

Building Tomorrow: Growth, Resilience, Trust



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சியபத பிளான்ஸ்
Siyapatha Finance

(Finance Company of Sampath Bank Group)

SIYAPATHA FINANCE PLC
ANNUAL REPORT 2024

BUILDING TOMORROW: GROWTH, RESILIENCE, TRUST

In 2024, Siyapatha Finance PLC reaffirmed its commitment to sustainable growth, resilience, and trust. Amidst a dynamic financial landscape, we transformed challenges into opportunities, fortifying our foundations and driving innovation to create lasting value.

With agility and integrity, we strengthened our market presence, refined our strategies, and upheld the highest standards of financial excellence. Grounded in our core values, we continue to inspire confidence, fostering a future-ready organisation built on adaptability, innovation, and trust. As we shape tomorrow, we remain dedicated to delivering enduring prosperity for our stakeholders.

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This year is a testament to our unwavering commitment, strategic agility, and the collective strength of our team. As we look ahead, we are inspired by our achievements and remain steadfast in our mission to build a future defined by innovation, sustainability, and enduring trust.



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The year 2024 was a landmark year for Siyapatha Finance PLC, with record-breaking financial results that highlight our resilience and strategic focus. We achieved a historic milestone with a 69% increase in profit after tax, reaching LKR 1,203 Mn. This remarkable growth reflects our ability to optimise operations, manage risks effectively, and deliver consistent value to stakeholders.

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ABOUT US

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.



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Siyapatha Finance

(Finance Company of Sampath Bank Group)

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 19 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 53 branches in principal cities and towns, powered by a dynamic team of 967 employees.

Rating (Issued by Fitch Ratings Lanka):
National Long-Term Rating of 'BBB+(lka)',
Outlook-Stable (as at 31 December 2024) Current Rating 'A (lka)',
outlook- stable

MILESTONES

2005

- ◆ Incorporation of the Company & obtained 'Specialized Leasing Company' status
- ◆ Opening of branches in Kandy & Matara

2010

- ◆ Appointment of new Corporate Management

2013

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

2014

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

2019

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

2020

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

2021

- ◆ Recorded a profit after tax of Rs. 1.1 Bn
- ◆ Moving into the new Head Office building - Siyapatha Tower
- ◆ Fitch upgrades Siyaptha Finance credit rating to "A(lka)" with a Stable outlook from A-(lka)
- ◆ Siyapatha Finance was recognized and certified as a "Great Place to Work" in Sri Lanka in the year 2021. Further Siyapatha is among the Top 10 best workplaces in 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

2015

- ◆ Changed the name to "Siyapatha Finance PLC"
- ◆ Commenced Deposit Mobilization from the general public

2016

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

2017

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

2018

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

2022

- ◆ 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

- ◆ Launch of the new products of "Sampath Siyapatha" co-branded credit card, Siyapatha fast draft and Siyapatha Smart pay
- ◆ Addition of 05 branches to the network which are Dehiwala, Embilipitiya, Akkaraipattu, Badulla, Puttalam
- ◆ Branch network expanded to 48 branches
- ◆ 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
- ◆ Awarded a Gold Award from the SLAQAP - Sri Lanka Association for the Advancement of Quality and Productivity (SLAQAP) from their Annual National Convention of Quality and Productivity

2024

- ◆ Recorded a highest ever profit after tax of Rs. 1.2Bn
- ◆ Addition of 05 branches to the network which are Nawalpitiya, Valaichchenai, Homagama, Mathugama and Deniyaya
- ◆ Branch network expanded to 53 branches
- ◆ Issuance of Listed, Rated, Senior, Unsecured. Redeemable debentures to the value of LKR 4Bn.
- ◆ Siyapatha Achieved the "Best Employer Brand Award 2024" at 10th Employer Branding Awards Ceremony conducted by the Employer Branding Institute in India and UK.
- ◆ Mr.Prasad Udugampola, CHRO of Siyapatha achieved the "Top Most HR Leaders Award Sri Lanka" and "Top HR Icon Award - Asia Pacific" from World HR Congress and Asia Pacific HRM Congress.

FINANCIAL HIGHLIGHTS

	2024	2023	Change %
Profitability - [LKR Mn]			
Gross income	11,289	11,063	2.0
Total operating income	5,977	4,049	47.6
Operating expenses & impairment charges	3,069	2,372	29.4
Operating profit before taxes on financial services	2,908	1,677	73.4
Taxes on financial services	803	478	67.9
Profit before income tax	2,105	1,199	75.6
Income tax expense	902	489	84.4
Profit for the year	1,203	710	69.4
Assets & Liabilities [LKR Mn]			
Customer deposits	32,197	23,566	36.6
Other borrowings	15,771	13,284	18.7
Gross loans & receivables	48,972	39,631	23.6
Total equity	8,453	7,247	16.7
Total liabilities	51,255	38,993	31.4
Total assets	59,709	46,240	29.1
Investor Information			
Net asset value per share (LKR)	84.18	72.23	16.5
Earnings per share - Basic /Diluted (LKR)	11.98	7.07	69.5
Total dividend per share (LKR)	0.12	0.07	71.4
Gross dividend (LKR Mn)	12.05	7.02	71.7
Dividend payout ratio (%)	1.00	1.00	-
Regulatory Ratios [%]			
Capital funds to deposit liabilities ratio	33.83	42.74	(8.9)
Liquid assets ratio	25.47	16.51	9.0
Other Ratios [%]			
Total Impairment on loans as a % of gross loans	6.00	9.50	(3.5)
Gross stage 3 loans ratio	9.88	19.42	(9.5)
Net stage 3 loans ratio	4.29	12.25	(8.0)
Net stage 3 loans to core capital ratio	26.09	71.79	(45.7)
Stage 3 impairment coverage ratio	56.59	36.92	19.7
Cost to income ratio	53.64	56.59	(3.0)

Key performance indicators	2024	2023	2022	2021	2020
Profit for the year (LKR Mn)	1,203	710	755	1,095	409
Return on average assets (ROA) (%)	2.24	1.55	1.68	2.59	0.96
Return on average shareholders' funds (ROE) (%)	15.32	10.41	11.82	19.16	9.54
Growth in total assets (%)	29.13	4.87	3.14	2.88	1.48
Capital adequacy ratios					
Tier I capital ratio [%]	17.54	17.06	16.11	14.74	9.77
Total capital ratio (Tier I+ Tier II) (%)	18.97	20.17	20.95	21.36	14.18

CHAIRMAN'S MESSAGE

This year is a testament to our unwavering commitment, strategic agility, and the collective strength of our team. As we look ahead, we are inspired by our achievements and remain steadfast in our mission to build a future defined by innovation, sustainability, and enduring trust.

Sumith Cumaranatunga
Chairman
SIYAPATHA FINANCE PLC



Dear Stakeholders,

The year 2024 stands as a defining chapter in the legacy of Siyapatha Finance PLC, a year where our relentless pursuit of excellence culminated in unprecedented financial success and transformative growth. Amidst many challenges and evolving market dynamics, not only have we navigated complexities with precision, but we have also achieved remarkable milestones that have set new standards for excellence. Rooted in the principles of Growth, Resilience, and Trust, we turned adversity into opportunity, delivering exceptional value to our stakeholders, and reinforcing our position as an industry leader.

This year is a testament to our unwavering commitment, strategic agility, and the collective strength of our team. As we look ahead, we are inspired by our achievements and remain steadfast in our mission to

build a future defined by innovation, sustainability, and enduring trust. Together, we are not just shaping the present, but laying the foundation for a brighter, more resilient tomorrow.

A Renewed Economic Landscape

The year 2024 marked a turning point for the Sri Lankan economy, as the nation emerged from a period of uncertainty with renewed stability and optimism. The second half of the year, in particular, witnessed a measured transformation, characterised by stabilising macroeconomic indicators, improved investor confidence, and a gradual return to growth. This resurgence was underpinned by prudent policy measures, structural reforms, and a collective resolve to rebuild the foundations of the economy.

Key economic indicators reflected this positive trajectory. Inflation, which

had been a persistent challenge in previous years, showed signs of moderation, supported by tighter monetary policies and improved supply chain dynamics. The exchange rate stabilised, fostering greater predictability for businesses and consumers alike. Concurrently, the Government's efforts to restructure debt and strengthen fiscal discipline began to yield results, earning the confidence of international stakeholders and paving the way for renewed foreign investment.

Against this backdrop of economic stabilisation, Siyapatha Finance PLC found fertile ground to thrive on. The improved macroeconomic environment enabled us to pursue our strategic priorities with greater clarity and confidence, while also reinforcing our role as a catalyst for financial inclusion and economic empowerment. As we reflect on the year, we are reminded of the resilience

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and potential of Sri Lanka's economy – a resilience that mirrors our own journey and inspires us to continue building a brighter future for all.

Setting Priorities

As we reflect on 2024, Siyapatha Finance PLC has demonstrated an unwavering commitment to strategic growth, resilience, and trust. This year, we fortified our position as a market leader by prioritising initiatives that not only addressed immediate challenges, but also laid the groundwork for sustainable progress. Our focus remained steadfast on enhancing our core operations, innovating for customer needs, expanding our footprint, and leveraging technology to drive efficiency and excellence.

In 2024, our unwavering commitment to accessibility and inclusivity drove the strategic expansion of our branch network. We successfully opened five new branches, bringing our total network to 53 branches nationwide. This expansion reflects our dedication to reaching underserved communities and ensuring that tailored financial solutions are accessible to all Sri Lankans, regardless of their location.

In parallel, we continued to invest in technology as a key enabler of growth and operational efficiency. Recognising the transformative potential of data-driven decision-making, we empowered our Business Intelligence (BI) Department with Tableau, a cutting-edge analytics tool. This investment has enhanced our ability to analyse trends, optimise operations, and deliver actionable insights, enabling us to stay ahead in an increasingly competitive and dynamic financial landscape.

In 2024, we continued to prioritise the well-being and professional

growth of our employees, recognising their invaluable contribution to our achievements. Through targeted initiatives, we fostered a culture of collaboration, innovation, and excellence, ensuring that our workforce remains equipped to navigate challenges and seize opportunities.

Our employees are the driving force behind our ability to adapt and thrive in a rapidly changing landscape; by investing in their development and creating an environment that values their contributions, we have strengthened the foundation upon which our future success will be built.

Sustainable Business Practices

At Siyapatha Finance PLC, sustainability is a fundamental pillar of our identity, deeply embedded in our operations, strategy, and vision for the future. In 2024, we reaffirmed our commitment to environmental stewardship, social responsibility, and robust governance, ensuring that our growth is both inclusive and enduring.

We took significant strides to minimise our environmental impact, implementing energy-efficient measures across our branch network and corporate offices. By transitioning to digital platforms for customer interactions and internal processes, we reduced paper consumption and promoted a culture of sustainability. Additionally, we introduced green financing solutions that offer preferential terms for projects that support renewable energy, energy-efficient technologies, and eco-friendly vehicles. These initiatives underscore our dedication to fostering a greener future.

Strong governance is the foundation of our sustainability efforts. In response to evolving regulatory requirements,

including new listing rules and revised governance codes, the Board intensified its focus on corporate governance, ensuring adaptability and resilience. While already largely compliant, we addressed remaining gaps, particularly in preparation for upcoming mandatory sustainability reporting.

We are proud to state that there were no departures from the provisions of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka. Furthermore, we voluntarily adopted the Code of Best Practices on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka. Upholding a robust compliance culture remains our guiding principle, ensuring full conformance to regulations and our own deep-rooted values.

Sustainability extends beyond our operations; it is about creating a positive impact in the communities we serve. In 2024, we launched community development programmes focussed on education, healthcare, and environmental conservation. Through partnerships with local organisations, we supported initiatives such as tree-planting drives, scholarships for underprivileged students, and health camps in rural areas.

As we look ahead, our commitment to sustainability remains unwavering. By integrating environmental, social, and governance (ESG) principles into our core strategy, we are not only driving financial success but also creating lasting value for society and the environment. Together, we are building a future that is inclusive, resilient, and sustainable – for Siyapatha Finance PLC, our stakeholders, and Sri Lanka.

Business Performance

The year 2024 stands as a defining chapter in the history of Siyapatha Finance PLC, marked by extraordinary financial achievements and strategic milestones that underscore our resilience, discipline, and unwavering commitment to growth. Against a backdrop of evolving market dynamics, we delivered record-breaking results, setting new benchmarks for excellence and fortifying our position as a trusted leader in the financial sector.

The year 2024 further stood as a defining moment for Siyapatha Finance PLC, as we recorded a 69% surge in profit after tax, achieving LKR 1,203 Mn – the highest profit in the Company's history. Alongside this remarkable financial performance, our total asset base crossed the LKR 50 Bn threshold, closing the year at LKR 59.7 Bn by December 2024. Equally significant was our success in reducing non-performing loans (NPLs) from LKR 8.5 Bn in 2023 to LKR 5 Bn in 2024, demonstrating our ability to grow while maintaining a strong and high-quality asset portfolio. This dual accomplishment reflects our disciplined approach to risk management and our unwavering commitment to sustainable growth.

In recognition of our strong performance and commitment to creating value for our shareholders, the Board has proposed a dividend of LKR 0.12 per share to be distributed in the form of a scrip dividend totalling Sri Lanka Rupees Twelve Million Fifty Thousand Five Hundred and Sixty-Three and Cents Fifty-Six only (LKR 12,050,563.56). This decision reflects our focus on balancing shareholder expectations with the Company's long-term growth aspirations.

The achievements of 2024 are not a mere reflection of past success, but

a foundation for future growth. By maintaining our focus on prudent risk management, operational excellence and customer-centric innovation, we are well-positioned to seize emerging opportunities and deliver sustained value to all our stakeholders.

As we celebrate this historic year, we remain steadfast in our mission to build a future defined by growth, resilience, and trust. Together, we are shaping a legacy of excellence that will endure for generations to come.

Looking Ahead

As we stand at the threshold of a new year, Siyapatha Finance PLC is poised to build on the momentum of 2024, guided by a clear vision and an unwavering commitment to growth, resilience, and trust. While the economic landscape in Sri Lanka continues to present challenges, it also offers opportunities for those who are prepared to innovate, adapt, and lead.

In 2025, we will intensify our focus on digital transformation, leveraging advanced technologies to redefine the customer experience. Our investment in digital infrastructure will not only enhance operational efficiency, but also enable us to offer hyper-personalised solutions that cater to the evolving needs of our customers.

The economic landscape in Sri Lanka remains dynamic, and we are prepared to navigate its complexities with agility and foresight. Our strategy will prioritise robust risk management, diversified revenue streams and prudent financial practices. By maintaining strong capital adequacy ratios and optimising our asset portfolio, we aim to ensure long-term stability and resilience, even in the face of external uncertainties.

Building on the success of our branch network expansion in 2024, we will continue to extend our footprint across Sri Lanka, particularly in underserved regions. Our goal is to bring financial services closer to communities that have traditionally been excluded from the formal financial system. Through tailored products and localised solutions, we aim to empower individuals and businesses to achieve their aspirations and contribute to the nation's economic growth in the long term.

Sustainability will remain a cornerstone of our strategy as we deepen our commitment to environmental stewardship. In addition to introducing innovative green financing products in 2025, we will implement energy-efficient practices across our operations, further reducing our carbon footprint and setting an example for the industry.

In the coming year, we will further articulate the Siyapatha brand, ensuring that it resonates with our core values of trust, reliability, and innovation. Through strategic initiatives, we will strengthen our emotional connection with customers, employees, and partners, solidifying our position as a household name synonymous with excellence. Our goal is to be recognised not just as a financial institution, but as a trusted partner in the journey toward financial well-being and prosperity.

The Sri Lankan economy remains dynamic, with both challenges and opportunities on the horizon. While uncertainties persist, we are confident in our ability to adapt and thrive. Our focus will remain on responsible lending, prudent risk management, and sustainable growth, ensuring that we remain resilient in the face of change. By staying true to our values and strategic priorities, we

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are well-positioned to navigate the complexities of the economic landscape and deliver consistent value to our stakeholders.

As we look to the future, we do so with optimism and determination. The achievements of 2024 have laid a strong foundation for the years to come and we are committed to building on this success. Together, as Siyapatha Finance PLC, we will continue to innovate, empower, and inspire, shaping a future defined by growth, resilience, and trust.

The road ahead may be uncertain, but our resolve is unwavering. We are not merely participants in Sri Lanka's economic journey; we are active contributors dedicated to creating a legacy of excellence and prosperity. As we embark on 2025, we do so with confidence in our ability to overcome challenges, seize opportunities, and make a meaningful impact on the lives of those we serve.

Appreciation

As I reflect on the achievements of 2024, I am filled with profound gratitude for the unwavering support and dedication of those who have contributed to the success of Siyapatha Finance PLC. Their collective efforts have been instrumental in shaping a year of historic milestones and transformative growth.

I extend my deepest appreciation to the Board of Directors for their invaluable guidance and steadfast leadership. Their strategic insights and unwavering commitment to excellence have been pivotal in navigating the complexities of the past year. I would also like to extend a warm welcome to Mr. Laknath Jayawickrama, who joined the Board as an Independent Non-Executive Director on 29th January 2024. Mr.

Jayawickrama brings a wealth of experience and technical expertise, and I am confident that his contributions will further strengthen our governance and strategic vision.

My heartfelt gratitude goes to our Management Team, led by the Managing Director, whose relentless pursuit of excellence has been the driving force behind our success. Their ability to innovate, adapt, and execute with precision has laid a solid foundation for the future.

To our employees, I express my sincerest appreciation for their extraordinary dedication and resilience. Despite personal and professional challenges, their unwavering commitment to the Company's mission has been the cornerstone of our achievements. It is their collective effort that enables us to reach new heights and deliver on our promises.

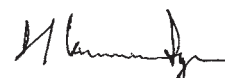
We are profoundly grateful to our customers and depositors for their continued trust and confidence in Siyapatha Finance PLC. Your loyalty inspires us to continually elevate our services and create value that aligns with your aspirations.

We also acknowledge the steadfast support of our parent company, Sampath Bank PLC, whose guidance and collaboration have been invaluable in fostering synergies and expanding our horizons. Their partnership has been a source of strength and inspiration.

Finally, I extend my appreciation 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 addressing industry challenges. Together, we are

shaping a stronger and more resilient financial sector for Sri Lanka.

As we look to the future, I am filled with confidence and optimism, knowing that we are supported by such a remarkable collective of individuals and institutions. Thank you for your unwavering commitment to Siyapatha Finance PLC and for being an integral part of our journey.



Sumith Cumararatunga
Chairman

25th February 2025

MANAGING DIRECTOR'S REVIEW

The year 2024 was a landmark year for Siyapatha Finance PLC, with record-breaking financial results that highlight our resilience and strategic focus. We achieved a historic milestone with a 69% increase in profit after tax, reaching LKR 1,203 Mn. This remarkable growth reflects our ability to optimise operations, manage risks effectively, and deliver consistent value to stakeholders.

Ananda Seneviratne
Managing Director
 SIYAPATHA FINANCE PLC



Dear Stakeholders,

The year 2024 stands as a testament to the resilience, adaptability, and unwavering commitment of Siyapatha Finance PLC. In a year marked by both challenges and opportunities, we navigated a complex economic landscape with precision, emerging stronger and more determined to deliver value to our stakeholders. Guided by our core values and a clear strategic vision, we fortified our financial foundations while deepening our impact on the communities we serve.

As I reflect on the year, I am filled with immense pride and gratitude for the collective efforts of our team, the trust of our customers, and the steadfast support of our partners. Together, we embraced innovation, overcame challenges,

and achieved remarkable milestones that highlight our commitment to excellence.

This report outlines our journey, achievements, and the path forward as we continue to build a future defined by growth, resilience, and trust.

Navigating a Dynamic Economic Landscape

The year 2024 was a period of transition for the Sri Lankan economy. Though the nation continued to grapple with the lingering effects of past challenges, there were encouraging signs of stabilisation. Prudent policy measures and structural reforms, spearheaded by the Central Bank of Sri Lanka, played a pivotal role in restoring confidence and laying the groundwork for sustainable growth. These efforts

created a more stable environment, enabling businesses and consumers to plan with greater certainty.

Strategic Priorities: Driving Growth and Innovation

In 2024, we prioritised initiatives that aligned with our long-term vision while addressing immediate challenges. Our lending portfolio saw significant growth, expanding by LKR 10 Bn to reach LKR 46.1 Bn. This growth was driven by a balanced approach to risk and opportunity, as we diversified our offerings to cater to the evolving needs of our customers. Notably, our Total Leasing Portfolio increased by LKR 4 Bn, Fast Draft by LKR 2.6 Bn, and our Gold Loan Portfolio by LKR 3.4 Bn.

We also continued to expand our physical presence across Sri Lanka, opening five new branches in Nawalapitiya, Valaichchenai,

2024: A YEAR OF TRANSFORMATION, RESILIENCE, AND STRATEGIC GROWTH

Matugama, Deniyaya, and Homagama. This brought our total branch network to 53 locations, enabling us to serve more customers and strengthen our market position. Each new branch is designed to be a hub of financial empowerment which offers tailored solutions that address the unique needs of local communities. By expanding our footprint, we are not only driving business growth, but also advancing our mission of financial inclusion.

Our branch expansion strategy is guided by a deep understanding of local markets and customer needs. Before opening a new branch, we conduct thorough market research to identify areas with high potential for growth and limited access to financial services. This approach ensures that our branches are not just physical locations but catalysts for economic development in underserved regions.

Technology played a pivotal role in our success in 2024. We invested in advanced tools and platforms to enhance operational efficiency and improve customer experiences. One of the key initiatives was the implementation of Tableau in our Business Intelligence (BI) Department, which has enabled us to analyse data more effectively and make informed decisions. Our digital transformation efforts extend beyond technology adoption; they represent a cultural shift toward innovation and agility. By leveraging digital solutions, we have streamlined processes, reduced costs, and positioned ourselves as a forward-thinking financial institution.

Further, we intensified our focus on compliance, ensuring that all operations adhered to regulatory requirements and industry best practices. This steadfast dedication to governance and compliance has not

only strengthened stakeholder trust, but has also reinforced our reputation as a responsible and reliable financial institution. Alongside these efforts, we prioritised transparency and accountability across our operations. By fostering open communication and ethical practices, we have deepened relationships with customers and investors while solidifying our position as a leader in corporate governance within the financial sector.

Financial Performance: A Year of Record Achievements

The year 2024 was a landmark year for Siyapatha Finance PLC, with record-breaking financial results that highlight our resilience and strategic focus. We achieved a historic milestone with a 69% increase in profit after tax, reaching LKR 1,203 Mn. This remarkable growth reflects our ability to optimise operations, manage risks effectively, and deliver consistent value to stakeholders.

Our total assets grew by an impressive 29%, reaching LKR 59.7 Bn by the end of 2024. This growth was fuelled by a 28% increase in our total lending portfolio, which expanded to LKR 46.1 Bn. Notably, our gross non-performing assets (NPA) ratio declined to 9.87%, marking the first time in five years that this figure has fallen to a single digit. This achievement, which is above the industry average, demonstrates the effectiveness of our credit risk management strategies.

Further reinforcing our commitment to robust risk management, the Stage 3 impairment coverage ratio improved to 56.72% by December 2024. This increase reflects our proactive approach to identifying and addressing credit risks, as well as our strengthened recovery processes. By enhancing our ability to manage and mitigate potential losses, we

have further fortified the quality and resilience of our asset base.

The trust and confidence of our customers remain the bedrock of our success. In 2024, we recorded a 37% growth in our Deposit Portfolio, a testament to our commitment to stability, transparency, and service excellence. This growth not only reflects the loyalty of our customers, but also provides a solid foundation for future expansion.

To further enhance our funding stability, we successfully issued LKR 4 Bn in listed, rated, unsecured, senior, redeemable debentures in May 2024. This issuance, the largest in the Company's history, was oversubscribed, demonstrating the confidence of investors in our financial strength and strategic vision.

Strong capital ratios continue to be a hallmark of our financial stability. As of 31st December 2024, our Tier 1 capital ratio stood at 17.54%, while the total capital ratio was 18.97%, both comfortably above statutory requirements. Additionally, our statutory liquid asset ratio remained exceeded regulatory expectations. These metrics reflect our prudent financial management and our ability to balance growth with stability.

Empowering Growth: Investing in Our People's Future

At the heart of Siyapatha's success lies our deep commitment to our people – a commitment affirmed by the Best Employer Brand Award at the 19th Employer Branding Awards. This prestigious recognition, bestowed by the Employer Branding Institute, India and the UK, highlights the strength of our internal culture. Here, employee engagement, talent development, diversity, and work-life balance are tangible realities. By cultivating a supportive and dynamic environment,

we attract and retain exceptional talent, fostering a bedrock of trust and resilience that fuels our collective growth.

Recognising the accelerating pace of change in the financial sector, we embarked on a transformative journey to empower our employees with the essential knowledge and skills for the digital age. The Siyapatha Finance Digital Learning Academy stands as a testament to this commitment, providing accessible, high-quality, on-demand learning resources across diverse domains. Through this initiative, we cultivate a culture of innovation and lifelong learning, ensuring our team possesses the agility and expertise to navigate future challenges.

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

The year 2024 has been a testament to Siyapatha Finance's strong commitment to sustainability, inclusivity, and community empowerment. Guided by our core values, we have continued to build a future rooted in environmental responsibility and financial inclusivity, ensuring that our actions today create a lasting positive impact for generations to come.

Central to our efforts is Siyapathen Mihikathata, our flagship initiative dedicated to environmental responsibility that was launched in 2023 and expanded in 2024. This year, we planted over 10,000 trees across Sri Lanka, contributing to carbon sequestration and biodiversity conservation. We also organised community-driven cleaning projects, including the Sri Pada Cleaning Project and the island-wide Cleaning Project which reached 37 locations across the country. These initiatives reinforced our commitment to

environmental stewardship and strengthened our bond with the communities we serve.

In line with our belief that access to financial services is a fundamental right, we expanded our efforts to reach underserved communities. Through inclusive lending practices and financial literacy programmes, we empowered women, youth, and micro, small, and medium-scale enterprises (MSMEs), fostering economic growth and breaking down barriers to financial inclusion.

Our CSR initiatives in 2024 focussed on environmental sustainability, education, and community engagement. We provided essential resources to schools, funded infrastructure projects, and supported cultural heritage preservation, reflecting our commitment to social cohesion and community well-being.

Future Outlook: Charting a Path Forward

The achievements of 2024 are not just milestones; they are the foundation for a future defined by progress, strength, and resolute dedication. As we look ahead, we remain focussed on advancing our strategic vision, guided by the principles that have always been at the core of our success.

In 2025, we will continue to expand our reach and innovate to meet the evolving needs of our customers. A key pillar of this strategy is the planned addition of 10 new branches, bringing our total network to 63 branches nationwide. This expansion will enable us to deepen our presence in underserved communities, fostering financial inclusion and empowering individuals and businesses across Sri Lanka.

