning.

BOARD AUDIT COMMITTEE REPORT

- g) Review the Company's statement on internal control systems before endorsement by the Board, and to ensure the adequacy and effectiveness of the internal control systems in the Company.

SUMMARY OF ACTIVITIES

FINANCIAL REPORTING

The Committee reviewed the integrity of Interim Financial Statements and the Annual Financial Statements on behalf of the Board of Directors. The review included the adequacy and effectiveness of the internal control systems over financial reporting, the clarity of the disclosures, extent of compliance with financial reporting standards, and the reasonableness of significant estimates and judgmental areas.

EXTERNAL AUDIT

The Committee ensured the independence and objectivity and effectiveness of the audit processes in accordance with applicable standards, regulations, corporate governance principles and/or best practices. The Committee has reviewed the policy on engagement of External Auditor and recommended for the approval of the Board. The auditors were also given the opportunity to meet the Committee separately without the presence of any other Directors, Senior Management and employees being present to discuss any concerns and express their opinion on any matter. The Committee was informed by the External Auditor that there are no specific concerns for them to report to or discuss with the Committee and the Management has provided all information and explanation requested by the Auditors.

The Committee discussed the audit plan, approach and scope of the audit before commencing the audit. The Committee reviewed the audited Financial Statements with the External Auditor, who is responsible for expressing an opinion on whether the Company's financial statements give a true and fair view of the financial position, financial performance and cash flows of the Company. The Committee also reviewed the Management Letter issued by the External Auditor with the Management responses.

The Committee conducted a comprehensive review of the revised Policy on the Engagement of External Auditors in November 2023. In accordance with both the policy and Finance Business Direction

No. 05 of 2021, the Company is mandated not to engage in the services of the same external audit firm for more than ten consecutive years. Consequently, Messrs. KMPG, Chartered Accountants, were chosen to be recommended as the External Auditor for the financial year ending 31st December 2024. This recommendation is subject to approval by the Board of Directors, pending approval by shareholders at the upcoming Annual General Meeting.

The Committee conducted a review of the non-audit services provided by the auditor, aiming to ensure that such services do not compromise the External Auditor's independence or objectivity. The Committee is content that no conflicts of interest exist between the Company and the Auditor, which might undermine the Auditor's independence and objectivity. The revised policy governing the engagement of non-audit services by the External Auditor was reviewed and approved by the Board of Directors in November 2023.

INTERNAL AUDIT

During the year, the Committee review the adequacy of the scope, functions, resources and independence of the Internal Audit Department, and satisfy itself that the department has the necessary authority and to carry out its work independently. The risk-based audit plan was reviewed and approved by Committee at the beginning of the year and monitored the implementation of the audit plan throughout the period to ensure the effectiveness of the entire processes of the Company. The Committee reviewed the internal audit program, significant audit findings and management action plan for the audit recommendations and evaluated the effectiveness of the management action plan in terms of timely implementation of the action plan and repetitive of audit issues. The Committee also reviewed the resource requirement of the Internal Audit Department and evaluated the performance of the Head of Internal Audit.

WHISTLEBLOWING

The Company's whistleblowing Policy serves as a mechanism to manage risks pertaining to corporate frauds. 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 'whistleblowing' 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. The whistleblowing policy has been reviewed by the Committee during the year 2023 and circulated among staff.

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the Committee was carried out by the members of the Committee and concluded that the Committee had carried out its responsibilities in an effective and satisfactory manner. Further, the Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction 5 of 2021.

REPORTING TO THE BOARD

Approved 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.

APPRECIATION

The Committee records its appreciation for the valuable contribution made by Mr M.D.B. Boyagoda as the Chairman of the Committee upto 31st December 2023.

On behalf of the Board Audit Committee



P.L.C. Jayawickrama
Chairman
Board Audit Committee

13th February 2024

COMMITTEE REPORTS

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Board Integrated Risk Management Committee at Siyapatha Finance PLC, entrusted by the Board of Directors, continues to uphold its commitment to assessing and enhancing the company's risk profile. This year(2023), the Committee focused on formulating comprehensive risk strategies, policies, and frameworks in collaboration with Key Responsible Persons. Key Risk Indicators were systematically reviewed using a defined risk grid, aligning with the Integrated Risk Management Policy. The Committee remains vigilant to external changes in the Political, Economic, and Social arenas, stress-testing the portfolio for adaptability. The proactive approach of the Committee ensures that Siyapatha Finance PLC remains resilient in navigating the evolving risk landscape.

COMPOSITION

The Chair of the Board Integrated Risk Management Committee is held by an Independent Non-Executive Director and consists of three Independent, Non-Executive Directors and two Non-Independent, Non-Executive Directors. Adhering to Section 10.3 (a) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka, the MD and designated Key Responsible Persons overseeing credit, market, liquidity, operational, compliance, and strategic risks actively participate in Committee meetings by invitation. Fulfilling a crucial role, the Head of Risk serves as the Committee's secretary.

The Committee's composition during the period ended 31st December 2023 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
(Resigned w.e.f 31st December 2023)

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

Subsequent appointment;

Mr. P.L.C. Jayawickrama
(ID/NED) - Member
(Appointed w.e.f 31st January 2024)

(NID – Non-Independent Director, ID - Independent Director, NED – Non-Executive Director)

Members of the Management who attend by invitation

Mr. H.M.A. Seneviratne
Executive Director/Managing Director

Mr. R. De Silva
Chief Operating Officer

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

Mr. R. Wanniarachchi
Chief Finance Officer

Ms. M. Rajakaruna
Head of Compliance

Mr. L. Randeni
Head of Treasury

MEETINGS

During the year the Committee had eight (08) meetings. The attendance of the Committee members is listed on page 90 of the Annual Report.

ACTIVITIES

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

Strengthening Policy Framework

- Reviewed the Integrated Risk Management Policy, updating it to reflect operational and regulatory environmental changes, which has been approved by the board.
- Reviewed the Operational Risk Management Policy and appointed Risk Coordinators to all branches and all Departments of the Company.
- Reviewed the Credit Risk policy in line with the new strategies introduced by the Company to manage Credit risk.
- Reviewed the Stress Testing Policy in line with the new strategies introduced by the Company, which has been approved by the board.
- Checked the review of all company policies and manuals, including the risk rating of each Company policy.

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 any capital infusion (if required) to address Tier II capital requirements, for the approval of the Board.
- High-level independent standards were implemented for monitoring compliance risk to ensure regulatory adherence.
- Close follow-up on contingency planning with periodical cash flow monitoring were carried out during

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

the post-crisis period.

Credit Risk

- Reviewed the quarterly progress of identified asset categories with high Non-Performing Asset (NPAs) ratios for consistent improvement in asset quality.
- Facilities sanctioned by the Company were reviewed in relation to the industry outlook to evaluate the justification for the behaviour of the portfolio.
- Segmental monitoring was enhanced by way of 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,

- a) Assessing all risks such as credit, market, liquidity, operational and strategic risks of the Company at least once in two-month duration through appropriate risk indicators and management information reports.
- b) 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.
- c) Taking prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the tolerance limits determined by the Committee based on the Company's policies and regulatory and supervisory requirements.
- d) Conducting Root Cause Analysis (RCA) for the near-miss events and losses occurred.
- e) Meeting at least once in two months to assess all aspects of risk management

including the updated Business Continuity Plan.

- f) Conducting Risk & Control Self-Assessment (R&CSA) for all the Branches and Departments on an annual basis.
- g) Review of IT Steering Committee minutes to address specific risk arising in the Information Technology area.
- h) 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.
- i) 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.
- j) Ensure that 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.
- k) Establishing a protective risk management culture within the Company by using the Risk Management framework of the Company.
- l) Periodically reviewing the risk exposures of the Company with stress testing reviews to be in line with its risk and business strategies and objectives.
- m) Engaging external and independent reviews for the validation of risk measurement, methodology and outputs.
- n) Submitting a risk trajectory report of each meeting to the next immediate Board meeting seeking the Board's views, concurrence and/or specific directions.
- o) Establishing a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines,

and internal controls and approved policies in all areas of business operations.

- p) Appoint a dedicated Compliance Officer selected from key management personnel to carry out the compliance function and report to the committee periodically.
- q) In addition to the above, the Committee may perform other functions which are necessary or appropriate for the discharge of its duties.

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the Committee is carried out by the members of the Committee and a summary is submitted to the Board. The Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction 5 of 2021.

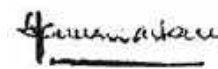
REPORTING TO THE BOARD

Approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them. In addition, a risk trajectory report with the important issues discussed at the committee meetings is tabled for the information of the Board of Directors and to seek the Board's views and specific directions.

APPRECIATION

The Committee records its appreciation for the valuable contribution made by Mr M.D.B. Boyagoda upto 31st December 2023.

On behalf of the Board Integrated Risk Management Committee



J.H. Gunawardena

Chairman - Board Integrated Risk Management Committee

13th February 2024

COMMITTEE REPORTS

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE REPORT

The Board Human Resource and Remuneration Committee (the Committee) was formed 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 well-being of the employees. The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance which came into effect on 1st July 2022.

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

COMPOSITION

The Committee's composition during the period ended 31st December 2023 was as follows:

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

Mr. P.S. Cumaratunga
(ID/NED) - Member

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

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

Brief profiles of the Members are given on pages 28 to 33 of the Annual Report.

MEETINGS

The Committee had five (05) meetings during the year 2023 and the attendance of the Committee Members at these meetings are given in the table on page 90 of the Annual Report. The Managing Director, Chief Human Resources Officer and the other members of the Corporate Management team 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 Company Secretaries of 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 have 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. The Committee is also entrusted with the task of monitoring the implementation of those policies.

REGULATORY COMPLIANCE

The roles and functions of the Committee are regulated by Section 9.12.7 of the 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 the Key Responsible Persons. The aggregate fees and allowances paid to the Executive and Non-Executive Directors from 1st January 2023 to 31st December 2023 is set out on page 216 of the Annual Report.
- b) The Committee shall periodically evaluate the performance of the Managing Director and Key Responsible Persons (KRPs) 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 Managing Director of the Company

regarding all aspects of Human Resources 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 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 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.

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 is considered necessary.

On behalf of the Board Human Resource and Remuneration Committee



D. Sooriyaarachchi
Chairman

Board Human Resource and Remuneration Committee

13th February 2024

COMMITTEE REPORTS

THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) was established by the Board on 27th January 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules') thereby enhancing the Company's control mechanism which ensures that all transactions are conducted at arm's length and no favourable treatment is offered.

COMPOSITION

The Committee is chaired by an Independent, Non-Executive Director and comprises of four (04) Independent Non-Executive Directors and one (01) Non-Independent Non-Executive Director.

The Committee's composition during the period ended 31st December 2023 was as follows:

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

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

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

Mr. M.D.B. Boyagoda
(ID/NED) - Member
(Resigned w.e.f 31st December 2023)

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

Subsequent appointment;

Mr. P.L.C. Jayawickrama
(ID/NED) - Member
(Appointed w.e.f 31st January 2024)

[ID - Independent Director, NED - Non-Executive Director, NID - Non-Independent Director]

Brief profiles of the members are given on pages 28 to 33 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 2023, the Committee had four (04) meetings. Attendance of the Committee members at these meetings are given in the table on page 90 of the Annual Report.

THE TERMS OF REFERENCE

The Committee operates within its Terms of Reference as approved by the Board of Directors.

ROLE AND RESPONSIBILITIES

The mandate of the Committee is derived from the SEC (Securities and Exchange Commission) Code, the CSE Rules, and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance as applicable to Licensed Finance Companies which includes mainly the following:

- a) The Committee shall review all Related Party Transactions (RPTs) prior to the transaction being entered into as required by Finance Business Act Directions No. 05 of 2021 on Corporate Governance.
- b) The Committee shall identify and report all recurrent and non-recurrent related party transactions as required in Section 9.14.6 of CSE Rules for shareholder approval as necessary.
- c) The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.
- d) The Committee shall ensure that there is an adequate, effective, and

efficient process/system in place at the Company to capture the information with regard to related party transactions relevant to its review function.

- e) The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.
- f) To publish required disclosures in the Annual Report.
- g) The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.
- h) To carry out an annual evaluation of the Committee's performance by its members to determine its effectiveness and report to the Board.

REVIEW THE FUNCTION OF THE COMMITTEE

Review of all relevant Related Party Transactions by the Committee takes place prior to the transaction being entered and the Committee communicates its observations to the Board whenever necessary. RPTs are published in Note 44 to the Financial Statements. The in-house developed software is available to capture the RPTs of the Company. The related party information is updated in the system on a quarterly basis, based on the declarations made by Key Responsible Persons, information obtained from the Company Secretaries, Human Resources Department, and the Finance Department of the Company and that of Sampath Bank PLC.

POLICIES AND PROCEDURES

The Company has adopted a Related Party Transactions Guide in respect of the following:

- a) Review, approval/ratification of related party transactions.

COMMITTEE REPORTS

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

- b) Compliance with reporting requirements of related party transactions.
- c) Disclosure requirements of related party transactions.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and are in compliance with the SEC Code, CSE Rules, and as per relevant Directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies.

REPORTING TO THE BOARD

The approved minutes of the Committee meetings are tabled at Board Meetings, to seek the Board's views and specific directions.

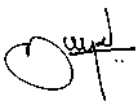
DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 126 of the Annual Report.

APPRECIATION

The Committee records its appreciation of the services rendered by Mr M.D.B. Boyagoda as a member of the Committee upto 31st December 2023.

On behalf of the Board Related Party Transactions Review Committee



D. Sooriyaarachchi

Chairman
Board Related Party Transactions Review
Committee

13th February 2024

COMMITTEE REPORTS

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 2023 was as follows:

Mr. P.S. Cumararatunga

(ID/NED) - Chairman

Mr. D. Sooriyaarachchi

(ID/NED) - Member

Mr. Y. S.H.R.S. Silva

(NID/NED) - Member

[ID - Independent Director,
NID - Non-Independent Director,
NED - Non-Executive Director]

Brief profiles of the Members appear on pages 28 to 33 of the Annual Report.

MEETINGS

During the year 2023, the Committee held four (04) meetings and the attendance of the Committee Members at these meetings are given in the table on page 90 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.

ROLES AND RESPONSIBILITIES

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

- a) The Committee shall make recommendations to the Board on the appointment of the Board Members, the Managing Director and the Corporate Management Personnel considering skills, knowledge, expertise, experience, independence, objectivity, integrity and good reputation, to fulfill the responsibilities.
- b) The Committee shall recommend from time to time, successors in place of resigning or retiring Directors and Corporate Management Personnel.
- c) The Committee shall consider and recommend the re-election of current Directors due for reappointment annually in accordance with the Articles of Association of the Company, taking into account, the combined knowledge, performance towards dealing with strategic demands faced by the Finance Company (FC) and contribution made by the Director concerned towards the discharge of the Board's overall responsibility as required by the guidelines issued by the Central Bank of Sri Lanka (CBSL).
- d) The Committee shall ensure that Directors and Corporate Management Personnel are fit and proper persons to hold office and to perform their functions in compliance with the Finance Business Act [Assessment of Fitness and Propriety of Key Responsible Persons, Direction No. 6 of 2021].
- e) The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Corporate Management Personnel. The Corporate Management Personnel so appointed shall be with the recommendation of the Managing Director, except the Head of Internal Audit, Head of Risk and Head of Compliance.
- f) The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the posts of Managing Director and Corporate Management Personnel.
- g) The Committee shall carefully review and recommend from time to time, the requirements of additional/new expertise and the succession planning for retiring Directors and Corporate Management Personnel.
- h) The Committee shall carry out an annual evaluation of the Committee's performance to determine the effectiveness of the Committee.
- i) The Committee shall make recommendations on any other matters delegated by the Board of Directors.
- j) A member of the Nomination Committee shall not participate in decision-making relating to his/her own appointment/reappointment.
- k) The Chairperson of the Board shall not chair the Committee when dealing with the appointment of his successor.

COMMITTEE REPORTS

BOARD NOMINATION COMMITTEE REPORT

PERFORMANCE

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

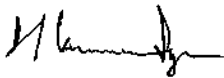
REPORTING TO THE BOARD

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.

On behalf of the Board Nomination
Committee



P.S. Cumaranatunga

Chairman
Board Nomination Committee

13th February 2024

COMMITTEE REPORTS

BOARD CREDIT COMMITTEE REPORT

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

COMPOSITION

The following Directors served the Committee 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 and
ED – Executive Director]

MEETINGS

During the year, the Committee convened hybrid and physical meetings and met on thirteen (13) occasions. The attendance of the Committee members is listed on page 90 of the Annual Report. The Committee meetings are held once a month and additional meetings are held

if deemed necessary. The Chairman of the Committee in consultation with the Secretary to the Committee schedules all meetings with the majority of the meetings being held during the second week of each month. The Committee approves credit proposals deemed urgent due to business requirements via circulation and in such instances, the consent of the majority of the members is mandatory, with the decision being ratified at the subsequent Committee meeting.

ROLES AND RESPONSIBILITIES

The Committee provides oversight to the Credit Management Process of the Company, including reviewing internal credit policies and establishing portfolio limits in consultation with the Board Integrated Risk Management Committee.

The Committee reviews the quality and performance of the Company's credit portfolio, specifically the infection rate, non-performing loans, the movements in the arrears buckets, collection efficiencies and related management information. Monitor the progress of the yard vehicles, missing vehicle movements and recommend write-offs to the Board of Directors as required.

The Committee maintains an appropriate credit overview, 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 Committee reviews new credit products proposed by the management and recommends the same for the Board's consideration.

Some of the key oversight activities performed by the Committee during the year under review;

Credit Process & Portfolio Quality

The Committee continued the momentum of maintaining its oversight through frequent engagement with the senior management and their key team members on the credit process and monitoring. Managing asset quality was foremost. Therefore, greater focus was maintained on

the client inception and onboarding process given the challenging economic conditions. As a result, the Risk Rating process, monitoring of the Infection Rates across products, appropriateness of credit limits via the review of the Delegated Authority limits and overall portfolio behaviour were key on the agenda of the Committee.

Collections & Recoveries

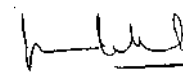
This is a critical focus area for the Committee. Recoveries improved despite the challenges to the cash flows of clients. The team was able to implement various approaches together with the support of the Hardcore and Legal colleagues to manage the Non-Performing Assets and impairment whilst sustaining an acceptable cash flow. The revamping of the legal team, strengthening of the Hardcore Collections Team, the re-alignment of processes and greater cohesiveness within the groups enabled the company to close out and settle long outstanding cases.

REPORTING TO THE BOARD

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

I acknowledge the unstinted support of the management team and fellow members of the Committee during these challenging times.

On behalf of the Board Credit Committee



Janakan Selvaratnam

Chairman -
Board Credit Committee

13th February 2024

COMMITTEE REPORTS

REPORT OF THE BOARD CORPORATE GOVERNANCE COMMITTEE

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. The Committee conducts its proceedings in accordance with the Terms of Reference approved by the Board of Directors of Siyapatha Finance PLC ('the Company').

COMPOSITION

The Committee's composition during the year ended 31st December 2023 was as follows:

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

Mr. H.M.A. Seneviratne
(ED) - Managing Director/Member

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

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

Mr. M.D.B. Boyagoda
(ID/ NED) - Member
(Resigned w.e.f 31st December 2023)

Subsequent appointment;

Mr. P.L.C. Jayawickrama
(ID/NED) - Member
(Appointed w.e.f 31st January 2024)

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

ROLES AND RESPONSIBILITIES

- The Committee reviews developments in corporate governance and proactively ensures that the Company is aligned accordingly.
- The Committee ensures that effective

procedures, a code of ethics, and other internal policies/guidelines are in place and are in compliance with the relevant regulatory and legal requirements.

- The Committee monitors the effectiveness of compliance with the relevant regulatory and legal requirements and makes recommendations to the Board on such matters and any corrective action to be taken, as the Committee may deem appropriate.
- The Committee makes recommendations on any other matter delegated by the Board of Directors.