Simultaneously, we will strengthen our ability to adapt and thrive in a dynamic economic landscape. By enhancing operational efficiency, leveraging technology, and maintaining prudent risk management practices, we will ensure that we remain agile and resilient, ready to navigate challenges and seize opportunities.

Central to our journey is the trust we have built with our stakeholders – customers, employees, shareholders, and communities. We will continue to uphold this trust by integrating environmental, social, and governance (ESG) principles into every aspect of our operations. Through sustainable practices and inclusive initiatives, we aim to create long-term value while contributing to Sri Lanka's broader development goals.

Appreciation: A Heartfelt Thank You

As we reflect on the remarkable achievements of 2024, I am deeply grateful to the individuals and partners whose dedication and collaboration have been instrumental in our success. This year's accomplishments are a testament to the collective effort of everyone who has contributed to Siyapatha Finance's journey.

To the Board of Directors, I extend my sincere appreciation for your visionary leadership and strategic guidance. Your wisdom and foresight have been pivotal in steering the organisation through a dynamic and challenging landscape, ensuring sustainable growth and resilience.

I would also like to acknowledge the exceptional efforts of our Corporate Management Team. Your consistent commitment and ability to navigate complexities have been the

2024: A YEAR OF TRANSFORMATION, RESILIENCE, AND STRATEGIC GROWTH

backbone of our success. Your tireless work has not only driven operational excellence, but has also inspired confidence across the organisation.

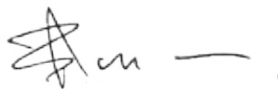
The true strength of Siyapatha lies in its people. To our employees, I express my deepest gratitude. Your passion, resilience, and dedication have been the driving force behind our achievements. Every challenge was met with determination, and every milestone was a reflection of your hard work and collective spirit. You embody the values that define Siyapatha, and for that, I am truly thankful.

I am also profoundly grateful to Sampath Bank PLC, our parent company, for your steadfast support and collaboration. Your guidance has been invaluable in shaping our strategic direction and fostering synergies that drive growth.

I extend my appreciation to the Central Bank of Sri Lanka and the officers of the Department of Supervision of Non-Bank Financial Institutions for your continued guidance and understanding. Your partnership has been essential in ensuring that we operate with integrity and compliance, contributing to the stability and growth of the financial sector.

As we look to the future, I am filled with optimism and confidence. Together, we have laid a strong foundation for continued progress, and I am excited about the opportunities that lie ahead. Your ongoing support and commitment will be crucial as we navigate the evolving financial and economic landscape and strive for new heights of success.

Thank you for being an integral part of our journey. Together, we will continue to build a legacy of excellence and create a brighter future for Siyapatha Finance PLC and the communities we serve.



Ananda Seneviratne
Managing Director

25th February 2025

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Siyapatha Finance PLC has reached a pivotal moment in its journey, with our unwavering pursuit of excellence leading to remarkable financial success and transformative growth. Despite navigating a challenging and evolving market, we have achieved key milestones that set new benchmarks for success.

The Company has solidified its position as an industry leader, maintaining a strong focus on customer needs and fostering lasting relationships. This growth is a testament to the trust and confidence our customers place in us, reinforcing our position as a reliable financial partner.

Remaining committed to financial stability and sustainable long-term growth, we proactively adapt to emerging trends while continuously refining our strategic approach. By seizing growth opportunities and delivering innovative, customer-centric solutions, we further strengthen our leadership in the financial sector. This dedication not only enhances our competitive positioning but also creates lasting value for stakeholders and makes a meaningful impact on the communities we serve.

As we move forward, our commitment to driving innovation, sustainability, and trust remains steadfast, ensuring a brighter and more resilient tomorrow for all.

Product Portfolio

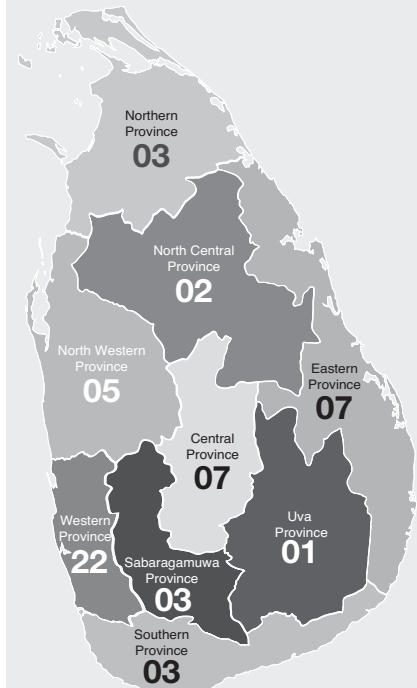
- **Leasing:** Designed to support Corporates, SMEs, Self-Employed Professionals, and Executives, these specialised leasing options facilitate business growth and personal advancement. With competitive rates and flexible terms, the comprehensive

portfolio ensures a seamless financing experience across a diverse range of assets.

- **Micro Leasing:** We provide individuals and small businesses with tailored Micro Leasing solutions for three-wheelers, motorcycles, and buddy trucks, enabling enhanced mobility and fostering business growth.
- **Fast Draft:** The Fast Draft service provides a convenient option for accessing cash from customers' vehicles, with interest paid monthly and the principal due at maturity. Flexible terms allow for early partial repayments at any time.
- **Fixed Deposits & Savings:** Our Fixed Deposits and Savings accounts provide competitive interest rates, ensuring optimal returns on investments while prioritising financial security and growth.
- **Gold Financing:** The Gold Loan and Business Gold Loan facilities provide customised, short-term financing solutions that are carefully crafted to meet the diverse and evolving needs of clients, offering flexibility and reliability in delivering effective financial support.
- **Factoring:** Our Factoring services provide customised working capital solutions that support business continuity, ensuring smooth financial operations and improved cash flow for clients.
- **Loans:** A diverse range of loan solutions, including personal, auto, educational, and business loans, is designed with a customer-focused approach to meet various financial needs effectively.

Branch Expansion

Siyapatha Finance extended its reach across the country by strategically enhancing its service network, ensuring greater accessibility for communities and businesses. Acknowledging the critical role of financial inclusion in economic advancement, the Company inaugurated five new locations in Nawalpitiya, Valaichchenai, Homagama, Matugama, and Deniyaya. This expansion, driven by regional demand, optimises access to comprehensive financial solutions, including SME financing, asset-backed lending, and secure investment avenues. By fostering economic resilience and promoting sustainable growth, Siyapatha Finance continues to reinforce its commitment to empowering businesses and individuals nationwide.



MANAGEMENT DISCUSSION AND ANALYSIS

Branch Locations and Addresses

Branch	Address
1 Head Office	No. 534 & 111, Dudley Senanayake Mawatha, Colombo 08
2 Katugastota	No. 274A, Katugastota Road, Kandy
3 Peliyagoda	No. 304, Negombo Road, Peliyagoda
4 Ampara	No. 32, D.S. Senanayake 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 Eliya	No. 28/1, Kandy Road, Nuwara Eliya
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, Stanley Thilakarathne Mawatha, Nugegoda
13 Ratnapura	No. 186, Main Street, Ratnapura
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, Batticaloa Road, Kalmunai
19 Batticaloa	No. 257, 259, Trinco Road, Batticaloa
20 Vavuniya	No. 156, Bazar Road, Vavuniya
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, Negombo 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. De S. Jayasinghe Mawatha, Kohuwala
37 Nittambuwa	No. 195, Colombo Road, Nittambuwa
38 Malabe	No. 793/C, Kaduwela Road, Thalagama 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 Street, 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
49 Nawalapitiya	No. 54, Gampola Road, Nawalapitiya
50 Valaichchenai	Main Street, Valaichchenai
51 Matugama	No. 41, Kalutara Road, Matugama
52 Deniyaya	No. 310/2, Pallegama Road, Deniyaya
53 Homagama	No. 134, Station Road, Homagama

Local Economy 2024

The year 2024 marked a critical juncture for the Sri Lankan economy as the nation worked to consolidate the fragile gains of the previous year. While structural challenges remained, the Government's commitment to economic reforms, bolstered by the IMF-backed Extended Fund Facility (EFF) programme, provided a stabilising framework for recovery. Incremental progress was evident across key economic indicators, though the journey toward full stabilisation demanded continued focus and effort.

Inflation, which had begun to ease in 2023, continued its downward trend in 2024, offering some relief to households. However, the cost of living remained elevated, highlighting the need for targeted measures to ensure a more equitable recovery. The exchange rate showed signs of stability, supported by prudent monetary policies and a gradually improving external sector. Foreign exchange reserves saw modest growth driven by stronger export performance, a steady rebound in tourism, and consistent remittance inflows.

In the real economy, strategic initiatives to revitalise key sectors such as agriculture, manufacturing, and services gained momentum. Efforts to boost domestic production, reduce import dependency, and diversify export markets were central to policy agendas. The tourism sector continued its recovery, largely benefiting from improved global travel conditions and targeted campaigns to attract international visitors.

Looking ahead, sustaining economic stability and achieving long-term growth will require unwavering commitment to reforms, enhanced governance, and strengthened collaboration among the

Government, the private sector, and international partners. The year 2024 draws attention to the importance of resilience, adaptability, and innovation in navigating the evolving economic landscape. With a clear roadmap in place, Sri Lanka remains on track to build a more robust and sustainable economic future.

Industry Performance 2024

The Sri Lankan Non-Bank Financial Institutions (NBFI) sector demonstrated commendable resilience in 2024, navigating a complex economic landscape while advancing its stabilisation efforts. Despite persistent structural challenges, the sector adapted to evolving market dynamics, supported by regulatory frameworks and strategic realignments, to sustain growth and reinforce its role in the broader financial ecosystem.

As of 31 December 2024, the NBFI sector's total asset base grew by 13.87% year-on-year, reaching LKR 1,931 Bn. This expansion reflects cautious optimism amid gradually improving macroeconomic conditions. Loans and advances surged by 22.79% to LKR 1,430 Bn, driven by heightened credit demand and strategic market expansion initiatives. Conversely, the total investment portfolio contracted by 8.69% to LKR 352 Bn, as institutions recalibrated their asset allocations in response to shifting market dynamics and risk considerations.

Deposit mobilisation remained a cornerstone of the sector's stability, with total deposits increasing by 12.98% to LKR 1,056 Bn. This growth underscores sustained confidence in the sector's resilience and its ability to safeguard depositor interests. Capital adequacy ratios remained robust,

with the core capital adequacy ratio and total capital adequacy ratio standing at 20.4% and 21.4%, respectively. These figures highlight the sector's strong capitalisation underpinned by prudent financial management and stringent regulatory oversight.

Profitability metrics reflected the sector's ability to weather economic headwinds effectively. Net interest income rose by 22.20% to LKR 145 Bn during the first nine months of 2024, while profit after tax also grew by 19.09% to LKR 43 Bn. These gains were driven by enhanced revenue streams, disciplined cost management, and improved operational efficiency.

Liquidity levels remained stable, with the Regulatory Liquid Assets to Total Assets ratio standing at 11.4%. This ensured a robust buffer against potential financial shocks, reinforcing the sector's resilience. The Central Bank of Sri Lanka played a pivotal role in maintaining sector stability through enhanced regulatory supervision, risk-based assessments, and rigorous compliance enforcement. These measures have been instrumental in fostering a sound and transparent operating environment.

A Vision for Sustainable Growth

As the Sri Lankan NBFI sector enters 2025, it confronts a challenging economic landscape marked by global uncertainties and domestic structural issues. Geopolitical tensions, inflation, and supply chain disruptions pose risks, while Sri Lanka's fragile recovery, high debt levels, and fiscal constraints test the sector's resilience, potentially impacting credit quality, liquidity, and operational efficiency.

Despite these challenges, the NBFI sector has shown remarkable adaptability, supported by strong

regulatory frameworks and strategic foresight. Key priorities for the year include strengthening capital buffers, enhancing risk management, and fostering operational agility to mitigate risks and ensure sustainable growth. Collaboration with regulators and transparent communication will further reinforce stability.

The sector remains committed to financial inclusion, sound risk practices, and regulatory compliance. Investments in digital transformation, innovative lending, and customer-centric solutions will drive operational efficiency and expand access to financial services. By leveraging technology and innovation, the NBFI sector is well-positioned to address evolving customer needs and support broader economic recovery.

With a focus on resilience, inclusivity, and innovation, the NBFI sector is poised to overcome challenges, seize opportunities, and play a transformative role in shaping a sustainable and inclusive financial future for Sri Lanka.

FINANCIAL REVIEW

Siyapatha Finance has reported exceptional financial results for the financial year 2024, demonstrating strong and sustained growth across key performance metrics. The Company achieved a historic milestone, recording its highest-ever Profit Before Tax (PBT) of LKR 2.10 Bn, reflecting a remarkable 75.55% year-on-year increase. Profit for the year surged to LKR 1.2 Bn, up from LKR 710 Mn in 2023, underscoring the Company's continuous commitment to sustainable profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's balance sheet remained robust, marked by substantial growth in both assets and liabilities, indicative of its expanding financial strength and market position. This growth trajectory was further reinforced by a strengthened equity base, solidifying Siyapatha Finance's capital resilience and long-term financial stability.

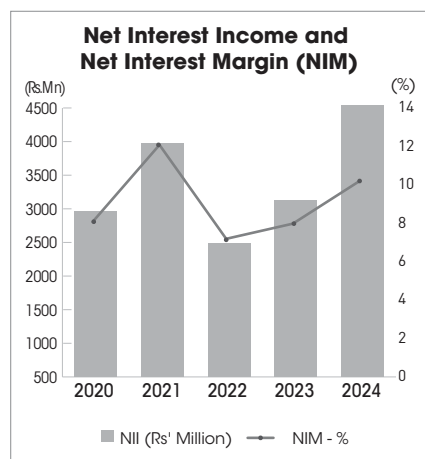
A significant rise in customer deposits primarily drove the increase in liabilities, underscoring the deep-seated trust and confidence placed in the institution by its clientele. This upward momentum reflects Siyapatha Finance's prudent financial management, strategic foresight, and unwavering commitment to excellence, further cementing its leadership position in the financial sector.

Net Interest Income (NII)

Siyapatha Finance PLC reported a Net Interest Income of LKR 4.53 Bn for the financial year, marking a substantial increase from LKR 3.12 Bn in 2023 which reflects a robust 45.28% growth. This strong performance highlights the Company's strategic ability to effectively optimise its interest-earning assets while maintaining a resilient Net Interest Margin (NIM) despite prevailing market fluctuations.

The significant growth in NII also facilitated a considerable reduction in interest expenses on customer deposits, which declined by 20%, coupled with a 37% decrease in long-term borrowing costs compared to the previous year. These gains were primarily driven by the Company's strategic advantage from interest rate reductions, which allowed Siyapatha Finance to further streamline its cost structure.

Siyapatha Finance demonstrated exceptional proficiency in managing both its revenues and expenses, leading to a notable enhancement in its NIM, which rose from 7.90% to 10.12%. This increase reflects the Company's adeptness in converting interest-bearing assets into highly profitable returns, thus showcasing its strong financial acumen and operational efficiency.



Fee and commission income and other operating income

A significant increase in fee and commission income, along with other operating income, was recorded for the financial year, reaching LKR 1.44 Bn. This marks a robust 55.46% growth compared to LKR 0.93 Bn in 2023. The surge was primarily driven by a remarkable 112.12% increase in early terminations, demonstrating the Company's ability to capitalise on evolving market conditions and enhance revenue from non-interest sources.

This strong performance reflects a strategic focus on income diversification, reinforcing financial resilience and adaptability in an increasingly competitive industry landscape.

Credit loss expense

In 2024, the Company achieved significant progress in credit quality management, demonstrating the strength of its risk management framework and the improved quality of its asset portfolio. A key highlight was the recognition of a total impairment reversal of LKR 137 Mn, marking a notable improvement compared to the LKR 81 Mn impairment charge on loans and advances recorded in the previous year. This 269.3% enhancement reflects the Company's disciplined credit risk assessment practices, supported by stronger borrower performance and proactive recovery initiatives.

Further reinforcing this positive trajectory, the Company reduced its Stage 3 facilities by 46.5%, with total Stage 3 loans and advances decreasing to LKR 4.19 Bn by the end of the year. Additionally, the impairment coverage ratio for Stage 3 loans improved significantly, climbing from 36.92% in 2023 to 56.72% in 2024. This upward trend highlights the Company's commitment to maintaining sufficient provisions to address potential credit losses, ensuring a prudent and forward-looking approach to risk management.

These achievements underscore the effectiveness of Siyapatha's credit risk mitigation strategies, which have been driven by improved borrower creditworthiness, strengthened collection processes, and enhanced portfolio resilience. Moving forward, the Company remains focused on sustaining these gains through continued vigilance, rigorous monitoring mechanisms, and proactive risk management practices.

Operating expenses

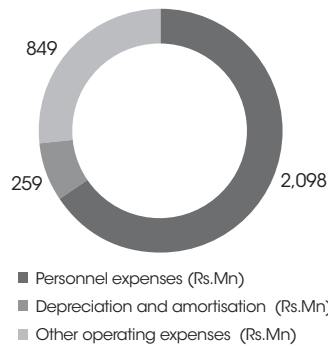
In 2024, Siyapatha Finance witnessed a significant increase in operating expenses, aligning with its strategic initiatives for business expansion and operational scaling. Total operating expenses rose by 39.93% year-on-year, amounting to LKR 3.21 Bn.

Personnel expenses remained the largest component of operating costs, accounting for 65.43% of the total. These expenses increased by 53.24% to LKR 2.10 Bn, primarily due to the Company's expanded operational footprint and the need to strengthen its workforce to support growing business activities.

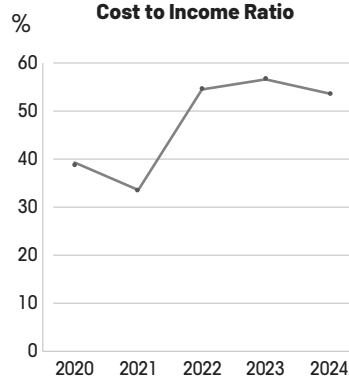
In addition to personnel-related costs, other operating expenses, including depreciation, amortisation, and general administrative expenses, increased by 20.18% compared to the previous year. Despite this rise, the cost-to-income ratio improved from 56.59% to 53.64%, reflecting enhanced operational efficiency. This increase in expenses underscores ongoing investments in infrastructure, technology, and operational capabilities, highlighting Siyapatha Finance's commitment to achieving long-term efficiency and sustainable growth.

These strategic expenditures demonstrate the Company's focus on building a solid foundation to meet evolving business needs and market demands, ensuring continued resilience and competitiveness in the industry.

Composition of Operating Expense - Year 2024



Cost to Income Ratio



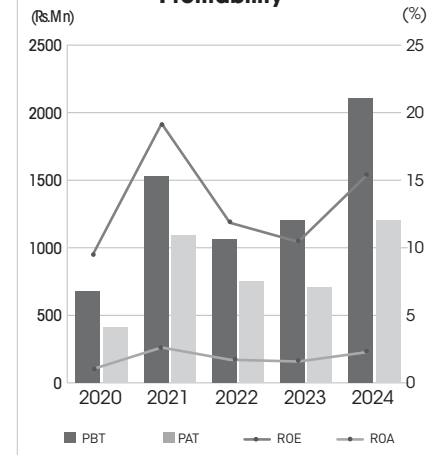
Profit before tax and profit after tax

Siyapatha's financial performance in 2024 demonstrated substantial growth, with a pre-tax profit of LKR 2,105 Mn, reflecting a 75.56% increase from LKR 1,199 Mn in the previous year. This impressive rise highlights the Company's strengthened revenue generation and improved operational efficiency. Income tax expenses also

grew significantly, reaching LKR 902 Mn, up by LKR 412.9 Mn (84.43%) compared to 2023, largely due to the higher profitability. As a result, the profit after tax rose by 69.44%, climbing from LKR 710 Mn in 2023 to LKR 1,203 Mn in 2024, showcasing the Company's robust financial progress.

	2024	2023
ROE	15.32%	10.41%
ROA	2.24%	1.55%

Profitability



Total Assets

As of 31 December 2024, Siyapatha Finance PLC demonstrated remarkable financial growth with its total assets increasing to LKR 59.71 Bn, reflecting a substantial rise of LKR 13,468 Mn (29.13%) compared to LKR 46.05 Bn in 2023. This growth was primarily fuelled by the expansion of the net lending portfolio, which reached LKR 46.08 Bn by the end of 2024, marking an increase of LKR 10.05 Bn (27.89%) from LKR 36.01 Bn in 2023.

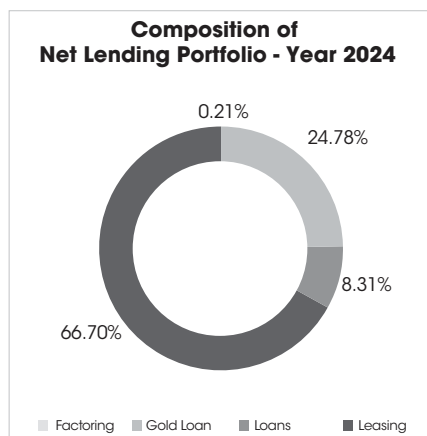
Leasing continued to dominate the net lending portfolio, constituting 66.70% of the total, while gold loans accounted for 24.78%. Both segments experienced robust growth, with the gold loan portfolio surging by 43.91% and the leasing portfolio growing by

MANAGEMENT DISCUSSION AND ANALYSIS

15.30% during the year. This highlights the Company's strong performance in its core lending activities.

In addition, the net loan portfolio saw exceptional growth, increasing by 185.11% to LKR 3,829 Mn as of 31 December 2024, up from LKR 1,343 Mn at the end of 2023.

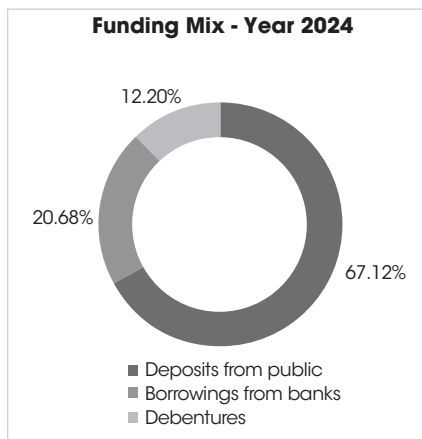
The Company's financial position strengthened considerably, driven by the steady expansion of its key lending segments and prudent investment strategies.



Total liabilities

As of 31 December 2024, the Company's total liabilities amounted to LKR 51.25 Bn, representing a year-on-year increase of 31.44% from LKR 38.99 Bn in 2023. This rise in liabilities is consistent with the Company's strategic initiatives to support business expansion and strengthen its operational capabilities, ensuring sustained growth and competitiveness in the market.

The deposit base also experienced significant growth, increasing by LKR 8.63 Bn to reach LKR 32.20 Bn by the end of 2024. This expansion was primarily driven by the enduring confidence and trust of the Company's customer base, which underscores its robust market presence and solid financial stability.



Capital

By the end of the financial year, total equity comprising stated capital, retained earnings, and other reserves increased to LKR 8,453 Mn, reflecting a year-on-year growth of 16.65%. Stated capital also rose to LKR 2,873 Mn, further strengthening the Company's equity base.

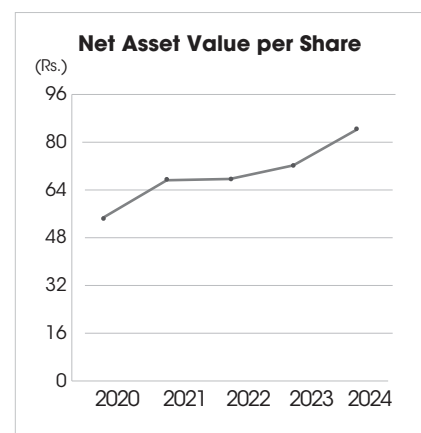
The Company demonstrated a solid capital position, with Tier 1 and Total Capital ratios standing at 17.54% and 18.97%, respectively, as of 31 December 2024. These ratios remained well above the regulatory capital adequacy thresholds, emphasising the Company's financial strength and its commitment to maintaining a prudent capital management framework.

Net asset value per share and earnings per share

In the financial year 2024, earnings per share decreased to LKR 11.98 compared to LKR 7.07 recorded at the end of the previous year. This improvement can be attributed to an increase 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 84.18 per share during the year from LKR 72.23 in 2023.

During the financial year 2024, the Company's earnings per share (EPS) increased to LKR 11.98, up from LKR 7.07 in the previous year. This growth was primarily driven by the rise in net profit after tax, though it was partially offset by the increase in the number of shares following the issuance of a scrip dividend.

This improvement reflects the Company's strengthened financial position and its continued focus on delivering long-term value to shareholders.



Dividends

In the financial year 2024, the dividend per share increased to LKR 0.12, up from LKR 0.07 in the prior year, reflecting the Company's improved profitability and capacity to distribute earnings. Aligning with the previous year's strategy, the 2024 dividend was distributed in the form of a scrip dividend, underscoring the Company's prudent and strategic approach to capital management.

This method not only delivered value to shareholders but also bolstered the Company's capital reserves, supporting its long-term growth ambitions and financial resilience. The consistent use of scrip dividends highlights the Company's dual focus on enhancing shareholder returns

while maintaining a robust capital structure, positioning it to adapt and excel in a dynamic and competitive market landscape.

OPERATIONAL REVIEW

Siyapatha Finance PLC successfully navigated economic challenges in 2024, expanding its customer base and demonstrating growing trust and confidence. The Company prioritised prudent lending practices, enhanced recovery mechanisms, and leveraged advanced analytics to improve asset quality and financial stability. Siyapatha's commitment to financial inclusion empowered underserved communities, reinforcing its mission to foster economic resilience. By embracing innovation, maintaining operational agility, and upholding a customer-centric approach, the Company is well-positioned to sustain growth, navigate uncertainties, and contribute meaningfully to the broader economy.

Risks and concerns of 2024

Siyapatha Finance operated in a challenging economic environment in Sri Lanka, with inflation continuing its downward trend from 2023, offering some relief to households. However, the cost of living remained elevated, continuing to exert pressure on the broader business landscape. Despite these challenges, the Company focused on meeting customer needs, leading to significant growth in its customer base, reflecting increased trust and confidence in Siyapatha Finance and reinforcing its commitment to building long-term relationships.

The ongoing economic pressures, alongside emerging risks such as technological disruptions, talent retention, and interest rate fluctuations, required a proactive and dynamic approach to risk management. To support customers during these difficult times, Siyapatha Finance introduced flexible payment

options and implemented automated solutions, including a digital vehicle bidding system that enhanced transparency in auctions and a streamlined rebate request workflow to improve efficiency in approvals.

In recovery operations, the Company faced specific challenges such as vehicle repossession and fluctuating vehicle prices. To mitigate disruptions, Siyapatha adopted a strategy of increasing vehicle handovers, which facilitated smoother transitions and minimised customer impact. Additionally, investments in targeted staff training improved negotiation skills, enabling staff to resolve customer issues more effectively and efficiently.