GOVERNANCE FRAMEWORK

The Governance Framework provides an overview of the Corporate Governance Structure, Principles, Policies, and practices of the Board of Directors ('the Board') of Siyapatha Finance PLC (the Company), which enables them to meet the governance requirements of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka ('DSNBFI'), the Colombo Stock Exchange ('CSE'), and the Securities and Exchange Commission of Sri Lanka ('SEC').

BOARD OF DIRECTORS

The Board of Directors is the apex body responsible for the execution of the Company's Corporate Governance Framework. The Board is responsible for setting out the strategic objectives and management guidelines for the Company, monitoring general performance, defining and applying the Corporate Governance rules, and scrutinizing Internal Audit procedures. The Board is tasked with approving the Strategic Plan, reviewing the adequacy and integrity of the internal control systems, management information systems, governance structures, overall risk policy, risk management procedures, and mechanisms, policies, and procedures, identifying and designating Key Responsible Persons and their successors, defining the areas of authority and responsibility of the Board and Key Responsible Persons, and providing a framework for decision-making, among others.

The Board manages 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 from all business decisions. The Board is therefore the principal authority providing oversight to the Corporate Management Team, which directs and executes all operational functions within the Company.

The Board of Directors meets with the Key Responsible Persons on a regular basis or when a need arises to exercise appropriate oversight of the affairs of the Company. The directors abstain from voting on any Board resolution relating to a matter in which they or any of their relatives or concerns have a substantial interest, and they are not counted in the quorum at the Board meeting for the relevant agenda item.

BOARD MEETINGS

The Board of Directors held 14 meetings during the 12 months period ended 31st December 2023, and 02 meetings were held only with the participation of Non-Executive Directors. Some of the key topics discussed were Credit Quality, Strategic Growth, Digitalization, and Performance Optimization. Meanwhile, the board's subcommittees held a total of 63 meetings during the same period under review.

BOARD SUB-COMMITTEES

A number of Board subcommittees have been formed to assist the Board in its supervisory role. 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 comprises a combination of Board members and is attended by a number of Key Responsible Persons as required by the Terms of Reference of the respective committee and in terms of the regulatory guidelines.

Board subcommittee members are selected from a combination of Board members, in compliance with the Finance Business Act Direction No.06 of 2021.

REPORT OF THE BOARD CORPORATE GOVERNANCE COMMITTEE

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 functioning as the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee, the Board Related Party Transactions Review Committee, the Board Nomination Committee, the Board Credit Committee, the Board Corporate Governance Committee, and the Board Information Technology Committee to carry out specific functions. Each Board subcommittee is 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 Responsible Persons 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 independence and impartiality.

COMPANY SECRETARY

The Company Secretary, whose primary responsibility is to handle the secretarial services for the Board, shareholder meetings and accomplish other functions specified in the statutes and other regulations. Further, the Company Secretary is responsible for liaising with the Registrar of Companies and other relevant regulators and advising the Board members as and when required.

M/s P W Corporate Secretarial (Pvt) Ltd serves as Secretary to the Board, as well as the Board Nomination Committee, the Board Related Party Transactions Review Committee, and the Board Human Resources and Remuneration Committee. The Head of Internal Audit, Head of Risk, Head of Compliance, and Head of IT function as secretaries to the Board Audit Committee, Board Integrated Risk Management Committee, Board Corporate Governance Committee, and Board IT Committee respectively. A qualified secretary serves as the secretary to the

Board Credit 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 of meetings within a reasonable time, and there is a documented process for the minutes to be inspected by the Directors if necessary. Written Terms of Reference are available for each Board subcommittee approved by the Board that complies with the Corporate Governance requirements.

STRATEGIC PLANNING PROCESS

The Strategic Planning process is a disciplined effort involving 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 team are directed to implement the strategic objectives outlined by the Board. Implementation and achievement of the segmental strategies are monitored by each department.

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.

WHISTLE 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 a fair and independent investigation of such matters, appropriate follow-up action, and the protection of the whistle-blower. If there are any matters which the Board Audit Committee reckons are risk areas, they will be forwarded to the Board Integrated Risk Management Committee. The BAC Chairman is to receive in confidence any whistle-blowing messages.

COMMUNICATION POLICY

The Company strives at all times to maintain its corporate credibility and instill investor confidence in the Company by practicing 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.

REPORTING TO THE BOARD

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

I would like to express my gratitude to the management team and members of the board Corporate Governance Committee, for the unwavering support given throughout the year.

APPRECIATION

The Committee records its appreciation for the valuable contribution made by Mr M.D.B. Boyagoda upto 31st December 2023.

On behalf of the Board Corporate Governance Committee



H.S.R. Ranatunga

Chairperson
Board Corporate Governance Committee

13th February 2024

COMMITTEE REPORTS

REPORT OF THE BOARD IT 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.

COMPOSITION

The Chairman of the Committee is Mr. Shiran Perera who holds an Honours Degree in Engineering from the University of Moratuwa.

The following Directors served on the Committee during the financial year under review;

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

Mr. H.M.A. Seneviratne
(ED) - Managing Director/Member

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

Mr. M.D.B. Boyagoda
(ID/ NED) - Member
(Resigned w.e.f 31st December 2023)

Subsequent appointment;

Mr. P.L.C. Jayawickrama
(ID/NED) - Member
(Appointed w.e.f 31st January 2024)

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

Brief profiles of the members are given on pages 28 to 33 of the Annual Report.

The Committee comprised of an Executive Director and three Non-Executive Directors out of which two Directors are independent. The Committee proceedings have been conducted in accordance with the Terms of Reference approved by the Board, and

the composition of the Committee will 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 Eleven (11) times. The attendance of members is listed on page 90 of the Annual Report. The Secretary to the Committee in consultation with the Chairman of the Committee schedules the Committee meetings.

KEY ACHIEVEMENTS

- The appointment of the Head of IT to the Company and as the Secretary to the Committee.
- Significant changes were made to enhance IT resiliency, protect digital assets, and mitigate security breaches.
- The IT team was awarded first place for "Delinquency Management" system by Infosys (India)
- The IT systems were fully tested to operate from the DR site demonstrating the resiliency of the IT infrastructure.
- The Road Map for 2023 to 2025 was adopted by the Committee.
- Incorporated digital transformation and data analytics as key initiatives in the road map.

KEY ACTIVITIES

The Committee focuses on achieving the following IT strategic goals;

- Develop policies, procedures and provide good governance for digital and physical IT assets.
- Ensure the confidentiality, integrity, and availability of information.
- Improve the efficiency of operations and reduce manual processes.
- Develop and maintain cost-effective information systems.
- Improve customer service through

the use of technology.

- Minimize the cost of IT services.
- Facilitate product innovation aligned to business functions.
- Develop a technology service providers ecosystem to design, develop, and integrate IT systems for a seamless operation.

ROLES AND RESPONSIBILITIES

- To review and recommend the IT Strategic Plan of the Company to the Board.
- To review and recommend IT and IT Security policies for the approval of the Board.
- To implement an IT Risk framework to monitor and strengthen the technology risk within the infrastructure.
- To comply with the direction No.1 of 2022 on Technology Risk Management and Resilience.
- To ensure that IT and cyber security strategies, security policy, and a robust Risk management framework along with adequate technical resources are in place.
- To ensure an organization-wide IT and Cyber Security awareness.

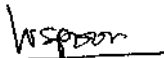
REPORTING TO THE BOARD

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

APPRECIATION

The Committee records its appreciation for the valuable contribution made by Mr M.D.B. Boyagoda upto 31st December 2023.

On behalf of the Board IT Committee



W.S.C. Perera
Chairman - Board IT Committee

13th February 2024

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FINANCIAL CALENDAR

FINANCIAL CALENDAR - 2023

Audited Financial Statements for the year ended 31st December 2022 signed on	08th February 2023
18th Annual General Meeting held on	25th April 2023
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	28th February 2023
LKR 2.33 per share Scrip Dividend for 2022 distributed on	25th April 2023
Publication of half yearly Financial Statements (1st half of year 2023) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	25th August 2023
Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange published on	
1st Quarter ended 31st March 2023	3rd May 2023
2nd Quarter ended 30th June 2023	28th July 2023
3rd Quarter ended 30th September 2023	3rd November 2023
4th Quarter ended 31st December 2023	15th February 2024
Audited Financial Statements for the year ended 31st December 2023 signed on	13th February 2024
19th Annual General Meeting to be held on	26th March 2024

PROPOSED FINANCIAL CALENDAR - 2024

Publication of half yearly Financial Statements (2nd half of year 2023) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	29th February 2024
LKR 0.07 per share Scrip Dividend for 2023 to be declared on*	26th March 2024
Publication of half yearly Financial Statements (1st half of year 2024) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 31st August 2024
Publication of half yearly Financial Statements (2nd half of year 2024) (audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 28th February 2025
Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange to be published	
1st Quarter ended 31st March 2024	On or before 15th May 2024
2nd Quarter ended 30th June 2024	On or before 15th August 2024
3rd Quarter ended 30th September 2024	On or before 15th November 2024
4th Quarter ended 31st December 2024	On or before 28th February 2025
Audited Financial Statements for the year ended 31st December 2024 to be signed in	February 2025
20th Annual General Meeting to be held in	March 2025

* 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 has 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 2023, together with the Audited Financial Statements of the Company and the Independent 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 13th February 2024. The Report includes the information required by the Companies Act No.7 of 2007, Finance Business Act Directions No.05 of 2021 on Corporate Governance, and the Listing Rules of the Colombo Stock Exchange, and is also guided by the Recommended Best Practices on Corporate Governance.

This report was approved by the Board of Directors on 27th February 2024. 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 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 02nd 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 02nd 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. Fitch Rating Lanka Limited has affirmed the Company's National Long-Term Rating at "BBB+(lka)" with a stable outlook. The agency has also affirmed the National Long-Term Rating on Siyapatha's subordinated unsecured debentures at 'BBB - (lka)'.

The registered office of the Company is located at No. 110, Sir James Peiris Mawatha, Colombo 02 and the Head Office of the Company is located at No.111, Dudley Senanayake Mawatha, Colombo 08.

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 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 122
II) Completed and signed Financial Statements of the Company for accounting period completed.	Section 168 (1) (b)	Refer pages 135-220
III) Auditor's Report on Financial Statements of the Company.	Section 168 (1) (c)	Refer pages 132-134
IV) Any changes made to the accounting policies during the year under review.	Section 168 (1) (d)	Refer page 122
V) Particulars of the entries in the Interests Registers of the Company during the accounting period.	Section 168 (1) (e)	Refer pages 126
VI) Remuneration and other benefits paid to the Directors of the Company during the period.	Section 168 (1) (f)	Refer pages 216
VII) Total amount of donations made by the Company during the period.	Section 168 (1) (g)	Refer page 127
VIII) Information on Directorate of the Company during and at the end of the accounting period.	Section 168 (1) (h)	Refer pages 124-126
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 127
X) Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer page 127-128
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 128

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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 adhering to a high level of compliance while conforming to ethical practices.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year included the acceptance of customer deposits, providing finance leases, 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 that took place during the year 2023, is stated in the Chairman's Message on pages 07 to 09, the Managing Director's Review on pages 10 to 12, and Management Discussion and Analysis on pages 13 to 24, 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 09 and the Managing Director's Review on pages 10 to 12. 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, including specific disclosures.

The aforementioned Financial Statements for the year ended 31st December 2023, duly signed by the Chief Financial Officer, Managing Director, and two Directors of the Company, are given from page 135 to page 220. 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 the 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 the Financial Statements appearing from pages 135 to 220 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 its amendments, 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 140 and forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1(ix) of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance. The said statement, which forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company, is provided on pages 121 to 128. The Board has obtained an Assurance Report from the Independent Auditors on the Directors'

Statement on Internal Control over Financial Reporting as referenced on pages 129 to 130.

AUDITOR'S 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 31st December 2023, and their report on the said Financial Statements is presented on pages 132 to 134.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES DURING THE YEAR

The significant accounting policies adopted in the preparation of the Financial Statements are provided on pages 140 to 220. There were no significant changes to the accounting policies used by the Company during the year under review compared to the previous year.

FINANCIAL RESULTS AND APPROPRIATIONS**Interest Income**

The total interest income of the Company for the year ended 31st December 2023 was LKR 10,130,370,016/- (compared to LKR 8,269,788,576/- in 2022). An analysis of the interest income is provided in Note 06 to the Financial Statements.

Profit and Appropriations

The Company recorded a 12.74% increase in profit before tax and a 5.93% decline in profit after tax in 2023 compared to 2022. The Company's Total Comprehensive Income (net of tax) for the year was LKR 713,514,999/- (compared to LKR 793,144,903/- in 2022). A detailed breakdown of the profits and appropriations of the Company is provided below.

For the year ended 31st December	2023	2022
	LKR.000	LKR.000
Profit before tax	1,199,218	1,063,737
Less: Income tax expense	(489,016)	(308,768)
Net profit after tax	710,202	754,969
Actuarial(losses)/gains on defined benefit plans, net of tax	3,313	8,385
Unappropriated balance brought forward from previous year	3,460,442	3,515,495
Adjustment for Surcharge Tax	-	(452,063)
Profit available for appropriation	4,173,956	3,826,786
Appropriations		
Transfer to Statutory Reserve Fund	(36,000)	(38,000)
Dividend		
Final scrip dividend paid-2022 (LKR. 3.57 per share)	-	(328,244)
Final scrip dividend paid-2023 (LKR. 2.33 per share)	(226,396)	-
Unappropriated balance carried forward	3,911,560	3,460,442
Proposed dividend		
Final scrip dividend-2022 (LKR. 2.33 per share)		226,396
Final scrip dividend-2023 (LKR. 0.07 per share)	(7,023)	

TAXATION

The Income Tax rate applicable to the Company's operations is 30%. (In 2022, it was 24% for the first 6 months and 30% for the second 6 months). Additionally, the Company is liable for VAT on financial services at 18% and the Social Security Contribution Levy at 2.5%.

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).

DIVIDEND

The Directors have recommended a scrip dividend of LKR 0.07 per share (compared to LKR 2.33 per share in 2022) to be paid for the financial year ended 31st December 2023. This dividend is subject to approval by the shareholders at the Annual General Meeting scheduled for 26th March 2024.

As required by Section 56 of the Companies Act, the Directors have certified that they are satisfied that the company will,

immediately after the said distribution is made, satisfy the solvency test in accordance with the Companies Act. The Company provided the Statement of Solvency to the Auditors and obtained the Certificate of Solvency from the Auditors regarding the dividend payment, conforming to statutory provisions.

Further details are provided in Note 15 to the Financial Statements.

RESERVES

A summary of the Company's reserves is provided below:

As at 31st December	2023	2022
	LKR.000	LKR.000
Statutory Reserve Fund	314,000	278,000
Revaluation Reserve	154,295	154,295
Retained Earnings	3,911,560	3,460,442
Total	4,379,855	3,892,736

CAPITAL EXPENDITURE

The total capital expenditure on the acquisition of property, plant, and equipment and intangible assets of the Company amounted to LKR 92,086,560/- (compared to LKR 657,978,663/- in 2022). Details are provided in Notes 26 and 29 of the Financial Statements.

CAPITAL COMMITMENTS

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

PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of property, plant, and equipment are provided in Note 26 to the Financial Statements.

MARKET VALUE OF FREEHOLD LAND

The Company applies the Revaluation Model as per Sri Lanka Accounting Standard – LKAS 16 (Property, Plant, and Equipment) to its freehold land. The freehold land is revalued every three years or more frequently if the fair value is substantially different from the carrying value. Accordingly, the freehold land of the Company was revalued at the end of 2022 by a professionally qualified independent valuer. The result of this valuation was incorporated into the Financial Statements to ensure that the carrying amount of such freehold land reflected the prevailing market price at the end of the year.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

STATED CAPITAL AND DEBENTURES

Stated Capital

As of 31st December 2023, the Stated Capital of the Company amounted to LKR 2,866,876,254/-, consisting of 100,329,537 ordinary shares (compared to LKR 2,674,439,468/- consisting of 97,166,011 ordinary shares in 2022). The number of shares issued by the Company increased from 97,166,011 ordinary shares to 100,329,537 ordinary shares as a result of the payment of the Scrip Dividend for 2022.

Debt Capital

During the year ended 31st December 2023, the Company redeemed rated, unsecured, senior, redeemable debentures to the value of LKR 2,000,000,000/-. Details of the debentures outstanding as of 31st December 2023 are provided in Note 31.4 to the Financial Statements.

SHARE INFORMATION

Information relating to earnings, dividends, and net assets is available in the Financial Highlights on page 06 and in the Investor Information section on pages 25 to 27.

SHAREHOLDING

The Company has eight shareholders, and their details are appended below:

EQUITABLE TREATMENT TO STAKEHOLDERS

The Company has always ensured equitable treatment for all stakeholders, with particular attention to depositors.

THE BOARD OF DIRECTORS

The Board of Directors of the Company comprises 09 Directors (2022: 09), each possessing extensive financial and commercial knowledge and experience. The names of the Directors who held office during the financial year from 01st January 2023 to 31st December 2023 are listed below. The classification of Directors is provided next to their names in accordance with the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No. 05 of 2021, along with subsequent amendments issued by the Central Bank of Sri Lanka. Brief profiles of the Directors are available on pages 28 to 33 of the Annual Report.

Mr. M.D.B. Boyagoda resigned from the Board on 31st December 2023. He was succeeded by Mr. P.L.C. Jayawickrama, who was appointed to the Board on 29th January 2024.

Annual Assessment of Continuing Directors

All Directors have submitted affidavits and declarations for the year 2023 for annual assessment by the Director, NBF1 under the Finance Business Act Directions No. 06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.

Name	Classification	Remarks
		(Appointed date, etc.)
Mr. P.S. Cumarantunga	Independent, Non-Executive Director	30.10.2017 (Appointed as the Chairman w.e.f 12. 02. 2020)
Mr. Y.S.H.R.S. Silva	Non-Independent, Non-Executive Director	01.06.2018 (Appointed as the deputy Chairman 26.05.2020)
Mr. H.M.A. Seneviratne	Executive Director	01.03.2019
Mr. J. Selvaratnam	Non-Independent, Non-Executive Director	18.12.2018
Mr. J.H. Gunawardena	Independent, Non-Executive Director	29.01.2019
Mr. D. Sooriyaarachchi	Independent, Non-Executive Director	20.11.2019 (Re-designated as an Independent Non-Executive Director w.e.f. 23.02.2021)
Mr. W.S.C. Perera	Non-Independent, Non-Executive Director	16.01.2020
Ms. H.S.R. Ranatunga	Independent, Non-Executive Director	28.01.2020
Mr. M.D.B. Boyagoda	Independent, Non-Executive Director	28.04.2020

Name	No. of Shares	% of Issued Share Capital
Mr. P.S. Cumarantunga	1	>0.00
Mr. Y.S.H.R.S. Silva	1	>0.00
Mr. J. Selvaratnam	1	>0.00
Mr. J.H. Gunawardena	1	>0.00
Ms. H.S.R. Ranatunga	1	>0.00
Mr. W.S.C. Perera	1	>0.00
Mr. D. Sooriyaarachchi	1	>0.00
Sampath Bank PLC	100,329,530	100.00
Total	100,329,537	100.00

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 RE-ELECTION / REAPPOINTMENT OF DIRECTORS

Mr. P.L.C. Jayawickrama, who was appointed to the Board with effect from 29th January 2024, offers himself for re-election in accordance with Article 24(2) of the Articles of Association of the Company.

In accordance with Articles 24(7) and 24(8) of the Articles of Association of the Company, Mr. P.S. Cumararatunga, Ms. H.S.R. Ranatunga, and Mr. W.S.C. Perera retire by rotation and, being eligible, offer themselves for re-election on the unanimous recommendation of the Board of Directors.

Directors' Declarations in terms of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance

The Chairman and the Directors of the Company have made declarations as per the requirements in Section 16.1 (v) of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance, stating that there is no financial, business, family, or other material/relevant relationship(s) between the Chairman and the Managing Director and/or amongst the members of the Board.

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. This register 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 Business Act Directions No. 05 of 2021 on Corporate Governance, the Securities and Exchange Commission of Sri Lanka, and the Listing Rules of the Colombo Stock Exchange.

This adherence also aligns with 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 Sub-Committees:

- Board Audit Committee
- Board Integrated Risk Management Committee
- Board Human Resource and Remuneration Committee
- Board Credit Committee
- Board Corporate Governance Committee
- Board Related Party Transactions Review Committee
- Board Nomination Committee
- Board IT Committee

The Board Audit Committee

- Mr. M.D.B. Boyagoda- Chairman (served until 31.12.2023)
- Mr. P.S. Cumararatunga
- Mr. J.H. Gunawardena
- Ms. H.S.R. Ranatunga

Mr. P.L.C. Jayawickrama was appointed as the Chairman of the Board Audit Committee with effect from 31st January 2024.

The Report of the Board Audit Committee appears on pages 106 to 107.

The Board Integrated Risk Management Committee

- Mr. J.H. Gunawardena - Chairman
- Mr. P.S. Cumararatunga
- Mr. J. Selvaratnam
- Mr. M.D.B. Boyagoda (served until 31.12.2023)
- W. S.C. Perera
- Mr. P.L.C. Jayawickrama (appointed w.e.f. 31.01.2024)

The Report of the Board Integrated Risk Management Committee appears on pages 108 to 109.

The Board Human Resource and Remuneration Committee

- Mr. D. Sooriyaarachchi-Chairman
- Mr. P.S. Cumararatunga
- Ms. H.S.R. Ranatunga

The Report of the Board Human Resource and Remuneration Committee appears on page 110.

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 page 115.

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. Boyagoda (served until 31.12.2023)
- Mr. P.L.C. Jayawickrama (appointed w.e.f. 31.01.2024)

The Report of the Board Corporate Governance Committee appears on pages 116 to 117.

The Board Related Party Transactions Review Committee

- Mr. D. Sooriyaarachchi - Chairman
- Mr. J.H. Gunawardena
- Mr. J. Selvaratnam
- Ms. H.S.R. Ranatunga
- Mr. M.D.B. Boyagoda (served until 31.12.2023)
- Mr. P.L.C. Jayawickrama (appointed w.e.f. 31.01.2024)

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Report of the Board Related Party Transactions Review Committee appears on pages 111 to 112.

The Board Nomination Committee

- Mr. P.S. Cumaranatunga–Chairman
- Mr. D. Sooriyaarachchi
- Mr. Y.S.H.R S. Silva

The Report of the Board Nomination Committee appears on pages 113 to 114.

The Board IT Committee

- Mr. W.S.C.Perera–Chairman
- Mr. H.M.A. Seneviratne
- Mr. D. Sooriyaarachchi
- Mr. M.D B. Boyagoda (served until 31.12.2023)
- Mr. P.L.C. Jayawickrama (appointed w.e.f. 31.01.2024)

The Report of the Board IT Committee appears on page 118.

DIRECTORS' MEETINGS

Details of the Board meetings, the Board Sub-Committee meetings, and the attendance of the Directors at these meetings are provided in the Corporate Governance Report on pages 35 to 90 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 have made necessary declarations of their interest in contracts or proposed contracts in accordance with 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 compliance with the terms of the Companies Act No. 7 of 2007.

The particulars of the Directors' Interest in Contracts are provided on page 126 of

the Annual Report and form an integral part of the Annual Report of the Board of Directors. As a practice and in accordance with Corporate Governance principles, 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 disclosed transactions, if any, that could be classified as Related Party Transactions in accordance with Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosure), which are detailed in the Financial Statements. These transactions disclosed by the Directors are provided in Note 44 to the Financial Statements, forming an integral part of the Annual Report of the Board of Directors on the affairs of the Company. The Board Related Party Transactions Review Committee has reviewed all related party transactions requiring their review for the year ended 31st December 2023, ensuring compliance with the relevant listing rules.

DIRECTORS' INTEREST IN ORDINARY SHARES AND DEBENTURES

The Directors' shareholding and their relevant interests in the shares of the Company as at 31st December 2023 and 31st December 2022 are as follows:

Name	Position	No of Shares as at 31 December 2023	No of Shares as at 31 December 2022
Mr. P.S. Cumaranatunga	Chairman	01	01
Mr. Y.S.H.R.S. Silva	Director	01	01
Mr. J. Selvaratnam	Director	01	01
Mr. J.H. Gunawardena	Director	01	01
Ms. H.S.R. Ranatunga	Director	01	01
Mr. W.S.C. Perera	Director	01	01
Mr. D. Sooriyaarachchi	Director	01	01

Except for 75,000 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 provided in Note 44.3 to the Financial Statements.

APPRAISAL OF BOARD PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with Section 4(1) of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance. This is done by answering a self-assessment questionnaire. The responses are collated and submitted to the Board for discussion and further evaluation.

The Board also conducts an annual self-evaluation of its own performance and that of the Sub-Committees. This ensures that they discharge their duties and responsibilities satisfactorily in accordance with the Companies Act No. 07 of 2007, Finance Business Act Directions No. 05 of 2021 on Corporate Governance, Listing Rules of the Colombo Stock Exchange, and Best Practices on Corporate Governance. Board and Sub-Committee evaluations for the year under review were discussed at the Board Meeting held in January 2023.

OUR TEAM MEMBERS

The Company recognizes that its true potential lies in the strength and capabilities of its team members in an ever-evolving environment. All efforts are focused on nurturing a motivated and skilled workforce to achieve the projected results outlined in the Strategic Plan and Budget. As of 31st December 2023, the number of employees on the Company's payroll was 849 (2022:789).

ENVIRONMENTAL PROTECTION

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

STATUTORY PAYMENTS

The Directors affirm, to the best of their knowledge and belief, that all statutory payments due to the Government, other regulatory bodies, and related to employees have been made in a timely manner.

OUTSTANDING LITIGATION

In the opinion of the Directors, and in consultation with the Company's legal counsel, litigation pending against the Company is not expected to have a material impact on the reported financial results or the future operations of the Company. Details of pending litigation are provided in Note 42.4 to the Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

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

GOING CONCERN

After conducting necessary inquiries and reviews, including assessments of the budget for the ensuing year, capital

expenditure requirements, future prospects and risks, cash flows, and other matters required by the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka & the Institute of Chartered Accountants of Sri Lanka 2013, as well as the Finance Business Act Directions No. 05 of 2021 and subsequent amendments thereto issued by the CBSL, the Directors 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 totaling LKR. 500,000/- (compared to LKR. 500,000/- in 2022). It's worth noting that the Company does not make donations for political purposes.

RISK MANAGEMENT AND INTERNAL CONTROL

Material Foreseeable Risk Factors

The Company maintains an ongoing process to identify, evaluate, and manage the risks it faces. This process is detailed in the Risk Management Report on pages 91 to 105.

The Directors regularly review this process through the Board Integrated Risk Management Committee.

Internal Controls

The Directors have taken reasonable steps to safeguard the Company's assets and to prevent and detect fraud and other irregularities. To achieve this, they have established effective and comprehensive systems of internal controls. These systems encompass internal reviews, internal audits, and a framework of financial and operational controls designed to identify, record, evaluate, and manage significant risks faced by the Company. They are regularly reviewed by the Board of Directors to ensure their effectiveness.

These measures aim to maintain the orderly operation of the Company, safeguard its assets, prevent and detect fraud and other irregularities, and ensure the accuracy and reliability of its records to the extent practicable.

CORPORATE GOVERNANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Directors of the Company are dedicated to upholding an effective Corporate Governance Framework by implementing processes to ensure compliance with the Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka 2013, the Finance Business Act Directions No. 05 of 2021 and subsequent amendments issued by the CBSL, and Requirements of the Listing Rules of the Colombo Stock Exchange. Further details are provided in the Corporate Governance Report on pages 35 to 90 of this Annual Report.

Additionally, the Board of Directors affirms that the Company adheres to prudential requirements, regulations, laws, and internal controls. Measures have been implemented 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 31st December 2023 amounted to LKR. 1,980,000/- (compared to LKR. 1,760,000/- in 2022). Additionally, the Company paid LKR. 2,415,034/- (compared to LKR. 4,801,313/- in 2022) to Messrs Ernst & Young for permitted non-audit related services, including tax consultancy services. Details of the audit fees paid are provided in Note 11.1 to the Financial Statements.

Based on the declaration provided by Messrs Ernst & Young, and to the best of the Directors' knowledge, the Auditors

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

do not have any relationship or interest with the Company that may affect their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

Upon the recommendations of the Audit Committee, the Board proposes to the shareholders the appointment of Messrs KPMG, Chartered Accountants, as the Auditors of the Company for the ensuing year, replacing the retiring Auditors, Messrs Ernst & Young, Chartered Accountants. Notice of the proposed resolution has been served on the retiring Auditors as required by the Companies Act, No. 07 of 2007.

NOTICE OF MEETING

The Annual General Meeting of the Company will be held at Siyapatha Tower, 111, Dudley Senanayake Mawatha, Colombo 08, at 9.00 A.M. on 26th March 2024. The Notice of Meeting is provided on page 230 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.

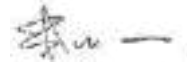
For and on behalf of the Board of Directors,



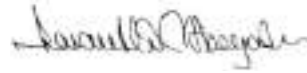
P.S. Cumararatunga
Chairman



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



Ananda Seneviratne
Managing Director



P W Corporate Secretarial (Pvt) Ltd
Company Secretary

Siyapatha Finance PLC
27th February 2024

DIRECTORS' STATEMENT ON INTERNAL CONTROL

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 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021.

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, generate reliable financial information and 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 or 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 controls 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 control, 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 the Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- Policies and Procedures are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies and Procedures are reviewed periodically and 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 during their process audits. The risk-based auditing approach is adopted by the company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Initiatives have been taken by Internal Audit Department to apply data analytics to review the large volume of transactions in a systematic manner and to enhance the real time monitoring. 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 continuously reviewed and updated by identified officers of the Company. The Internal 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 of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

Confirmation

Based on the above process, the Board confirms that the financial reporting system of the Company has been designed

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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 2023 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 131 of this Annual Report.

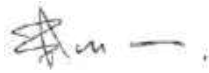
STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the

Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board,



H.M.A Seneviratne
Managing Director



P.S. Cumararatunga
Chairman



P.L.C. Jayawickrama
Chairman -Board Audit Committee

Siyapatha Finance PLC
13th February 2024

INDEPENDENT ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF SIYAPATHA FINANCE PLC



Ernst & Young
Chartered Accountants
Rofunda Towers
No. 109, Collier Road
P.O. Box 103
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 768 7869
Email: ey@ey.com
ey.com

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Siyapatha Finance PLC (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 December 2023 (the "Statement") included in the annual report for the year ended 31 December 2023.

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 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021 by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

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

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for 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.

14 February 2024

Colombo

Partners: C H Hingorana ICA ACMA, LLB (London), A P A Gunasekera ICA ACMA, MSc, Y A De Silva ICA, MSc, G G S Manabunga ICA, W R B S P Fernando ICA ACMA, B E W Jayasinghe ICA ACMA, R N de Saram ICA ACMA, MSc, N A De Silva ICA, N M Sumantha ICA ACMA, MSc, L R H L Fernando ICA, MSc, P V K N Sathyanarayanan ICA, A A J R Perera ICA ACMA, N Y P L Fernando ICA, B N Sathyanarayanan ICA ACMA, C A Rajapaksa ICA ACMA

Principals: T P M Ruberu ICA ACMA MBA (US-J-SEA), G B Goussan ICA, MSc, P S Paranaipane ICA ACMA, LLB (Colombo), D L B Karunathilaka ICA, MSc, J De Silva BSc (Hons) - MSc (M) - IT, Y Sheethan ICA (CIP)

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF SIYAPATHA FINANCE PLC



Ernst & Young
Chartered Accountants
Refundal Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: ey@EY.com
ey.com

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 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These

matters were addressed in the context of the audit of the financial statements as a whole, and in forming 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 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
<p>Impairment for Expected Credit Losses of Financial Assets measured at amortised cost</p> <p>Impairment for expected credit losses of financial assets measured 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</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating management expectation of future cash flows to recover such financial assets; and 	<p>In addressing the adequacy of the provision for Impairment for expected credit losses on Financial Assets measured at amortised cost, our audit procedures included the following key procedures,</p> <ul style="list-style-type: none"> Assessed the alignment of the Company’s Impairment for expected credit losses computations and underlying methodology including responses to current economic conditions with its accounting policies, based on the best available information up to the date of our report. Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and management. Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Company. Evaluated the reasonableness of credit quality assessments and related stage classifications.
<ul style="list-style-type: none"> The materiality of the reported amount of Impairment of expected credit losses and use of complex calculations in its determination. 	<p>In addition to the above, the following procedures were performed:</p> <ul style="list-style-type: none"> For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> Checked the arithmetical accuracy of the underlying individual impairment calculations.



Key audit matter	How our audit addressed the key audit matter
<p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses for financial assets measured at amortised cost included: assumed future occurrence of events and conditions relating to the ongoing foreign currency debt restructuring exercise, forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<ul style="list-style-type: none"> • Evaluated the reasonableness of key inputs used in the allowance for expected credit losses made with particular focus on current economic volatility. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery actions of the collaterals. ▪ For financial assets assessed on a collective basis for impairment: <ul style="list-style-type: none"> • Tested the key inputs and the calculations used in the allowance for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. ▪ Assessed the adequacy of the related financial statement disclosures set out in notes 40.4.1
<p>Information Technology (IT) systems controls over financial reporting</p> <p>Company's financial reporting process is significantly 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.</p> <p>Accordingly, IT systems related internal controls over financial reporting was considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures. ▪ Involved our internal specialized resources and; <ul style="list-style-type: none"> • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and • Obtained a high-level understanding of the cybersecurity risks affecting the company and the actions taken to address these risks primarily through inquiry. ▪ Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the 2023 Annual Report

Other information consists of the information included in The Company's 2023 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2023 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 statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT



Auditor's responsibilities for the audit of the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.

14 February 2024
Colombo

INCOME STATEMENT

For the year ended 31 December		2023	2022
	Note	Rs.'000	Rs.'000
Interest income		10,130,371	8,269,789
Less: Interest expenses		(7,009,764)	(5,788,151)
Net interest income	6	3,120,607	2,481,638
Fee and commission income		331,729	313,898
Less: Fee and commission expenses		(3,981)	(3,713)
Net fee and commission income	7	327,748	310,185
Other operating income	8	600,661	715,359
Total operating income		4,049,016	3,507,182
Less: Credit loss expense on financial assets and other losses	9	(80,869)	(131,671)
Net operating income		3,968,147	3,375,511
Less: Operating expenses			
Personnel expenses	10	(1,368,823)	(1,192,451)
Other operating expenses	11	(922,017)	(718,515)
Operating profit before taxes on financial services		1,677,307	1,464,545
Less: Taxes on financial services	12	(478,089)	(400,808)
Profit before income tax		1,199,218	1,063,737
Less: Income tax expense	13	(489,016)	(308,768)
Profit for the year		710,202	754,969
Basic/Diluted earnings per share (Rs.)	14	7.08	7.52
Dividend per share (Rs.)	15	2.33	3.57

The Accounting policies and Notes to the Financial Statements from pages 140 to 220 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December		2023	2022
	Note	Rs.'000	Rs.'000
Profit for the year		710,202	754,969
Other comprehensive income/ (expenses)			
Other comprehensive income not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	34.3	4,733	10,374
Deferred tax effect including the effect of tax rate change on the opening balance	28	(1,420)	(1,989)
		3,313	8,385
Surplus from revaluation of property, plant & equipment		-	56,600
Deferred tax effect including the effect of tax rate change on the opening balance		-	(26,809)
	37	-	29,791
Other comprehensive income for the year, net of tax		3,313	38,176
Total comprehensive income for the year, net of tax		713,515	793,145
Attributable to :			
Equity holders of the parent company		713,515	793,145
		713,515	793,145

The Accounting policies and Notes to the Financial Statements from pages 140 to 220 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December		2023	2022
	Note	Rs.'000	Rs.'000
Assets			
Cash and bank balances	17	285,352	221,187
Securities purchased under repurchase agreements		250,123	-
Factoring receivables	18	95,969	112,793
Gold loan receivables	19	7,930,227	8,666,076
Assets held for sale		114,043	-
Loan receivables	20	1,343,011	993,460
Lease receivables	21	26,640,517	24,862,538
Hire purchase receivables	22	-	1,247
Other assets	23	735,058	624,838
Equity instruments at fair value through other comprehensive income	24	56	56
Debt instruments at amortized cost	25	5,799,840	5,461,866
Property, plant & equipment	26	2,465,349	2,537,582
Right-of-use assets	27	380,579	371,844
Deferred tax assets	28	184,308	225,785
Intangible assets	29	16,068	15,291
Total Assets		46,240,500	44,094,563
Liabilities			
Bank overdraft		135,930	826,180
Due to other customers	30	23,565,911	19,342,046
Debt issued and other borrowed funds	31	13,148,267	15,585,788
Other payables	32	1,577,908	1,304,342
Current tax liabilities	33	427,797	352,180
Retirement benefit obligations	34	137,957	116,852
Total Liabilities		38,993,770	37,527,388
Equity			
Stated capital	35	2,866,876	2,674,439
Statutory reserve fund	36	314,000	278,000
Revaluation reserve	37	154,295	154,295
Retained earnings	38	3,911,559	3,460,441
Total Equity		7,246,730	6,567,175
Total Liabilities and Equity		46,240,500	44,094,563
Net asset value per share (Rs.)		72.23	67.59
Commitments and contingencies	42	30,643	15,187

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


.....
Managing Director


.....
Chief Financial Officer

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 140 to 220 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31 December 2021		2,346,095	240,000	124,504	3,515,495	6,226,094
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022		-	-	-	(452,063)	(452,063)
Adjusted balance as at 01 January 2022		2,346,095	240,000	124,504	3,063,432	5,774,031
Profit for the year		-	-	-	754,969	754,969
Other comprehensive income, net of tax		-	-	29,791	8,385	38,176
Transfer to Statutory Reserve Fund	36	-	38,000	-	(38,000)	-
Scrip dividend paid		328,344	-	-	(328,344)	-
Balance as at 31 December 2022		2,674,439	278,000	154,295	3,460,442	6,567,176
Profit for the year		-	-	-	710,202	710,202
Other comprehensive income, net of tax		-	-	-	3,313	3,313
Transfer to Statutory Reserve Fund	36	-	36,000	-	(36,000)	-
Scrip dividend paid		192,437	-	-	(226,397)	(33,960)
Balance as at 31 December 2023		2,866,876	314,000	154,295	3,911,560	7,246,731

The Accounting policies and Notes to the Financial Statements from pages 140 to 220 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December		2023	2022
	Note	Rs.'000	Rs.'000
Cash flows from operating activities			
Profit before taxation from operations		1,199,218	1,063,737
Interest expenses	6.2	7,009,764	5,788,151
Fee & commission expenses	7	3,981	3,713
Credit loss expense on financial assets	9	80,869	131,671
Provision for staff gratuity	34.2	42,007	31,978
Provision for depreciation	26.1	155,544	156,651
Amortization of software	29	7,856	17,064
Amortization expenses on right-of-use assets	27	80,119	80,696
(Profit)/Loss on sale of motor vehicles		(1,695)	633
		7,378,445	6,210,557
Operating profit before working capital changes		8,577,663	7,274,294
(Increase)/Decrease in lease receivables		(1,798,308)	4,067,869
(Increase)/Decrease in hire purchase receivables		293	(68)
(Increase)/Decrease in factoring receivables		45,082	137,488
(Increase)/Decrease in gold loan receivables		738,561	(2,899,391)
(Increase)/Decrease in loan receivables		(269,756)	641,634
Increase/(Decrease) in due to other customers		3,757,012	1,790,458
(Increase)/Decrease in other assets		(481,828)	(127,079)
Increase/(Decrease) in other payables		402,193	155,564
		2,393,249	3,766,475
Cash generated from operating activities		10,970,912	11,040,769
Interest expense paid		(6,824,516)	(5,112,623)
Gratuity paid	34.1	(16,169)	(8,605)
Income tax paid	33	(373,343)	(901,606)
Surcharge tax paid		-	(452,063)
Dividend tax paid		(33,960)	-
Net cash inflow from operating activities		3,722,924	4,565,872
Cash flow from investing activities			
Net investments in government bonds & government securities		(393,121)	46,016
Purchase of property, plant and equipment and intangible assets		(92,087)	(657,979)
Proceeds from sale of property, plant and equipment		1,837	420
Net cash outflow from investing activities		(483,371)	(611,543)
Net cash inflow before financing activities		3,239,553	3,954,329
Cash flow from financing activities			
Proceeds from long term loans & securitizations	31.1	2,500,000	3,173,000
Repayments of long long term loans & securitizations	31.1	(3,919,897)	(2,557,303)
Debentures redeemed	31.4	(2,000,000)	(1,000,000)
Net proceeds from short term borrowings	31.1	1,260,000	(1,350,000)
Repayment of principal portion of lease liabilities	32.1	(130,205)	(116,279)
Net cash outflow from financing activities		(2,290,102)	(1,850,582)
Net increase in cash and cash equivalents		949,451	2,103,747
Cash & cash equivalents at the beginning of the year		2,162,778	59,031
Cash and cash equivalents at end of the year		3,112,229	2,162,778
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances (Note 17)		285,454	221,228
Securities purchased under repurchase agreements less than three months		250,123	-
Investment in Government securities less than three months		2,712,582	2,767,730
Bank overdraft		(135,930)	(826,180)
		3,112,229	2,162,778