Beyond credit risk, Siyapatha Finance remained vigilant in managing operational, legal, compliance, and reputational risks. Robust internal controls, transparent processes, and a commitment to regulatory adherence helped safeguard the Company's brand image and reputation. As cybersecurity threats continued to evolve, the Company prioritised investments in advanced risk mitigation strategies to protect customer data and ensure the security of its operations.

For more detailed information, please refer to the Integrated Risk Management report on pages 111 to 134.

Strategic Marketing Initiatives Driving Growth in 2024

Siyapatha Finance PLC remained steadfast in its commitment to expanding market presence, enhancing financial accessibility, and strengthening customer engagement. Despite economic challenges, the Company prioritised innovation and strategic initiatives to reinforce its position as a trusted financial partner.

A major milestone was the opening of the 50th branch in Valaichchenai, a significant step in broadening Siyapatha's geographical footprint across the Eastern, Southern, and Northern territories. This expansion supported the Company's vision of improving financial inclusivity and serving a diverse customer base.

Recognised for its excellence, Siyapatha Finance PLC was honoured as the 'Best Employer Brand of 2024,' highlighting the Company's commitment to fostering a positive work environment and delivering superior financial solutions.

To amplify brand awareness and customer outreach, the Company implemented targeted awareness campaigns, leveraging its extensive branch network and on-site branch visits. Digital marketing efforts, particularly through social media engagement, played a pivotal role in reaching new audiences beyond conventional advertising channels.

Customer engagement remained a focal point, with multiple promotional activities launched to increase product visibility and enhance relationships. Notable initiatives included a Product Awareness Campaign at the Kuruwita Industrial Zone in collaboration with the Ministry of Industries, a Direct Marketing Campaign for Moratumulla furniture shops, and a Financial Awareness Session at the Ratmalana National Enterprise Development Authority.

The introduction of the 'Fast Draft' loan product provided customers with quick and convenient access to funds, meeting urgent financial needs. This innovative product significantly contributed to the highest-ever portfolio growth in the Company's history, achieved exclusively through asset-backed products.

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Looking forward, Siyapatha Finance PLC is preparing to launch the 'Siyapatha Loan Product' in the first quarter of 2025, encompassing Sub Loans, Green Loans, Lease Loans, and Pension Loans. Additionally, the Sampath Bank and Siyapatha Core-Branded Credit initiative is set for execution, reinforcing strategic collaborations. Through continuous refinement of its marketing approach and technological advancements, Siyapatha Finance PLC remains well-positioned for sustained growth and industry leadership, ensuring its continued commitment to innovation and excellence in the financial sector.

Advancing IT and Innovation for Operational Excellence

Siyapatha Finance PLC remained steadfast in leveraging technology as a catalyst for business growth, operational efficiency, and customer-centric innovation in 2024. The Company's IT strategy was seamlessly integrated with its long-term business objectives, ensuring the effective deployment of digital advancements to enhance service delivery, fortify security, and streamline internal processes. By fostering close collaboration with business units, the IT team identified key areas for improvement and implemented transformative initiatives to strengthen the Company's digital capabilities.

A significant milestone was the introduction of Service Manager roles, designed to bridge IT functions with business units, driving proactive service enhancements. This initiative contributed to several key technological advancements, including:

- **Security & Infrastructure Reinforcement:** Strengthened network security with an advanced firewall, improved authentication management through Active Directory migration, and enhanced

system reliability via critical switch upgrades.

- **Digital Transformation & User Experience Enhancement:** Migrated to Office 365 to boost collaboration, upgraded BoardPAC for improved governance, and revamped the IT Helpdesk for faster response times and superior user support.
- **Regulatory Compliance & Process Optimisation:** Streamlined User Access Management and automated regulatory reporting for GoAML and CRIB.
- **Automated Solutions:** Implemented a digital vehicle bidding system for improved transparency in auctions and launched a rebate request workflow to streamline approvals and governance.

With the increasing complexity of cyber threats, Siyapatha Finance reinforced its cybersecurity framework and business continuity planning. The Company conducted comprehensive Disaster Recovery (DR) drills, successfully executing real-time rollover and fallback tests to ensure uninterrupted business operations. To further enhance security, stringent access control policies were enforced, multi-factor authentication was strengthened, and external penetration testing was conducted in collaboration with cybersecurity experts. These proactive measures fortified the Company's defences against evolving cyber risks while ensuring operational resilience.

Serving as the foundation of Siyapatha Finance's operations, Finacle continued to provide a robust, scalable, and fully integrated platform for core banking functions. Its reliability facilitated seamless transactions, supported business expansion,

and reinforced the Company's commitment to service excellence.

As cybersecurity threats grow more sophisticated, continuous investments in risk mitigation strategies remain a priority. Additionally, the industry-wide shortage of skilled IT professionals emphasises the importance of talent development and retention. By addressing these challenges, Siyapatha Finance ensures resilience in an evolving digital landscape.

Through sustained investments in IT infrastructure, cybersecurity, and automation, Siyapatha Finance PLC continues to drive innovation, mitigate risks, and enhance customer experience, reaffirming its commitment to technological leadership and long-term sustainability.

Towards Sustainability at Siyapatha Finance: A Comprehensive and Impactful Approach

At Siyapatha Finance, sustainability is not just a buzzword; it is a core value embedded in our organisational DNA. We are steadfast in our commitment to fostering a sustainable future through a structured, comprehensive, and forward-thinking approach.

Guided by our board-approved Sustainability Policy, Terms of Reference (TOR), and Environmental and Social Management Policy (ESMP), we have established a robust framework to integrate sustainability into every facet of our operations. This holistic approach ensures that we address environmental, social, and governance (ESG) considerations across our processes, infrastructure, employees, customers, and the broader society.



Siyapathen Mihikathata Initiative: Empowering Communities and Protecting the Environment

Under the theme "Siyapathen Mihikathata" (Sustainability for Tomorrow), we have launched a series of impactful environmental and social initiatives that reflect our dedication to creating a positive and lasting impact. These initiatives are designed to protect the environment, empower communities, and promote sustainable development.

Tree Planting Campaigns: During the opening of new branches, we engage in tree planting activities, symbolising our commitment to environmental restoration. These trees are carefully monitored to ensure healthy growth,

contributing to carbon sequestration and biodiversity conservation.

Community-Driven Cleaning Projects:

We actively collaborate with local communities to organise cleaning drives, protecting natural ecosystems and promoting environmental awareness.

Financial Literacy Initiatives:

We conduct financial awareness programmes to empower individuals and businesses with the knowledge to make informed financial decisions.

Inclusive Lending Practices:

Our lending processes prioritise women, youth, and micro, small, and medium-scale enterprises (MSMEs), ensuring that marginalised groups have access to financial resources and opportunities for growth.

Compliance and Responsibility: Building a Better Future

As a responsible financial institution, we align our sustainability efforts with the statutory requirements of the Central Bank of Sri Lanka (CBSL). However, our commitment to sustainability extends beyond mere compliance. It is an intrinsic responsibility to contribute to the well-being of the planet and society. By integrating ESG principles into our operations, we aim to build a better future for generations to come.

ESG Risk Rating System: Minimising Environmental and Social Impact

To ensure that our lending portfolio aligns with our sustainability goals, we have implemented a holistic ESG Risk Rating System. This system evaluates the environmental, social, and governance risks associated with each lending file, enabling us to make informed and responsible lending decisions. This system not only minimises ESG risk but also enhances the positive impact of our lending portfolio and helps reduce credit risk in lending files.

Green Portfolio and Financial Sustainability: Driving Climate Action

As a financial organisation, a key aspect of our sustainability strategy is maintaining a green portfolio to identify and support sustainable initiatives effectively. To achieve this, we have developed a systematic approach (LIME system) for identifying sustainability-related lending files. This system allows us to accurately classify and align lending activities with the CBSL Green Finance Taxonomy. Currently, we maintain a substantial green portfolio, with a strong focus on financing electric vehicles (EVs) and

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solar energy projects as part of our climate change mitigation strategy. To further enhance our impact, we are actively developing innovative financial products, including the Green Loan Product and Green Deposit Product.

Siyapathen Mihikathata Task Force: Driving Sustainability Across All Levels

To ensure the successful implementation of our sustainability initiatives, we have established the Siyapathen Mihikathata Task Force. This task force comprises board-level members, representatives from each department, and regional-level representatives. Their primary role is to oversee sustainability-related activities within the Company, identify regional-level grey areas, and ensure that all employees are aware of and actively participate in our sustainability efforts.

Environmental Stewardship and Resource Management: Leading by Example

At Siyapatha Finance, we recognise the importance of restoring and preserving natural resources. We have adopted best practices to minimise our environmental footprint and promote responsible resource management. Our energy consumption primarily comes from the national grid and company-owned vehicles. To optimise energy use, we conduct monthly monitoring and have implemented several efficiency initiatives.

We also centrally monitor water usage for operational and sanitation purposes, ensuring responsible consumption while minimising waste. In partnership with a recycling company, we have established a robust paper recycling programme, successfully recycling 4,700 kg of paper in the past year alone. Additionally, we have transitioned to

digital systems to promote a paperless work environment, further reducing our environmental impact.

Conclusion: A Sustainable Future for All

Through these collective efforts, Siyapatha Finance continues to uphold its commitment to sustainability. By integrating ESG principles into our operations, we ensure that our business practices contribute positively to the environment and society while maintaining financial responsibility. Our initiatives, from the Siyapathen Mihikathata campaign to the development of a green portfolio and resource management strategies, reflect our unwavering dedication to building a sustainable future for all.

As we move forward, we remain focused on innovation, collaboration, and continuous improvement, striving to set new benchmarks in sustainability within the financial sector. Together, we can create a world where economic growth and environmental stewardship go hand in hand, ensuring a brighter and more sustainable tomorrow.

Corporate Social Responsibility (CSR)

At Siyapatha Finance PLC, our Corporate Social Responsibility (CSR) initiatives are fundamental to our commitment to sustainable development and community empowerment. In 2024, we focused on high-impact projects centred on environmental sustainability, education, and community engagement, ensuring meaningful and lasting contributions to society.

A key highlight of our environmental initiatives was the Sri Pada Cleaning Project, conducted in conjunction with World Environment Day. Despite challenging weather conditions,

our staff demonstrated unwavering dedication to the principle of "Siyapathen Mihikathata," collecting nearly a ton of plastic, polythene, and other waste for responsible recycling. This effort reinforced our commitment to environmental conservation and responsible waste management.



Additionally, our Branch Cleaning Project successfully reached 37 locations across the country, including key public spaces, religious sites, and community areas. Collaborating with local authorities and community members, we ensured the effective execution of these clean-up drives, furthering environmental awareness and contributing to the well-being of the communities we serve.

Education remains a cornerstone of our CSR strategy. In 2024, Siyapatha Finance made significant contributions to schools in Akkaraipattu, Nawalapitiya, Valaichchanai, and Matugama. We provided essential resources such as personal computers (PCs),

photocopiers, and western band uniforms in an effort to enhance digital learning and extracurricular opportunities. Furthermore, we supported infrastructure development by funding the construction of an access road at a school in Badulla, improving accessibility for students and promoting a more conducive learning environment.

Our community initiatives have been focused on strengthening social cohesion and preserving cultural heritage. Notable actions included supporting the Gangarama Temple's annual Perahera, providing 'No Parking' signage to the Gandara Police Station for crowd management during the Devinuwara Esala Perahera, and donating a PC to the Ratnapura Police Station to enhance operational efficiency. These initiatives underscore our commitment to preserving cultural heritage and improving public services.

As we look to the future, Siyapatha Finance remains committed to driving sustainable and impactful CSR initiatives. Through continued collaboration with stakeholders, we aim to promote long-term environmental conservation, educational empowerment, and community well-being, ultimately contributing to a more inclusive and sustainable future for all.

HUMAN CAPITAL

Siyapatha Finance PLC is deeply committed to empowering and transforming our workforce. In the face of challenges, our team's dedication remains the foundation of our strength and adaptability, allowing us to overcome obstacles with resilience and determination. We recognise the invaluable contribution of our employees and are dedicated to fostering an environment that rewards their efforts while cultivating

their individual talents, supporting their growth both personally and professionally.

At Siyapatha Finance PLC, we are committed to fostering a dynamic and inclusive corporate culture that values diversity. In 2024, we took meaningful steps in this direction by creating over 260 new job opportunities, with 45% of these positions based outside the Western Province. Furthermore, 38% of our new hires were female, underscoring our dedication to promoting gender diversity and equality in the workplace.

Gender	No. of Staff
Female	336
Male	631
Total	967

Age Group	Total
Below 30Yrs.	412
30 Yrs. to 40 Yrs.	393
40 Yrs. to 50 Yrs.	129
Above 50 Yrs.	33

Category	No. of Staff
Assistant	239
Junior Executive	234
Executive	279
Senior Executive	93
Assistant/ Deputy Manager	60
Manager	47
Senior Manager	10
Corporate Manager	4
Managing Director	1

Recruitment Process and Employee Retention

At Siyapatha Finance PLC, our recruitment process is based on rigor, transparency, and a focus on selecting the best talent for our team. Despite economic uncertainties and

shifting market conditions, we have implemented robust measures to attract, hire, and retain top talent. Our internal recruitment team, composed of certified professionals, taps into diverse talent pools to identify the ideal candidates for each role. We follow a merit-based selection process that includes competency assessments and interviews conducted collaboratively by HR and department heads. To ensure the integrity of the hiring process, we perform comprehensive due diligence, including credential verification. New hires also undergo a mandatory probationary period of at least six months, during which their performance is assessed to determine their eligibility for permanent employment.

Despite challenging market and economic conditions, we are committed to fostering strong employee retention. We understand that retaining exceptional talent is a critical factor in ensuring the long-term success of our organisation, particularly in uncertain times. To support this, we have implemented a comprehensive suite of strategies aimed at boosting retention, enhancing loyalty, and fostering an engaged workforce. Our approach is centred on several core initiatives that create a supportive and rewarding environment for our employees:

1. Compensation and Recognition:

Siyapatha offers competitive compensation packages aligned with industry standards, along with recognition programmes, annual salary increments, and revamped incentives to celebrate performance.

2. Professional Development and Growth:

We invest in our employees' career growth through internal promotions, leadership training,

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and skill-building workshops. Our Industrial Placement programme provides valuable experience to young undergraduates, with many transitioning into permanent roles. We also offer external training, certifications, and access to industry events to keep employees ahead in their fields.

3. Communication and Active Involvement:

Open communication is key to our employee engagement. We keep employees informed, celebrate milestones, and involve them in decision-making. Regular review meetings and focus group discussions ensure that feedback is valued and that everyone’s voice is heard.

4. Employee Well-being:

We prioritise employee well-being through comprehensive health programmes, including mental health support, medical check-ups, and flexible policies. Wellness activities such as yoga, fitness challenges, and team-building retreats promote a healthy work-life balance and foster camaraderie.

5. Technological Advancements:

We equip employees with cutting-edge tools and continuous learning opportunities through cross-training, digital learning exposure through our LMS and CFTs. Collaborative platforms streamline communication and ensure teams stay ahead of technological innovations, driving productivity and seamless teamwork.

6. Workplace Flexibility

Our flexible working arrangements, including flexible hours, support a healthy work-life balance. This will foster engagement and job satisfaction while retaining top talent.

7. Diversity, Equity, and Inclusion:

Siyapatha promotes a diverse and inclusive workplace, ensuring equal opportunities and respect for all employees. Our diversity initiatives, including training and diverse hiring practices, help create a culture where everyone can thrive and contribute to mutual respect.

8. Employee Engagement and Social Responsibility:

We encourage employee participation in CSR initiatives, offering opportunities to volunteer for social causes. These activities foster team spirit and provide a sense of purpose, aligning business goals with positive community impact.

9. Sustainable Work Practices:

Committed to sustainability, we implement environmentally friendly practices such as energy-efficient office spaces, green office practices, and paperless initiatives. Our culture of sustainability engages employees in reducing our environmental footprint, fostering a shared responsibility towards a greener future.

Performance Management Systems

At Siyapatha Finance PLC, cultivating a performance-driven culture is key to our organisational success. Our transparent Performance Management System (PMS) enables employees to thrive and accomplish both personal and company objectives. The system is built on two key models: Probationary evaluations for new hires and annual or bi-annual reviews for permanent staff. By employing a mix of 180-degree and 360-degree assessments, we gather comprehensive feedback to drive continuous improvement. Our PMS aligns individual development

with the overall success of the organisation, ensuring that every employee’s contribution is acknowledged and appreciated.

Training and Development Initiatives

At the core of Siyapatha Finance PLC’s success is our commitment to employee growth and development. In 2024, we significantly expanded and enhanced our training initiatives to ensure our team has the skills and knowledge required to thrive. Our approach begins with a comprehensive assessment of training needs at the organisational, departmental, and individual levels. We offer a diverse range of internal and external training programmes, including orientation sessions, Skill Development programmes (technical and soft skills), internal workshops, external workshops and courses, and familiarisation programmes. To support ongoing development, we also provide regular evaluations and re-orientations, helping employees continue to grow throughout their careers.

In 2024, a total of 115 training programmes were conducted, comprising 75 internal sessions and 40 external programmes. These covered a wide range of topics, including technical skills, leadership development, soft skills, and industry-specific knowledge. By investing in continuous learning and upskilling, we ensure our team remains competitive and well-prepared for the ever-changing business landscape.

Total no of technical skill training programmes	107
Total no. of soft skill training programmes	8



Succession Planning and Leadership Development

At Siyapatha Finance PLC, succession planning and leadership development are pivotal components of our comprehensive talent management strategy. We recognise that the ability to effectively transition and promote skilled leaders is crucial for maintaining organisational stability and fostering long-term growth. Therefore, we are committed to identifying, nurturing, and developing high-potential individuals to fill critical leadership roles seamlessly.



Our succession planning framework is designed to ensure that we are continuously prepared for leadership transitions. It includes the implementation of Individual Development Plans (IDPs), which provide personalised development pathways for high-potential employees, and Management Development Plans (MDPs) to cultivate the next generation of senior management. Additionally, our Young Leaders' Development Programmes are specifically tailored to identify and train emerging talent, equipping

them with the skills, knowledge, and experience needed to succeed in leadership positions.

By proactively focussing on succession planning and leadership development, we create a pipeline of highly capable leaders who are ready to take on strategic roles within the organisation. This approach not only ensures leadership continuity but also strengthens our ability to adapt to changing business needs and sustain growth in an increasingly competitive environment. Ultimately, our commitment to developing internal leaders is an investment in the future success and stability of Siyapatha Finance PLC.

Employee Benefits

Siyapatha Finance PLC is committed to supporting the well-being and financial security of our employees. To empower our workforce and ensure they have the necessary resources to thrive, we offer a comprehensive array of employee benefits, including:

- Medical reimbursement: Coverage for hospitalisation is provided for employees and their immediate family members.
- Expense reimbursement: Employees who meet set targets are reimbursed for travel, meal, and accommodation expenses.
- Death donation scheme: In the unfortunate event of a death

within the Siyapatha team or an employee's family, financial assistance is provided to support their loved ones.

- Distress loan policy: Financial assistance is available to employees facing challenging circumstances, such as medical expenses or natural disasters.
- Staff vehicle lease policy: Employees, depending on their job category, are eligible to lease vehicles, including two-wheelers and four-wheelers.
- Additional benefits: These include maternity benefits, membership subscriptions, medical campaigns, insurance coverage, and staff loan facilities.

Work-Life Integration at Siyapatha

At Siyapatha, we prioritise the philosophy of "striving for a balanced life, where work supports personal fulfilment, not consumes it". While we are committed to guiding our talented workforce toward achieving business goals, we also recognise the importance of personal and family commitments. To support this, we have established a range of policies that promote work-life balance and enhance the overall well-being of our employees. These policies include the Attendance and Leave Policy; Occupational Health and Safety Policy; Transfer, Secondment, and Job Rotation Policy; Learning and Development Policy; and Work-from-Home Policy. By implementing these policies, we aim to foster an inclusive and supportive work environment where employees can thrive both personally and professionally.

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Employee Engagement Activities Conducted in 2024

During 2024, Siyapatha remained dedicated to cultivating a positive and engaging workplace culture by implementing various employee engagement initiatives. These activities promoted teamwork, celebrated cultural diversity, and supported the overall well-being of our employees. Notable highlights from these initiatives include:

1. 1st January Official

Celebrations: Siyapatha commenced the year with official celebrations aimed at fostering positivity and strengthening camaraderie, with events held at our Headquarters and across all branches nationwide.



2. Establishment of Siyapatha Finance Sports Club:

The establishment of the Siyapatha Finance Sports Club promotes a healthy, active lifestyle among employees. It provides opportunities for physical activities, fosters teamwork, and enhances overall well-being, while contributing to a positive work-life balance and strengthening employee camaraderie.

3. Region-wise Cricket

Tournaments: Region-based friendly cricket matches were organised to promote camaraderie and sportsmanship among participants.



- 4. Poson Dansela:** On 20th June 2024, we hosted a 'Paan Dansela' to celebrate Poson. This event, organised by a team from diverse cultural and religious backgrounds, highlights the spirit of cultural co-existence at Siyapatha.



- 5. Champions' Night:** Champions' Night 2024 was a special occasion dedicated to recognising and celebrating the outstanding performances of our champions. The event honoured the women's cricket team and other title holders from the FHA Sports Festival 2023. It was an evening of appreciation, where their hard work, dedication, and achievements were acknowledged, highlighting their exceptional contributions to Siyapatha's sporting culture.

6. Medical Health Campaigns:

Medical health campaigns were organised with a focus on evaluating the health status of our employees. The eye care campaign was fully sponsored by a renowned eye care service

provider. It offered employees the opportunity to receive eye check-ups and expert advice, ensuring that their vision and overall health were prioritised. Additionally, a medical check-up campaign was organised for the management team to assess their health status. These initiatives demonstrate our commitment to employee well-being and promote proactive health management.



- 7. Siyapatha Women's Day:** On 8th March, we hosted a workshop themed "Inspiring Inclusivity: Rise, Shine, Thrive – Women Lead the Way" to celebrate and empower our female employees. The initiative provided tools and resources for their personal well-being and professional growth, with a focus on gender equality. Open to all female staff both in-person and virtually, the workshop aimed to inspire women at Siyapatha to rise, shine, and thrive as leaders in all aspects of life.



- 8. Siyapatha Vesak:** In celebration of Vesak, we organised a creative competition within Siyapatha based on the theme "Samaramu Bathiyen Themagul Asiriya."

Employees showcased their creativity by sharing poems (kavi/nisades), bathi gee, Vesak decorations, and videos on the FB Team Lotus page. The post with the most reactions was awarded, encouraging cultural expression and fostering community spirit within the organisation.



9. Father's Day Event: In honour of the dedicated fathers, we hosted a special Father's Day event on 16th June 2024. This initiative recognised the invaluable contributions of fathers both at work and at home, celebrating their role in fostering work-life balance and promoting family values. To further engage our employees, we organised a competition encouraging creative expressions such as write-ups, poems, "kavi nisades", songs, and videos dedicated to fathers. This initiative not only celebrated fatherhood but also aimed to highlight the importance of supporting employees in all aspects of their lives, fostering a nurturing and inclusive work environment.

10. Enhancing Operations with 5S and ISO 9001: Considering the Company's ongoing transformation, significant process enhancements have been initiated through the adoption of 5S, officially inaugurated under the theme "Haritha Siyapatha". This initiative is designed to streamline operations,

improve efficiency, and create a more organised work environment in alignment with Vision 2028. Additionally, Siyapatha is taking a further step by embracing a process-oriented approach in its operational activities as it moves toward the ISO 9001 certification. This transition reflects our commitment to continuous improvement, quality management, and the overall enhancement of our organisational processes, ensuring improved customer satisfaction and long-term success.



11. Siyapatha Night: To provide employees with an opportunity to unwind and connect outside of work, we hosted a staff get-together at Cinnamon Life, "City of Dreams", Colombo, on 14th November 2024. The evening was made even more special by the presence of renowned entertainers from across the country, adding excitement and glamour to the event.



12. Puzzle Competition: As a teaser for the upcoming Siyapatha Night, we organised a Puzzle Competition where participants had to solve a jumbled image to reveal the location of the event. The first 10 participants who successfully pieced together the

image and identified the event location were awarded prizes. This fun and engaging activity added an element of excitement and anticipation leading up to Siyapatha Night.

13. Launch of the Siyapatha Finance Digital Learning Academy: A transformative step towards empowering our employees with the knowledge and skills needed to thrive in today's digital world. This initiative aims to provide easy access to high-quality, on-demand learning resources, enabling continuous development across various domains. By embracing digital learning, Siyapatha is reinforcing its commitment to employee growth, fostering innovation, and ensuring a culture of lifelong learning that will drive our success in the future.



14. Siyapatha Christmas: To spread holiday joy and encourage creativity, we organised a festive Siyapatha Christmas Event. A competition was held to select the best-decorated department or branch, based on the most reacted post on the FB Team Lotus page. A Secret Santa event was also arranged, allowing staff across all departments and branches island-wide to exchange gifts. The highlight of the event was Siyapatha's Kids Christmas Carols, where the children of our staff performed Christmas carols, bringing happiness and engaging everyone in the true spirit of Christmas.

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These activities offered opportunities for both relaxation and enjoyment, while also enhancing team cohesion and boosting employee morale.

HR Achievement & Accolades

1." Best Employer Brand Award 2024"

In 2024, the Siyapatha HR Department proudly received the Best Employer Brand Award at the 19th Employer Branding Awards, hosted by the Employer Branding Institute, India and the UK. This recognition highlights our commitment to fostering a positive and empowering workplace. Our continued focus on employee engagement, talent development, diversity, and work-life balance has positioned us as an industry leader in creating a supportive and dynamic work environment. We remain dedicated to attracting, nurturing, and retaining top talent as we continue to strengthen our employer brand in the years ahead.



2. Top Most HR Leaders – Sri Lanka and Top HR Icon Award

The CHRO of Siyapatha, Mr. Prasad Udugampola, was awarded the prestigious "Top Most HR Leaders

– Sri Lanka" award. This accolade is endorsed by CHRO Asia, with certification provided by the World Federation of HR Professionals.

In addition to receiving this honour, Mr. Udugampola was invited to serve as a distinguished speaker at the 23rd Edition of the Asia Pacific HRM Congress & Awards, held on 19th September at the Taj MG Road in Bengaluru. He was invited to take part as a panellist addressing the critical topic of "Navigating the AI-Powered Workforce".



Challenges in the HR Space and Company Strategies

In 2024, managing human resources continued to present complex challenges for organisations worldwide. As businesses faced evolving demands in talent acquisition, retention, compliance, diversity, and employee well-being, it becomes increasingly important to implement forward-thinking strategies to ensure workforce sustainability and organisational growth. At Siyapatha, we remained committed to overcoming these challenges through targeted and strategic HR initiatives that support both our employees and organisational goals.

● Strategic Talent Acquisition and Retention

Siyapatha attracts and retains top talent by promoting a strong organisational culture, offering competitive compensation, and providing clear career growth opportunities. We streamlined recruitment with AI

tools, prioritised internal talent development, and introduced flexible work options to boost employee satisfaction and retention.