The Accounting policies and Notes to the Financial Statements from pages 140 to 220 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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| <p>1. CORPORATE INFORMATION</p> <p>1.1 General</p> <p>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. 111, Dudley Senanayake Mawatha, Colombo 08.</p> <p>The debentures of the Company were initially listed on the Colombo Stock Exchange on 02 January 2015.</p> <p>The staff strength of the Company as at 31 December 2023 was 849 (2022:789).</p> <p>1.2 Principal Activities and Nature of Operations</p> <p>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, business/ personal loans, and fast draft loans.</p> <p>1.3 Parent Enterprise and Ultimate Parent Enterprise</p> <p>The Company’s parent undertaking / ultimate parent and the controlling party is Sampath Bank PLC, which is incorporated in Sri Lanka.</p> | <p>2. BASIS OF PREPARATION</p> <p>2.1 Statement of Compliance</p> <p>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 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange and the CBSL Guidelines.</p> <p>2.2 Responsibility for Financial Statements</p> <p>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.</p> <p>2.3 Approval of Financial Statements by Directors</p> <p>The Financial Statements of the Company as at and for the year ended 31 December 2023 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 13 February 2024.</p> <p>2.4 Basis of Measurement</p> <p>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.</p> | <ul style="list-style-type: none"> • Financial Assets at fair value through other comprehensive income at fair value (Note 24) • Land and buildings, which are 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) <p>2.5 Functional and Presentation Currency</p> <p>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.</p> <p>2.6 Presentation of Financial Statements</p> <p>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.</p> |
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2.7 Materiality, Aggregation and Offsetting

In compliance with Sri Lanka Accounting Standard -LKAS 01(Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the 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 Flows

The Statement of Cash Flows 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), money at call and short notice, net of unfavourable bank balances, securities purchased under repurchase agreement (less than three months) and investments in treasury bills (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. The Directors have considered the impact of the existing and anticipated effects of the current macroeconomic uncertainties on the entity's activities. 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. 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

NOTES TO THE FINANCIAL STATEMENTS

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.

During the review period, the Company conducted a reassessment of its loans and advances portfolio within the individually significant loans (ISL) category, considering both the financial resilience of customers and external macroeconomic pressures. Moreover, the proactive provisioning approach implemented by the Company in the previous financial year to address potential risks associated with customers has persisted throughout 2023. The collective impairment models

applied in 2022 were continued in 2023 to ensure sufficient buffers were in place to mitigate any potential credit risks that may arise in the future. Additionally, owing to favourable shifts in major macroeconomic indicators, the Economic Factor Adjustment (EFA) has been appropriately updated to reflect these positive changes. Furthermore, the probability weighting applied to the worst-case economic scenario decreased from 85% to 70% in response to the positive trends observed in macroeconomic variables during 2023.

A breakdown of the loans and advances of the Company classified under stage 2 and stage 3 is given in Note 40.4.1(h) and Note 40.4.1(i) respectively. Further, the sensitivity of the impairment provision of the Company to a feasible change in property realisation period, PDs, LGDs and forward looking macro-economic information is also given in Note 40.4.1(f).

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 are impaired. Objective evidence that a debt security held at amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date.

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.

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 16 "Analysis of Financial Instruments by Measurement Basis".

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 and building 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 and building in terms of Sri Lanka Accounting Standard –SLFRS 13, (Fair Value Measurement). The details of freehold land and buildings including methods of valuation are given in Note 26 to the Financial Statements.

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.

2.10.12 Assets-Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets held for sale are classified separately as current items in the statement of financial position.

2.10.13 SLFRS 16 - Leases

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right of- use assets. It also uses judgement in the

NOTES TO THE FINANCIAL STATEMENTS

determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with similar security in similar economic environment. Further, the Company applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

2.10.14 Impact of climate risk

The Company and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Company's counterparties and the underlying collateral limit the impact of this exposure. The following items and balances may be impacted by climate-related matters:

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. On the whole, the Company is of the

view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risk associated with climate change. For example, the majority of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high-risk geographical areas. As a result, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Fair value measurement: The Company has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13 Fair Value Measurement. Consequently, the Company concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market's participants' view of climate risk variables.

3. 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 and advances, 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
- 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.

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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 2023.

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, 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 and advances 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

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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 calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 01 of 2020 on Classification and Measurement of Credit Facilities in Licensed Finance Companies (LFCs). Accordingly, the Company has been recording impairment (expected credit losses) for all loans and advances, debt & other financial instruments not held at FVPL, together with loan commitments, financial guarantee contracts, letter of credit and acceptances. 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 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 an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans and advances into Stage 1, Stage 2, Stage 3 and POCI, as described below.

- Stage 1: When loans and advances are first recognised, the Company recognises an allowance based on 12mECLs. Stage 1 loans and advances 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 and advances also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans and advances 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 and advances are expected to be recovered, including the probability that the loans and advances 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

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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 and advances

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 and advances, 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 and advances 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 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 to 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

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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

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

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

The Company revisited the weightages assigned for multiple economic scenarios under the Economic Factor Adjustment (EFA) and decreased the weightage for the worst-case scenario by considering the positive movements in major macro-economic variables. Further, macro-economic variables such as GDP growth, inflation rate, interest rate, exchange rate etc., used in

the EFA model were also revised to reflect the most recent economic data, available as at the reporting date.

	2023	2022
Base Case	20%	10%
Best Case	10%	5%
Worst Case	70%	85%

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 and advances

The Company sometimes makes concessions or modifications to the original terms of loans and advances 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/restructure 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 and advances 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 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.

3.1.8.12 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.

3.1.8.13 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 2023 and 2022.

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

NOTES TO THE FINANCIAL STATEMENTS

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's 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, 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 nonfinancial 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 pre-tax 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)

VAT on financial services is calculated in accordance with 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 benefits, non-cash benefits & provisions relating to terminal benefits.

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate has been revised with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

3.7.2 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act) and amendments thereto, at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the following Accounting Standards, did not have a material impact on the Financial Statements of the Company.

- Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates

if they do not result from the correction of prior period errors. The amendments became effective on January 1, 2023.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments became effective on January 1, 2023.

- Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments became effective on January 1, 2023.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2023

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

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 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required.

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

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.

Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

6.1 Interest income

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Interest income on lease receivables	5,291,753	4,781,565
Interest income on hire purchase receivables	157	136
Interest income on factoring receivables	35,527	41,724
Interest income accrued on impaired financial assets (Note 18.5 & 18.6)	1,561	2,544
Interest income on loan receivables	215,148	150,711
Interest income on gold loan receivables	2,465,862	1,744,275
Interest income on government securities	1,347,816	794,330
Interest income on overdue rentals	746,782	722,564
Interest income on staff loans	22,944	29,984
Interest income on placements with banks	2,821	1,956
Total interest income	10,130,371	8,269,789

NOTES TO THE FINANCIAL STATEMENTS

6.2 Interest expenses

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Bank overdraft	12,461	78,465
Short term borrowings	627,114	1,073,748
Lease liabilities	56,334	51,322
Customer deposits	4,426,114	2,541,489
Long term borrowings	1,062,853	1,106,648
Securitization loans	365,991	272,371
Redeemable debentures	458,897	664,108
Total interest expenses	7,009,764	5,788,151
Net interest income	3,120,607	2,481,638

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	2023	2022
	Rs.'000	Rs.'000
Documentation charges	64,031	39,001
Insurance commission	147,521	130,451
Service charges-Gold loan	116,809	141,575
Processing fees	717	445
Fee based income-Savings	60	17
Other fee & commission income	2,591	2,409
Total fee and commission income	331,729	313,898
Fee and commission expenses		
Guarantee fee	1,058	-
Processing fees - Bank loans	2,923	3,713
Total fee and commission expenses	3,981	3,713
Net fee and commission income	327,748	310,185

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	2023	2022
	Rs.'000	Rs.'000
Profit on early terminations	376,209	568,055
Profit on disposal of motor vehicles	1,695	420
Recovery of bad debts written off	81,133	39,564
Recovery of charges	31,289	17,916
Sundry income	110,335	89,404
Total other operating income	600,661	715,359

NOTES TO THE FINANCIAL STATEMENTS

9. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

ACCOUNTING POLICY

The accounting policies adopted in determining the impairment allowance for financial assets including loans and advances are given in Note 3.1.8. to the Financial Statements.

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Bank balances (Note 17.1)		
Stage 1	62	20
Stage 2	-	-
Stage 3	-	-
	62	20
Factoring receivables (Note 18.5 & 18.6)		
Stage 1	(18,620)	17,020
Stage 2	-	-
Stage 3	(9,638)	(113,818)
	(28,258)	(96,798)
Gold loan receivables (Note 19.4 & 19.5)		
Stage 1	6,974	6,402
Stage 2	(5,113)	2,799
Stage 3	(4,573)	5,894
	(2,712)	15,095
Loan receivables (Note 20.5 & 20.6)		
Stage 1	8,169	(1,027)
Stage 2	(65,836)	11,970
Stage 3	(22,128)	(2,231)
	(79,795)	8,712
Lease receivables (Note 21.6 & 21.7)		
Stage 1	15,751	(20,409)
Stage 2	(43,996)	134,961
Stage 3	48,574	43,250
	20,329	157,802
Hire purchase receivables (Note 22.6 & 22.7)		
Stage 1	-	-
Stage 2	-	(23)
Stage 3	954	(222)
	954	(245)
Repossessed stock (Note 23.1 & 23.2)		
Stage 1	-	-
Stage 2	-	-
Stage 3	167,977	31,743
	167,977	31,743
Other receivables (Note 23.3)		
Stage 1	-	-
Stage 2	-	-
Stage 3	735	17,956
	735	17,956

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Credit related commitments & contingencies (Note 42.2)		
Stage 1	1,577	(2,614)
Stage 2	-	-
Stage 3	-	-
	1,577	(2,614)
	80,869	131,671

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 (15 years) that have maturity dates approximating to the terms of the Company's obligations. During the year, treasury bond rates experienced a notable decrease attributed to a decline in risk premia. Accordingly, the discount rate used to measure the defined benefit liability has decreased due to this effect.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31 December 2023 (current service cost) has been recognised in the Income Statement under 'Personnel expenses' together with the net interest expense. The

NOTES TO THE FINANCIAL STATEMENTS

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 2023 other than those disclosed in Note 34.4 to the Financial Statements.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawals from service and retirement on medical grounds etc.

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Salaries and bonus	1,122,637	982,041
Contributions to EPF & ETF	96,946	89,544
Provision on gratuity (Note 34.2)	42,007	31,978
Others	107,233	88,888
	1,368,823	1,192,451

11. OTHER OPERATING EXPENSES

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Directors' emoluments	38,922	35,101
Auditors' remuneration (Note 11.1)	4,395	6,561
Professional & legal expenses	28,687	17,674
Depreciation & amortization expenses (Note 11.2)	243,519	254,411
Deposit insurance premium	32,868	26,214
Office administration & establishment expenses	440,514	316,084
Advertising expenses	50,322	20,135
Expenses on sustainable financial activities	1,964	-
Loss on sale of fixed assets	-	1,053
Other expenses	80,826	41,282
	922,017	718,515

11.1 Auditors' remuneration

Audit fees	1,980	1,760
Audit related fees & expenses	1,461	1,426
Non - audit expenses	954	3,375
	4,395	6,561

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 (%)	
	2023	2022
Freehold buildings	2.50	2.50
Office equipment*	5.00-15.00	5.00-15.00
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**	4.00-20.00	4.00-20.00

*Transformers, generator and mechanical ventilation & air conditioning system are depreciated at 5% per annum.

**Fire protection system, elevators, and puzzle parking system depreciated at 4%, 5% and 6.67% per annum respectively.

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	Amortisation Rate per Annum (%)	
	2023	2022
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 2023, the Company conducted an operational efficiency review and estimates were revised accordingly.

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Depreciation on property, plant & equipment (Note 26.1)	155,544	156,651
Amortization of intangible assets (Note 29)	7,856	17,064
Amortisation expenses on right-of-use assets (Note 27)	80,119	80,696
	243,519	254,411

NOTES TO THE FINANCIAL STATEMENTS

12. TAXES ON FINANCIAL SERVICES

ACCOUNTING POLICY

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.

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate has been revised to 18% from 15% with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act) and amendments thereto, at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter III A of the Value Added Tax Act No. 14 of 2002.

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Value added tax on financial services	419,508	386,540
Social security contribution levy	58,581	14,268
	478,089	400,808

13. 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 13.3 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 liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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.

13.1 The major components of income tax expense for the year ended 31 December are as follows.

13.1.1 Current tax expense

For the year ended 31 December	2023	2022
	Rs.'000	Rs.'000
Current tax based on profit for the year (Note 13.2)	447,181	445,238
(Over)/Under provision in respect of previous years, including settlements (Note 13.2)	1,779	39,621
Total current tax expense	448,960	484,859
13.1.2 Deferred tax expense		
- Due to rate revision (Note 28)	-	(28,330)
- Due to change in temporary differences (Note 28)	40,056	(147,761)
Total deferred taxation reversal (Note 28)	40,056	(176,091)
Income tax expense (Note 13.2)	489,016	308,768
Effective tax rate	40.8%	29.0%

NOTES TO THE FINANCIAL STATEMENTS

13.2 Reconciliation of the accounting profit to current tax expense

For the year ended 31 December	2023		2022	
	%	Rs.'000	%	Rs.'000
Profit before tax		1,199,218		1,063,737
Tax effect on accounting profit before tax	30.0%	359,765	25.5%	271,373
Tax effect of non deductible expenses	22.4%	268,470	29.1%	309,545
Tax effect of other allowable credits	-15.1%	(181,054)	-12.8%	(135,680)
	37.3%	447,181	41.9%	445,238
(Over)/ Under provision of current taxes in respect of previous years	0.1%	1,779	3.7%	39,621
Deferred tax charge/(reversal)				
- Due to rate revision (Note 28)	0.0%	-	-2.7%	(28,330)
- Due to change in temporary differences	3.3%	40,056	-13.9%	(147,761)
	40.8%	489,016	29.0%	308,768

13.3 Applicable Income Tax Rates

	2023	2022	
		1st Six months	2nd Six months
Applicable Income Tax Rate	30%	24%	30%

The Company was liable for income tax on local dividend received for the year 2023 at 15% (2022: 1st half -14% & 2nd half -15%).

13.4 Change in Income Tax Rate

13.4.1 For the year ended 31 December 2022

The Company computed the income tax liability for the first six month of the year of assessment 2022/2023 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 were considered to calculate the income tax liability of the Company for second six month of the year of assessment 2022/2023. The deferred tax assets/liabilities of the Company as at 31 December 2022 were computed using the revised income tax rate of 30%.

13.4.2 For the year ended 31 December 2023

The Company applied the revised rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as at 31 December 2023.

14. EARNINGS PER ORDINARY SHARE - BASIC/DILUTED

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.

	2023	2022
Profit attributable to ordinary shareholders (Rs.) 000	710,202	754,969
Weighted average number of ordinary shares during the year (14.1)	100,329,537	100,329,537
Basic/Diluted earnings per ordinary share (Rs.)	7.08	7.52

14.1 Weighted average number of ordinary shares (basic)

	Outstanding No: of Shares		Weighted Average No: of Shares	
	2023	2022	2023	2022
Number of shares in issue as at 01 January	97,166,011	91,973,156	97,166,011	91,973,156
Add:				
Number of shares issued due to scrip dividend 2021	-	-	-	5,192,855
Number of shares issued due to scrip dividend 2022	3,163,526	5,192,855	3,163,526	3,163,526
Number of shares in issue/weighted average number of ordinary shares at 31 December	100,329,537	97,166,011	100,329,537	100,329,537

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.

15. 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'.

	2023	2022
Scrip dividends paid (Rs. 000)	226,397	328,344
Number of Ordinary Shares	97,166,011	91,973,156
Dividends per Ordinary Share (Rs.)	2.33	3.57

A scrip dividend of Rs. 2.33 per share for the year 2022 was paid in April 2023. (A scrip dividend of Rs. 3.57 per share for the year 2021 was paid in March 2022).

NOTES TO THE FINANCIAL STATEMENTS

16. 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 2023	Amortised Cost	Fair value through Other Comprehensive Income	Total
	Rs'000	Rs'000	Rs'000
Financial Assets			
Cash and bank balances	285,352	-	285,352
Securities purchased under repurchase agreements	250,123	-	250,123
Factoring receivables	95,969	-	95,969
Gold loan receivables	7,930,227	-	7,930,227
Loan receivables	1,343,011	-	1,343,011
Lease receivables	26,640,517	-	26,640,517
Hire purchase receivables	-	-	-
Other assets	644,961	-	644,961
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	5,799,840	-	5,799,840
Total Financial Assets	42,990,000	56	42,990,056
Financial Liabilities			
Bank overdraft	135,930	-	135,930
Due to other customers	23,565,911	-	23,565,911
Debt issued and other borrowed funds	13,148,267	-	13,148,267
Other payables	1,332,374	-	1,332,374
Total Financial Liabilities	38,182,482	-	38,182,482

As at 31 December 2022	Amortised Cost	Fair value through Other Comprehensive Income	Total
	Rs'000	Rs'000	Rs'000
Financial Assets			
Cash and bank balances	221,187	-	221,187
Factoring receivables	112,793	-	112,793
Gold loan receivables	8,666,076	-	8,666,076
Loan receivables	993,460	-	993,460
Lease receivables	24,862,538	-	24,862,538
Hire purchase receivables	1,247	-	1,247
Other assets	512,671	-	512,671
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	5,461,866	-	5,461,866
Total Financial Assets	40,831,838	56	40,831,894
Financial Liabilities			
Bank overdraft	826,180	-	826,180
Due to other customers	19,342,046	-	19,342,046
Debt issued and other borrowed funds	15,585,788	-	15,585,788
Other payables	1,183,488	-	1,183,488
Total Financial Liabilities	36,937,502	-	36,937,502

17. 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, securities purchased under repurchase agreement (less than three months) and investments in treasury bills (less than three months).

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Cash in hand	236,084	151,335
Balances with local banks	49,370	69,892
Less: Allowance for expected credit losses(Note 17.1)	(102)	(40)
	285,352	221,187

NOTES TO THE FINANCIAL STATEMENTS

17.1 The movement in provision for expected credit losses is as follows.

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Stage 1		
Balance as at 01 January	40	20
Charge/(Reversal) for the year (Note 9)	62	20
Balance as at 31 December	102	40

18. FACTORING RECEIVABLES

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Factoring receivables	154,003	369,561
Less: VAT suspense	(39)	(293)
Gross factoring receivable	153,964	369,268
Less : Allowance for expected credit losses/ individual impairment(Note 18.3)	(50,755)	(231,834)
Allowance for expected credit losses/ collective impairment(Note 18.4)	(7,240)	(24,641)
	95,969	112,793

18.1 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individually impaired factoring receivables	-	-	55,374	55,374
Factoring receivables subject to collective impairment	98,590	-	-	98,590
Gross factoring receivables	98,590	-	55,374	153,964
Allowance for expected credit losses(ECL) (Note 18.5)	(7,240)	-	(50,755)	(57,995)
	91,350	-	4,619	95,969

18.2 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Individually impaired factoring receivables	13,322	-	240,075	253,397
Factoring receivables subject to collective impairment	115,871	-	-	115,871
Gross factoring receivables	129,193	-	240,075	369,268
Allowance for expected credit losses(ECL) (Note 18.6)	(25,860)	-	(230,615)	(256,475)
	103,333	-	9,460	112,793

18.3 Allowance for expected credit losses/Impairment

	2023	2022
	Rs.'000	Rs.'000
Individually impaired loans		
Balance as at 01 January	231,834	344,224
Charge/ (Reversal) to income statement	(10,857)	(112,599)
Write-off during the year	(170,130)	-
Interest income accrued on impaired loans(Note 6.1)	(1,561)	(2,544)
Other movements	1,469	2,753
Balance as at 31 December	50,755	231,834

18.4 Allowance for expected credit losses/Impairment

	2023	2022
	Rs.'000	Rs.'000
Loans subject to collective impairment		
Balance as at 01 January	24,641	8,840
Charge/ (Reversal) to income statement	(17,401)	15,801
Balance as at 31 December	7,240	24,641

18.5 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	25,860	-	230,615	256,475
Charge/ (Reversal) to income statement (Note 9)	(18,620)	-	(9,638)	(28,258)
Write-off during the year	-	-	(170,130)	(170,130)
Interest income accrued on impaired loans(Note 6.1)	-	-	(1,561)	(1,561)
Other movements	-	-	1,469	1,469
Balance as at 31 December 2023	7,240	-	50,755	57,995

18.6 Movement in allowance for expected credit losses

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2022	8,840	-	344,224	353,064
Charge/ (Reversal) to income statement (Note 9)	17,020	-	(113,818)	(96,798)
Interest income accrued on impaired loans(Note 6.1)	-	-	(2,544)	(2,544)
Other movements	-	-	2,753	2,753
Balance as at 31 December 2022	25,860	-	230,615	256,475

NOTES TO THE FINANCIAL STATEMENTS

19. GOLD LOAN RECEIVABLES

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Gold loan receivables	7,967,897	8,706,458
Less : Allowance for expected credit losses/ collective impairment(Note 19.3)	(37,670)	(40,382)
	7,930,227	8,666,076

19.1 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gold loan receivables- subject to collective impairment	6,197,792	1,133,547	636,558	7,967,897
Allowance for expected credit losses(ECL) (Note 19.4)	(20,975)	(7,627)	(9,068)	(37,670)
	6,176,817	1,125,920	627,490	7,930,227

19.2 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gold loan receivables- subject to collective impairment	4,897,107	2,026,868	1,782,483	8,706,458
Allowance for expected credit losses(ECL) (Note 19.5)	(14,001)	(12,740)	(13,641)	(40,382)
	4,883,106	2,014,128	1,768,842	8,666,076

19.3 Allowance for expected credit losses/Impairment Loans subject to collective impairment

	2023	2022
	Rs.'000	Rs.'000
Balance as at 01 January	40,382	25,287
Charge/ (Reversal) to income statement	(2,712)	15,095
Balance as at 31 December	37,670	40,382

19.4 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	14,001	12,740	13,641	40,382
Charge/ (Reversal) to income statement (Note 9)	6,974	(5,113)	(4,573)	(2,712)
Balance as at 31 December 2023	20,975	7,627	9,068	37,670

19.5 Movement in allowance for expected credit losses

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2022	7,599	9,941	7,747	25,287
Charge/ (Reversal) to income statement (Note 9)	6,402	2,799	5,894	15,095
Balance as at 31 December 2022	14,001	12,740	13,641	40,382

20. LOAN RECEIVABLES

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Revolving loan receivables	70,378	73,753
Fast draft loans receivables	635,818	-
Personal/Business loan receivables	1,726,466	2,229,691
Gross loan receivables	2,432,662	2,303,444
Less : Allowance for expected credit losses/ individual impairment(Note 20.3)	(915,774)	(954,569)
Less : Allowance for expected credit losses/ collective impairment(Note 20.4)	(173,877)	(355,415)
	1,343,011	993,460

20.1 Analysis of loan receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individually impaired loan receivables	-	18,881	1,039,603	1,058,484
Loan receivables subject to collective impairment	1,058,225	44,497	271,456	1,374,178
Allowance for expected credit losses(ECL) (Note 20.5)	(9,191)	(11,968)	(1,068,492)	(1,089,651)
	1,049,034	51,410	242,567	1,343,011

20.2 Analysis of loan receivables on maximum exposure to credit risk

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individually impaired loan receivables	-	108,405	1,124,660	1,233,065
Loan receivables subject to collective impairment	403,522	95,803	571,054	1,070,379
Allowance for expected credit losses(ECL) (Note 20.6)	(1,022)	(77,804)	(1,231,158)	(1,309,984)
	402,500	126,404	464,556	993,460

NOTES TO THE FINANCIAL STATEMENTS

20.3 Allowance for expected credit losses/Impairment

	2023	2022
	Rs.'000	Rs.'000
Individually impaired loans		
Balance as at 01 January	954,569	947,444
Charge/ (Reversal) to income statement	101,743	7,125
Write-off during the year	(140,538)	-
Balance as at 31 December	915,774	954,569

20.4 Allowance for expected credit losses/ Impairment

	2023	2022
	Rs.'000	Rs.'000
Loans subject to collective impairment		
Balance as at 01 January	355,415	353,828
Charge/ (Reversal) to income statement	(181,538)	1,587
Balance as at 31 December	173,877	355,415

20.5 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	1,022	77,804	1,231,158	1,309,984
Charge/ (Reversal) to income statement (Note 9)	8,169	(65,836)	(22,128)	(79,795)
Write-off during the year	-	-	(140,538)	(140,538)
Balance as at 31 December 2023	9,191	11,968	1,068,492	1,089,651

20.6 Movement in allowance for expected credit losses

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2022	2,049	65,834	1,233,389	1,301,272
Charge/ (Reversal) to income statement (Note 9)	(1,027)	11,970	(2,231)	8,712
Balance as at 31 December 2022	1,022	77,804	1,231,158	1,309,984

21. LEASE RECEIVABLES

As at 31 December	2023	2022
At Amortized cost	Rs.'000	Rs.'000
Total lease rentals receivable	38,504,993	34,583,634
Less: Unearned lease interest income	(9,431,280)	(7,157,071)
Gross lease receivable	29,073,713	27,426,563
Less: Allowance for expected credit losses/ collective impairment(Note 21.5)	(2,433,196)	(2,564,025)
Net lease receivable (Note 21.1 & 21.2)	26,640,517	24,862,538

Lease receivables include receivables amounting to Rs.15,479,184,918/- (2022- Rs.12,656,571,458/-) that have been assigned under term loan funding arrangement.

21.1 Maturity analysis of net lease receivable

As at 31 December 2023	1Year	1-5Year	More than 5 Year	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	17,403,807	21,085,324	15,862	38,504,993
Less: Unearned lease interest income	(4,621,122)	(4,808,963)	(1,195)	(9,431,280)
Gross lease receivable	12,782,685	16,276,361	14,667	29,073,713
Less: Allowance for expected credit losses	(1,086,784)	(1,345,200)	(1,212)	(2,433,196)
Net lease receivable	11,695,901	14,931,161	13,455	26,640,517

21.2 Maturity analysis of net lease receivable

As at 31 December 2022	1Year	1-5Year	More than 5 Year	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	15,661,658	18,891,019	30,957	34,583,634
Less: Unearned lease interest income	(3,575,630)	(3,580,370)	(1,071)	(7,157,071)
Gross lease receivable	12,086,028	15,310,649	29,886	27,426,563
Less: Allowance for expected credit losses	(1,142,403)	(1,418,859)	(2,763)	(2,564,025)
Net lease receivable	10,943,625	13,891,790	27,123	24,862,538

21.3 Analysis of lease receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross lease receivables- subject to collective impairment	9,167,233	14,475,627	5,430,853	29,073,713
Allowance for expected credit losses(ECL) (Note 21.6)	(117,461)	(764,959)	(1,550,776)	(2,433,196)
	9,049,772	13,710,668	3,880,077	26,640,517

21.4 Analysis of lease receivables on maximum exposure to credit risk

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross lease receivables- subject to collective impairment	7,277,512	13,940,304	6,208,747	27,426,563
Allowance for expected credit losses(ECL) (Note 21.7)	(101,710)	(808,955)	(1,653,360)	(2,564,025)
	7,175,802	13,131,349	4,555,387	24,862,538

NOTES TO THE FINANCIAL STATEMENTS

21.5 Allowance for expected credit losses/Impairment

	2023	2022
	Rs.'000	Rs.'000
Loans subject to collective impairment		
Balance as at 01 January	2,564,025	2,581,720
Charge/ (Reversal) to income statement(Note 9)	20,329	157,802
Write-off during the year	(151,158)	(175,497)
Balance as at 31 December	2,433,196	2,564,025

21.6 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	101,710	808,955	1,653,360	2,564,025
Charge/ (Reversal) to income statement (Note 9)	15,751	(43,996)	48,574	20,329
Write-off during the year	-	-	(151,158)	(151,158)
Balance as at 31 December 2023	117,461	764,959	1,550,776	2,433,196

21.7 Movement in allowance for expected credit losses

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2022	122,119	673,994	1,785,607	2,581,720
Charge/ (Reversal) to income statement (Note 9)	(20,409)	134,961	43,250	157,802
Write-off during the year	-	-	(175,497)	(175,497)
Balance as at 31 December 2022	101,710	808,955	1,653,360	2,564,025

22. HIRE PURCHASE RECEIVABLES

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Total hire purchase rentals receivable	2,393	2,857
Less: Unearned hire purchase interest income	(116)	(287)
Gross hire purchase receivable	2,277	2,570
Less: Allowance for expected credit losses/ collective impairment(Note 22.5)	(2,277)	(1,323)
Net hire purchase receivable (Note 22.1 & 22.2)	-	1,247

No hire purchase receivables have been assigned under term loan funding arrangements as at 31 December 2023.(2022-Nil).

22.1 Maturity analysis of net hire purchase receivable

As at 31 December 2023	1Year	1-5 Year	More than 5 Year	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total hire purchase rentals receivable	2,393	-	-	2,393
Less: Unearned hire purchase interest income	(116)	-	-	(116)
Gross hire purchase receivable	2,277	-	-	2,277
Less: Allowance for expected credit losses	(2,277)	-	-	(2,277)
	-	-	-	-

22.2 Maturity analysis of net hire purchase receivable

As at 31 December 2022	1Year	1-5 Year	More than 5 Year	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total hire purchase rentals receivable	1,994	863	-	2,857
Less: Unearned hire purchase interest income	(181)	(106)	-	(287)
Gross hire purchase receivable	1,813	757	-	2,570
Less: Allowance for expected credit losses	(979)	(344)	-	(1,323)
	834	413	-	1,247

22.3 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross hire purchase receivables- subject to collective impairment	-	-	2,277	2,277
Allowance for expected credit losses(ECL) (Note 22.6)	-	-	(2,277)	(2,277)
	-	-	-	-

22.4 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross hire purchase receivables- subject to collective impairment	-	-	2,570	2,570
Allowance for expected credit losses(ECL) (Note 22.7)	-	-	(1,323)	(1,323)
	-	-	1,247	1,247

22.5 Allowance for expected credit losses/Impairment

	2023	2022
	Rs.'000	Rs.'000
Loans subject to collective impairment		
Balance as at 01 January	1,323	1,996
Charge/ (Reversal) to income statement (Note 9)	954	(245)
Write-off during the year	-	(428)
Balance as at 31 December	2,277	1,323

NOTES TO THE FINANCIAL STATEMENTS

22.6 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	-	-	1,323	1,323
Charge/ (Reversal) to income statement (Note 9)	-	-	954	954
Write-off during the year	-	-	-	-
Balance as at 31 December 2023	-	-	2,277	2,277

22.7 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2022	Stage1	Stage2	Stage3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2022	-	23	1,973	1,996
Charge/ (Reversal) to income statement (Note 9)	-	(23)	(222)	(245)
Write-off during the year	-	-	(428)	(428)
Balance as at 31 December 2022	-	-	1,323	1,323

23. OTHER ASSETS

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Financial Assets		
Repossessed stock	209,306	97,903
Less: Provision for repossessed stock (Note 23.1 & 23.2)	(209,306)	(97,903)
Insurance premium receivable	439,484	349,605
Less: Provision for insurance premium receivable	(5,537)	(4,802)
Staff loan	129,358	157,363
Less: Staff loan fair value adjustment	(13,794)	(18,939)
Insurance commission receivable	112,097	53,335
Less: Provision for insurance commission receivable	(38,272)	(38,272)
Other financial assets	21,625	14,381
	644,961	512,671
Non Financial Assets		
Pre paid expenses	38,340	59,706
Pre-paid staff cost (Note 23.4)	13,794	18,939
Advance payments	13,955	6,046
Inventories	809	6,308
Taxes receivable	284	250
Other non financial assets	22,915	20,918
	90,097	112,167
	735,058	624,838

23.1 Movement in provision for repossessed stock

As at 31 December 2023	Lease	Hire purchase	Loan	Factoring	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	88,877	1,185	5,542	2,299	97,903
Charge/ (Reversal) during the year (Note 9)	165,211	1,610	528	628	167,977
Write-off during the year	(50,915)	(1,265)	(1,799)	(2,595)	(56,574)
Balance as at 31 December 2023	203,173	1,530	4,271	332	209,306

23.2 Movement in provision for repossessed stock

As at 31 December 2022	Lease	Hire purchase	Loan	Factoring	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2022	79,440	2,321	2,730	1,208	85,699
Charge/ (Reversal) during the year (Note 9)	28,082	(245)	2,815	1,091	31,743
Write-off during the year	(18,729)	(810)	-	-	(19,539)
Other movements	84	(81)	(3)	-	-
Balance as at 31 December 2022	88,877	1,185	5,542	2,299	97,903

23.3 Movement in provision for other receivables

	2023	2022
	Rs. '000	Rs. '000
Stage 3		
Balance as at 01 January	43,074	25,118
Charge/(Reversal) for the year (Note 9)	735	17,956
Balance as at 31 December	43,809	43,074

23.4 The movement in the pre-paid staff cost

	2023	2022
	Rs. '000	Rs. '000
Balance as at 1 January	18,939	23,225
Add: Adjustment for new grants (net of settlements)	3,691	9,716
Charge to personnel expenses	(8,836)	(14,002)
Balance as at 31 December	13,794	18,939

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Equity instruments at fair value through other comprehensive income (FVOCI)	56	56
	56	56

NOTES TO THE FINANCIAL STATEMENTS

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 2022, the Company received dividends of Rs.240,000/- from these unquoted equity investments, recorded as other operating income.

25. DEBT INSTRUMENTS AT AMORTISED COST

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Government debt securities - treasury bills	5,799,840	5,461,866
	5,799,840	5,461,866

25.1 Analysis of debt instruments at amortised cost

As at 31 December	2023	2022
	Rs.'000	Rs.'000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	5,799,840	5,461,866
	5,799,840	5,461,866

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 & buildings 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 and buildings. 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 and buildings 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 revalued its freehold land and buildings as at 31 December 2022, the details of which are given in Note 26.3.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard - LKAS 23 (Borrowing Costs). A qualifying asset is an asset which takes substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

De-recognition

The carrying amount of an item of property, plant and equipment 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 property, plant and equipment is included in the Income Statement when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

Rates of depreciation for each category of property, plant and equipment are given in Note 11, 'Depreciation & amortization expenses'.

NOTES TO THE FINANCIAL STATEMENTS

26.1	Cost/Valuation	Freehold Land & Buildings	Fixtures	Office furniture	Office equipment	Motor vehicles	Computer equipment	Capital work-in progress	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	Balance as at 31 December 2021	367,900	230,528	48,698	103,845	2,721	192,770	1,427,304	2,373,766
	Additions and improvements	-	22,261	1,080	9,330	-	9,708	610,570	652,949
	Revaluation surplus	56,600	-	-	-	-	-	-	56,600
	Disposals during the year	-	(3,881)	(509)	-	-	-	-	(4,390)
	Revaluation adjustment on accumulated depreciation	(35,915)	-	-	-	-	-	-	(35,915)
	Transfers/Adjustments	1,436,607	357,029	(933)	124,974	-	113,720	(2,037,874)	(6,477)
	Balance as at 31 December 2022	1,825,192	605,937	48,336	238,149	2,721	316,198	-	3,036,533
	Additions and improvements	-	22,092	2,233	18,486	-	40,642	-	83,453
	Revaluation surplus	-	-	-	-	-	-	-	-
	Disposals during the year	-	-	-	-	(1,687)	-	-	(1,687)
	Balance as at 31 December 2023	1,825,192	628,029	50,569	256,635	1,034	356,840	-	3,118,299
	Accumulated Depreciation								
	Balance as at 31 December 2021	-	175,059	34,101	72,162	2,345	97,884	-	381,551
	Depreciation charge for the year	35,915	57,061	4,562	16,168	182	42,763	-	156,651
	Disposals during the year	-	(2,953)	(383)	-	-	-	-	(3,336)
	Revaluation adjustment on accumulated depreciation	(35,915)	-	-	-	-	-	-	(35,915)
	Balance as at 31 December 2022	-	229,167	38,280	88,330	2,527	140,647	-	498,951
	Depreciation charge for the year	35,017	56,961	3,928	16,628	50	42,960	-	155,544
	Disposals during the year	-	-	-	(2)	(1,543)	-	-	(1,545)
	Balance as at 31 December 2023	35,017	286,128	42,208	104,956	1,034	183,607	-	652,950
	Net book value as at 31 December 2023	1,790,175	341,901	8,361	151,679	-	173,233	-	2,465,349
	Net book value as at 31 December 2022	1,825,192	376,770	10,056	149,819	194	175,551	-	2,537,582

26.2 The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation, would be as follows:

As at 31 December	2023	2023	2022	2022
	Cost	Carrying value	Cost	Carrying value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Freehold land	204,079	204,079	204,079	204,079
Freehold buildings	1,400,691	1,365,674	1,400,691	1,400,691
Total	1,604,770	1,569,753	1,604,770	1,604,770

26.3 Details of land and buildings stated at valuation

Valuer/ Location	Date of Valuation	Method of Valuation	Net Book Value before Revaluation		Revaluation Amount		Revaluation Gain/(Loss)		Revaluation Gain/ (Loss) Recognised in 2022	
			Land	Building	Land	Building	Land	Building	Income Statement	OCI
Valuer -C Wellappilli										
			Rs'Million	Rs'Million	Rs'Million	Rs'Million	Rs'Million	Rs'Million	Rs'Million	Rs'Million
No:111, Dudley Senanayake Mawatha, Colombo 08	31.12.2022	Income basis	367.90	1,400.69	424.50	1,400.69	56.60	-	-	56.60
Total			367.90	1,400.69	424.50	1,400.69	56.60	-	-	56.60

Range (weighted average) 2022

Significant unobservable inputs

Estimated price per perch

Rs.5 Million-Rs.18 Million

Significant increases/ (decreases) of significant unobservable input (Estimated price per perch) would result in a significantly higher/ (lower) fair value.

26.4 Freehold land and buildings

Location	Land extent Perches	Buildings Sq.ft	No. of Buildings in the Location	Cost/Re- valuation of Land	Cost/Re- valuation of Building	Total Value	Accumulat- ed Depreci- ation	2023 Net Book Value	2022 Net Book Value
				Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
No:111, Dudley Senanayake Mawatha, Colombo 08	29.1	61,370	1	424,500	1,400,691	1,825,191	35,017	1,790,174	1,825,191
				424,500	1,400,691	1,825,191	35,017	1,790,174	1,825,191

NOTES TO THE FINANCIAL STATEMENTS

26.5 Fully Depreciated Property, Plant and Equipment

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Company which are still in use as at reporting date is as follows.