● Diversity, Equity, and Inclusion (DEI) Initiatives

Siyapatha is committed to diversity and inclusion, launching programmes to improve representation and provide training on unconscious bias and leadership for underrepresented groups. Our goal is to create an inclusive workplace where all employees feel valued and empowered.

● Work-Life Balance and Flexible Work Arrangements

Siyapatha has expanded work-life balance programmes with transfers, flexible hours, and wellness initiatives. We have also implemented technology solutions to enhance collaboration and ensure efficient performance, regardless of location.



● Adapting to Compliance and Regulatory Changes

Siyapatha ensures compliance with evolving labour laws through regular policy reviews and the adoption of advanced HR technology systems. Our compliance team collaborates with legal experts to align HR practices with local and global standards, minimising legal risks.

- **Employee Well-being and Mental Health Support**

Siyapatha introduced comprehensive mental health support programmes including confidential counselling, the "Speak Up" platform, and awareness workshops on stress management and wellbeing. We also expanded our benefits package to offer more flexible options, addressing the diverse needs of our employees.

- **Skills Development and Future-readiness**

In 2024, Siyapatha made significant investments in skills development by expanding learning programmes, including digital upskilling, leadership training, technical skills development programmes and soft skills workshops. Through partnerships with educational institutions, reputed professionals, and e-learning platforms, employees gain access to diverse training programmes to bridge the skills gap and stay competitive in a rapidly evolving business environment.

- **Leadership Development Programmes**

Siyapatha continues to invest in leadership development through tailored programmes that identify and nurture emerging leaders. In 2024, we expanded our leadership pipeline with mentorship, executive coaching, and strategic project exposure to equip leaders with the skills to manage change, inspire teams, and drive innovation.

By proactively addressing these challenges, Siyapatha Finance is committed to cultivating a supportive and inclusive work environment that fosters the growth and well-being of its employees.

Key HR Initiatives Introduced in 2024

In 2024, Siyapatha reinforced its commitment to innovation and employee well-being by introducing several impactful initiatives:

- **Establishment of Siyapatha Digital Learning Academy:** Creating an accessible platform for employees to enhance their skills and knowledge.
- **Formation of CFT for Technological Advancement:** Assembling a dedicated team focused on driving technological innovation and process improvements across the organisation.
- **HR as a Business Partner:** Cultivating a cost-conscious culture by facilitating knowledge-sharing sessions and improving internal communications.
- **Cost-Saving Awareness Programmes:** Educating employees on cost-saving strategies and promoting resource conservation throughout the organisation.
- **Healthcare Initiatives by HR:** Offering comprehensive information and support on healthcare-related matters to ensure employees' well-being.
- **Health and Safety Best Practices:** Ensuring adherence to health and safety guidelines to maintain a safe working environment for all employees.
- **HR as a Portal of Open Communication:** Acknowledging and celebrating staff achievements and contributions, fostering a positive workplace culture.

- **Formation of Teams for 5S and ISO Standards:** Establishing specialised teams to maintain operational excellence and compliance with industry standards.

- **Community Engagement and Social Responsibility Programmes:** Actively participating in initiatives that give back to the community and support local causes.

- **Continuous Employee Feedback Mechanism:** Implementing regular feedback channels to ensure ongoing communication and engagement with staff.

Way Forward for the Future

As we look ahead, Siyapatha Finance PLC is poised to undergo a significant transformation in its HR practices, continuing to harness emerging technologies and data-driven strategies to address evolving challenges and capitalise on new opportunities. Our focus is on developing a forward-thinking, innovative workforce that is agile, well-equipped, and ready to meet the demands of an increasingly complex business environment.

Key strategic areas for development include:

- **Automation, Digitisation, and Process Engineering:** We will deepen our integration of automation and AI-powered systems to drive further improvements in efficiency, reduce manual processes, and enhance HR service delivery.
- **Focus on Employee Experience:** Expanding programmes that directly enhance employee satisfaction, engagement, and well-being, we will continue to foster a positive work environment where employees feel valued and empowered to succeed.

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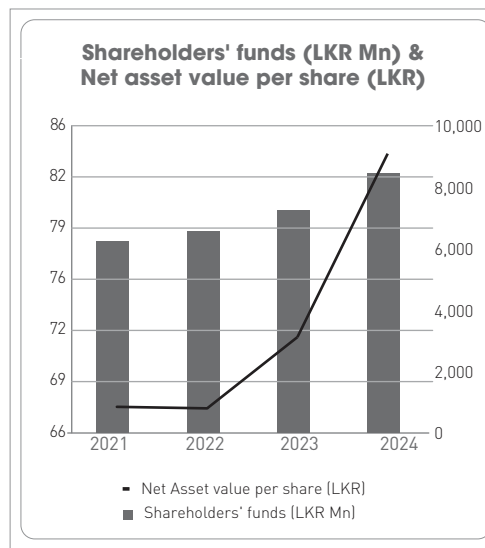
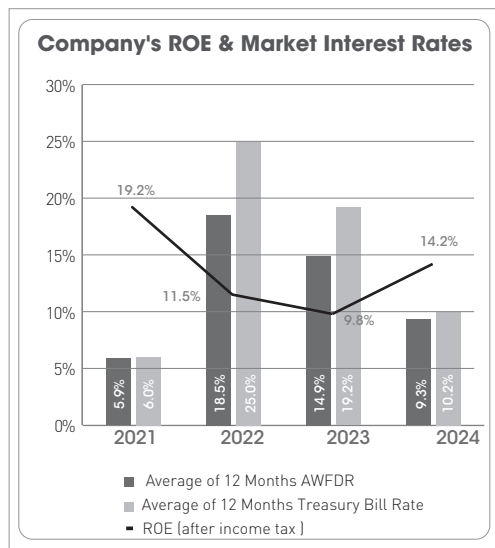
- **Data-Driven Decision-Making:** The use of predictive analytics will be integral to our decision-making, allowing us to forecast HR trends, identify skill gaps, and optimise talent management strategies.
- **Remote Work and Virtual HR:** In response to ongoing demand, we will further refine HR policies to effectively manage remote and hybrid teams, offering more tailored virtual HR solutions that ensure seamless collaboration and productivity.
- **Diversity, Equity, and Inclusion (DEI):** Siyapatha will intensify its DEI efforts by establishing measurable goals, implementing targeted training, and creating platforms that give underrepresented groups a voice within the organisation.
- **Agile Workforce Management:** Adapting to the rapidly changing market, we will introduce flexible staffing models with the utilisation of contingent workers and part-time talent to ensure agility in responding to shifting business needs.
- **Enhanced Learning and Development:** Expanding our commitment to upskilling, we will introduce micro-learning programmes, personalised learning paths, and mentorship opportunities, leveraging digital platforms to support continuous development.
- **Mental Health and Well-being Support:** To further enhance employee well-being, we will introduce holistic wellness programmes including financial well-being initiatives, mental health days, and mindfulness practices to ensure comprehensive support.
- **Strategic Workforce Planning:** We will implement predictive workforce planning strategies, aligning talent acquisition, development, and retention with long-term organisational goals, ensuring we are prepared for future challenges.
- **Ethical AI and People Analytics:** As we embrace AI tools in HR, we will focus on ethical data use, ensuring that our analytics-driven decisions maintain fairness, transparency, and privacy protection.
- **Innovative Employee Engagement:** Building on previous initiatives, we will explore new engagement methods such as gamification, virtual team-building activities, and employee-driven innovation programmes to encourage collaboration and creativity.
- **Crisis and Change Management:** Strengthening our ability to respond to change, we will implement adaptive leadership training and a robust framework for managing disruptions, enabling us to quickly pivot in times of crisis.
- **Sustainability and Green Practices:** Committed to corporate responsibility, we will integrate sustainability into HR processes by promoting green office initiatives, reducing our carbon footprint, and aligning our workforce practices with environmental goals.
- **Employee Advocacy and Employer Branding:** We will focus on strengthening our employer brand, positioning Siyapatha as a top employer by promoting employee success stories, creating recognition platforms, and implementing robust employee advocacy programmes.
- **Digital Transformation in HR:** We will implement next-generation HR technologies including an integrated Human Resource Information System (HRIS) and AI-driven performance management tools to enhance talent development, streamline HR operations, and foster a more agile workforce.
- **Global Talent Management:** With a broader global outlook, we will focus on attracting, developing, and retaining international talent, promoting cross-cultural collaboration and building diverse teams that reflect the global nature of our business.
- **Corporate Social Responsibility (CSR) and Volunteering Programmes:** Siyapatha will expand CSR initiatives by offering employees paid time off for volunteering, supporting social enterprises, and promoting community involvement to make a positive impact beyond the workplace.

As we embark on the future, Siyapatha Finance PLC remains committed to building a future-ready workforce that thrives on innovation, collaboration, and inclusivity. By continuously adapting to the changing business environment, investing in employee development, and fostering a culture of responsibility, we are confident that we will achieve sustained success and create lasting value for our employees, customers, and communities.

INVESTOR INFORMATION

Value Creation for Shareholders	2024	2023	Change %
Net asset value per share (LKR)	84.18	72.23	16.5
Earnings per share (LKR)	11.98	7.07	69.5
Dividend per share (LKR)	0.12	0.07	71.4
Dividend payout ratio (%)	1.00%	1.00%	-

The board of Directors have recommended a script dividend of Rs. 0.12 per share on 100,421,363 ordinary shares, totaling to Rs. 12.05 Mn subject to approval of Shareholders of the Company.



INFORMATION ON SHARES

	31-12-2024		31-12-2023	
	Number	LKR	Number	LKR
Ordinary Shares	100,421,363	2,872,846,360	100,329,537	2,866,876,754
Total	100,421,363	2,872,846,360	100,329,537	2,866,876,754

Shareholders' list as at 31 December 2024

Name	No: of Shares	% Holding
(01). Sampath Bank PLC	100,421,356	100.00%
(02). Mr.PS.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%
	100,421,363	100.00%

INVESTOR INFORMATION

PUBLIC HOLDINGS

The percentage of ordinary shares held by the public as at 31 December 2024 was 0%. Directors' / MD's Holding in Shares as at 31 December 2024.

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

	31-12-2024				31-12-2023			
	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%	100,421,356	100.00%	1	12.50%	100,329,530	100.00%
	8	100.00%	100,421,363	100.00%	8	100.00%	100,329,537	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
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
2024	Final Scrip Dividend for 2023	1 for 1092.60	91,826	65.02	5.97	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 2024.

INFORMATION ON LISTED DEBENTURES

(i).Market Values

	Highest (LKR)		Lowest (LKR)		Period End (LKR)	
	2024	2023	2024	2023	2024	2023
Debentures-2021 /2026	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded	Not Traded
Debentures-2024/2029	Not Traded	N/A	Not Traded	N/A	Not Traded	N/A

(ii).Interest Rates

	2024		2023	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Debentures -2021 /2026	9.46%	9.46%	9.46%	9.46%
Debentures-2024/2029	13.20%	13.20%	N/A	N/A

(iii).Interest rates of comparable Government Securities

	31-12-2024	31-12-2023
6 months treasury bill	8.77%	13.85%
1 year treasury bill	8.96%	12.75%
5 year treasury bond	10.75%	13.75%

(iv).Current Yield & Yield to maturity

	2024		2023	
	Current Yield (%)	Yield to Maturity (%)	Current Yield (%)	Yield to Maturity (%)
Debentures Issued-September 2021 5 year Fixed rated(9.46% p.a. payable annually)	Not Traded	Not Traded	Not Traded	Not Traded
Debentures Issued-June 2024 5 year Fixed rated(13.20% p.a. payable annually)	Not Traded	Not Traded	N/A	N/A

(v).Ratios

	31-12-2024	31-12-2023
Debt to Equity Ratio (Times)	2.07	1.12
Interest Cover(Times)	1.40	1.17
Quick Asset Ratio (%)	116.06%	91.92%

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 AND 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 ACMAuk), 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 sustainable 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 is a member of the Board Audit Committee, the Board Integrated Risk Management Committee, the Board Human Resources and Remuneration Committee and the Board Nomination Committee, which he Chaired until 24th September 2024.



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 Chairman of Sampath Information Technology Solutions (Pvt) Ltd w.e.f. 1st January 2025 and the Deputy Chairman of Sampath Bank PLC, 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 Director of Sampath Center Limited and Non-Independent Non-Executive Director of Serendib Finance Limited.

MEMBERSHIP OF BOARD SUBCOMMITTEES:

He is a Member of the Board Nomination Committee.



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 Jayewardenepura 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 Director/Chief Executive Officer in 2015.

CURRENT APPOINTMENTS:

Director / Member of the Council of Management of the Finance Houses Association of Sri Lanka and Board Member of the Credit Information Bureau of Sri Lanka (CRIB).

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. Chairman of Finance Houses Association of Sri Lanka from 2022 to 2024. In addition, he served as ex-officio member of the Stakeholder Engagement Committee (SEC) of the Central Bank of Sri Lanka (CBSL) till 31st December 2024.

MEMBERSHIP OF BOARD SUBCOMMITTEES:

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

BOARD OF DIRECTORS



MR. JANAKAN SELVARATNAM

Non-Independent Non- Executive Director

APPOINTED TO THE BOARD AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR ON 18TH DECEMBER 2018.

QUALIFICATIONS, SKILLS & EXPERIENCE:

In his last role, a career spanning 25 years with Citibank N.A., Sri Lanka, he was the Vice President heading the Local Corporate Bank & Public Sector for the Sri Lankan franchise. The scope of his responsibilities included the managing of client portfolios in corporate, multinational, non-banking financial and public sector segments. In addition, he has wide spread experience in corporate governance, compliance, credit and risk management and banking operations. Whilst at Citibank N.A he was a member of the Bank's Management Committee and served on the Assets & Liability Committee, Bank's Integrated Risk Management Committee and the Credit Committee. He has received extensive training and exposure under the bank's executive development and leadership programs. 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 development and consultancies in the Banking, Non-Banking Financial Institutions, Insurance Brokerage and Corporate Sectors.

CURRENT APPOINTMENTS:

He serves as an Independent Non-Executive Director of Palm Garden Hotels PLC and Eden Hotel Lanka PLC w.e.f. 1st January 2025. He also 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.



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 M/s. Ernst & Young Chartered Accountants, Colombo. At Ernst & Young, he was designated as the Investigation Manager, which was a key position involved in investigations and Internal /External 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 Bank 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 to comply with the CBSL directions.

Mr. Gunawardena 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 Pan Asian 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 IN BOARD SUBCOMMITTEES:

He is a member of the Board Nomination Committee, was appointed as its Chairman w.e.f. 24th September 2024, and serves as the Chairman of the Board Human Resources and Remuneration Committee, Board Related Party Transactions Review Committee of the Company. Additionally, he is a member of the Board Information Technology Committee.

BOARD OF DIRECTORS



MR. SHIRAN PERERA

Non-Independent Non-Executive Director

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

QUALIFICATIONS, SKILLS & EXPERIENCE AND FORMER APPOINTMENTS:

He counts over 25 years of corporate experience in 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 - Ceylinco Group, Chief Executive Officer - Blue Chip

Customer Engineering and Country General Manager - Hewlett Packard. He was a Director of Hewlett Packard Lanka (Pvt) Ltd.

CURRENT APPOINTMENTS:

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

MEMBERSHIP OF BOARD SUBCOMMITTEES:

He serves as the Chairman of the Board Information Technology Committee and a member of the Board Credit Committee and Board Integrated Risk Management Committee



MS. SRIYANI RANATUNGA

Independent Non - Executive Director

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

QUALIFICATIONS, SKILLS & EXPERIENCE:

A Fellow Member of The Chartered Institute of Management Accountants, UK (FCMA-UK), Chartered Global Management Accountants (CGMA) and holds an MBA from Postgraduate Institute

of Management, University of Sri Jayewardenepura. She holds a MA in Economics from the University of Colombo. She is 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 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 SUBCOMMITTEES:

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

**MR. LAKNATH JAYAWICKRAMA**

Independent Non-Executive Director

APPOINTED TO THE BOARD AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR ON 29TH JANUARY 2024.

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 Defense 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 a 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). He is also a Commission Member of the Securities & Exchange Commission of Sri Lanka.

MEMBERSHIP OF BOARD SUBCOMMITTEES:

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



Mr. Kapila Jayasinghe
Head of Internal Audit



Ms. Arosha Berugoda
Company Secretary

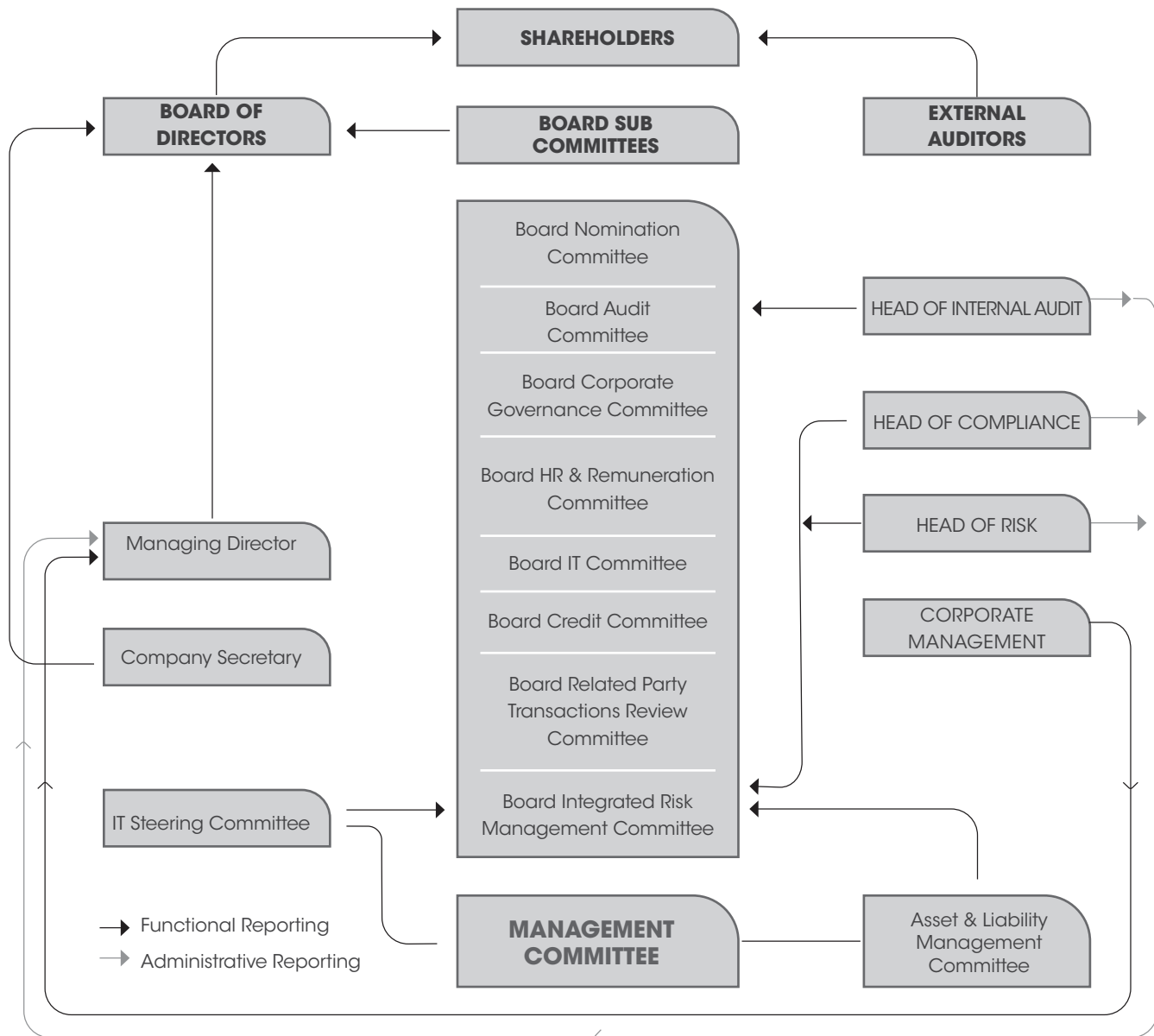
CORPORATE GOVERNANCE REPORT

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.

GOVERNANCE STRUCTURE



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 135 to 154.

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

Siwapatha 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 157 to 164 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 44 to 80 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.	<p>The Board-approved Strategic Business Plan for 2024–2026 is in place, ensuring alignment with the Company's objectives. The Board and the Management are fully aware of the strategic objectives and the Company's values, which have been effectively communicated across the Company.</p> <p>Additionally, the Strategic Plan for 2024–2026 has been approved by the Board and is now established, ensuring continuity and alignment with the Company's vision.</p>
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.	<p>The Board approved Strategic Plan for 2024-2026 and projected financial statements/budget for the year 2024 are in place.</p> <p>The Board measures corporate performance against predetermined goals. The Company's Strategic Plan for 2024-2026 includes measurable goals for the next three years.</p>

Section	Corporate Governance Principle	Compliance
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.
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.</p> <p>The Chairman and Managing Director positions are held by separate individuals. The roles of the Chairman and the Managing Director are clearly distinct from one another. The Board has clearly documented, defined and separated the functions of the Chairman and the Managing Director thereby preventing unfettered powers of 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.</p> <p>The Chairman is responsible for leading the Board and ensuring its effectiveness.</p> <p>The Managing Director's role is primarily to conduct the business operations of the Company with the help of Corporate Management.</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>

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Section	Corporate Governance Principle	Compliance
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 2024 - 2026.
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.
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.

Section	Corporate Governance Principle	Compliance
1.5.b	All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess with knowledge, expertise and experience in different business sectors which has added value to the Company and their diversity of experience brought about better judgment in matters relating to strategy, performance and resources. The Profiles of the Directors are on pages 36 to 41
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 Finance Business Act Directions No. 05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka, the Board of Directors, Chief Operating Officer, Chief Marketing Officer, Chief Human Resources Officer, Chief Financial Officer, Head of Risk, Head of Compliance, Head of Internal Audit and the Company Secretary, have been identified as Key Responsible Persons (KRPs).
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.

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Section	Corporate Governance Principle	Compliance
1.6.d	Ensuring there is an appropriate oversight of the affairs of the Company by senior management.	<p>To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the Managing Director.</p> <p>To ensure better management, development, and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview.</p>
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.	The Board has adopted a governance framework in line with regulatory requirements to ensure that the company does not engage in any actions that are detrimental to any of its stakeholders.
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.

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	The Board consists of nine Directors in accordance with the regulatory requirement during the year under review. 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. P L C Jayawickrama
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 Non-Executive Directors are less than nine (9) years during the year under review.

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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 ($\frac{1}{4}$) of the total number of directors of the Board.	In 2024 no such circumstance transpired.
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 ($\frac{1}{3}$) 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 2024, 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.	The Managing Director has a clear functional reporting line in place within the organizational structure of the company.

Section	Corporate Governance Principle	Compliance
3.5.e	The executive directors are required to report to the Board through CEO.	The Managing Director reports to the Board and his performances are evaluated by the Board.
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. The Profiles of the Directors are on pages 36 to 41.
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 36 to 41 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 possess the highest caliber, professional qualifications, a proven track record, and sufficient experience in their respective fields. The Profiles of the Directors are on pages 36 to 41.
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 2024, 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 2024, no such circumstance transpired.

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Section	Corporate Governance Principle	Compliance
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 2024, 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 2024, 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 2024, no such circumstance transpired.
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the Company;	In 2024, 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 2024, no such circumstance transpired.
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 2024, 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 2024, 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 2024, no such circumstance transpired.

Section	Corporate Governance Principle	Compliance
3.8	Alternate Directors	There were no Alternate Director appointments.
3.8.a	Representation through an alternate director is allowed only if,	
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 2024, no such appointments were made.
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.	

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Section	Corporate Governance Principle	Compliance
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 2024.
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 2024, 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 has appointed Directors in accordance with the policy on Selection, Nomination, Appointment and Election of Directors in line with the Finance Business Act Direction No. 6 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,	There are no Directors who are over seventy (70) years of age.
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 2024 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 2024, 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 2024, 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 2024, 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.
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.	No such situation has arisen during the year 2024

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Section	Corporate Governance Principle	Compliance
6.4	Responsibilities of the Chairperson	<p>Chairman's key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled.</p> <p>Company Secretary prepares the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman.</p> <p>The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers.</p> <p>The Chairman does not engage in activities involving the direct supervision of senior management or any day-to-day operational activities.</p>
	The responsibilities of the chairperson shall at least include the following:	
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.	
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.	

Section	Corporate Governance Principle	Compliance
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>The Board meetings are regularly held in monthly interval. The Board met 14 times during the financial year 2024.</p> <p>The Board approval was obtained via circular at 13 instances and those were ratified by the Board at the subsequent Board Meeting.</p>
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for schedule board meetings.	The Board ensures that all proposals by directors are included in the agenda.

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Section	Corporate Governance Principle	Compliance
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 and Subcommittee meeting calendar is scheduled at the end of the previous year enabling the Board of Directors to attend meetings. The Directors are given notice minimum of 3 days for regular Board Meetings.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	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 2024, 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.	Two meetings were conducted exclusively with the participation of Non-Executive Directors, without the presence of Executive Directors.
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 2024, none of the directors has been absent for three consecutive meetings. Details of the Director's attendance are set out on page 110 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.	The attendance of the Directors are on page 110. The Directors participation through electronic media has been recorded in the minutes. Please refer 'Directors' Attendance and Committee Memberships' table given on page 110 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes.

Section	Corporate Governance Principle	Compliance
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.	M/s P W Corporate Secretarial (Pvt] Ltd served as Secretary to the Board till 30th June 2024. Ms. A. Berugoda was appointed as Company Secretary with effect from 01st July 2024. She functions as the Secretary , to the Board Nomination Committee, the Board Related Party Transactions Review Committee, and the Board Human Resources and Remuneration Committee.
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.	
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.
8.3	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	The Company Secretary prepares 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.	The Company Secretary maintains the minutes of the Board meetings. The Minutes are reviewed by the Chairperson and then circulated to the other Board members for their review and observations. The Minutes of the previous meeting are tabled approved at the next Board Meeting. 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:	

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Section	Corporate Governance Principle	Compliance
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.	
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 (ALCO) and IT & Security Steering Committee (ITSSC) 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.