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Computer equipment	88,274	62,376
Fixtures	159,373	127,875
Motor vehicles	8,529	1,742
Office equipment	61,138	47,810
Office furniture	26,774	21,800
Computer software	143,772	129,764
Total	487,860	391,367

26.6 Temporarily idle Property, Plant and Equipment

The Company does not have any temporarily idle property, plant & equipment as at 31 December 2023 (2022-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 2023 (2022: NIL).

26.8 Property, Plant and Equipment pledged as security against liabilities

The Company's freehold land and building have been pledged as collateral against a term loan arrangement with its Parent Company, Sampath Bank PLC.

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 (2022: NIL).

27. RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Cost		
Balance as at 01 January	780,596	690,926
Additions and improvements	88,854	89,670
Cost as at 31 December	869,450	780,596
Accumulated amortisation		
Balance as at 01 January	408,752	328,056
Amortisation expenses for the year	80,119	80,696
Accumulated amortisation as at 31 December	488,871	408,752
Net book value as at 31 December	380,579	371,844

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 2023 would have (decreased)/increased the lease liability by approximately Rs.21.53 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.1.50 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 2023 would have increased by Rs. 57.34 Million with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 15.20 Million.

28. DEFERRED TAX LIABILITIES / (ASSETS)

Deferred Tax (Assets), Liabilities and Income Tax relates to the following.

	Accelerated depreciation for tax purposes		Provision for loan losses	Revaluation on land	Retirement benefit obligation	Total
	Property, plant & equipment	Leased assets				
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 01 January 2022	(2,480)	84,938	(175,342)	39,317	(24,925)	(78,492)
Income statement						
Due to rate revision	(621)	21,235	(43,835)	-	(5,109)	(28,330)
Due to change in temporary differences	25,444	(88,523)	(77,670)	-	(7,012)	(147,761)
Other comprehensive income						
Due to rate revision	-	-	-	9,829	(1,123)	8,706
Due to change in temporary differences	-	-	-	16,980	3,112	20,092
Balance as at 31 December 2022	22,343	17,650	(296,847)	66,126	(35,057)	(225,785)
Income statement						
Due to change in temporary differences	30,833	(15,503)	32,477	-	(7,750)	40,057
Other comprehensive income						
Due to change in temporary differences	-	-	-	-	1,420	1,420
Balance as at 31 December 2023	53,176	2,147	(264,370)	66,126	(41,387)	(184,308)

NOTES TO THE FINANCIAL STATEMENTS

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 2023 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.

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Cost		
Balance as at 01 January	153,098	141,590
Additions and improvements	8,633	5,029
Transfers / adjustments	-	6,479
Cost as at 31 December	161,731	153,098
Accumulated amortisation		
Balance as at 01 January	137,807	120,743
Amortisation for the year	7,856	17,064
Write off during the year	-	-
Accumulated amortisation as at 31 December	145,663	137,807
Net book value as at 31 December	16,068	15,291

30. DUE TO OTHER CUSTOMERS

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Term deposits	23,364,009	19,220,136
Saving deposits	201,902	121,910
	23,565,911	19,342,046

31. DEBT ISSUED AND OTHER BORROWED FUNDS

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Loans (31.2)	9,471,351	7,973,063
Securitized (31.3)	549,506	2,375,589
Redeemable debentures (31.4)	3,127,410	5,237,136
	13,148,267	15,585,788

The company has not had any default of principal, interest or other breaches with regard to any liability during 2023 & 2022.

31.1 Movement in Debt issued and other borrowed funds

	2022	Grantings/ Accrual	Repayments	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long-term borrowings & securitizations	7,000,083	2,500,000	(3,919,897)	5,580,186
Short-term borrowings	3,050,000	1,260,000	-	4,310,000
Redeemable debentures	5,000,000	-	(2,000,000)	3,000,000
Capital outstanding of debt issued and other borrowed funds	15,050,083	3,760,000	(5,919,897)	12,890,186
Interest on debt issued and other borrowed funds	535,705	2,583,650	(2,861,274)	258,081
	15,585,788	6,343,650	(8,781,171)	13,148,267

31.2 Loans - on terms

As at 31 December	Period	Amortised cost	
		2023	2022
		Rs.'000	Rs.'000
Short term loans			
Sampath Bank PLC	01 Month	1,403,224	1,759,493
Hatton National Bank PLC	01 Month	756,484	-
Nations Trust Bank PLC	03 Months	864,900	1,311,521
Seylan Bank PLC	03 Months	1,304,316	-
		4,328,924	3,071,014
Sampath Bank PLC	60-240 Months	2,789,947	2,646,733
Commercial Bank PLC	60 Months	795,438	1,300,734
Hatton National Bank PLC	60 Months	250,387	852,866
Nations Trust Bank PLC	60 Months	814,009	-
Seylan Bank PLC	60 Months	-	101,716
Cargills Bank Limited	60 Months	492,646	-
		5,142,427	4,902,049
		9,471,351	7,973,063

NOTES TO THE FINANCIAL STATEMENTS

31.2.1 Loans - on maturity

As at 31 December 2023	Payable within 1 Year	Payable after 1 Year	Total
	Rs'000	Rs'000	Rs'000
Short term loans and long term loans payable	6,416,273	3,055,078	9,471,351
	6,416,273	3,055,078	9,471,351

31.3 Securitizations

As at 31 December 2023	Payable within 1 year	Payable after 1 year	Total
	Rs'000	Rs'000	Rs'000
Securitizations payable	549,506	-	549,506
	549,506	-	549,506

31.4 Redeemable debentures - movement

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Balance as at 01 January	5,237,136	6,267,615
Debentures issued	-	-
Debentures redeemed	(2,000,000)	(1,000,000)
	3,237,136	5,267,615
Interest payable	457,124	661,371
Interest paid	(566,850)	(691,850)
Balance as at 31 December	3,127,410	5,237,136

31.4.1 Redeemable debentures - maturity

As at 31 December 2023	Payable within 1 Year	Payable after 1 Year	Total
	Rs'000	Rs'000	Rs'000
Debentures payable	1,627,410	1,500,000	3,127,410
	1,627,410	1,500,000	3,127,410

31.4.2 Details of debentures issued

	No of Debentures	Issue Date	Maturity Date	Rate of Interest	Amortised cost	
					2023	2022
					Rs.'000	Rs'000
Rated unsecured subordinated redeemable debentures	15,000,000	8-Aug-19	8-Aug-24	13.33%	1,579,980	1,579,980
Rated unsecured senior redeemable debentures *	20,000,000	7-Jul-20	7-Jul-23	11.25%	-	2,109,726
Rated unsecured subordinated redeemable debentures	15,000,000	1-Sep-21	1-Sep-26	9.46%	1,547,430	1,547,430
					3,127,410	5,237,136

*The Company has redeemed these debentures on 07 July 2023.

32. OTHER PAYABLES

As at 31 December	2023	2022
	Rs'000	Rs'000
Financial Liabilities		
Vendor payable	175,396	26,563
Insurance premium payable	332,483	243,267
Lease liabilities(Note 32.1 & 32.2)	454,356	439,373
Other financial liabilities	370,139	474,285
	1,332,374	1,183,488
Non Financial Liabilities		
VAT payable	1,661	-
Other taxes payable	127,871	42,987
Accrued expenses	37,651	29,750
Deposit insurance premium	2,871	2,346
Deferred guarantee income	9	44
Other non financial liabilities	75,471	45,727
	245,534	120,854
	1,577,908	1,304,342

32.1 Movement of lease liabilities during the year is as follows.

	2023	2022
	Rs'000	Rs'000
Balance as at 01 January	439,373	414,660
Additions	88,854	89,670
Accretion of interest (Note 6.2)	56,334	51,322
Payments during the year	(130,205)	(116,279)
Balance as at 31 December	454,356	439,373

NOTES TO THE FINANCIAL STATEMENTS

32.2 Maturity analysis of lease liabilities

	2023	2022
	Rs'000	Rs'000
Less than 1 year	193,425	173,930
1 to 5 years	203,882	228,022
More than 5 years	57,049	37,421
Total lease liabilities as at 31 December	454,356	439,373

33. CURRENT TAX LIABILITIES

	2023	2022
	Rs'000	Rs'000
Balance as at 01 January	352,180	768,927
Current tax based on profit for the year (Note 13.1)	447,181	445,238
Under provision in respect of previous years (Note 13.1)	1,779	39,621
Payment of tax	(373,343)	(901,606)
Balance as at 31 December	427,797	352,180

34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 December 2023 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

	2023	2022
	Rs'000	Rs'000
Balance as at 01 January	116,852	103,853
Amount recognised in the income statement (34.2)	42,007	31,978
Amounts recognised in other comprehensive income (34.3)	(4,733)	(10,374)
Benefits paid by the plan	(16,169)	(8,605)
Balance as at 31 December	137,957	116,852

34.2 Amount recognised in the Income Statement

	2023	2022
	Rs'000	Rs'000
Current service cost for the year	20,974	20,035
Interest on the defined benefit liability	21,033	11,943
Gain on plan amendment during the year	-	-
Total amount recognised in income statement	42,007	31,978

34.3 Amounts recognised in Other Comprehensive Income (OCI)

	2023	2022
	Rs'000	Rs'000
Actuarial (gain)/loss due to changes in assumptions	430	(7,049)
Liability experience (gains)/losses arising during the year	(5,163)	(3,325)
Total amount recognized in OCI	(4,733)	(10,374)

34.4 Assumptions

	2023	2022
Financial assumptions*		
Discount rate	13.00%	18.00%
Future salary increment rate	12.00%	17.00%
Demographic assumptions		
Mortality	GA 1983	GA 1983
	Mortality Table	Mortality Table
Retirement age	60 years	60 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 16.3 years (2022: 16.4 years)

The weighted average duration of the defined benefit obligation is 14.7 years (2022:15.3 years)

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.

Variable	Rate Change	2023		2022	
		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.)	Sensitivity Effect on gratuity liability-Increase/(Decrease) in the Liability (Rs. Mn.)
Discount rate	1.00%	16.04 Million	(16.04 Million)	13.61 Million	(13.61 Million)
Discount rate	-1.00%	(19.20 Million)	19.20 Million	(16.25 Million)	16.25 Million
Salary Increment rate	1.00%	(18.91 Million)	18.91 Million	(16.00 Million)	16.00 Million
Salary Increment rate	-1.00%	16.10 Million	(16.10 Million)	13.65 Million	(13.65 Million)

NOTES TO THE FINANCIAL STATEMENTS

35. STATED CAPITAL

	2023		2022	
	No. of shares	Rs.000	No. of shares	Rs.000
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01 January	97,166,011	2,674,439	91,973,156	2,346,095
Rights issue	-	-	-	-
Scrip dividend	3,163,526	192,437	5,192,855	328,344
Ordinary shares as at 31 December	100,329,537	2,866,876	97,166,011	2,674,439

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.

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 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.

	2023	2022
	Rs.000	Rs.000
Balance as at 01 January	278,000	240,000
Transfer during the year	36,000	38,000
Balance as at 31 December	314,000	278,000

37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land and building as at the date of revaluation.

	2023	2022
	Rs.000	Rs.000
Balance as at 01 January	154,295	124,504
Revaluation surplus(net of tax)	-	39,620
Deferred tax effect on revaluation surplus due to rate change	-	(9,829)
Balance as at 31 December	154,295	154,295

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 other comprehensive income

Equity instruments at fair value through other comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

	2022		2023							
	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)	Significant unobservable inputs (Level 3)	Total	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
FINANCIAL ASSETS										
Factoring receivables	95,969	-	95,969	-	95,969	112,793	-	112,793	-	112,793
Gold loan receivables	7,930,227	-	7,981,787	-	7,981,787	8,666,076	-	8,601,188	-	8,601,188
Loan receivables	1,343,011	-	1,335,345	-	1,335,345	993,460	-	1,017,788	-	1,017,788
Lease receivables	26,640,517	-	30,290,430	-	30,290,430	24,862,538	-	23,133,443	-	23,133,443
Debt instruments at amortised cost	5,799,840	-	5,799,840	-	5,799,840	5,461,866	-	5,461,866	-	5,461,866
Equity instruments at fair value through OCI	56	-	-	56	56	56	-	-	56	56
Hire purchase receivables	-	-	-	-	-	1,247	-	2,664	-	2,664
TOTAL FINANCIAL ASSETS	41,809,620	-	45,503,371	56	45,503,427	40,098,036	-	38,329,742	56	38,329,798
FINANCIAL LIABILITIES										
Due to other customers	23,565,911	-	23,971,023	-	23,971,023	19,342,046	-	19,132,931	-	19,132,931
Debt instruments issued and other borrowed funds	13,148,267	-	12,981,016	-	12,981,016	15,585,788	-	14,720,996	-	14,720,996
TOTAL FINANCIAL LIABILITIES	36,714,178	-	36,952,039	-	36,952,039	34,927,834	-	33,853,927	-	33,853,927

There were no transfers between levels of fair value hierarchy during 2022 and 2023.

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 or 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

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. 5 of 2021 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk	1.Default Risk	<ul style="list-style-type: none"> • Probability of Default • Loss Given Default 	<ul style="list-style-type: none"> • Board approved credit policies/ procedures/ framework and annual review • Delegated authority levels/ segregation of duties
	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)	<ul style="list-style-type: none"> • Sector / Asset / Client / Branch Concentrations of Lending Portfolio • Concentrations in Repossessed assets • Macro Credit Portfolio risk measures such as <ul style="list-style-type: none"> a) Provision Coverage b) Net NPL as a % of Equity Funds 	<ul style="list-style-type: none"> • Setting Prudential limits on maximum exposure <ul style="list-style-type: none"> - 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
Interest rate risk	Adverse effect on Net Interest Income	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Gaps in dynamic liquidity flows • Stocks of high quality liquid assets 	<ul style="list-style-type: none"> • 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.

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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 unlikelihood 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.

NOTES TO THE FINANCIAL STATEMENTS

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 a significantly increased credit risk when it is past due for more than 30 days.

The Company is focused on supporting customers who are experiencing financial difficulties because of the unprecedented macro-economic conditions, offering a range of industry-wide financial assistance measures initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonger period of time have been classified at least under stage 2 on a prudent basis when calculating the impairment provisions. Furthermore, a case-by-case analysis has been conducted on the most significant exposures and have been classified as stage 3 when the circumstances demand so. The exposures which are not individually significant have been moved to stage 2 based on the industry risk of the underlying borrowers. 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. An analysis of the loans classified under stage 2 and stage 3 is given in Note 40.4.1(h) and Note 40.4.1(i) respectively.

40.4.1 Assessment of Expected Credit Losses

40.4.1(c) Analysis of the total allowance for expected credit losses is as follows.

As at 31 December	2023				2022			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Cash & cash equivalents	102	-	-	102	40	-	-	40
Loans & Advances:								
Factoring receivables	7,240	-	50,755	57,995	25,860	-	230,615	256,475
Gold loan receivables	20,975	7,627	9,068	37,670	14,001	12,740	13,641	40,382
Loan receivables	9,191	11,968	1,068,492	1,089,651	1,022	77,804	1,231,158	1,309,984
Lease receivables	117,461	764,959	1,550,776	2,433,196	101,710	808,955	1,653,360	2,564,025
Hire purchase receivables	-	-	2,277	2,277	-	-	1,323	1,323
Repossessed stock	-	-	209,306	209,306	-	-	97,903	97,903
Insurance premium receivable	-	-	5,537	5,537	-	-	4,802	4,802
Insurance commission receivable	-	-	38,272	38,272	-	-	38,272	38,272
Credit related commitments & contingencies	4,394	-	-	4,394	2,817	-	-	2,817
Total impairment for expected credit losses	159,363	784,554	2,934,483	3,878,400	145,450	899,499	3,271,074	4,316,023

40.4.1(d) Movement of the total allowance for expected credit losses during the year

	2023	2022
	Rs.000	Rs.000
Balance as at 01 January	4,316,023	4,379,607
Net charge to profit or loss (Note 9)	80,869	131,671
Write-off during the year	(518,400)	(195,464)
Interest income accrued on impaired loans & receivables (Note 6.1)	(1,561)	(2,544)
Other movements	1,469	2,753
Balance as at 31 December	3,878,400	4,316,023

The methodology used in the determination of expected credit losses is explained in Note 3.1.8 to Financial Statements.

40.4.1(e) Credit exposure & provision for impairment movement-Loans & Advances

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts and provision for impairment of loans and advances.

	2023							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment
	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 2023	12,901,708	142,593	16,293,083	899,501	10,199,443	3,232,801	39,394,234	4,274,895
- Transfer to stage 1	506,432	428,930	(380,945)	(374,925)	(125,487)	(54,005)	-	-
- Transfer to stage 2	(294,885)	(12,063)	597,977	95,638	(303,092)	(83,575)	-	-
- Transfer to stage 3	(98,199)	(56,116)	(448,609)	(190,254)	546,808	246,370	-	-
Net remeasurement of impairment	-	239	-	16	-	13	-	268
New financial assets originated or purchased	13,097,982	92,068	9,144,057	399,358	1,790,246	227,408	24,032,285	718,834
Financial assets that have been derecognised	(9,389,795)	(440,784)	(9,378,188)	(44,780)	(3,745,268)	(154,309)	(22,513,251)	(639,873)
Write-offs	-	-	-	-	(518,400)	(518,400)	(518,400)	(518,400)
Interest accrued on impaired loans and advances	-	-	-	-	-	(1,561)	-	(1,561)
Other changes	-	-	-	-	-	1,469	-	1,469
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	16,723,243	154,867	15,827,375	784,554	7,844,250	2,896,211	40,394,868	3,835,632

NOTES TO THE FINANCIAL STATEMENTS

40.4.1(e) Credit exposure & provision for impairment movement-Loans & Advances (Contd...)

	2022							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment
	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 2022	14,257,347	140,607	16,211,512	749,792	11,018,557	3,463,539	41,487,416	4,353,938
- Transfer to stage 1	2,283,306	99,161	(1,555,411)	(49,279)	(727,895)	(49,882)	-	-
- Transfer to stage 2	(4,060,922)	(98,804)	6,135,900	317,923	(2,074,978)	(219,119)	-	-
- Transfer to stage 3	(1,452,215)	(89,184)	(3,934,051)	(413,097)	5,386,266	502,281	-	-
Net remeasurement of impairment	(20,788)	127	(1,333)	11,086	6,375	37,237	(15,746)	48,450
New financial assets originated or purchased	7,811,321	124,794	7,168,570	442,424	3,150,915	452,931	18,130,806	1,020,149
Financial assets that have been derecognised	(5,942,038)	(34,354)	(7,753,876)	(160,125)	(6,367,473)	(759,272)	(20,063,387)	(953,751)
Write-offs	-	-	-	-	(195,892)	(195,892)	(195,892)	(195,892)
Interest accrued on impaired loans and advances	-	-	-	-	-	(2,544)	-	(2,544)
Other changes	-	-	-	-	-	2,753	-	2,753
Changes to contractual cash flows due to modifications not resulting in derecognition	25,697	246	21,772	777	3,568	769	51,037	1,792
Balance as at 31 December 2022	12,901,708	142,593	16,293,083	899,501	10,199,443	3,232,801	39,394,234	4,274,895

40.4.1(f) Sensitivity of factors used to determine impairment provisions

Management judgement is involved in the determination of impairment allowance for loans and advances. Key variables such as PD, LGD, EFA and properly foreclosure period for individually significant loans are affected by management judgement and changes in any variables can result in different levels of impairment allowance. The following table demonstrates the sensitivity of the impairment provision of the Company to the above variables, as at 31 December 2023 and 31 December 2022.