Section	Corporate Governance Principle	Compliance
10	BOARD SUB-COMMITTEES	
10.1	<p>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.</p> <p>Board Sub-Committees</p> <p>Companies with asset base of more than Rs. 20 bn</p> <p>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</p> <p>Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually</p>	<p>The Company has established Board approved eight (8) Sub-committee as follows; Board Audit Committee (BAC); Board Integrated Risk Management Committee (BIRMC), Board Nomination Committee (BNC), Board Human Resource and Remuneration Committee (BHRRC); Board Related Party Transactions Review Committee (BRPTRC); Board Corporate Governance Committee (BCGC); Board Credit Committee (BCC); Board IT Committee (BITC).</p> <p>Meetings of the Board Audit Committee, Board Integrated Risk Management Committee, Board Nomination Committee, Board HR and Remuneration Committee and Board Related Party Transactions Review Committee were held during the year in regular intervals.</p> <p>The attendance of those Committees is on page 110</p> <p>Please refer 'Directors' Attendance and Committee Memberships' table given on page 110 of the Annual Report</p>
10.1.b	Each sub-committee shall have a written term of reference specifying clearly its authority and duties.	The Board approved Terms of References (ToRs) are in place for all Board Sub-committees specifying their authority and duties.
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 135 to 154 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 functions as the Secretary to the Board Nomination Committee, Board Human Resources and Remuneration Committee, and Board Related Party Transaction Review Committee. Head of Internal Auditor functions as the Secretary to the Board Audit Committee and Head of Risk functions as the Secretary to the Board Integrated Risk Management Committee.</p> <p>Head of Compliance functions as the Secretary to the Board Corporate Governance Committee.</p> <p>Further, Head of IT functions as the Secretary to the Board IT Committee and Manager – Risk functions as the Secretary to the Board Credit Committee.</p> <p>All Secretaries are maintaining the minutes of each Sub-committee and discharge their secretarial functions under the supervision of the Chairperson of the subcommittees.</p>

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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.	The composition of the Board sub committees are in line with the regulatory requirements. The skills, knowledge and experience are disclosed on pages 135 to 154 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. P. L. C. Jayawickrama as the Chairman of the Board Audit Committee w.e.f. 31st January 2024. Mr. P. L. C. Jayawickrama is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Further, he is an Attorney-at-Law at the supreme Court of Sri Lanka. He graduated from the University of Sri Jayawardenepura, Sri Lanka with an Accountancy & Financial Management Special degree.
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. P.L.C. Jayawickrama, Mr. P.S. Cumararatunga, 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	
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.	M/s KPMG Sri Lanka functions as the External Auditor of the Company.

Section	Corporate Governance Principle	Compliance
10.2.d.iii	Audit partner of a Company shall not be a substantial shareholder, director, senior management or employee of any Company.	M/s KPMG Sri Lanka functions as the External Auditor of the Company.
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.	<p>There is a separate Board approved policy for "Engagements with External Auditors for Audit and Non-Audit Services". During the year 2024, the External Auditor provided the following non-audit services all of which conforms with the governance rules and requirements.</p> <ul style="list-style-type: none"> • goAML Review. • Report on Internal Controls over financial reporting for the year ended 31st December 2024. • Report on Corporate Governance for the year ended 31st December 2024.
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 2024 has been submitted to the Board Audit Committee.
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.

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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 2023.
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 165 to 166 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 Internal Audit Department too. The Board Audit Committee has reviewed, discussed and approved the Annual Internal Audit Plan, Internal Audit Reports, with the management comments, and has recommended the Management to take actions to strengthen the internal controls .
10.2.g.iii	The BAC shall take the following steps with regard to the internal audit function of the Company:	

Section	Corporate Governance Principle	Compliance
	(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 2024 .
	(iv) Ensure that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care;	In terms of the reporting structure 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 audit plan to ensure the conduct of required audits 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.

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Section	Corporate Governance Principle	Compliance
10.3	Board Integrated Risk Management Committee (BIRMC)	
	The following shall apply in relation to the BIRMC:	
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.	Risk policies including RAS are reviewed by BIRMC on an annual basis.

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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 2024.
10.3.i	Compliance function	
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 Companies 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.

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	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.
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.

Section	Corporate Governance Principle	Compliance
10.3.j (iv)	<p>The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:</p> <p>(a) various potential risks and frauds</p> <p>(b) possible sources of such risks and frauds;</p> <p>(c) mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing</p> <p>(d) effective measures to control and mitigate risks at prudent levels; and</p> <p>(e) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.</p>	<p>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.</p>
10.3.j (v)	<p>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</p>	<p>Head of Risk is a part of the strategic planning session of the Company.</p>
10.3.j (vi)	<p>The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.</p>	<p>The Risk Register is submitted to the BIRMC on a quarterly basis.</p>
10.3.j (vii)	<p>The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.</p>	<p>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.</p>
10.4	Nomination Committee	
	<p>The following shall apply in relation to the Nomination Committee:</p>	
10.4.a	<p>The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.</p>	<p>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.</p>
10.4.b	<p>Secretary to the nomination committee may preferably be the company secretary.</p>	<p>The Company Secretary functions as the Secretary of the Committee.</p>

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10.4.c	<p>The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management.</p> <p>Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer.</p>	<p>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.</p>
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 No. 6 of 2021 (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 Board of Directors.
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.
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.

Section	Corporate Governance Principle	Compliance
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	The succession plan for senior management of the Company, has been reviewed by the Committee on an annual basis and that of the additional/ new expertise required. Need has not arisen for a succession for retiring directors during the year 2024.
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 Board of Directors.

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Section	Corporate Governance Principle	Compliance
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	Companies 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	
12.	RELATED PARTY TRANSACTIONS	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following	

Section	Corporate Governance Principle	Compliance
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 2024.
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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Section	Corporate Governance Principle	Compliance
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:	<p>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.</p> <p>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.</p>
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.	
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's 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	

Section	Corporate Governance Principle	Compliance
13.	GROUP GOVERNANCE	
13.1	Responsibilities of the Company as a Holding Company.	Not applicable.
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.	
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.	The Company has developed a Code of Conduct for its directors and employees. The 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 behaviour, etc
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.

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Section	Corporate Governance Principle	Compliance
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,	The Board has adopted policy on Managing Conflict of Interest which has ensured the compliance with the stipulated requirements 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.	
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.

Section	Corporate Governance Principle	Compliance
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. 	<p>This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on pages 157 to 164 of the Annual Report.</p>
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 36 to 41 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>
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>

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Section	Corporate Governance Principle	Compliance
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 - LKR. 117,789,500.00</p> <p>Directors fees are given in Note 44.3.1 of the financial statement.</p>
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 36 to 41 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 / As a % of Core Capital = LKR. 386,534.32 / 0%</p> <p>The aggregate values of the transactions of the Company with senior Management is follows;</p> <p>Deposits – LKR. 372,909,297.38</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 given on page 110 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>

Section	Corporate Governance Principle	Compliance
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. 	The Comprehensive report of the Board of Directors on affairs of the Company is available on pages 157 to 164
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 165 to 166 of the Annual Report.

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Section	Corporate Governance Principle	Compliance
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 43 to 110 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. 	<p>The Board approved Code of Conduct and business ethics for Directors and employees are in place.</p>
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 	<p>Please refer 'Management Discussion and Analysis' on pages 15 to 32 and Managing Director's Review on pages 11 to 14.</p>
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. 	<p>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.</p>

Code of Best Practice on Corporate Governance 2023 was issued by the Institute of Chartered Accountants of Sri Lanka.

Code of Best Practice Reference	Requirement	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	<p>Board meetings are planned well ahead and dates of the monthly meetings are finalized at the end of the previous year. During the reviewed period 14 Board meetings were held.</p> <p>The 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.</p> <p>Please refer 'Directors' attendance and Committee Memberships' table given on page 110 in the Annual report.</p>
A.1.2	Responsibilities of the Board	<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	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	The Board has explicitly defined and adopted a policy providing Board members full access to the Company Secretary in order to verify that all Board procedures are carried out 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.

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Code of Best Practice Reference	Requirement	Explanation of the Company
A.1.5	Independent judgement of directors	All directors are welcome 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.
A.1.6	Dedicating adequate time and effort by the directors	All Directors dedicate adequate time and effort to Board and Committee meetings ensuring that their responsibilities are satisfactorily discharged. The Directors allocate sufficient time to review Board Papers, seek clarifications, and follow up on matters arising from meetings. They also dedicate time to understanding the Company's operations, risks, and controls, enabling effective governance and decision-making.
A.1.7	Call for a resolution	The Board acknowledges that one-third of its Directors may call for a resolution to be presented to the Board if they believe it is in the best interest of the Company.
A.1.8	Training for new and existing directors	Directors recognize the need for continuous training and participate in professional development as deemed necessary to carry out their duties effectively. Market experts and professional services are engaged periodically to share new insights. Any training programs relevant to the Board are communicated to Directors by the Company Secretary for their participation.
	A.2 CHAIRMAN AND MANAGING DIRECTOR Board of Directors does not intervene with the Company's day-to-day business and there is a clear division of responsibilities between conducting the business of the Board and day-to-day operations of the Company by the Executive Management, in order to ensure a balance of power and authority. The Chairman is responsible for leading the Board to drive 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.	
A.2.1	Justification of combining the roles of Chairman & Managing Director	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. The 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.
	A.3 CHAIRMAN'S ROLE Chairman is responsible to ensure that all Board members make a full contribution to the Board's affairs and ensure that the Board acts as a team while discharging Board functions. He provides leadership to the Board and effectively manages the Board while preserving order and facilitating the effective discharge of Board functions.	

Code of Best Practice Reference	Requirement	Explanation of the Company
A.3.1	Role/functions of the Chairman	<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</p> <p>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>	

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Code of Best Practice Reference	Requirement	Explanation of the Company
A 4	Financial acumen and knowledge	<p>The Chairman of the Audit Committee, Mr. P. L. C. Jayawickrama is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He 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. Further, he is also an attorney-at-Law at the supreme Court of Sri Lanka.</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 advice and guidance on matters of finance to the Board.</p>
	A.5 BOARD BALANCE	
	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.	
A.5.1	Presence of a strong team of Non-Executive Directors (NEDs)	Eight out of nine directors of the Board are NEDs
A.5.2 & A.5.3	Independence of NEDs	Five out of eight NEDs are independent.
A.5.4	Annual declaration of NEDs	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 C of this Code.
A.5.5	Annual declaration by the Board on the independence of directors	<p>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:</p> <p>Mr.P.S.Cumaranatunga, Mr.J.H.Gunawardena, Mr.D.Sooriyaarachchi, Ms.H.S.R. Ranatunga and Mr. P.L.C. Jayawickrama.</p>

Code of Best Practice Reference	Requirement	Explanation of the Company
A.5.6	Alternate Director	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.	The Chairman of the Company is an Independent Non-Executive Director. As a result, the necessity to appoint a 'Senior Non-Executive Director' has not arisen."
A5.9	Chairman holds meetings with NEDs only without EDs	During the year, the Chairman met with the Non-Executive Directors on two occasions without the presence of the Managing Director.
A.5.10	Recording of concerns in Board minutes	<p>The Company Secretary ensures that deliberations and concerns raised by the Directors during Board Meetings are adequately detailed in the minutes.</p> <p>The Company Secretary ensures that all decisions are accurately documented in the minutes, capturing how they were reached. These minutes are maintained in a detailed and comprehensive manner.</p>
	A.6 SUPPLY OF INFORMATION The Code requires the Company's management to submit timely information to the Board with sufficient information for making decisions that would enable it to discharge its duties.	
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	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	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.
	A.7 APPOINTMENT TO THE BOARD Company has a formal and transparent procedure in place to appoint new Directors.	

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Explanation of the Company
A.7.1 & .7.2	Presence of a Nomination Committee and annual assessment of the composition of the Board.	<p>The Company has established its own Board Nomination Committee, which is chaired by an Independent Director. Additionally, two-thirds of the Directors are independent.</p> <p>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. 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.</p> <p>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	Succession plan for the CEO and Key Management Personnel and determine the training and development requirements	The committee has ensured that a succession plan is in place for the Managing Director and all other key management personnel. Furthermore, the committee has determined the necessary training and development requirements for those identified for succession.
A.7.4	Disclosure of information to shareholders upon appointment of New Directors	<p>All new appointments to the Board are communicated to the shareholders via the Colombo Stock Exchange in 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>During the year, Mr. P.L.C. Jayawickrama was appointed to the Board on 29th January 2024 as an Independent, Non-Executive Director.</p>
A.7.5	Identifying the Chairman and the members of the Nomination Committee in the Annual Report	A report from the Nomination Committee is included in the annual report, outlining the functions and responsibilities of the Committee.
A.7.6	Terms of reference for nomination committee are set out in schedule E of the code	The Committee operates in accordance with the Board-approved Terms of Reference.
	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.	
A.8.1 & A.8.2	Re-election of Non-Executive Directors including Chairman and Directors	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).
A.8.3	Resignation of a director	<p>In the event of resignation before completing the term, the Director must inform the Board in writing, providing the reasons for resignation.</p> <p>There were no resignations to the Board during the year under review.</p>

Code of Best Practice Reference	Requirement	Explanation of the Company
	A.9 APPRAISAL OF BOARD PERFORMANCE The Code requires the Board to appraise its own performance periodically to ensure that its responsibilities are satisfactorily discharged.	
A.9.1	Annual appraisal of the Board's performance and the performance of its Sub - Committees.	The Board has established a formal and rigorous process for the annual review of its performance and that of its committees. This process ensures that the Board and its committees operate effectively, identify areas for improvement, and align with best practices in corporate governance. The review includes self-assessments, feedback from Directors, and evaluation against established performance criteria.
A.9.2	Annual Self evaluation of the performance of the Board	<p>The Chairman and the Board of Directors evaluate the Board's performance. The Board Subcommittees carry out a self-assessment process annually to ensure they function effectively and efficiently to facilitate continuous improvement and align with good governance.</p> <p>The summary of the Board self-assessment and Board Subcommittees assessments will be tabled at the Board Meeting.</p>
A.9.3	A process to review the participation, contribution and engagement of each director at the time of re-election.	The Board has a process in place to review each Director's participation, contribution, and engagement at the time of re-election. This includes assessing attendance, involvement in discussions, committee contributions, peer feedback, and relevant skills. Directors also complete self-assessments to ensure alignment with the Board's objectives.
A.9.4	Disclosure of criteria used for performance evaluation	<p>The Board's performance evaluations are conducted by way of a questionnaire, and a summary of the results will be presented to the Board for their information.</p> <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>
	A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS The Code requires that details of directors be disclosed in the Annual Report for information of the shareholders.	
A.10.1	Disclosures on Directors in the Annual Report	<p>The following details pertaining to each director are disclosed in the Annual Report</p> <p>(a) Brief profile with expertise and experience - pages 36 to 41</p> <p>(b) Other business interests - pages 157 to 164</p> <p>Remuneration - Note 44.3.1 on page 255</p> <p>Status of independence - pages 36 to 41.</p> <p>Details of Board Meetings and Board Committee Meetings held during the year - page 110</p>

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Explanation of the Company
	A.11 APPRAISAL OF MANAGING DIRECTOR The Code requires the Board to assess the performance of the Managing Director at least annually to ascertain the degree to which the Managing Director met the pre-set financial and non-financial targets.	
A.11.1 & A.11.2	Setting annual targets and the appraisal of the performance of the CEO/Managing Director	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.2	REMUNERATION COMMITTEE The code requires a level and makeup of remuneration of both executive and non-executive directors that should be sufficient to attract and retain the directors needed to run the company successfully.	
B.2.1	Establishment of a Remuneration Committee	As per the Remuneration Policy & Terms of Reference. 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.2.2	Composition of the Remuneration Committee	As per the Terms of Reference 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.2.3	Remuneration of executive directors & senior management and access to professional advice when discharging their duties	As per the Terms of Reference. The Board Chairman is a member of the Remuneration Committee and the Committee decides the remuneration of the Executive Director and the Senior Management. Additionally, the Committee has access to professional advice, both internal and external, to effectively discharge its responsibilities.
B.2.4 & B.2.5	Remuneration packages of Executive Directors	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.2.6	Comparison of remuneration with other companies in the industry	As per the Remuneration Policy & Terms of Reference. The BHRRC, when necessary, reviews the Company's remuneration structure in comparison to industry standards.
B.2.7	Sensitivity to remuneration and employment conditions	As per the Remuneration Policy & Terms of Reference. The Remuneration Committee considers the remuneration and employment conditions of employees within the Company when determining annual salary increases. Individual remuneration details are strictly confidential.

Code of Best Practice Reference	Requirement	Explanation of the Company
B.2.8	Designing the performance-related remuneration of Chief Executive and Executive Directors	As per the Remuneration Policy & Terms of Reference. The remuneration of the Managing Director and the Senior Management will be based on the performance.
B.2.9	Executive Share Options	No Executive Share Options were granted during the year.
B.2.10	Designing the performance-related remuneration	As per the Terms of Reference. All increments and incentives will be based on the performance.
B.2.11 & B.2.12	Early termination of Executive Directors	As per the Remuneration Policy & Terms of Reference. This is in line with the contract of appointment.
B.2.13 & B.2.14	Levels of remuneration of Non-Executive Directors	Allowances are decided in terms of the Remuneration and Benefits Policy.
B.2.15	The chairman and members of the remuneration committee should be listed in the annual report each year.	The details of the members are provided in the BHRRC report in the Annual Report. Please refer BHRRC report on Pages 141 to 142.
B.2.16	Terms of reference for remuneration committee	The Board approved Terms of References is in Place.
	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 B.3.2	Disclosures in the Annual report	The details of the members, scope, number of meetings held during the year, etc. are given in the BHRRC report on page 141 to 142 of the Annual Report. Please refer Note 44.3.1 to the Financial Statements for the aggregate remuneration paid to Directors.
C.	RELATIONS WITH SHAREHOLDERS	
C.	C.1 CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS The Code requires the Board to use the AGM to communicate with shareholders and encourage their active participation.	
C.1.1	Notice of the AGM	The Company has given the required notice period for the AGM, which is held annually.
C.1.2	A separate resolution at the AGM on each substantially separate issue and adoption of Annual Report Accounts.	Sampath Bank PLC (Parent Company) holds 99.99% of the shares. Refer to shareholding on page 33. 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	Proxy Votes	The Parent Company holds 99.99% of the shares.
C.1.4	Availability of Board Subcommittee Chairpersons.	The Board Subcommittee Chairpersons are available at the AGM, to answer any questions raised at the AGM.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Explanation of the Company
C1.5	Adequate Notice of AGM to shareholders together with a summary of the procedure governing voting.	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	By circular to shareholders and by notice of shareholder meetings.
C.2.2	Policy and methodology for communication	By circular to shareholders and by notice of shareholder meetings.
C.2.3	Implementation of the policy and methodology for communication with shareholders	By circular to shareholders and by notice of shareholder meetings.
C.2.4	Contact person in relation to shareholder matters	The main contact person is the Company Secretary.
C.2.5 & C.2.6	Process to make all directors aware of major issues and concerns of shareholders	Any major issue of concern of shareholders are informed to Board Members by the Company Secretary.
C.2.7	Process responding to shareholder matters	All shareholder matters will be referred to the Company Secretary.
	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	There were no major transactions involving the acquisition or disposal of assets greater than half of the net asset value of the Company.
C.3.2	Provisions of the Companies Act 07 of 2007 for Limited Liability Companies	The Company did not enter into any major transactions during the year.
C.3.3	Disclosure Requirements	No disclosures were made regarding the major transactions during the year.
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, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	
D.1.1	Financial and Business Reporting (Annual Report)	Refer pages 157 to 164
D.1.2	Board's Responsibility for Statutory and Regulatory Reporting	Refer pages 157 to 164

Code of Best Practice Reference	Requirement	Explanation of the Company
D.1.3	Declaration on the level of compliance and accurateness of the Financial Statements	Refer pages 157 to 164.
D.1.4	Declarations by Directors in the Directors' Report	Please refer the Annual Report of the Board of Directors on the state of affairs of the Company on pages 157 to 164.
D.1.5	Statements by Directors' and Auditors' on responsibility for financial reporting	The 'Responsibility for Financial Statements for the preparation and presentation of financial statements is given in Note 2.2 on page 176. Please also refer pages 168 to 170 for the Independent Auditor's Report.
D.1.6	Management Discussion and Analysis	Please refer 'Management Discussion and Analysis'(MD&A) set out on pages 15 to 32, presented as an integrated report covering all aspects referred to in the code.
D.1.7	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.1.8	Declaration by Board on Related Party Transactions	Each Director and KRP have declared their interest in transactions with the Company during the year ended 31st December 2024, 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 44 to the Audited Financial Statements.
	D.2 RISK MANAGEMENT AND INTERNAL CONTROL The Code requires the Company's Board to establish a policy for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and 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	Risk Management Framework	The company has implemented a comprehensive risk management framework to assess and monitor the principal risks facing the company. Risk assessments are carried out on an ongoing basis with reports submitted to the Board for deliberation, ensuring that potential threats are proactively identified and mitigated. The company also performs scenario analyses and stress testing to evaluate the impact of risks under various conditions.
D.2.1.1	Robust assessment of principle risks	
D.2.1.2	Disclosure of Risk Management Framework in the Annual Report	The Board has established a well-defined risk management framework that outlines the processes and responsibilities. The company's annual report provides a detailed description of the risk management framework, processes, and responsibilities, as well as how these risks are being managed or mitigated.
D.2.1.3	Establishment of Risk Management Committee	The Board acknowledges its ultimate responsibility for risk management and has established a dedicated Risk Management Committee, known as the Board Integrated Risk Management Committee (BIRMC), to oversee the company's risk management processes.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Explanation of the Company
D.2.1.4	Consideration of regulatory requirements and sector/ industry specific business risks	Board Integrated Risk Management Committee (BIRMC), which oversees sector- and industry-specific business risks in alignment with regulatory requirements. This committee ensures that the company's risk management approach is tailored to the unique challenges and risks of the industry.
D.2.1.5	Composition on the BIRMC	The company's Board Integrated Risk Management Committee (BIRMC) is comprised of five members, all of whom are non-executive directors. The committee is chaired by an independent non-executive director, ensuring compliance with the requirement for independent oversight.
D.2.1.6	TOR of the BIRMC	The Board Integrated Risk Management Committee (BIRMC) operates under a clearly defined written Terms of Reference (ToR) that outlines its authority, duties, and responsibilities.
D.2.1.7	Report of the BIRMC	The annual report includes a dedicated section for the Board Integrated Risk Management Committee (BIRMC), detailing its role and the manner in which it has discharged its responsibilities
D.2.1.8	Composition, scope, roles and responsibilities of the risk committee and guidance on establishing a risk management framework	As a regulated entity, the company has carefully considered applicable laws and regulatory requirements in determining the composition, scope, roles, and responsibilities of the Board Integrated Risk Management Committee (BIRMC).
D.2.2	Design of the Internal Control system	Board has delegated its authority to Board Audit Committee to ensure the effectiveness of design and implementation of internal controls to achieve corporate objectives. Board Audit Committee reviews the Internal Audit plan and progress of the annual audit plan in discharging its responsibilities towards Board.
D.2.2.1	Effectiveness of the Internal Control System	The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls 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. 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.
D.2.2.2	Internal Control function	There is an in-house Internal Audit Department.
D.2.2.3 D.2.2.4	Reviewing the process of Internal Control and Sound system of Internal Control	The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls 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.
	D.3 AUDIT COMMITTEE The Code requires the Board to have formal and transparent arrangements in selecting and applying the accounting policies, financial reporting, internal control principles and risk management, ensure compliance with laws and regulations and ensuring the independence of the company's auditors.	

Code of Best Practice Reference	Requirement	Explanation of the Company
D.3.1	Composition of the Audit Committee	All members of the Board Audit Committee are Independent Non-Executive Directors. Members are Mr. P. L. C. Jayawickrama (BAC Chairman), 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 and information technology, etc.
D.3.2	Terms of Reference of the Audit Committee	Board Audit Committee (BAC) is governed and operated through a written and approved Terms of Reference. The Board Audit Committee has reviewed, discussed and recommended the BAC Terms of Reference for Board's approval.
D.3.3	Report by the Audit Committee	The Report of the Board Audit Committee is given in pages 135 to 137.
	D.4 RISK COMMITTEE The board should establish a procedure for risk management including how they determine risk culture, risk appetite, risk identification and classification, rating and management of risk.	
D.4.1	Composition of BIRMC	The Board Integrated Risk Management Committee (BIRMC) is comprised of five members, all of whom are non-executive directors, with the committee chaired by an independent non-executive director. In line with the Code of Best Practice, the Managing Director (MD) and Chief Operating Officer (COO) attend BIRMC meetings by invitation. Additionally, other heads of units are invited to attend meetings as necessary to contribute to discussions on specific risks affecting their areas of responsibility.
D.4.2	Terms of Reference of the Committee	The Board Integrated Risk Management Committee (BIRMC) operates under a detailed Terms of Reference (ToR) that outlines its authority and responsibilities in supporting the oversight of the company's risk management framework. The ToR specifies the committee's role in defining and promoting the company's risk culture, determining risk appetite, and establishing risk management processes, practices, and policies.
D.4.3	BIRMC Meetings	BIRMC meets six times a year. Currently, the Head of Risk serves as the secretary to the committee.
D.4.4	Seeking External Professional advice	BIRMC has the authority to seek external professional advice as needed to fulfil its responsibilities effectively.
D.4.5	Disclosures made in the Annual Report	The company's annual report includes a dedicated section for BIRMC, detailing its role and how it discharged its responsibilities over the past year.
	D.5 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE The board should establish a procedure to ensure that the company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.	
D.5.1	Related Parties and Related Party Transactions	The Board approved sub committee is established to review related party transactions of the Company.
D.5.2	Composition of BRPTRC	The Board has established a Related Party subcommittee to review related party transactions of the Company. Board Related Party Transactions Review Committee (BRPTRC) comprises of Mr. D. Sooriyaarachchi (Chairman), Mr. J. Selvaratnam, Mr. J. H. Gunawardena, Ms. H. S. R. Ranatunga and Mr. P. L. C. Jayawickrama.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Explanation of the Company
D.5.3	The TOR of the Committee	The Committee is governed by the Board approved Terms of References.
	D.6 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, members of the senior management of the Company, and all other employees including but not limited to dealing with shares of the company; compliance with listing rules; bribery and corruption; and confidentiality, encouraging that any illegal, fraudulent and unethical behaviour be promptly reported to those charged with governance.	
D.6.1	Disclosures on the Code of Business Conduct and Ethics, whistle-blowing policy, Anti-bribery and corruption policy	A Board approved policy on Code of Conduct and a Board approved policy on Anti-Bribery and Corruption are available
D.6.2	Reporting of material and price sensitive information	A Board approved Policy on Corporate Disclosure is in place.
D.6.3	Policy on trading of shares by Directors, KRPs, and Employees	Policy on Code of Conduct contains the details pertaining to trading of Company shares by the Directors.
D.6.4	Whistle-blowing procedure	A Board approved Whistle-blowing Policy is in place and concerns raised under this policy are independently investigated by Internal Audit Department. BAC reviews the policy on an annual basis.
D.6.5	Training on Code of Conduct and Ethics	A Board approved Learning and Development Policy is available.
D.6.6	Dissemination of the policy	A Board approved policy on Code of Conduct is available.
D.6.7	Affirmative Statement by the Chairman	Please refer to the Chairman's message for details on pages 7 to 10
	D.7 CORPORATE GOVERNANCE DISCLOSURES Directors of the Company disclose annually the Company's adherence to the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, the Central Bank of Sri Lanka (CBSL) Finance Business Act Directions No. 05 of 2021 on Corporate Governance and Section 9 of the Listing rules of the Colombo Stock Exchange on Corporate Governance.	
D.7.1	Annual Corporate Governance Report in the Annual Report	Corporate Governance report is given on pages 43 to 110 in the Annual Report.

Code of Best Practice Reference	Requirement	Explanation of the Company
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	Currently the Company shares are not listed. The Parent Company act as the major shareholder of the Company, holding 99.99% stake in the Company. All required information to the Parent Company is provided in a timely manner.
	E.2 EVALUATION OF GOVERNANCE DISCLOSURES The Code requires the Company to encourage institutional investors to give due weight to all relevant factors drawn to their attention.	
E.2.	Encourages Institutional Investors to give due weight to relevant governance arrangements	The Parent Company act as the major shareholder of the Company, holding 99.99% stake in the Company.
F.	OTHER INVESTORS;	
F.1	INVESTING/DIVESTING DECISION	
F.1.1	Seek independent advice in investing or divesting decisions.	Sampath Bank PLC holds 99.99% stake in the Company.
F.2	SHAREHOLDER VOTING	
F.2.1	Encourage voting by Individual Investors in general meetings	Sampath Bank PLC holds 99.99% stake in the Company.
SECTION 3 : OTHER MATTERS		
G.	INTERNET OF THINGS AND CYBERSECURITY	
G.1	Identify connectivity and related cyber risks	Siyapatha Finance PLC maintains a comprehensive inventory of devices that may connect to the network. This includes devices connecting internally and outside the organization. Siyapatha Finance PLC have implemented stringent controls to manage connectivity and security controls.
G.2	Appoint a CISO and allocate budget to implement a cyber-security policy	Currently, Manager - Information Security and Compliance is in function. Cyber-security risk: Siyapatha Finance PLC board has approved the procedures and policies that address and contain cyber threats, rapid recovery and business continuity and a structured governance framework to monitor the policy's effectiveness.

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Code of Best Practice Reference	Requirement	Explanation of the Company
G.3	Include cyber risk management on Board agenda	<p>The Board Information Technology Committee (BITC) is presented quarterly with the Risk Registry, providing a comprehensive assessment of information security risks, their impact, and mitigation strategies. Information security incidents, along with their root causes, business impact, and remedial actions, are analyzed, with significant threats escalated to the BITC and BIRMC. Audit findings from internal and external reviews, as well as the status of corrective actions, are reported to ensure compliance with regulatory standards. Additionally, updates on security projects are presented to BITC, ensuring continued oversight of risk management, security, and compliance across the Company.</p> <p>Key discussions and decisions from BITC meetings are communicated to the Board as necessary, reinforcing governance, risk management, and compliance efforts across the Company.</p>
G.4	Obtain periodic assurance to review effectiveness of cybersecurity Risk Management	Siyapatha Finance PLC ensures the effectiveness of cybersecurity risk management through bi-annual vulnerability assessments, security reviews and audits.
G.5	Disclosures in the Annual Report	The board has allocated dedicated budgets for cybersecurity. Findings are reviewed by the Board Information Technology Committee (BITC) and the Board Integrated Risk Management Committee (BIRMC), where cybersecurity risks are discussed, assessed, and guidance issued to strengthen organizational safeguards.
H.	SUSTAINABILITY: ESG RISK AND OPPORTUNITIES	
	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.	
H.1	ESG Risk and Opportunities	A strong emphasis is placed on sustainability-related lending and commitment towards maintaining a green portfolio. Additionally, a new green loan product will be launched to support sustainable businesses.
H.1.1	Impact of ESG risks and opportunities	The monthly sustainability report will include the comprehensive report of the green initiatives, portfolio value, strategic plan components and their current status, Central Bank of Sri Lanka (CBSL) statutory requirement levels, contemporary activities undertaken within the month, and the Environmental, Social, and Governance (ESG) products along with their respective values.
H.2	Views of stakeholders	The Company educates the customers about the sustainable investments. Solar loan and green loan facilities have been initiated which comply with Central Bank of Sri Lanka (CBSL) taxonomy requirements. The Company conducts various green and social projects, such as the "Siyapathen Mihikathata" 10,000 tree planting program, which has already been implemented. Additional programs include supporting underprivileged schools across the country, conducting island-wide cleaning projects, and offering financial literacy programs. When considering lending, the Company adheres to a "no-go" list and assesses the Environmental, Social, and Governance (ESG) impact of each proposal.

Code of Best Practice Reference	Requirement	Explanation of the Company
H.2.1	Process to recognize significant stakeholders	Sustainability-related facilities are provided to our customers and actively request their feedback. Awareness programs are conducted for our customers about the importance of investing in sustainable initiatives. Additionally, steps are taken to identify customers who have the capacity and interest to invest in sustainability-related projects. This approach allows us to promote environmentally responsible financial practices while meeting the needs of our environmentally conscious customers.
H.3	Governance Framework and structure which includes conformance, performance and sustainability/ESG factors.	A board-approved sustainability policy is in place and Environmental and Social Management Policy that includes a comprehensive sustainability framework.
H.3.1	Sustainability factors	ESG (Environmental, Social, and Governance) risks are considered for each and every contract file. This practice enables us to identify the overall environmental and social impact of our operations. Knowledge-sharing programs are conducted and financial inclusion initiatives are implemented. Additionally, steps are taken to implement an ESMS (Environmental and Social Management System) policy within our company.
H.3.1.1	Environmental Governance	A board-approved sustainability policy is in place that incorporates a comprehensive framework, demonstrating the commitment to environmental governance at the highest level.
H.3.1.2	Social Governance Relationship with Community Relationship with customers Labour practice Governance Suppliers and outsourced providers	The company is committed to promote financial inclusion by conducting comprehensive programs designed to educate customers about sustainable investing practices. Additionally, we prioritize increasing employee well-being through various initiatives and support mechanisms. Our sustainability policy, which has been formally adopted by the board, is strictly implemented and monitored to ensure adherence. The Company carefully follow all statutory requirements set forth by the Central Bank of Sri Lanka (CBSL) in every aspect of our processes. As a responsible corporate entity, we are dedicated to enhancing customer wellness and actively engage in projects aimed at uplifting and improving the quality of life in the communities we serve. This integrated approach reflects our commitment to both social responsibility and sustainable development.
H.4	Establishment of a governance structure to support ESG factors	The board has established a robust governance structure to support sustainability and ESG factors, as demonstrated by our comprehensive board-approved sustainability policy.
H.4.1	Recognition of Key resources/ Capital	ALCO (Assets- Liability Committee) will effectively identify and manage its key resources and capital while addressing stakeholder influences.
H.4.2	Process in ascertaining, assessing and managing ESG factors	ESG risk level evaluations are conducted for every contract file, which are verified by the central credit department. This process allows us to assess our company's impact on the environment, social and governance.
H.4.3	Establishment of Financial and non-financial measures	The company complies with the requirement by establishing both financial and non-financial measures for managing all material matters related to significant stakeholders and environmental and social factors.

CORPORATE GOVERNANCE REPORT

Code of Best Practice Reference	Requirement	Explanation of the Company
H.5	Disclose ESG Risks and opportunities	<p>The Company is committed to integrating Environmental, Social, and Governance (ESG) factors into our business strategy and operations. The Company actively identifies, assess, and manage ESG risks to ensure resilience, safeguard our reputation, and create long-term value for our stakeholders. Our approach includes regular scenario analysis, risk mitigation strategies, and continuous monitoring of key ESG indicators.</p> <p>The Company recognizes the importance of sustainable finance and prioritize lending that supports environmental sustainability and social responsibility. Our green loan products are designed to promote sustainable business practices, helping us maintain a strong green portfolio and contribute positively to the communities we serve.</p>
H.5.1. - H.5.4	ESG Reporting	The Board has implemented ESG policies and practices into the Company's strategy, business model, governance, risk management and is engaged in overseeing sustainability initiatives.
I.	SPECIAL CONSIDERATIONS FOR LISTED ENTITIES	
I.1	ESTABLISHMENT AND MAINTENANCE OF POLICIES	
I.1	Establishment and maintenance of Policies and other requirements	All Policies are in place as required by the code.
I.1.1	Establishment of policies	
I.1.2	Disclosure in the Annual Report regarding any waivers from compliance with the internal code of business conduct and ethics	No waivers from compliance with the internal code of business conduct and ethics nor exemptions have been granted by the Company during the year 2024.
I.1.3	Disclosure in the Annual Report	<p>The following policies are published in the Company website,</p> <ul style="list-style-type: none"> • Policy on the matters relating to the Board of Directors • Policy on Board Subcommittees • Policy on Selection, Nomination, Election, Appointment and Resignation of Directors • Policy on Remuneration • Policy on Internal Code of Business Conduct and Ethics for <ul style="list-style-type: none"> - Directors - Policy on Employee Code of Conduct • Policy on Risk management and Internal controls <ul style="list-style-type: none"> - Integrated Risk Management Policy and Framework - Credit Risk Management Policy - Operational Risk Management Policy and Framework • Policy on Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Corporate Disclosures • Policy on Whistleblowing • Policy on Anti-Bribery and Corruption
I.1.4	Availability of policies to shareholders upon a written request	Upon written request, a copy of the policy will be furnished to the shareholder.

Code of Best Practice Reference	Requirement	Explanation of the Company
I.2	POLICY ON MATTERS RELATING TO THE BOARD OF DIRECTORS	
I.2.1	Establishing policies relating to the Board of Directors	Policy on the matters relating to the Board of Directors is in place.
I.2.2	Confirming compliance with the requirements of the policy in the annual report	The relevant disclosures / publications are made in the annual report in compliance with the requirements of the said policy.

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	<p>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;</p> <p>(a) Policy on the matters relating to the Board of Directors.</p> <p>(b) Policy on Board Committees - To mention regarding the TOR.</p> <p>(c) Policy on Corporate Governance, Nominations and Re-election.</p> <p>(d) Policy on Remuneration</p> <p>(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</p> <p>(f) Policy on Risk management and Internal controls</p> <p>(g) Policy on Relations with Shareholders and Investors</p> <p>(h) Policy on Environmental, Social and Governance Sustainability</p> <p>(i) Policy on Control and Management of Company Assets and Shareholder Investments</p> <p>(j) Policy on Corporate Disclosures</p> <p>(k) Policy on Whistle-blowing</p> <p>(l) Policy on Anti-Bribery and Corruption</p>	The Board approved policies are in place and given in the website.
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:	The availability of the approved list of policies are disclosed on the Company's website.
	(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.	The Company has adopted the required policies as per Section 9.2.1 above.
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	Upon written request, a copy of the policy will be furnished to the shareholder.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
9.3	Board Committees	The Board approved Board Sub Committees are in place.
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; (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.	The Company complies with the said requirement. The following disclosure was made to the CSE; The Board Nomination Committee was reconstituted on 24th September 2024 by appointing Mr. D Sooriyaarachchi as the Chairman of the Committee while Mr. P S Cumaranatunga stepped down from the Chairmanship but will continue to be a member of the Committee. On 26th November 2024, Mr. H.M.A. Seneviratne stepped down from the Board Corporate Governance Committee.
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. (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 (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 Board approved Communication policy and policy on Relations with Shareholders and Investors are in place to communicate with all Stakeholders.

Rule No.	Applicable Requirement	Extent of Compliance
9.5	Policy on matters relating to the Board of Directors	
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>	The Board approved policy on matters relating to the Board of Directors are in place.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
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.	The Company complies with the requirements stated in rule 9.5.1.
9.6	Chairperson and CEO	
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 Director and the positions 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 Chairman of the Board is an Independent Non-executive Director. The roles of the Chairman and the Managing Director are separated and not performed by the same individual.

Rule No.	Applicable Requirement	Extent of Compliance
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.	The company is in compliant with rule no. 9.6.1.
9.7	Fitness of Directors and CEOs	The company is in compliant with rule no. 9.7.
9.7.3	Fit and Proper Assessment Criteria:	The company is in compliant with rule no. 9.7.3.
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 obtained Fit and Proper Assessments from all Directors for the year under review.
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 assess the Fitness and Propriety of the Directors annually as defined in the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
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 Consist 9 Directors as stated below, which is within the statutory requirement. Mr.P.S. Cumaranatunga (Chairman), Mr.Y.S.H.R.S. Silva (Deputy Chairman), Mr. H.M.A. Seneviratne (Managing Director), Mr. J. Selvaratnam, Mr. J.H. Gunawardena, Mr. D. Sooriyaarachchi, Mr. W.S.C. Perera, Ms. H.S.R.Ranatunga, Mr. P L C Jayawickrama.
9.8.2	Minimum Number of Independent Directors:	The Board consist 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.
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.	The Board consist of 5 independent directors during the year. The Directors provided Annual Declaration of their Independence as specified in Listing Rules.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
	(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.	No such circumstances occurred during the year 2024.
9.9	Alternate Directors	There are no Alternate Directors in the Board.
9.10	Disclosures relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's 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.	The company is in compliant with the rule no. 9.10.1
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;	The Company is in compliant with the rule no. 9.10.2. A disclosure was made on 31st January 2024 for the appointment of Mr. P. L. C. Jayawickrama.
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.	The Changes to the Composition of the Board Nomination Committee was published on 24th September 2024.
9.10.4	Details relating to Directors in the Annual Report:	Directors Details are given on Pages 36 to 41
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE	The Company maintains two separate committees for the Board Nominations Committee and Board Corporate Governance Committee. A TOR for both committees are available defining its scope, roles and responsibilities etc.
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.	
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 -Executive Directors.

Rule No.	Applicable Requirement	Extent of Compliance
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. Cumararatunga 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 BHRRC.
9.12.8	Disclosure in Annual Report	The report of BHRRC is given on pages 141 to 142.
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 as Board Audit Committee and as 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.
9.13.3.	Composition	All members of the Board Audit Committee are Independent Non-Executive Directors Members are Mr. P. L. C. Jayawickrama (Chairman), Mr. P. S. Cumararatunga, Mr. J. H. Gunawardena and Ms. H. S. R. Ranatunga.

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
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>	<p>BAC ensures the compliance to laws and regulations through Internal Audit activities conducted by Internal Audit Department.</p> <p>Please refer the level of compliance under point number 10.2.d.vii of FBA Direction No 5 of 2021 in the Corporate Governance Report on page 63</p>
	(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.	<p>Quarterly Financial Statements as well as year end Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. Detailed discussions focusing on major judgmental areas, changes in accounting policies, significant audit judgments 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 recommending for Board's approval.</p>
	(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 Board Information Technology Committee.

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.	BAC recommends the Management to take corrective actions to mitigate/ reduce the impact of risks.
	(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.	

CORPORATE GOVERNANCE REPORT

Rule No.	Applicable Requirement	Extent of Compliance
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 is given on pages 135 to 137.
	(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);	
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	
	(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	
	(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	
	(i) 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.
9.14.2	Composition	BRPTRC comprises a total of five Non-Executive Directors, out of which four of them are Independent Directors. The Chairperson is an Independent Director.

Rule No.	Applicable Requirement	Extent of Compliance
9.14.3	Functions	As per the Board approved Terms of Reference.
9.14.4	General Requirements	BRPTRC meets quarterly and functions according to the Board approved Terms of Reference.
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	All transactions are reviewed by the BRPTRC.
9.14.6	Shareholder Approval	No such situation has transpired in 2024.
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 on page 162.
	(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 is given on pages 165 to 166.
	(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 163. Given in Corporate Governance Report - 'Governance Framework' section given on page 44.
	(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

25th February 2025

CORPORATE GOVERNANCE REPORT

Directors' Attendance and Committee Memberships

Director	Board Meetings	Non-Executive Directors 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. Cumararatunga	13 [C]	2 [C]	9 [M]	6 [M]	-	6 [M]	-	-	4 [M]	-
Mr. Y. S. H. R. S. Silva	12 [M]	2 [M]	-	-	-	-	-	-	4 [M]	-
Mr. H. M. A. Seneviratne	14 [M]	-	-	-	11 [M]	-	6 [M]	-	-	11 [M]
Mr. J. Selvaratnam	14 [M]	2 [M]	-	6 [M]	12 [C]	-	6 [M]	5 [M]	-	-
Mr. J. H. Gunawardena	14 [M]	2 [M]	10 [M]	6 [C]	-	-	6 [M]	4 [M]	-	-
Mr. D. Sooriyaarachchi	14 [M]	2 [M]	-	-	-	6 [C]	-	5 [C]	4 [C]	10 [M]
Mr. W.S.C. Perera	14 [M]	2 [M]	-	6 [M]	12 [M]	-	-	-	-	11 [C]
Ms. H. S. R. Ranatunga	14 [M]	2 [M]	11 [M]	-	12 [M]	6 [M]	6 [C]	5 [M]	-	-
Mr. P. L. C. Jayawickrama	14 [M]	2 [M]	11 [C]	6 [M]	-	-	3 [M]	5 [M]	-	10 [M]
Total No of Meetings	14	2	11	6	12	6	6	5	4	11

Directors' Attendance for the Year 2024

1. The Board Audit Committee had 9 meetings during the year 2024 and 2 Board Audit Committee meetings were held without the Executive Director and the senior management being present.
2. The Chairperson of the Board held 2 meetings with the Non-Executive Directors without the Executive Director being present.

Directors' Attendance and Committee Memberships

Director	Board Meetings	Non-Executive Directors 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. Cumararatunga	13/14	2/2	9/11	6/6	-	6/6	-	-	4/4	-
Mr. Y. S. H. R. S. Silva	12/14	2/2	-	-	-	-	-	-	4/4	-
Mr. H. M. A. Seneviratne	14/14	-	-	-	11/12	-	6/6	-	-	11/11
Mr. J. Selvaratnam	14/14	2/2	-	6/6	12/12	-	6/6	5/5	-	-
Mr. J. H. Gunawardena	14/14	2/2	10/11	6/6	-	-	6/6	4/5	-	-
Mr. D. Sooriyaarachchi	14/14	2/2	-	-	-	6/6	-	5/5	4/4	10/11
Mr. W.S.C. Perera	14/14	2/2	-	6/6	12/12	-	-	-	-	11/11
Ms. H. S. R. Ranatunga	14/14	2/2	11/11	-	12/12	6/6	6/6	5/5	-	-
Mr. P. L. C. Jayawickrama	14/14	2/2	11/11	6/6	-	-	3/5	5/5	-	10/10
Total No of Meetings	14	2	11	6	12	6	6	5	4	11

(C - Chairman / Chairperson, M - Member)

1. Mr. P L C Jayawickrama appointed as a member of the Board Integrated Risk Management Committee, Board Related Party Transaction Review Committee, Board IT Committee, Board Corporate Governance Committee and the Chairman of the Board Audit Committee w.e.f. 31st January 2024.
2. Mr. P S Cumararatunga stepped down as the Chairman of the Board Nomination Committee w.e.f. 24th September 2024 and continue to be a member of the Committee.
3. Mr. D Sooriyaarachchi appointed as the Chairman of the Board Nomination Committee w.e.f. 24th September 2024.
4. Mr. H M A Seneviratne stepped down as a member of the Board Corporate Governance Committee w.e.f. 26th November 2024.

INTEGRATED RISK MANAGEMENT REPORT 2024

As a non-banking financial institution operating under the purview of the Central Bank of Sri Lanka (CBSL) and trusted by its stakeholders, Siyapatha Finance PLC remains steadfast in its commitment to robust risk management practices. The Company continues to evaluate and enhance its risk management tools to provide unique and reliable services to the public.

The Integrated Risk Management (IRM) Framework at Siyapatha Finance ensures that all risks are effectively identified, assessed, managed, and monitored across the organization. At the core of this framework is a continuous cycle comprising four key processes: Risk Identification & Assessment, Risk Analysis & Estimation, Risk Mitigation, and Risk Monitoring & Reporting. The framework is underpinned by the company's risk strategy, appetite, policies, and procedures, and it is supported by strong risk governance and organization. It also emphasizes fostering a robust risk culture and awareness, ensuring all employees

proactively engage in identifying and managing risks. This framework serves as a critical foundation for the resilience and long-term success of Siyapatha Finance PLC.

In 2024, the Company prioritized addressing key risks, including credit, operational, and market risks which emerged from global and local trends by refining its risk management frameworks and leveraging advanced analytics. Siyapatha Finance successfully mitigated high-risk exposures while ensuring full compliance with regulatory requirements. The Company aligned its risk management practices with internationally accepted standards, safeguarding its strategic objectives and reinforcing stability and sustainable growth.

Looking ahead, Siyapatha Finance PLC remains committed to enhancing its risk culture, driving innovation, and strengthening its risk management framework to maintain its position as a trusted financial partner for Sri Lankans.

Global and Local Economic Landscape and Risks in 2024 and Beyond.

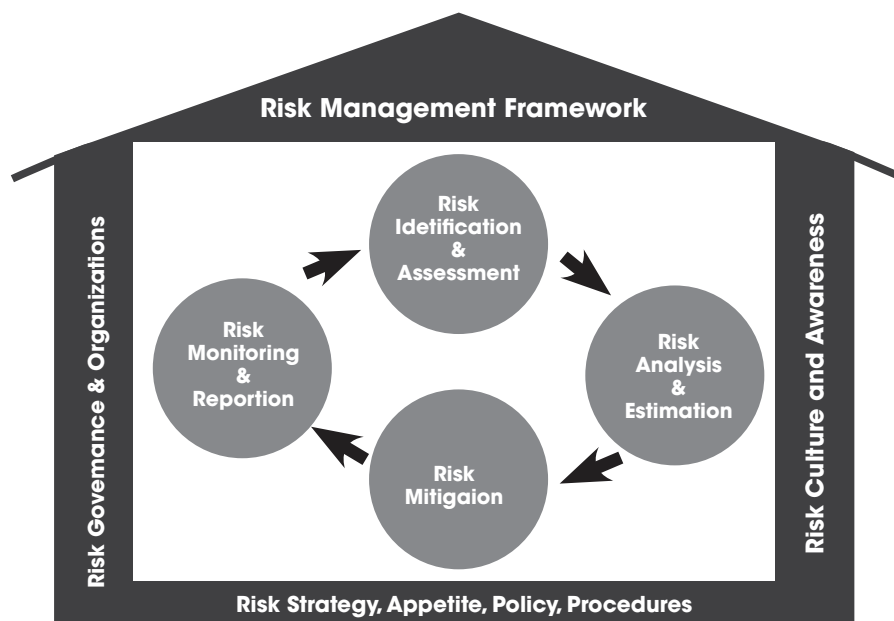
Over the past year, the global socio-economic, political, and environmental landscape has undergone significant changes. These shifts have created a complex risk environment for businesses worldwide. Climate change, geopolitical tensions, and economic disruptions have heightened financial and operational risks globally. In the local context, Sri Lanka faces its own set of challenges, including political uncertainty, climate change, and economic instability, which have compounded risks for businesses. In an interconnected world, these global and local trends directly impact the Sri Lankan financial sector.

1. Global Socio-Economic, Political, and Environmental Trends

The substantial changes in the global landscape—driven by economic shifts, social movements, geopolitical tensions, and environmental challenges—have reshaped business operations and introduced new risks.

1.1. Global Economic Trends

From 2023 to 2024, global economic trends have been shaped by a combination of recovery efforts and challenges as countries navigate post-pandemic adjustments, inflation control, and evolving geopolitical dynamics. A notable theme is inflation management. While global inflation rates suggest that price pressures persist in some countries, the broader battle against inflation has largely been won. The International Monetary Fund (IMF) projects global headline inflation to decline from an annual average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025. Although advanced economies are expected



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to achieve their inflation targets sooner, inflation rates in emerging markets and developing countries remain elevated (Source: IMF – World Economic Outlook: Policy Pivot, Rising Threats, October 2024).

Central banks in advanced economies, such as the United States and the United Kingdom, pursued tight monetary policies in 2023 to curb inflation. The US Federal Reserve's aggressive interest rate hikes in response to high inflation, followed by similar actions in the European Union, the UK, and emerging economies, had ripple effects worldwide. In response to high inflation, the Federal Open Market Committee (FOMC) increased interest rates by 75 basis points in 2023, bringing the federal funds rate to a range of 5% to 5.25% (Source: The Federal Reserve Annual Report 2023). By 2024, as inflation gradually declined, these economies began reversing these policies, with interest rates likely to be cut by mid-to-late 2024. For example, during the September 2024 FOMC meeting, the Federal Reserve reduced the federal funds rate by 50 basis points, lowering the target range to 4.75% to 5% (Source: J.P. Morgan Wealth Management, September 2024). This easing could stimulate demand for homes and vehicles, which had been constrained by high borrowing costs in 2023.

In 2024, inflation and the potential for a global recession increased gold's attractiveness as a hedge. Central bank decisions on interest rates directly influenced gold prices. For instance, lower interest rates enhanced gold's appeal as an asset because it does not yield interest, while higher rates deterred investment. The Federal Reserve's monetary policy, including expectations of interest rate cuts, reduced the opportunity cost

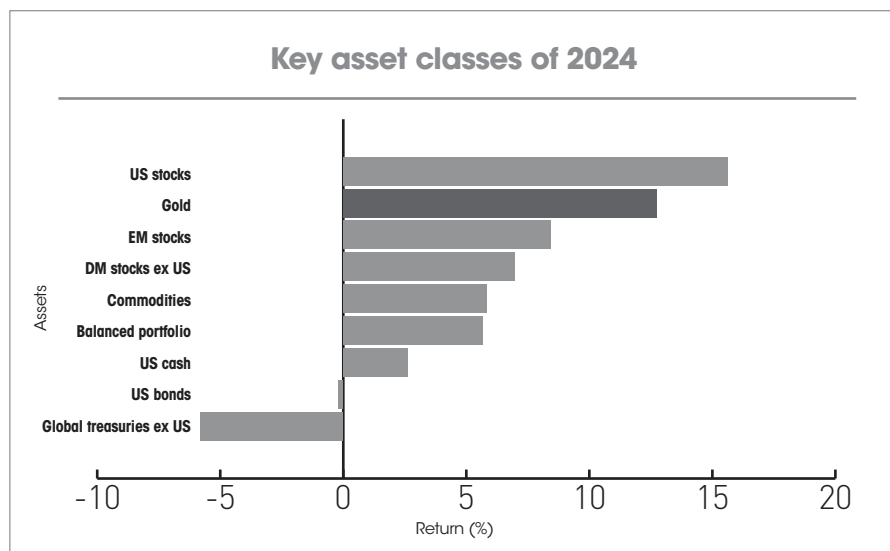
of holding gold, further bolstering its appeal. Geopolitical conflicts, such as the Ukraine-Russia war and trade disputes, also increased demand for gold as a safe haven. Amid various global disruptions, gold remained one of the best-performing assets in 2024, driven by resilient consumer demand, Asian investment flows, ongoing central bank purchases, and persistent geopolitical uncertainty (Source: World Gold Council – Gold Mid-Year Outlook 2024, July 2024).