As at 31 December 2023	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	
Change in Property realisation period of individually significant impaired customers					
- Advanced by one year	-	(2,044)	(31,815)	(33,859)	33,859
- Deferred by one year	-	826	25,923	26,749	(26,749)
Change in Probability of Default (PD)					
- Increase existing PD by 10% across all age buckets	74,320	159,712	-	234,032	(234,032)
- Decrease existing PD by 10% across all age buckets	(68,857)	(148,670)	-	(217,527)	217,527
Change in Loss Given Default (LGD)					
- 1% increase	28,955	91,698	68,195	188,848	(188,848)
- 1% decrease	(24,772)	(91,263)	(59,357)	(175,392)	175,392
Change in Economic Factor Adjustment (EFA)					
- Worse case 5% increase, best case 5% decrease, base case constant	268	1,547	1,495	3,310	(3,310)
- Worse case 5% decrease, best case 5% increase, base case constant	(499)	(2,810)	-	(3,309)	3,309

As at 31 December 2022	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	
Change in Property realisation period of individually significant impaired customers					
- Advanced by one year	-	-	(34,775)	(34,775)	34,775
- Deferred by one year	-	-	73,509	73,509	(73,509)
Change in Probability of Default (PD)					
- Increase existing PD by 10% across all age buckets	73,847	161,939	-	235,786	(235,786)
- Decrease existing PD by 10% across all age buckets	(72,942)	(150,898)	-	(223,839)	223,839
Change in Loss Given Default (LGD)					
- 1% increase	29,024	91,827	68,195	189,046	(189,046)
- 1% decrease	(24,840)	(91,392)	(59,357)	(175,590)	175,590
Change in Economic Factor Adjustment (EFA)					
- Worse case 5% increase, best case 5% decrease, base case constant	295	1,599	1,495	3,389	(3,389)
- Worse case 5% decrease, best case 5% increase, base case constant	(526)	(2,862)	-	(3,388)	3,388

NOTES TO THE FINANCIAL STATEMENTS

40.4.1(g) Stage-wise analysis of collateral held against loans & advances

The following table sets out the principal types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

As at 31 December	2023		2022	
	Amortised Cost	Collateral	Amortised Cost	Collateral
	Rs.000	Rs.000	Rs.000	Rs.000
Stage 1				
Cash Collateral	2%	395,342	3%	401,724
Property, plant and machinery	0%	-	0%	-
Treasury Guarantee	0%	-	0%	-
Vehicles	60%	9,999,290	56%	7,277,512
Gold Articles	37%	6,197,792	38%	4,897,108
Others	1%	130,819	3%	325,364
Unsecured	0%	-	0%	-
	100%	16,723,243	100%	12,901,708
Stage 2				
Cash Collateral	0%	42,956	0%	48,742
Property, plant and machinery	0%	1,443	0%	10,051
Treasury Guarantee	0%	-	0%	-
Vehicles	92%	14,631,169	86%	13,940,304
Gold Articles	7%	1,133,547	12%	2,026,868
Others	0%	18,260	2%	267,118
Unsecured	0%	-	0%	-
	100%	15,827,375	100%	16,293,083
Stage 3				
Cash Collateral	1%	80,114	0%	22,479
Property, plant and machinery	5%	367,959	6%	582,090
Treasury Guarantee	0%	-	0%	-
Vehicles	75%	5,915,371	61%	6,211,316
Gold Articles	8%	636,558	17%	1,782,483
Others	11%	842,594	16%	1,601,075
Unsecured	0%	1,654	0%	-
	100%	7,844,250	100%	10,199,443

Assets obtained by taking possession of collateral

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

40.4.1(h) Breakdown of loans classified under stage 2

Loans classified under the Stage 2 includes contractually past due loans and loans which have been pushed to Stage 2 based on the criteria specified in the Note 40.4.1(b).

As at 31 December	2023				2022			
	Not Contractually Past due	Contractually Past due		Total	Not Contractually Past due	Contractually Past due		Total
		31 - 60 Days	61 - 90 Days			31 - 60 Days	61 - 90 Days	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Gold loan receivables	-	742,469	391,078	1,133,547	-	1,487,484	539,384	2,026,868
Loan receivables	9,755	29,886	23,740	63,381	125,797	46,293	32,118	204,208
Lease receivables	7,109,600	3,798,716	3,567,311	14,475,627	8,088,305	3,359,507	2,492,492	13,940,304
Other receivables	66,329	38,794	49,697	154,820	-	-	121,703	121,703
	7,185,684	4,609,865	4,031,826	15,827,375	8,214,102	4,893,284	3,185,697	16,293,083

40.4.1(i) Breakdown of loans classified under stage 3

Loans classified under the Stage 3 includes contractually past due loans and loans which have been pushed to Stage 3 based on the criteria specified in the Note 40.4.1(b).

	2023				2023	2022
	Contractually Past due				Total	Total
	0-30 Days	31 - 60 Days	61 - 90 Days	Above 90 Days	Rs.000	Rs.000
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Factoring receivables	-	-	-	55,374	55,374	240,075
Gold loan receivables	-	-	-	636,558	636,558	1,782,483
Loan receivables	-	-	-	1,311,059	1,311,059	1,695,715
Lease receivables	162,774	35,296	99,022	5,133,762	5,430,854	6,208,746
Hire purchase receivables	-	-	-	2,278	2,278	2,570
Other receivables	8,317	573	1,666	397,571	408,127	269,854
	171,091	35,869	100,688	7,536,602	7,844,250	10,199,443

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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 31 December	2023							2022						
	Gross Carrying Value			Allowance for ECL			Net Carrying Value	Gross Carrying Value			Allowance for ECL			Net Carrying Value
	Stage2	Stage3	Total	Stage2	Stage3	Total		Stage2	Stage3	Total	Stage2	Stage3	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	Rs.000	Rs.000	Rs.000
Loan receivables	363,478	743,544	1,107,022	14,376	191,733	206,109	900,913	2,982	116,534	119,516	202	55,069	55,271	64,245
Lease receivables	435	44,448	44,883	77	30,914	30,991	13,892	579,161	644,072	1,223,233	25,130	233,774	258,904	964,329
	363,913	787,992	1,151,905	14,453	222,647	237,100	914,805	582,143	760,606	1,342,749	25,332	288,843	314,175	1,028,574

40.4.1(k) Overview of rescheduled/restructured loans & advances upgraded during the year

The Company upgrades rescheduled/restructured loans from Stage 3/Stage 2 to Stage 1 as per the upgrading policy described in Note 3.1.8.10 of the Financial Statements. During the year the Company upgraded Rs 101.5 Million worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased from Rs 6.11 Million as at 31 December 2022 to Rs 0.97 Million as at 31 December 2023.

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.

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.

There was no change in the Company's collateral policy during the year. Further, the Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Company. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds.

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets.

As at 31 December	2023		2022	
	Maximum Exposure To Credit Risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Cash and bank balances	285,352	49,370	221,187	69,892
Securities purchased under repurchase agreements	250,123	-	-	-
Factoring receivables	95,969	38,510	112,793	66,171
Gold loan receivables	7,930,227	-	8,666,076	-
Loan receivables	1,343,011	65,625	993,460	91,757
Lease receivables	26,640,517	-	24,862,538	-
Hire purchase receivables	-	-	1,247	-
Other assets	644,961	529,397	512,671	374,248
Equity instruments at fair value through OCI	56	56	56	56
Debt instruments at amortised cost	5,799,840	-	5,461,866	-
Total Financial Assets	42,990,056	682,958	40,831,894	602,124

Approximately 95.2% (2022:97%) of the loans and receivables are secured against securities including movable property, gold, lease receivables etc. Further, 0.9% and 1.3% (2022:1.1% and 1.4%) of the loans and receivables of the Company are secured against immovable property and deposits held within the Company respectively.

40.4.4 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

40.4.5 Financial assets & liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase arrangements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

	2023			2022		
	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets						
Loan receivables	556,728	518,412	38,316	534,860	472,945	61,915

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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.

As at 31 December 2023												Rs' 000
	Manufac- turing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	285,352	-	-	285,352
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	250,123	-	-	-	250,123
Factoring receivables	62,785	-	20,531	9,033	-	-	3,620	-	-	-	-	95,969
Gold loan receivables	-	-	-	-	-	-	-	-	-	7,930,227	-	7,930,227
Loan receivables	77,808	37,165	66,555	259,890	94,861	65,205	538,132	-	-	203,395	-	1,343,011
Lease receivables	2,444,401	834,891	3,359,657	4,979,098	1,853	2,870,216	9,352,111	-	-	2,798,290	-	26,640,517
Hire purchase receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	40,549	17,132	49,025	76,627	1,538	60,720	159,332	-	-	144,587	95,451	644,961
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	5,799,840	-	-	-	5,799,840
	2,625,543	889,188	3,495,768	5,324,648	98,252	2,996,141	10,053,195	6,049,963	285,408	11,076,499	95,451	42,990,056

As at 31 December 2022												Rs' 000
	Manufac- turing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	221,187	-	-	221,187
Factoring receivables	64,936	-	24,979	14,757	-	-	8,121	-	-	-	-	112,793
Gold loan receivables	-	-	-	-	-	-	-	-	-	8,666,076	-	8,666,076
Loan receivables	106,445	28,465	19,943	167,767	263,364	32,134	158,893	-	-	147,652	68,797	993,460
Lease receivables	2,504,138	629,857	2,884,084	4,709,360	1,666,865	2,657,512	7,068,695	-	717,488	1,609,790	414,749	24,862,538
Hire purchase receivables	-	-	140	-	-	-	-	-	1,107	-	-	1,247
Other assets	34,015	17,299	33,722	62,136	30,048	42,879	86,779	-	86,877	98,538	20,378	512,671
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	5,461,866	-	-	-	5,461,866
	2,709,534	675,621	2,962,868	4,954,020	1,960,277	2,732,525	7,322,488	5,461,866	1,026,715	10,522,056	503,924	40,831,894

The provisional breakdown for factoring, gold loan, loans, leasing and hire purchases is as follows.

As at 31 December	2023	2022
	Rs.'000	Rs.'000
Province		
Central	5,184,564	4,922,634
Eastern	3,492,720	3,229,180
North Central	1,571,400	1,488,157
North Western	3,779,380	3,504,393
Northern	1,290,806	1,210,334
Sabaragamuwa	2,422,091	2,106,806
Southern	2,819,881	2,554,501
Uva	496,145	463,725
Western	14,952,738	15,156,384
Total	36,009,725	34,636,114

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 Treasury 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.

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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.

Currency of Borrowings/ Advance	Rs. Million		
	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2023	2023	2023
	Rs.000	Rs.000	Rs.000
Term Loans linked to AWPLR	1/ (-1)	(25.71)/25.71	0.35%
	0.5 / (0.5)	(12.85)/12.85	0.18%
	0.25 / (0.25)	(6.43)/6.43	0.09%
	2022	2022	2022
	Rs.000	Rs.000	Rs.000
Term Loans linked to AWPLR	1/ (-1)	(23.82)/23.82	0.36%
	0.5 / (0.5)	(11.91)/11.91	0.18%
	0.25 / (0.25)	(5.96)/5.96	0.09%

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 37.45% (2022-29.72%) 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 2023	Upto 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	285,352	-	-	-	-	-	285,352
Securities purchased under repurchase agreements	250,123	-	-	-	-	-	250,123
Factoring receivables	17,370	78,599	-	-	-	-	95,969
Lease receivables	4,468,887	7,227,014	11,702,741	3,228,421	13,454	-	26,640,517
Hire purchase receivables	-	-	-	-	-	-	-
Gold loan receivables	5,942,802	1,987,425	-	-	-	-	7,930,227
Loan receivables	387,090	728,426	161,578	65,917	-	-	1,343,011
Other assets	413,190	130,639	61,990	37,604	1,538	-	644,961
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	4,287,764	1,512,076	-	-	-	-	5,799,840
Total Financial Assets	16,052,578	11,664,179	11,926,309	3,331,942	15,048	-	42,990,056

Financial Liabilities

Bank overdraft	135,930	-	-	-	-	-	135,930
Due to other customers	5,595,330	14,373,808	1,822,474	1,770,330	3,969	-	23,565,911
Debt instruments issued and other borrowed funds	9,339,113	2,117,493	1,691,661	-	-	-	13,148,267
Other payables	-	-	-	-	-	1,332,374	1,332,374
Total Financial Liabilities	15,070,373	16,491,301	3,514,135	1,770,330	3,969	1,332,374	38,182,482
Interest Sensitivity Gap	982,205	(4,827,122)	8,412,174	1,561,612	11,079	(1,332,374)	4,807,574

As at 31 December 2022	Upto 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	221,187	-	-	-	-	-	221,187
Factoring receivables	24,993	87,800	-	-	-	-	112,793
Lease receivables	4,605,809	6,337,816	10,693,891	3,197,900	27,122	-	24,862,538
Hire purchase receivables	723	112	412	-	-	-	1,247
Gold loan receivables	6,887,916	1,778,160	-	-	-	-	8,666,076
Loan receivables	562,446	168,213	144,060	91,808	26,933	-	993,460
Other assets	13,800	33,208	60,172	50,029	154	355,308	512,671
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	2,767,729	2,694,137	-	-	-	-	5,461,866
Total Financial Assets	15,084,603	11,099,446	10,898,535	3,339,737	54,265	355,308	40,831,894

Financial Liabilities

Bank overdraft	826,180	-	-	-	-	-	826,180
Due to other customers	2,395,725	13,272,327	1,700,276	1,970,799	2,919	-	19,342,046
Debt instruments issued and other borrowed funds	7,870,951	3,933,923	2,189,255	1,591,659	-	-	15,585,788
Other payables	-	-	-	-	-	1,183,488	1,183,488
Total Financial Liabilities	11,092,856	17,206,250	3,889,531	3,562,458	2,919	1,183,488	36,937,502
Interest Sensitivity Gap	3,991,747	(6,106,804)	7,009,004	(222,721)	51,346	(828,180)	3,894,392

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.

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Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Treasury 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 16.51% (2022-15.95%) 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.

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 2023.

The tables below summarise the maturity profile of the expected undiscounted cash flows of the Company's financial assets and financial liabilities as at 31 December 2023. However, the Company expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history based on the behavioural pattern.

As at 31 December 2023	Up to	03-12	01-03	03-05	Over 05	Total
	03 Months	Months	Years	Years	Years	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets						
Cash and bank balances	285,454	-	-	-	-	285,454
Securities purchased under repurchase agreements	250,123	-	-	-	-	250,123
Factoring receivables	155,868	80,277	-	-	-	236,145
Lease receivables	6,503,899	11,266,862	16,971,345	4,113,979	15,862	38,871,947
Hire purchase receivables	1,991	754	-	-	-	2,745
Gold loan receivables	6,057,696	2,324,102	-	-	-	8,381,798
Loan receivables	1,479,603	851,075	341,639	139,374	-	2,811,691
Other assets	417,784	143,964	82,961	47,432	1,792	693,933
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	4,385,260	1,598,000	-	-	-	5,983,260
Total Financial Assets	19,537,678	16,265,034	17,395,945	4,300,785	17,710	57,517,152

Financial Liabilities						
Bank overdraft	135,930	-	-	-	-	135,930
Due to other customers	5,298,151	15,850,406	2,285,521	3,016,791	-	26,450,869
Debt instruments issued and other borrowed funds	5,403,317	4,261,728	3,958,569	770,207	1,795,717	16,189,538
Other payables	130,535	59,275	124,073	79,809	57,049	450,741
Total Financial Liabilities	10,967,933	20,171,409	6,368,163	3,866,807	1,852,766	43,227,078
Net Financial Asset/Liabilities	8,569,745	(3,906,375)	11,027,782	433,978	(1,835,056)	14,290,074

As at 31 December 2022	Up to	03-12	01-03	03-05	Over 05	Total
	03 Months	Months	Years	Years	Years	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial Assets						
Cash and bank balances	221,187	-	-	-	-	221,187
Factoring receivables	740,600	111,517	-	-	-	852,117
Lease receivables	6,345,405	9,599,411	14,946,779	3,944,241	30,957	34,866,793
Hire purchase receivables	2,006	327	863	-	-	3,196
Gold loan receivables	7,046,520	2,127,615	-	-	-	9,174,135
Loan receivables	1,516,600	381,787	326,967	208,375	61,132	2,494,861
Other assets	377,583	39,635	64,225	50,012	154	531,609
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	2,850,000	2,963,599	-	-	-	5,813,599
Total Financial Assets	19,099,901	15,223,891	15,338,834	4,202,628	92,299	53,957,553

Financial Liabilities						
Bank overdraft	826,180	-	-	-	-	826,180
Due to other customers	2,711,944	15,722,879	2,267,034	3,725,801	2,918	24,430,576
Debt instruments issued and other borrowed funds	4,352,690	6,701,296	5,258,900	2,644,710	2,699,037	21,656,633
Other payables	749,218	85,282	213,967	164,856	169,297	1,382,620
Total Financial Liabilities	8,640,032	22,509,457	7,739,901	6,535,367	2,871,252	48,296,009
Net Financial Asset/Liabilities	10,459,869	(7,285,566)	7,598,933	(2,332,739)	(2,778,953)	5,661,544

NOTES TO THE FINANCIAL STATEMENTS

41. MATURITY ANALYSIS

As at 31 December 2023	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	285,352	-	-	-	-	285,352
Securities purchased under repurchase agreements	250,123	-	-	-	-	250,123
Factoring receivables	17,370	78,599	-	-	-	95,969
Gold loan receivables	5,942,802	1,987,425	-	-	-	7,930,227
Non current assets held for sale	-	114,043	-	-	-	114,043
Loan receivables	387,090	728,426	161,578	65,917	-	1,343,011
Lease receivables	4,468,887	7,227,014	11,702,741	3,228,421	13,454	26,640,517
Hire purchase receivables	-	-	-	-	-	-
Other assets	421,926	163,754	79,103	51,411	18,864	735,058
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	4,287,764	1,512,076	-	-	-	5,799,840
Property, plant & equipment	-	-	-	-	2,465,349	2,465,349
Right-of-use assets	54,997	60,599	126,747	80,992	57,244	380,579
Deferred tax assets	-	-	-	-	184,308	184,308
Intangible assets	-	-	-	-	16,068	16,068
Total Assets	16,116,311	11,871,936	12,070,169	3,426,741	2,755,343	46,240,500
Liabilities						
Bank overdraft	135,930	-	-	-	-	135,930
Due to other customers	5,595,330	14,373,808	1,822,474	1,770,330	3,969	23,565,911
Debt instruments issued and other borrowed funds	5,100,257	3,492,932	3,017,311	328,467	1,209,300	13,148,267
Other payables	1,228,637	88,340	124,073	79,809	57,049	1,577,908
Current tax liabilities	50,851	376,946	-	-	-	427,797
Retirement benefit obligations	-	-	-	-	137,957	137,957
Total Liabilities	12,111,005	18,332,026	4,963,858	2,178,606	1,408,275	38,993,770

As at 31 December 2022	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	221,187	-	-	-	-	221,187
Factoring receivables	24,993	87,800	-	-	-	112,793
Gold loan receivables	6,887,916	1,778,160	-	-	-	8,666,076
Loan receivables	562,446	168,213	144,060	91,808	26,933	993,460
Lease receivables	4,605,809	6,337,816	10,693,891	3,197,900	27,122	24,862,538
Hire purchase receivables	723	112	412	-	-	1,247
Other assets	376,199	92,843	82,422	57,228	16,146	624,838
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	2,767,729	2,694,137	-	-	-	5,461,866
Property, plant & equipment	-	-	-	-	2,537,582	2,537,582
Right-of-use assets	49,755	56,647	166,045	61,976	37,421	371,844
Deferred tax assets	-	-	-	-	225,785	225,785
Intangible assets	-	-	-	-	15,291	15,291
Total Assets	15,496,757	11,215,728	11,086,830	3,408,912	2,886,336	44,094,563
Liabilities						
Bank overdraft	826,180	-	-	-	-	826,180
Due to other customers	2,395,725	13,272,327	1,700,276	1,970,799	2,919	19,342,046
Debt instruments issued and other borrowed funds	3,887,642	5,133,929	3,558,058	1,728,459	1,277,700	15,585,788
Other payables	982,209	56,691	166,045	61,976	37,421	1,304,342
Current tax liabilities	-	352,180	-	-	-	352,180
Retirement benefit obligations	-	-	-	-	116,852	116,852
Total Liabilities	8,091,756	18,815,127	5,424,379	3,761,234	1,434,892	37,527,388

NOTES TO THE FINANCIAL STATEMENTS

42. COMMITMENTS AND CONTINGENCIES

	2023					2022				
	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	25,565	-	-	-	25,565	8,766	-	-	-	8,766
- Revolving Loans	-	-	-	-	-	-	-	-	-	-
Guarantees	-	3,000	-	-	3,000	-	5,700	-	-	5,700
Impairment for expected credit losses - credit related commitments & contingencies	(4,394)	-	-	-	(4,394)	(2,817)	-	-	-	(2,817)
	21,171	3,000	-	-	24,171	5,949	5,700	-	-	11,649
Other commitments & contingencies										
Capital commitments (Note 42.3)	-	6,472	-	-	6,472	-	3,538	-	-	3,538
Commitments & contingencies net of impairment for expected credit losses	21,171	9,472	-	-	30,643	5,949	9,238	-	-	15,187

42.1 Analysis of Credit Related Commitments and Contingencies based on the Exposure to Credit Risk

As at 31 December	2023				2022			
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
Unutilised facilities-Direct credit facilities	25,565	-	-	25,565	8,766	-	-	8,766
Guarantees	3,000	-	-	3,000	5,700	-	-	5,700
Impairment for Expected Credit Losses	(4,394)	-	-	(4,394)	(2,817)	-	-	(2,817)
	24,171	-	-	21,171	11,649	-	-	11,649

42.2 Impairment for Expected Credit Losses- Credit Related Commitments and Contingencies

As at 31 December	2023				2022			
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 01 January	2,817	-	-	2,817	5,431	-	-	5,431
Net charge for the year (Note 9)	1,577	-	-	1,577	(2,614)	-	-	(2,614)
Balance as at 31 December	4,394	-	-	4,394	2,817	-	-	2,817

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	2023	2022
	Rs'000	Rs'000
Approved and contracted for	6,472	3,538
Approved but not contracted for	-	-
	6,472	3,538

42.4 Other Contingent Liabilities

42.4.1 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 2023 which would have a material impact on the Financial Statements.