Looking ahead to 2025, gold performance predictions indicate potential benefits for risk-seeking investors due to an initial surge of risk-on flows. Macro variables such as GDP growth and inflation are expected to have a positive impact on gold. However, challenges may arise from a monetary policy reversal that raises interest rates. Additionally, China will play a significant role in the gold market, as investors support it while consumers remain cautious. These dynamics depend on the direct and indirect impacts of trade (Source: World Gold Council – Gold Outlook 2025: Navigating Rates, Risk, and Growth, December 2024).

1.2. Global Social Trends

The war between Russia and Ukraine has been a major driver of global social instability. As of early 2024, the conflict has claimed the lives of more than 200,000 military personnel and civilians and displaced millions. This war has not only created a humanitarian crisis but also altered global migration patterns. According to the United Nations Refugee Agency (UNHCR), the war has forced nearly 4 million people to flee their homes and become internally displaced, while 6.8 million have moved to neighbouring countries such as Poland, Hungary, and Moldova or migrated to other parts of the world (Source: UNHCR, 2023).

Similarly, tensions in Palestine have fuelled protests and movements worldwide, contributing to further social unrest (Source: Al Jazeera, 2024). Geopolitical instability in the Middle East, particularly arising from the Palestine-Israel conflict, has typically led to increases in oil prices due to concerns over supply disruptions. These price



Source - World Gold Council - Gold Mid-Year Outlook - 2024 | *Data as of 30 June 2024

hikes have been driven by higher transportation and production costs.

Social movements advocating for climate action, social justice, and workers' rights continue to gain momentum. Climate strikes led by youth movements such as Fridays for Future have mobilized millions globally, demanding governments and corporations adopt more sustainable practices. Additionally, workers' rights movements, such as strikes in various sectors across the United States and Europe, have amplified calls for fair wages and better working conditions. These movements are pressuring companies to rethink their policies, labour practices, and corporate social responsibility strategies (Source: Earth. Org, 2022).

Digitization and the shift to remote work, accelerated by the COVID-19 pandemic, continue to transform the global workforce. The trend toward remote work has led to a restructuring of work culture. According to the Global Remote Work Index 2023, Denmark, the Netherlands, and Germany rank as the top three countries for remote working (Source: World Economic Forum, 2023). These shifts bring opportunities and risks, including cybersecurity challenges, changes in talent management, and the need for businesses to adapt to new technologies.

1.3. Global Political Trends

The 2024 US presidential election is expected to significantly impact global markets. Early in the year, the election focused on key issues such as tax policy, energy independence, and climate change regulations. The outcome of the election is likely to influence global energy prices,

particularly as the US administration's stance on oil production and renewable energy policies will have widespread effects. Furthermore, changes in trade policies and international relations will shape global supply chains and market access (Source: BBC News, 2024).

In Asia, China's political and economic strategies continue to play a pivotal role in shaping global trends. As China navigates its post-pandemic recovery and strives to assert dominance in technology and infrastructure, it has emerged as both a source of opportunities and risks. The ongoing US-China trade war and competition in technology sectors such as semiconductors and telecoms present risks for companies' dependent on global supply chains (Source: CNN Business, 2023).

1.4. Global Environmental Trends

In a world increasingly focused on climate change, resource scarcity, and sustainability, environmental risks have become critical. The frequency of extreme weather events—such as hurricanes, floods, and wildfires—has risen significantly. By the end of 2023, 7.7 million people were internally displaced due to disasters in 82 countries and territories (Source: Global Report on Internal Displacement, 2024). These events have disrupted global supply chains, particularly in the agriculture, construction, and manufacturing sectors.

As a result, companies are increasingly investing in climate resilience and disaster preparedness as part of their risk management strategies. Pressure is also mounting on organizations to adopt sustainable practices. In 2023, the European Union

introduced stricter regulations on carbon emissions under the European Green Deal, which aims to achieve net-zero emissions by 2050. Similarly, the United States has emphasized clean energy and sustainability policies in infrastructure investments.

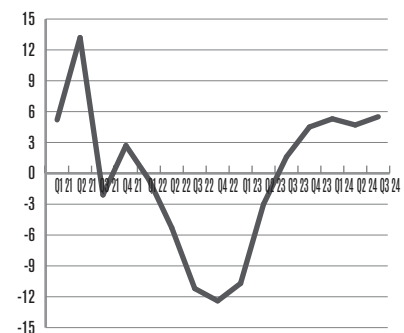
Businesses are now striving to integrate environmental, social, and governance (ESG) factors into their models, presenting both opportunities and challenges. At the COP29 conference in Baku, Azerbaijan, the urgent need to limit global warming to 1.5 degrees Celsius was highlighted, as annual carbon dioxide emissions exceeded 40 gigatons (Source: COP29 – Baku, Azerbaijan, 2024).

2. Economic, social, political and environmental trends in Sri Lanka

2.1 Economic trends in Sri Lanka

Sri Lanka, an island nation in South Asia, has faced significant challenges in recent years, including economic crises and political unrest. Despite these difficulties, the country is gradually moving toward recovery and reconstruction.

Quarterly Real GDP Growth of Sri Lanka (%)

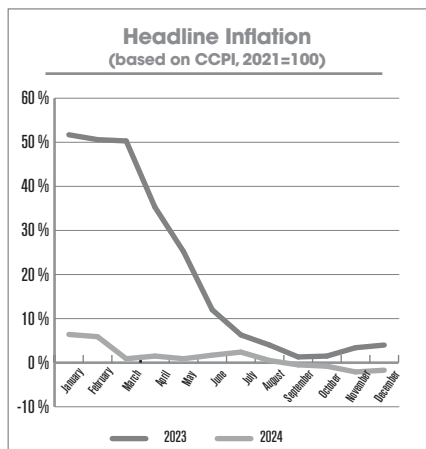


Source: CBSL, Economic Indicators, Macroeconomic Chart Pack, December 2024

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Sri Lanka's economic growth shows signs of improvement, with the GDP growth rate gradually increasing since the end of 2023. However, the economy has undergone significant changes, particularly in response to the debt crisis and interventions by international financial institutions. In 2024, Sri Lanka is in the midst of an economic restructuring process facilitated by the International Monetary Fund (IMF). The IMF intervention, which began with a bailout package in 2022, has been pivotal to the country's stabilization efforts. IMF-backed reforms, including austerity measures, fiscal adjustments, and debt restructuring, aim to restore economic stability and promote growth.

As of November 2024, Sri Lanka has experienced a continuous decline in inflation, entering deflationary territory below the Central Bank of Sri Lanka's (CBSL) 5 percent target. The inflation rate, as measured by the Colombo Consumer Price Index (CCPI, 2021=100), recorded a deflation of 2.1% in November 2024, a significant improvement compared to previous years of economic turmoil.



Source: CBSL - Economic Indicators - Inflation - 2023, 2024

According to projections by the CBSL, inflation is expected to remain more deeply negative in the coming months, primarily due to large downward adjustments in energy prices and a decline in volatile food prices. However, risks of rising inflation persist due to potential upward pressures from global food and energy prices, wage demands, adverse weather affecting agricultural production, policy changes in the United States, and significant currency depreciation.

Gold prices have played an essential role in Sri Lanka's economy in 2024, as the depreciating Sri Lankan Rupee has increased demand for gold as a store of value. Fluctuations in global inflation and the actions of central banks like the US Federal Reserve have also influenced gold prices. Despite some adjustments mid-year, local gold prices remained high due to persistent regional factors, including currency depreciation and economic instability.

2.2. Political Trends in Sri Lanka

The political landscape in Sri Lanka experienced notable changes in 2024, reflecting a shift in public sentiment and priorities. The period has been marked by efforts to address governance, transparency, and economic stability, particularly in the context of the country's ongoing collaboration with the International Monetary Fund (IMF).

The IMF-backed reforms have played a significant role in shaping Sri Lanka's economic and political environment, influencing policies aimed at fiscal consolidation, structural adjustments, and institutional strengthening. These reforms, while essential for economic recovery, continue to impact the broader political structure and remain a focal point of national dialogue.

Amid these developments, discussions on governance and institutional reforms highlight the ongoing adjustments in response to both domestic and international challenges. These efforts aim to align the country's systems with long-term goals of stability and progress.

2.3. Social Trends in Sri Lanka

Sri Lanka's social landscape continues to evolve, marked by challenges such as high inequality, particularly in rural areas, and notable progress. Poverty levels, measured as individuals living below \$3.65 per day, are expected to decline gradually but remain above 20% until 2026 (Source: World Bank Group, 2024).

Education and healthcare systems remain under pressure due to economic challenges. However, Sri Lanka maintains a high literacy rate of approximately 92% (Source: World Bank Group - Open Data 2022), and health outcomes exceed the South Asian average, with a life expectancy of 77 years. Despite these achievements, disparities persist in healthcare access and infrastructure, especially in rural areas.

Social movements advocating for governance reform, women's rights, and environmental protection have gained momentum. Public sentiment is divided, with some supporting the status quo while others demand systemic reforms.

2.4. Environmental Changes in Sri Lanka

Sri Lanka's tropical environment makes it extremely vulnerable to the effects of climate change; the Global environment Risk Index regularly places the country in the top ten nations at risk of extreme weather events (Source - Ministry of

Environment, 2024). Sri Lanka faces serious environmental challenges due to climate change, deforestation, water shortages and natural disasters. The country's vulnerability to extreme weather events such as floods, droughts and cyclones has increased in recent years.

Especially from October to November 2024, Sri Lanka experienced diverse weather patterns which influenced by the topical monsoon climate. October marked the inter-monsoonal season with widespread rainfall. Rainfall was heavy particularly in the Southwestern regions and Central areas. In November 2024, the northeast monsoon began to dominate, especially in Northern and Eastern regions, such as Jaffna and Batticaloa.

This deep depression that caused significant disruption in Sri Lanka's northeastern regions intensified into Cyclone Fengal, according to the Indian Meteorological Department (IMD). Adverse weather has prolonged waterlogging, eroding fertile topsoil and reducing productivity for future cultivation. Changes in the weather have made a negative impact on the economic status of the small-scale farmers due to the loss of their primary income. These negatives will lead to enhance the financial instability and insecurity in those households.

Apart from that, Floodwater submerged critical roads such as Akkaraipattu-Kalmunai road, which cut off transport and mobility. A bridge collapse in Oluvil-Kaliyoda further isolated residents. Train services also were halted in several areas, delaying supply chains and emergency. These damaged roads, bridges and delayed trains in the region has delayed access to markets and it

directly affected to the quality, prices and the supply of the agricultural products.

The government has attempted to address these challenges by promoting strategies for address the climate change. Sri Lanka is committed to achieving carbon neutrality by 2050 by reducing deforestation and utilizing renewable energy. However, more efforts are needed to mitigate the effects of climate change, especially in the agricultural sector, which is heavily dependent on seasonal rainfall.

3. Impacts of economic, social, political and environmental trends on Sri Lankan financial sector.

Sri Lanka's economic, political, social, and environmental trends profoundly affect the financial sector. Financial institutions must adapt to these evolving dynamics by reassessing risks, diversifying their portfolios, and focusing on sustainability and inclusion. Economic restructuring under the guidance of the International Monetary Fund (IMF), combined with political changes, presents both challenges and opportunities for growth and stability in the region. Additionally, social and environmental factors, such as unemployment, migration, and climate change, will continue to influence the demand for financial products and services.

The economic situation, particularly the IMF-supported reforms and the ongoing debt crisis, directly impacts the financial sector. As individuals and businesses face financial pressures, many institutions are reevaluating their risk models and lending practices to manage rising loan defaults and higher non-performing loans (NPLs).

The implementation of IMF-supported reforms, such as fiscal consolidation and public debt restructuring, is affecting credit availability in the market. Financial institutions are likely to witness changes in interest rates as the central bank adjusts monetary policy in line with IMF recommendations. The tightening of credit conditions, necessary for economic stability, may slow consumer and business lending, impacting financial institutions' growth prospects.

Furthermore, financial institutions are aligning their strategies with broader economic reform efforts. Some are focusing on risk diversification by increasing investments in government bonds and securities, which offer more stability than high-risk debt in the current environment. However, the ongoing credit crunch has led to a drop in consumer confidence and spending, impacting credit demand, particularly for discretionary items such as home loans or personal loans.

Political instability remains a risk. Political protests, policy changes, and the evolving power structure in the country can create uncertainty, leading to volatility in financial markets. Financial firms must remain agile and adjust their risk assessments to mitigate the effects of potential political unrest or policy changes.

Social factors, such as high unemployment—estimated at 373,461 individuals during the first quarter of 2024, representing a 4.5% unemployment rate (Source: Department of Census and Statistics, 2024)—and poverty levels (approximately 25% of the population living below the poverty line), significantly impact the financial sector. Increasing financial pressure

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on households may lead to higher loan defaults and greater demand for microfinance services as individuals and small businesses seek financial assistance.

Additionally, there is a growing trend toward digital banking and financial inclusion (Financial inclusion means that individuals and businesses have access to the useful and affordable financial products and services that meet their needs.) in Sri Lanka. Social trends favouring broader access to financial services, particularly in rural areas, have spurred the proliferation of digital platforms. Many financial companies are investing in digital banking services to reach underserved populations, especially as mobile and internet penetration increases. This shift improves access to financial products and services, expanding the customer base for financial firms.

Sri Lanka's increasing vulnerability to climate change and environmental disasters presents challenges and opportunities for financial institutions. Natural disasters such as floods and droughts disrupt the local economy and may increase loan defaults in affected sectors. Financial firms with substantial investments in agriculture or small businesses may need to re-evaluate their risk models to account for the heightened likelihood of losses in such sectors.

Opportunities also exist for financial firms to assist the country's transformation into a more sustainable economy. The government's commitment to achieving carbon neutrality by 2050 is expected to drive demand for green financing and sustainable investment products. Financial firms can capitalize on this trend by developing green bonds or providing

loans for renewable energy projects, energy-efficient technologies, and sustainable agriculture. International investors are increasingly interested in Sri Lanka's green finance initiatives, providing a potential source of capital for local finance companies adapting to global sustainability standards.

In addition, many financial companies in Sri Lanka are increasingly involved in environmental conservation initiatives as part of their corporate social responsibility (CSR) efforts. Supporting reforestation programs and helping communities affected by climate change benefits the environment while enhancing the public image and brand value of financial companies.

4. International Monetary Fund's (IMF) Recommendations for the 2024 Budget

In order to help stabilize the economy, and guarantee long-term growth, the International Monetary Fund (IMF) has proposed a number of key suggestions for Sri Lanka's 2024 budget. These suggestions are components of the IMF's continuing assistance, particularly through the Extended Fund Facility (EFF) agreement that Sri Lanka signed after the 2022 economic crisis. The main IMF proposals are shown below.

- Cut the Fiscal Deficit - The IMF emphasizes how important it is that Sri Lanka to keep cutting its fiscal deficit. The government should concentrate on reducing the deficit in 2024 by combining more revenue with lower spending.
- Revenue generation - Another key suggestion is to increase tax revenue. The IMF recommends expanding the revenue base

through better tax compliance and tax system reform, which may involve adding new taxes or modifying current tax systems.

- Continue debt restructuring efforts - Sri Lanka is urged by the IMF to advance the debt restructuring initiative. To achieve sustainable debt levels, this entails collaborating with private bondholders and international creditors.
- Transparency in debt management - To prevent future debt accumulation that would put a strain on public finances, borrowings and repayments should be better managed and made transparent.
- Control of inflation - The IMF advises to take a careful approach to controlling inflation, which has proven to be a major problem in Sri Lanka. It exhorts the central bank to keep monetary policy tight until inflation is under control and the currency is stable.
- Improving governance and anti-corruption measures - In order to win back investor trust, the IMF emphasizes the significance of combating corruption and enhancing governance. This entails putting anti-corruption policies into place and fortifying the organizations in charge of financial supervision.
- Protecting the poor and vulnerable - Due to the economic hardship in Sri Lanka, IMF has targeted a social protection framework for the poor and vulnerable individuals.

(Source - IMF, 2024)

RISK MANAGEMENT AT SIYAPATHA FINANCE PLC

In the financial year 2024, Siyapatha Finance PLC made significant strides in fortifying its risk management framework to drive sustainable growth and safeguard the interests of its stakeholders. Operating in a dynamic financial environment, the Risk Management Department has remained committed to enhancing operational resilience, meeting regulatory standards, and protecting the interests of depositors, investors, and regulators.

Key advancements include strengthening core functions, implementing effective risk mitigation strategies, and ensuring the smooth and efficient execution of business operations. Additionally, the organization has cultivated a strong risk-aware culture, aligning its practices with industry best standards and the regulatory framework governing the Non-Banking Financial Sector. By integrating robust risk management principles into its overarching business strategy, Siyapatha Finance reinforces its commitment to achieving sustainable, long-term success.

The Risk Management Department actively identifies, assesses, and mitigates potential risks through a comprehensive framework that addresses key areas such as credit risk, operational risk, and market risk. In addition, the department remains vigilant in identifying and managing emerging risks to safeguard the company's resilience and sustainability.

Key Emerging Risks and Mitigation Strategies

In response to the evolving business environment, Siyapatha Finance has formulated strategies to address emerging risks, ensuring sustained business performance and resilience:

- **Market Impact:** Proactively managing challenges related to liquidity constraints and upward revisions in interest rates to minimize potential market disruptions.
- **Reputation Risk:** Implementing measures to mitigate reputation-related risks, including those arising from rapid communication channels such as social media. Strategic initiatives ensure the company's reputation remains robust and adaptable to external influences.
- **Technological Risks:** Strengthening defenses against cybersecurity threats while adapting to technological advancements and managing risks associated with competitors' new product developments.
- **Human Capital:** Prioritizing talent retention and development to recognize and nurture human capital as a critical driver of long-term success.
- **Economic Environment:** Closely monitoring external economic conditions and their potential impact on stakeholders, enabling the company to remain agile and adaptive.

- **Political Instability:** Acknowledging the influence of political instability on strategic goals and ensuring contingency plans are in place to address deviations from original strategies.
- **Industry Impact:** Assessing industry trends and their effect on performance, with a particular focus on managing the Non-Performing Asset (NPA) position.

By anticipating and addressing these risks, Siyapatha Finance PLC continues to uphold its commitment to long-term stability and growth while navigating the challenges of an evolving financial environment.

Strategies & Action Plan

The Risk Management Division has established overarching objectives and strategies to address and mitigate a wide range of risks that the Company may face in its operational environment. These measures are designed to ensure a proactive and comprehensive approach to risk management.

The key strategies and corresponding action plans are summarized in the table below:

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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.

GROWTH ACHIEVED DURING THE YEAR OF 2024

During the 2024, the Risk Management Department at Siyapatha Finance PLC has made notable advancements in refining its risk management framework. This progress includes bolstering the key functions of the Implementation Department, enhancing risk mitigation strategies, and ensuring seamless business operations. Additionally, the department has worked to align with regulatory standards while fostering a robust risk management culture throughout the company.

1. Restructuring of Risk Management Department

Siyapatha Finance PLC officially combined its Credit Risk Management department with the Risk Management Department, effective from March 1, 2024. This integration was implemented to create a more unified and efficient approach to managing various types of risks within the organization. By consolidating these functions, the company aims to enhance its ability to effectively monitor and mitigate risks in key areas such as credit risk, operational risk, market risk, and other residual risk categories. This strategic move allows for a more comprehensive oversight of potential risks, ensuring that they are identified, assessed, and managed more efficiently across the organization. The goal is to strengthen company's overall risk management framework, ensuring that all risk areas are effectively addressed in compliance with regulatory standards, while also supporting the company's long-term stability and growth.

2. Developing a culture of Risk Management

In 2024, the Risk Management Department (RMD) took significant steps to foster a strong culture of risk management within the organization by organizing over 30 Risk Management Awareness Sessions aimed at educating employees across different levels about the importance of proactive risk management. These sessions covered a wide range of topics, including risk identification, mitigation strategies, and best practices for managing risks.

A key highlight of these initiatives was Tomorrow's Risk Managers: Chapter 2, a specialized awareness training program focused on advanced risk management topics. This event brought together Risk Coordinators (RCs) from various departments and branches across the company and provided them with deeper insights into risk mitigation strategies and ways to align risk management practices with the company's overall strategic goals.



Branch and Department Risk Coordinators: after the successful awareness session of "Tomorrow's Risk Managers Chapter 2"

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3. Introducing the role of RRA

As part of its commitment to growth and effective risk management, Siyapatha Finance has expanded its risk management framework across all departments and branches. To strengthen this initiative, the company introduced the role of Regional Risk Analyst (RRA) to oversee and manage risks at the branch and department levels. These analysts play a pivotal role in identifying, preventing, and mitigating potential risks by working closely with Risk Coordinators, Branch Managers, and Department Managers under the direction of the Head of Risk. This initiative integrates risk management into the company's daily operations, promoting a proactive and structured approach to risk oversight. Risk Coordinators serve as the first line of defense, while the RRAs function as the second line of defense, ensuring a comprehensive risk management strategy.

4. Manual Reviews and Risk Assessment

The Risk Management Department (RMD) carried out a comprehensive review policy within the organization,

conducting in-depth risk reviews and assessments for each policy. This process involved several critical steps aimed at ensuring that the company's policies were robust and aligned with its overall risk management framework. Based on these evaluations, risk management recommendations have been provided to the relevant departments for further action.

5. On-site Risk Evaluation

The Risk Management department conducted on-site risk assessments during 32 branch visits, which played a key role in identifying potential risks at the grassroots level that might not be easily visible or detectable through other means, such as reports or data analysis. By visiting branches in person, the Risk Management department aimed to observe the operating environment in real-time and gather firsthand insights into potential vulnerabilities that could affect the organization's operations. The findings were used to implement effective risk management strategies to ensure the safety, security, and overall success of the organization.

6. Implementation of a branch/ department risk rating

The implementation of a branch/ department risk rating method was a key strategic move aimed at enhancing the company's approach to risk monitoring and management at the branch/department level. This structured method enables the organization to systematically evaluate and assess the risks associated with each branch and department, providing clear insights into the areas of greatest concern. The primary objective of the branch/ department risk rating method is to ensure that the company can identify and address potential risks before they escalate, contributing significantly to the company's overall stability and resilience.

7. Risk management e-flyers

The Risk Management Department (RMD) introduced a new initiative called "RiskInsights" to improve communication and raise awareness about risk management across the organization. A key component of this initiative was the release of two e-flyers



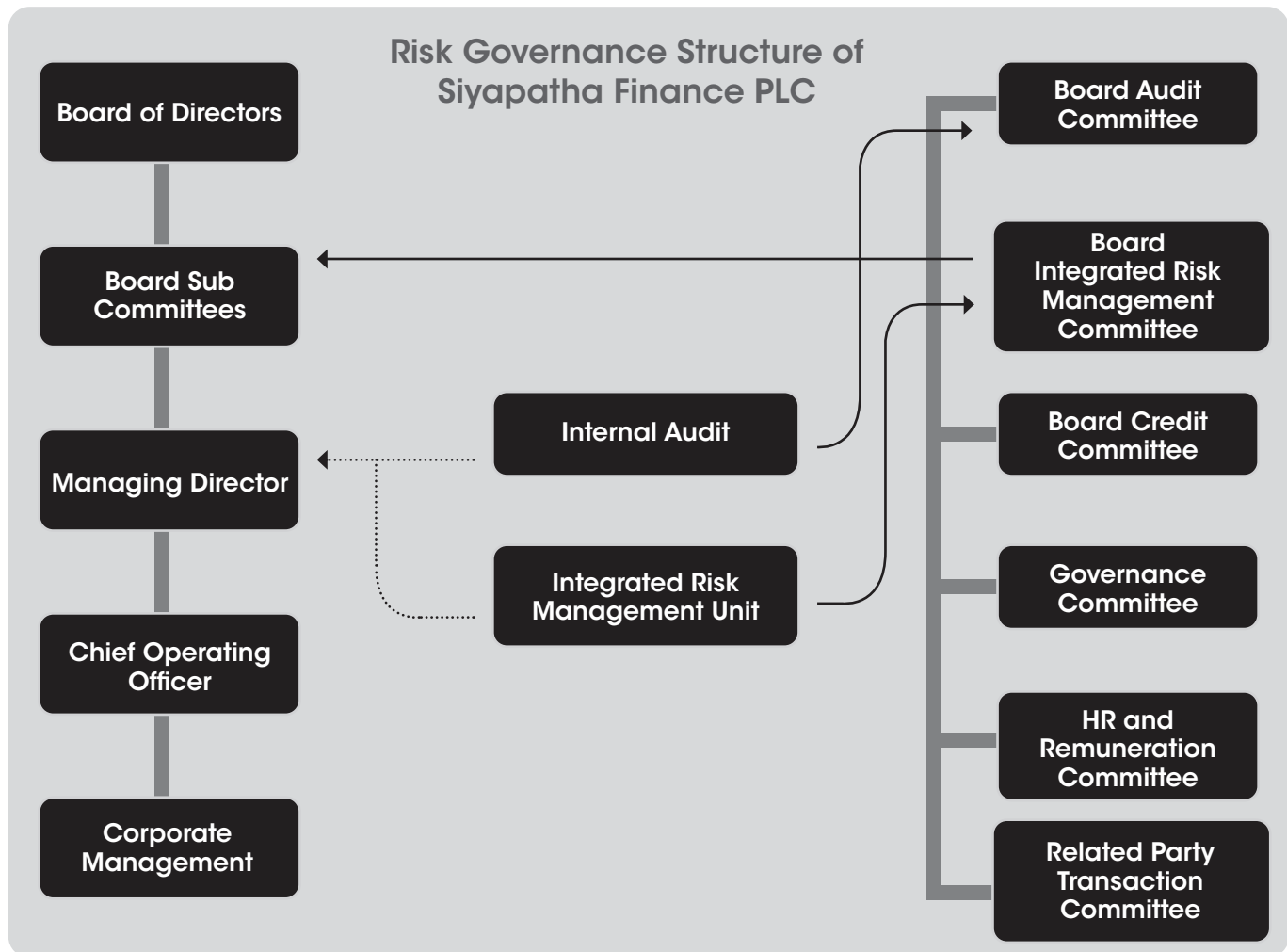
each month throughout 2024, aimed at fostering a culture of risk awareness. These e-flyers serve as an important tool for providing valuable insights on various risk management topics. Each edition covers different aspects of risk, including emerging trends, best practices, updates on regulations, and internal policies. The content of the e-flyers is carefully curated to

address the evolving risk landscape, helping employees stay informed and engaged with current developments in risk management.

8. Enhancing Risk Analysis Reporting

The Risk Management department introduced a series of enhancements to its approach to risk analysis

and reporting, aimed at improving the accuracy, efficiency, and comprehensiveness of the organization's risk assessments. These reforms included the introduction of new risk tools, dashboards, and reporting methods, which collectively empowered the department to better assess, track, and mitigate risks.



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Board of Directors

The Board of Directors holds primary responsibility for establishing and maintaining robust risk management practices within the company. This includes approving policies, strategies, systems, and operational approaches related to risk management. The Board collaborates closely with the Integrated Risk Management Committee and the corporate management team to ensure the effective implementation of these frameworks, aligning them with the company's strategic objectives and regulatory requirements.