42.4.2 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 2023.

43. EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICY

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements other than the item disclosed below.

Appointment of a Director

Mr. Pitiduwege Laknath Chandana Jayawickrama has been appointed as an Independent Non-Executive Director, with effective from 29 January 2024, subsequent to obtaining approval from the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

44. RELATED PARTY TRANSACTIONS

The Company carry out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details of which are reported below.

44.1 Terms and Conditions

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 with similar credit standing.

44.2 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.

44.3 Transactions with Key Managerial Personnel (KMP)

As per 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,

NOTES TO THE FINANCIAL STATEMENTS

a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all 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.

44.3.1 Compensation to KMP

For the year ended 31 December	2023	2022
	Rs'000	Rs'000
Directors' fees & short term employee benefits	67,783	58,538
Total	67,783	58,538

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.

44.3.2 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	2023	2022
	Rs'000	Rs'000
Term/Savings deposits	314,312	232,987
Debentures	7,500	7,500

For the year ended 31 December	2023	2022
	Rs'000	Rs'000
Interest on term/savings deposits	64,640	30,595
Interest on Debentures	1,000	2,423

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	2023	2022
	Rs'000	Rs'000
Investment in government securities - REPOs/Treasury bills		
Opening Balance	876,841	-
Net investments during the year	2,041,628	876,841
Closing Balance	2,918,469	876,841
Other payables	41	23

44.4 Transactions with Group Companies (Contd..)

44.4.1 Sampath Bank PLC - Parent Company

As at 31 December	2023	2022
	Rs'000	Rs'000
Term Loan (Only capital)		
Opening Balance	2,633,333	2,233,333
Granted during the year	1,000,000	1,000,000
Less : Repayment during the year	(850,000)	(600,000)
Closing Balance	2,783,333	2,633,333
Short Term Loan (Only capital)	1,400,000	1,750,000
Bank Overdraft	135,931	822,727
Total Accommodation obtained	4,319,264	5,206,060
Less : Favourable balances in current accounts with bank	(39,384)	(64,489)
Net Accommodation	4,279,880	5,141,571
Net Accommodation as a percentage of Capital Funds	59.06%	78.29%
For the year ended 31 December	2023	2022
	Rs'000	Rs'000
Expenses		
Interest expenses	933,315	1,000,499
Other expenses	7,810	3,854
Income		
Fee for locating ATM machines at Company's branch premises operations	252	220
Interest Income on short term government securities	391,918	235,618
Interest Income on call/savings deposits	2,821	1,956
The company has invested in short term government securities through Sampath Bank PLC.		
Issue of scrip dividend		
Scrip Dividend(Gross)-number of shares-3,163,526(2022-5,192,855)	226,397	328,344

NOTES TO THE FINANCIAL STATEMENTS

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 & gold loan software and the same is disclosed below.

As at 31 December	2023	2022
	Rs'000	Rs'000
Facilities granted	14	2,238
Deposits	230,000	-
For the year ended 31 December	2023	2022
	Rs'000	Rs'000
Interest Income on leasing facility granted	147	404
Interest expense on deposits	19,134	-
Hardware/Software maintenance paid	11,150	12,140

44.4.3 Sampath Centre Ltd

	2023	2022
	Rs'000	Rs'000
As at 31 December		
Facilities granted	-	45,072
Deposits	172,291	50,000
For the year ended 31 December	2023	2022
	Rs'000	Rs'000
Interest income on loan facility granted	2,274	72
Interest expense on deposits	24,515	13,290

44.4.4 SC Securities (Pvt) Limited

	2023	2022
	Rs'000	Rs'000
As at 31 December		
Deposits	9,456	7,852
For the year ended 31 December		
Interest expense on deposits	2,343	853

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 2022 & 2023.

NOTES TO THE FINANCIAL STATEMENTS

The following table presents income, profit, total assets and total liabilities of the Company's operating segments.

For the year ended 31 December	Leasing and Hire Purchase		Gold Loan		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest Income	7,001,082	6,079,385	2,744,109	1,891,860	385,180	298,544	10,130,371	8,269,789
Less: Interest expenses	(5,413,381)	(4,338,968)	(1,150,969)	(965,703)	(445,414)	(483,480)	(7,009,764)	(5,788,151)
Net interest income	1,587,701	1,740,417	1,593,140	926,157	(60,234)	(184,936)	3,120,607	2,481,638
Net fee and commission income	210,715	168,085	116,809	141,575	224	525	327,748	310,185
Other operating income	587,772	678,064	-	-	12,889	37,295	600,661	715,359
Total operating income	2,386,188	2,586,566	1,709,949	1,067,732	(47,121)	(147,116)	4,049,016	3,507,182
Less: Impairment (charges)/reversal on loans and losses	(189,430)	(203,352)	2,583	(15,094)	105,978	86,775	(80,869)	(131,671)
Net operating income	2,196,758	2,383,214	1,712,532	1,052,638	58,857	(60,341)	3,968,147	3,375,511
Less: Total operating expenses (Including Taxes on financial services)	(2,059,958)	(1,759,434)	(520,571)	(385,570)	(188,400)	(166,770)	(2,768,929)	(2,311,774)
Operating profit before taxes	136,800	623,780	1,191,961	667,068	(129,543)	(227,111)	1,199,218	1,063,737
Less: Income tax expenses							(489,016)	(308,768)
Profit for the year							710,202	754,969
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							710,202	754,969
As at 31 December	2023	2022	2023	2022	2023	2022	2023	2022
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	26,640,517	24,863,784	7,930,228	8,666,076	11,669,755	10,564,703	46,240,500	44,094,563
Total assets	26,640,517	24,863,784	7,930,228	8,666,076	11,669,755	10,564,703	46,240,500	44,094,563
Segment liabilities	22,465,463	21,156,092	6,687,417	7,373,790	9,840,890	8,997,506	38,993,770	37,527,388
Total liabilities	22,465,463	21,156,092	6,687,417	7,373,790	9,840,890	8,997,506	38,993,770	37,527,388

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 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

TEN YEAR SUMMARY

Year ended 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Interest income	1,837,546	1,973,921	2,838,995	4,599,470	6,395,898	7,229,612	6,814,216	6,786,436	8,269,789	10,130,371
Interest expenses	(778,661)	(824,699)	(1,620,783)	(2,764,290)	(3,680,060)	(4,230,657)	(3,856,315)	(2,813,728)	(5,788,151)	(7,009,764)
Net interest income	1,058,885	1,149,223	1,218,212	1,835,180	2,715,838	2,998,955	2,957,901	3,972,708	2,481,638	3,120,607
Other income	139,354	232,315	312,774	465,904	567,459	690,293	765,479	1,360,895	1,025,545.00	928,409
Operating income	1,198,239	1,381,537	1,530,986	2,301,083	3,283,298	3,689,248	3,723,380	5,333,603	3,507,182	4,049,016
Operating expenses	(547,930)	(679,804)	(808,111)	(1,048,290)	(1,328,499)	(1,433,411)	(1,462,546)	(1,789,998)	(1,910,966)	(2,290,840)
Operating profit	650,309	701,733	722,875	1,252,794	1,954,799	2,255,837	2,260,834	3,543,605	1,596,217	1,758,176
Impairment (charges)/ reversals/provision for doubtful debts	(183,217)	(49,275)	(79,189)	(236,744)	(829,751)	(1,050,938)	(1,356,264)	(1,618,176)	(131,671)	(80,869)
Taxes on financial services	(61,536)	(93,305)	(128,500)	(230,810)	(291,259)	(406,369)	(226,551)	(399,355)	(400,808)	(478,089)
Profit before taxation	405,556	559,153	515,186	785,240	833,789	798,530	678,019	1,526,074	1,063,737	1,199,218
Tax expenses	(145,379)	(174,629)	(187,904)	(286,378)	(317,268)	(318,336)	(268,528)	(431,531)	(308,768)	(489,016)
Profit for the year	260,177	384,524	327,282	498,862	516,521	480,194	409,491	1,094,543	754,969	710,202

As at 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	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	88,655	130,070	169,333	297,858	191,556	273,429	292,036	250,277	221,187	285,352
Securities purchased under repurchase agreements	489,685	601,679	777,438	1,200,981	1,768,461	2,304,392	2,781,162	1,839,911	-	250,123
Investment in Fixed Deposits	-	-	-	65,699	-	-	-	-	-	-
Factoring receivables	996,440	1,157,136	1,979,243	1,899,702	1,332,310	655,141	261,944	153,483	112,793	95,969
Pawning / Gold loan receivables	456,193	770,839	1,768,922	2,563,352	3,548,666	5,011,268	4,769,716	5,781,780	8,666,076	7,930,227
Loan receivables	506,526	286,968	743,740	2,724,776	2,481,575	1,533,713	1,750,116	1,643,806	993,460	1,343,011
Lease receivables	3,383,597	9,230,730	13,851,890	19,873,470	25,601,932	29,023,194	29,017,672	29,088,209	24,862,538	26,640,517
HP receivable	4,250,553	2,083,571	837,560	252,000	48,525	3,437	2,125	934	1,247	-
Other assets	246,141	378,334	662,612	932,742	1,193,305	2,142,771	2,676,889	3,991,848	9,237,263	9,695,301
Total Assets	10,417,790	14,639,326	20,790,738	29,810,580	36,166,330	40,947,345	41,551,660	42,750,248	44,094,563	46,240,500
Liabilities										
Bank overdraft	83,921	163,583	460,494	456,018	321,821	361,586	250,536	191,266	826,180	135,930
Customer deposits	-	1,233,041	3,362,662	9,333,622	9,672,008	13,221,026	17,279,614	17,114,923	19,342,046	23,565,911
Debt issued and other borrowed funds	8,528,922	10,925,421	14,187,266	16,310,778	21,391,367	21,342,227	17,049,706	17,077,514	15,585,788	13,148,267
Other payables	493,303	706,150	849,956	1,231,877	1,240,142	2,006,680	1,845,839	2,140,451	1,773,374	2,143,662
Total Liabilities	9,106,146	13,028,194	18,860,377	27,332,295	32,625,339	36,931,520	36,425,695	36,524,154	37,527,388	38,993,770

TEN YEAR SUMMARY

As at 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	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	576,975	635,917	948,666	1,379,922	1,522,881	2,346,095	2,674,439	2,866,876
Share application money pending allotment	58,487	-	-	-	400,000	-	700,000	-	-	-
Statutory reserve fund	50,831	70,059	86,422	113,000	139,000	164,000	185,000	240,000	278,000	314,000
Revaluation Reserve	-	-	-	56,823	107,763	117,951	117,951	124,504	154,295	154,295
Retained earnings	735,813	1,016,073	1,266,964	1,672,545	1,945,562	2,353,952	2,600,133	3,515,495	3,460,441	3,911,559
Total Equity	1,311,644	1,611,132	1,930,361	2,478,285	3,540,991	4,015,825	5,125,965	6,226,094	6,567,175	7,246,730
Total Liabilities and Equity	10,417,790	14,639,326	20,790,738	29,810,580	36,166,330	40,947,345	41,551,660	42,750,248	44,094,563	46,240,500

Year ended 31 December	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Growth in Interest Income	13%	7%	44%	62%	39%	13%	-6%	-0.41%	21.86%	22.50%
Growth Interest Expenses	-13%	6%	97%	71%	33%	15%	-9%	27.04%	105.71%	21.11%
Cost to income ratio with taxes on financial services (%)	50.86%	55.96%	61.18%	55.59%	49.33%	49.87%	45.36%	41.05%	65.92%	68.39%
Cost to income ratio without taxes on financial services (%)	45.73%	49.21%	52.78%	45.56%	40.46%	38.85%	39.28%	33.56%	54.49%	56.59%
Interest Cover ratio	1.73	1.84	1.32	1.28	1.23	1.19	1.18	1.54	1.18	1.17
Growth in Operating Profit	61%	8%	3%	73%	56%	15%	0.2%	56.74%	-54.95%	10.15%
Growth in Profit After Tax(PAT)	18%	48%	-15%	52%	4%	-7%	-15%	167%	-31%	6%
Earning/(Loss) Per Share-Rs.	4.96	7.32	6.14	8.70	8.43	6.56	5.37	12.35	7.52	7.08
Growth in Advances	16%	41%	42%	42%	21%	10%	-1%	2.42%	5.57%	3.97%
Growth in Deposits and Borrowings	14%	43%	46%	45%	20%	11%	-1%	-0.57%	3.99%	3.07%
Growth in Shareholder's Funds	22%	23%	20%	28%	43%	13%	28%	21.46%	5.48%	10.35%
Debt/Equity Ratio	6.57	7.65	9.33	10.53	8.86	8.70	6.75	5.52	5.44	5.09
Net Assets per Share-Rs.	24.98	30.69	35.67	44.43	55.68	54.78	67.26	67.69	67.59	72.23
Return on Average Total Assets	3%	3%	2%	2%	2%	1%	1%	2.59%	1.68%	1.55%
Return on Average Equity	22%	26%	18%	23%	17%	13%	9.54%	19.16%	11.82%	10.41%

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 (capital adequacy requirements) Direction No.03 of 2018 every finance company with asset less than LKR 100 Bn shall at all times maintain the minimum capital adequacy ratios of Tier I – 8.5% and Total Capital – 12.5% 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.

$$\bullet \text{ Tier I Capital Ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Risk Weighted Amount}}$$

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.

$$\bullet \text{ Total Capital Ratio} = \frac{\text{Total Capital}}{\text{Total Risk Weighted Amount}}$$

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 2023, the Company maintained a Tier I ratio of 17.06% and a Total Capital ratio of 20.17%. Both ratios are well above the minimum regulatory requirements (Tier I – 8.5% and Total Capital – 12.5%) set by CBSL.

Computation of Capital Ratios

Item	Amount Rs.'000
Tier 1 Capital	6,892,059
Total Capital	8,145,941
Risk Weighted Amount for Credit Risk	35,003,844
Risk Weighted Amount for Operational Risk	5,392,264
Total Risk Weighted Amount	40,396,107
Tier 1 Capital Ratio, %	17.06
Total Capital Ratio,%	20.17

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 uncollectability.

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.

Assets held for sale

Non-current assets that a company intends to sell within a specific time frame, typically within one year, and are presented separately on the Statement of Financial Position at the lower of their carrying amount or fair value less costs to sell, with any resulting impairment losses recognized accordingly.

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 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.

GLOSSARY OF FINANCIAL TERMS

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.

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.

Infection Rate

Describes the proportion of Loan or Lease on the portfolio that are not being effectively recovered. In other words, It describes the relationship between Infected (arrear) portfolio and total portfolio.

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.

GLOSSARY OF FINANCIAL TERMS

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.

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 19th Annual General Meeting of Siyapatha Finance PLC will be held on 26th March 2024 at 9.00 a.m. at Siyapatha Tower, 111, Dudley Senanayake Mawatha, Colombo 08.

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 2023 with the Report of the Auditors thereon.
- (2) To re-elect Mr. P.L.C. Jayawickrama as a Director in terms of Article 24(2) of the Articles of Association of the Company
- (3) To re-elect Mr. P.S. Cumaranatunga as a Director in terms of 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 in terms of Articles 24(7) and 24(8) of the Articles of Association of the Company
- (4) To re-elect Mr. W.S.C. Perera as a Director in terms of Articles 24(7) and 24(8) of the Articles of Association of the Company
- (5) To declare a Dividend of Rs. 0.07 per share for the financial year 2023 and if though fit, to pass the following resolution by way of an Ordinary Resolution.

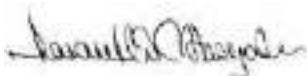
"IT IS HEREBY RESOLVED THAT a dividend of LKR 0.07 per share be distributed in the form of a scrip dividend amounting to a total sum of Rupees Seven Million Twenty Three Thousand Sixty Seven and Cents Fifty Nine only (LKR 7,023,067.59). The shares issued in the scrip dividend shall be valued at LKR 65.01 per share which results in one (01) share being issued for each existing 1,092.60489403873 shares. Consequently the total number of shares to be issued under the scrip dividend shall be 91,826 Ordinary Shares."

- (6) To appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuring year in place of the retiring Auditors, Messrs Ernest & Young and authorize the Directors to determine their remuneration.

"THAT Messrs KPMG Ford Rhodes Thornton & Company, Chartered Accountants be appointed the Auditors of the Company, in place of the retiring Auditors, Messrs Ernest & Young, Chartered Accountants, to hold office from the conclusion of this Annual General Meeting and that their remuneration be fixed by the Directors".

- (7) To authorize the Directors to determine donations for the year ending 31st December 2024 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

27th February 2024

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.

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. Cumararatunga 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 29A Perera Mawatha, Pelawaththa.	failing him*
Ms. H. S. R. Ranatunga of 36/50, Rosmead Place, Colombo 7.	failing her*
Mr. P. L. C. Jayawickrema, No. 43, Thaladena, Malabe.	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 26th March 2024 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.L.C. Jayawickrama as a Director in terms of Article 24(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(2) To re-elect Mr. P.S. Cumararatunga as a Director in terms of Articles 24(7) and 24(8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(3) To re-elect Ms. H.S.R. Ranatunga as a Director in terms of Articles 24(7) and 24(8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(4) To re-elect Mr. W.S.C. Perera as a Director in terms of Articles 24(7) and 24(8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(5) To declare a Scrip Dividend of Rs. 0.07 per share for the financial year 2023.	<input type="checkbox"/>	<input type="checkbox"/>
(6) To appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(7) To authorize the Directors to determine donations for the year ending 31st December 2024 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this day of Two Thousand and Twenty Four.

Signature of Shareholder/s

*Please delete what is inapplicable.

PROXY FORM

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;
"A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders or any class of shareholders on its behalf by resolution of its Director or other governing body."
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 Registered 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

Rating (Issued by Fitch Ratings Lanka):
National Long-Term Rating of BBB +(lka),
Outlook – Stable (as at 31 December 2023)

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 03rd 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 02nd 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 31st 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 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 Boyagoda
Director (Independent / Non-Executive)
(Resigned w.e.f. 31.12.2023)

Mr. Laknath Jayawickrama
Director (Independent / Non-Executive)
(Appointed w.e.f. 29.01.2024)

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
Rotunda Tower,
No. 109, Galle Road, Colombo 03,
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
Peoples Bank
Cargills Bank 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. 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.



www.siyapatha.lk