Board Integrated Risk Management Committee (BIRMC)

The Board Integrated Risk Management Committee (BIRMC) is a subcommittee responsible for overseeing the Company's risk management function and ensuring its alignment with the policies and strategies approved by the Board. BIRMC plays a pivotal role in recommending key risk management policies for Board approval and issuing directives to address identified risks. The committee actively communicates with the Managing Director, the Board Audit Committee, and the Board Credit Committee to coordinate risk management activities effectively.

BIRMC comprises key Board representatives, including the Managing Director, COO, Head of Risk Management, Head of Compliance, Head of Treasury, and other senior management personnel as necessary. The Head of Risk Management serves as the committee's secretary. This diverse composition ensures comprehensive coverage of critical risk areas such as credit, marketing, operations, recoveries, finance, and

deposits. Through collaborative efforts, BIRMC fosters a strategic and cohesive approach to risk oversight, aligned with the Company's broader objectives and Board-established policies.

Risk Management Department

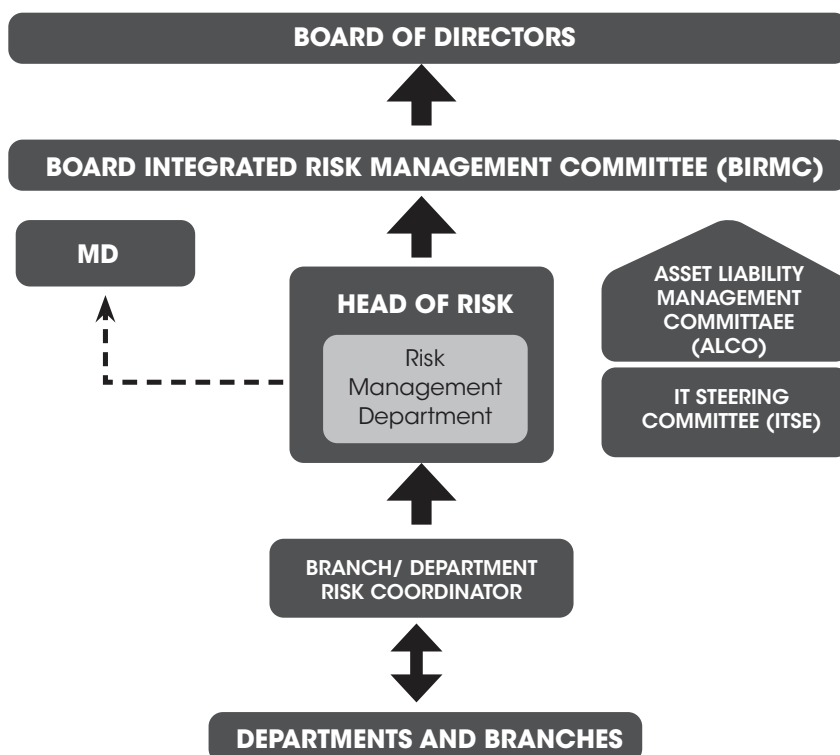
The Risk Management Department (RMD) operates independently from the business units that incur risks, with a primary responsibility for executing the Company's comprehensive risk management activities at the operational level.

RMD assesses the Company's overall risk exposure through the use of Key Risk Indicators, which are subsequently mapped onto a risk grid based on the analysis derived from the risk register. The department is also tasked with the ongoing development,

review, and regular updating of the Company's policy framework, ensuring the continuous alignment with evolving business needs and risk environments. RMD ensures the effective implementation of approved policies and actively contributes to the development of new business strategies or initiatives, offering critical risk management insights from the initial planning stages.

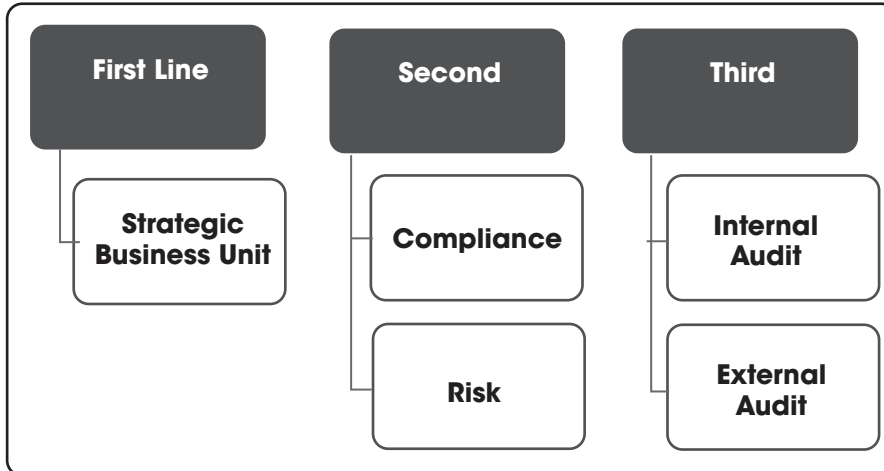
Maintaining close coordination with the Board Risk Management Committee, RMD collaborates on the implementation of enterprise-wide risk controls. This partnership supports a cohesive and comprehensive approach to risk oversight, ensuring that risk management practices are integrated into the Company's overall strategic objectives and risk management framework.

RISK MANAGEMENT REPORTING STRUCTURE



Three Lines of Defense

The three-lines-of-defense model is a framework for managing risks within an organization, establishing a clear structure of roles and responsibilities.



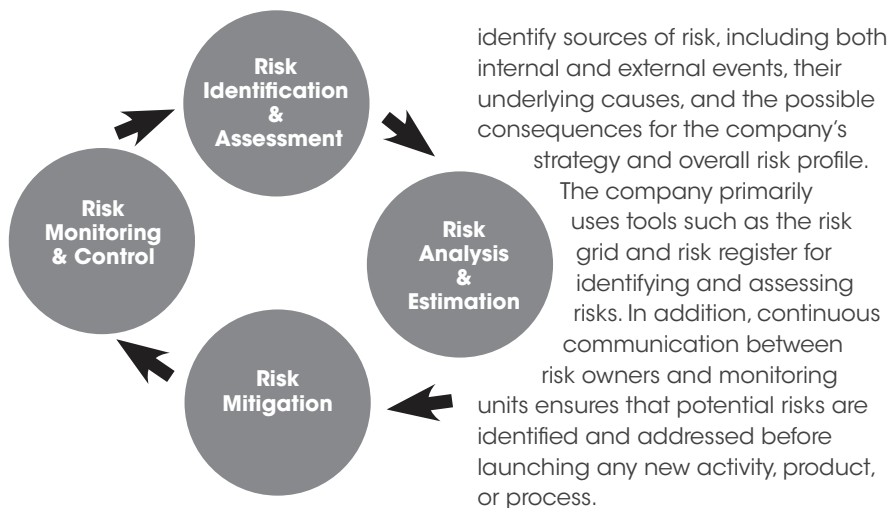
First Line of Defense: This consists of the business units or departments that directly manage risks in their daily operations who are responsible for carrying

out the approved risk management procedures, identifying risks within their own areas, and taking action to address them.

Second Line of Defense is made up of the Risk Management Department and the Compliance Department, which provide oversight to ensure that the first line of defense is effectively implementing the risk and control procedures.

The Internal Audit function acts as the third line of defense, offering independent assurance to the Board and its sub-committees that both the first and second lines of defense are effectively adhering to the Board-approved Risk Management Framework.

RISK MANAGEMENT PRINCIPLES



Risk Identification & Assessment

Risk identification & Assessment involves systematically analyzing the full spectrum of potential risks to

identify sources of risk, including both internal and external events, their underlying causes, and the possible consequences for the company's strategy and overall risk profile.

The company primarily uses tools such as the risk grid and risk register for identifying and assessing risks. In addition, continuous communication between risk owners and monitoring units ensures that potential risks are identified and addressed before launching any new activity, product, or process.

Risk Analysis & Estimation

The company utilizes a range of methods, such as analytical reviews, stress testing, and scenario analysis, to assess and analyze risks.

a) Risk Appetite

Risk Appetite is one such methods where the company determines its risk appetite by considering both qualitative and quantitative factors which are periodically reviewed and adjusted to align with changes in market conditions and macroeconomic trends that affect the company.

b) Stress testing

Stress testing is used to assess the company's ability to endure potential performance challenges under unfavorable conditions. The Board of Directors approves the stress testing policy, and the results are discussed at the Board's Integrated Risk Management Committee. These stress tests focus on key factors to evaluate

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their impact on overall performance. Special attention is given to stress testing the gold financing portfolio, as it is particularly vulnerable to market risks.

Risk Mitigation

Risk mitigation actions are suggestions or strategies aimed at transferring, reducing, avoiding, or accepting risks. These actions are designed to help manage capital and liquidity effectively while fostering business growth in a complex and evolving operational environment. Risk control is primarily carried out by the Risk Management Department, with collaboration and support from various business units within the organization.

Risk mitigation encompasses four main strategies: acceptance, avoidance, limitation, and transference.

a) Risk Acceptance: This strategy involves evaluating the tradeoff between risk and reward, as well as considering the costs of alternative risk management options such as avoidance or limitation, before deciding to accept certain risks, such as credit risk. For example, credit risk in relation with lending, acceptance of the interest rate risk, evaluating loans before disbursement, and approving borrowings all reflect risk acceptance.

b) Risk Avoidance: Risk avoidance means taking proactive steps to eliminate or avoid exposure to a particular risk. An example of this is avoiding High-Risk Borrowers, declining

credit applications that don't meet the company's criteria, ensuring no risk exposure to those specific financial actions.

c) Risk Limitation: Risk limitation involves managing the level of risk by reducing exposure through specific actions. While some risk may still be accepted, measures are put in place to control or reduce it. For example, a company may impose limits on the size or duration of transactions, or set maximum thresholds for credit exposure to a single borrower.

d) Risk Transference: Risk transference is the process of shifting the responsibility of managing certain risks to an external party. This can be done through methods like outsourcing specific functions or purchasing insurance. It allows the company to transfer some of the risks it faces to others better equipped to handle them. For example, the company outsource recovery actions to external parties.

Risk Monitoring & Control

Key Risk Indicators (KRIs)

Key Risk Indicators (KRIs) are critical metrics that signal potential risks or issues that could negatively affect the company. These indicators provide an early warning system, helping the company stay ahead of any changes in factors that could impact its performance. By regularly monitoring these KRIs, the company can identify and address risks early on, supporting better risk management and

reducing potential harm.

Risk Appetite and Tolerance Limits

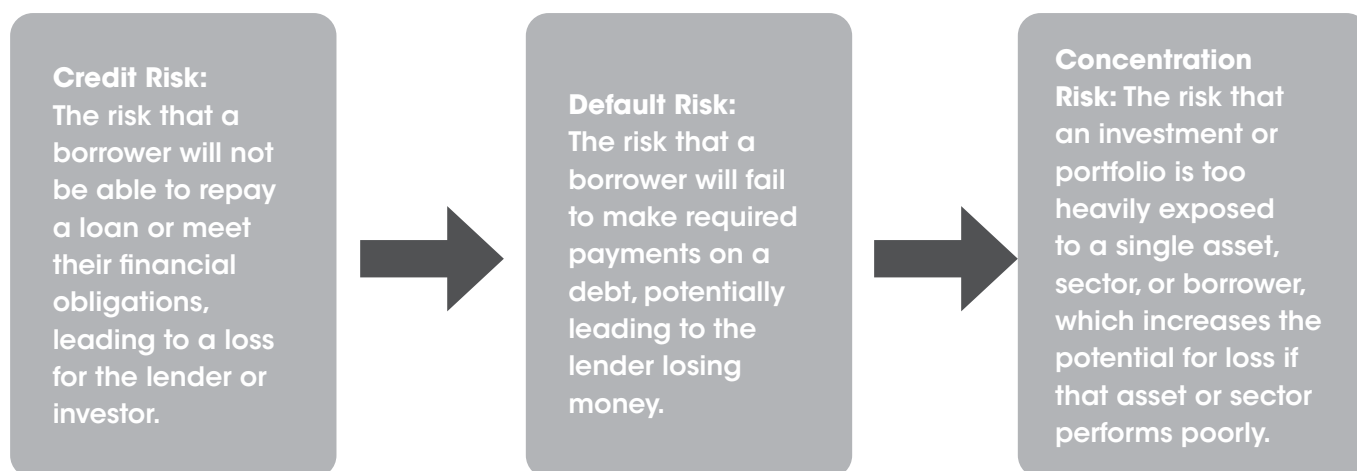
Risk appetite refers to the amount and type of risk an organization is willing to take on, as outlined by ISO 31000. It is a key element in guiding business decisions, and organizations gather relevant data to effectively measure and manage it.

Risk tolerance, however, is the specific level of risk the company is willing to accept in certain areas, expressed as measurable thresholds. These limits are set across the organization, particularly focusing on areas like credit and funding, and are closely monitored to ensure actual risk levels stay within acceptable bounds. The company ensures it stays compliant with regulatory standards.

The company establishes these risk limits with an eye on both business opportunities and market changes. The approval of these limits is handled by the Board Integrated Risk Management Committee (BIRMC), and they are reviewed regularly or more frequently if necessary. This careful approach helps the company balance risk and potential rewards while maintaining regulatory compliance.

MANAGING THE KEY RISKS FACED BY THE COMPANY

CREDIT RISK



Identification and assessment

Credit risk is the potential for a counter-party or borrower to default on a lease or fail to repay a loan, among other financial commitments. It refers to the possibility that the borrower's inability or unwillingness to pay back the loan or fulfill other financial obligations could result in a loss for the lender. As a lending organization, credit risk is the most significant risk it faces.

As well credit risk refers to the risk that a lender may not receive the owed capital and interest overall deterioration in credit quality.

Credit risk primarily arises from financial sector companies, as this sector is mainly involved in providing financing services to customers. This risk is managed by assessing the creditworthiness of borrowers and conducting periodic reviews of the credit granted.

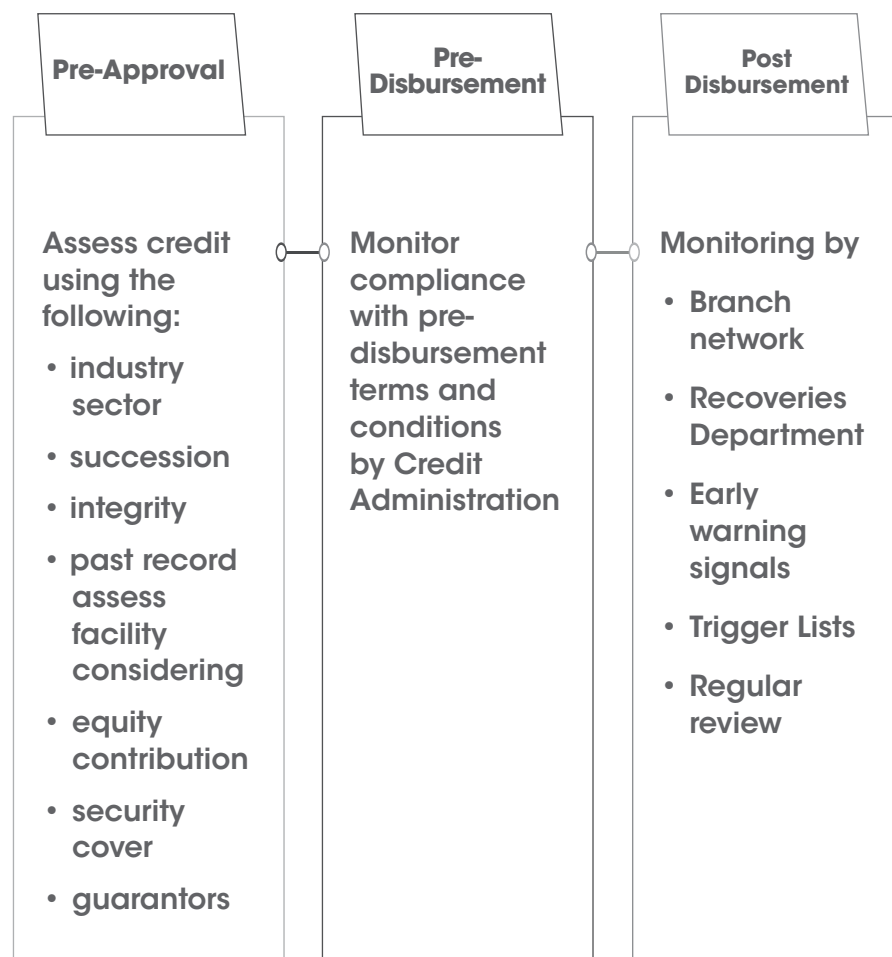
Credit risk is crucial to the Company's growth, making a robust credit risk management system essential. The Company's strength lies in its comprehensive credit screening process, which ensures meticulous risk assessment and informed decision-making.

To mitigate credit risk, the Company uses a multi-tiered approval process, ensuring that credit pricing matches the associated risk level. In here, Credit Screening and Assessment conducted at the branch level to thoroughly evaluate the creditworthiness of potential lessees before entering into a lease agreement. Diversifying the portfolio across various industries, sectors, and geographical locations helps reduce the risk of defaults from any single customer or sector. Continuously monitoring the financial health of lessees throughout the lease term allows for early intervention. Approval

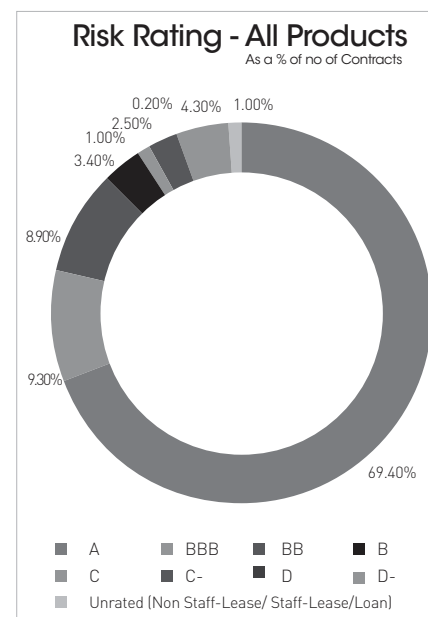
limits are set, with the option for escalation based on the credit risk assessment, rating, and loan amount. By implementing these strategies, company reduces its exposure to credit risk and improve its ability to recover funds in case of default.

Maintaining a high-quality asset book requires seamless collaboration between business origination and risk assessment units, with approval authority levels regularly evaluated to align with periodic reviews of the Company's portfolio quality.

The credit risk assessment process, covering the entire loan lifecycle, is shown below, ensuring a thorough understanding of the risk landscape and supporting informed decision-making to maintain the quality of the Company's asset portfolio.

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Risk rating classification for all products typically involves categorizing different financial products, such as loans, leases, gold loan, based on their risk levels. This classification helps lenders, investors, and financial institutions assess the potential for loss and determine appropriate risk mitigation strategies, pricing, and terms. Risk Rating Reclassification is to be applied for leasing contracts as per regulatory requirements of reviewing such facilities after the inception. Reclassification is to be used as a sub rating in the system where as initial customer rating remained unchanged. Risk Rating Reclassification shall be determined by a methodology which has been approved by the board. A, BBB, BB, B, C, C-, D, D- are the reclassification ratings use by the company and will be reviewed quarterly compared with initial rating at the inception of each.

**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.

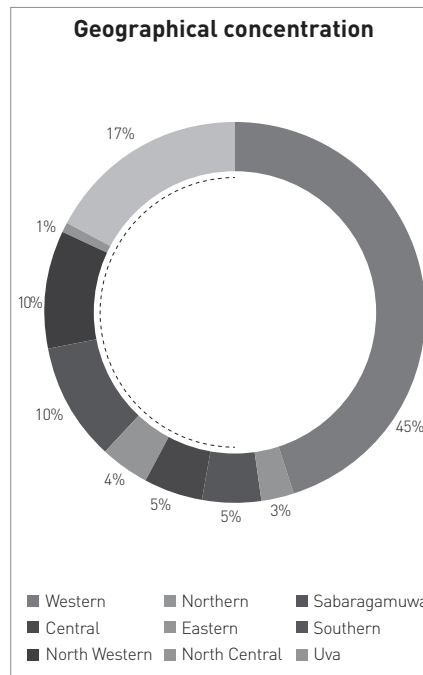
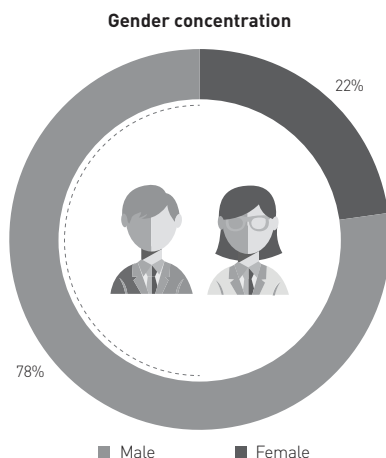
Stress testing on NPA

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

Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes IT risk and legal risk, but excludes strategic and reputational risk

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.

Effectively managing operational risk remains a cornerstone of Siyapatha Finance PLC's day-to-day operations in 2024, with adherence to sound practices essential to aligning with the Company's risk profile.

The Company's well-established Operational Risk Management Policy, developed in line with regulatory guidelines, continues to guide its risk management processes. The primary objective of this policy is to establish a structured operational risk management framework encompassing the identification, assessment, measurement, monitoring, and mitigation of

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operational risks. In addition to general risks, the policy specifically addresses Information Technology (IT) risks associated with the use and operation of information systems.

Structured around seven standard criteria—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—the policy ensures comprehensive operational risk management. Notably, the scope includes legal risk while excluding strategic and reputational risks, ensuring alignment with the Company's operational profile.

Identification and Assessment

In 2024, the evaluation of internal controls and process audits remained integral to identifying vulnerabilities and weaknesses within the operational framework. This approach allowed the Company to implement proactive measures to address potential risks. Siyapatha Finance focused on key operational risk areas, including:

- Losses due to fraud, misconduct, and negligence.
- Losses arising from poor-quality credit and legal documentation.
- Monitoring customer complaints and lawsuits.
- Tracking the frequency of system breakdowns and associated costs.

Control and Monitoring

The Operational Risk Management Policy explicitly outlines the roles and responsibilities of all involved sections. Operational risk incidents can lead

to severe financial and reputational consequences, occasionally threatening the Company's existence. Key challenges in operational risk management include identifying effective risk parameters, managing complex data, and fostering a unified enterprise-wide perspective.

Policy and Documentation:

Board-approved manuals covering all aspects of companywide processes ensure thorough documentation and standardization of key processes.

Cybersecurity and IT Risk Management:

The Company has strengthened its IT system in response to multiple cybersecurity audits conducted to detect and address vulnerabilities. These improvements were informed by audit insights. A board-approved Business Continuity Plan (BCP), incorporating disaster recovery planning, remains active, with periodic testing of the disaster recovery site to validate its effectiveness.



Methods of Operational Risk Management

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

Monthly KRI and SAQ programs are conducted to capture operational environment dynamics. KRIs provide quantitative insights, while SAQs employ dropdown options for qualitative feedback. This information is analyzed to identify risk trends, enabling timely mitigative actions.

Root Cause Analysis (RCA):

For operational risk events, the Risk Management Department collaborates with business units to produce comprehensive RCA reports. These reports outline preventive actions, mitigation strategies, and controls to address root causes effectively.

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

Annual R&CSA programs continue to empower branches and departments to identify and own their risks and controls. From 2020 to 2024, R&CSAs provided valuable insights for the Board Integrated Risk Management Committee (BIRMC). In 2024, these programs evolved to further strengthen operational risk controls across the Company.

Scenario Analysis:

Scenario Analysis remains a key component of Siyapatha's operational risk framework. By simulating diverse risk conditions, the Company assesses their potential impacts on operations, financial stability, and reputation. Periodic scenario analyses are conducted and reported to the BIRMC to enhance preparedness.

Ad-hoc Risk Incident Reporting:

The Company fosters a culture of transparency and accountability through a robust Whistle blowing Policy. Staff are encouraged to report operational lapses or potential fraud to senior management or utilize alternative whistleblower channels for concerns.

Customer Complaints Analysis:

Customer complaints are monitored by the Risk Department, with root cause analysis conducted to identify recurring issues. Relevant findings are escalated to appropriate departments or branches for resolution, with periodic updates provided to the BIRMC.

Risk Management Awareness Culture:

In 2024, the Risk Management Department intensified its training initiatives to cultivate a stronger risk-aware culture across the Company. Training sessions for staff emphasized the importance of risk reporting, with specialized programs for risk coordinators. These coordinators are tasked with cascading knowledge to their respective teams, fostering a collaborative approach to operational risk management.

Interest Rate Risk

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

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

Identification and Assessment

Interest rate risk arises primarily from mismatches between assets and their corresponding liabilities, influenced by fluctuations in interest rates across various maturities. Finance companies, including Siyapatha Finance, are exposed to these risks due to the diverse fixed interest rates assigned to assets and liabilities within their portfolios.

In 2024, Siyapatha Finance remained focused on managing the impacts of market-driven interest rate changes, which can affect earnings, asset/liability values, off-balance sheet items, and cash flow. The company's objective in interest rate risk management is to safeguard earnings, mitigate adverse impacts, and achieve adequate returns in proportion to the risks undertaken.

Stress testing continued to be a critical tool for assessing the effects of varying interest rate scenarios on the net interest position and the re-pricing cycles of interest-sensitive assets and liabilities. Simulations of interest rate changes were utilized to evaluate their potential impact on the Company's profitability under diverse market conditions.

To proactively respond to market rate movements, the company maintained vigilant monitoring of macroeconomic conditions. In 2024, Siyapatha Finance achieved notable growth in its deposit base, enabling a more balanced funding strategy. The increased deposit base reduced reliance on borrowed funds, including both short-term and long-term borrowings, while equity and other borrowed funds served as supplementary funding sources.

The company's strategic approach to leveraging market rate volatility, while maintaining prudent liquidity, is closely monitored by the Asset Liability Management Committee (ALCO), ensuring resilience against interest rate risks.

Control and Monitoring Volatile Liability Dependency Ratio

The Volatile Liability Dependency Ratio (on interest rate) is calculated by measuring the percentage of variable rate borrowings relative to the total lending portfolio.

Key Risk Indicators (KRIs) for Interest Rate Risk

● Appetite Limit:

The Volatile Liability Dependency Ratio (on an interest rate basis) is maintained at a prudent level as outlined in the company's policy, ensuring alignment with the total portfolio.

● ALCO Oversight:

The ALCO consistently monitors interest rate trends and reviews the company's interest rate structures for both lending and borrowings. Based on these assessments, the committee provides guidance on necessary adjustments to interest rates.

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● Product Innovation:

To address re-pricing mismatches, the company has introduced products with shorter tenures, enhancing its ability to respond to market fluctuations. Furthermore, an increased focus on fixed-rate borrowings has contributed to effective interest rate risk management throughout 2024.

By employing these measures, Siyapatha Finance has reinforced its capability to navigate interest rate risks and sustain financial stability in an evolving market environment.

Liquidity and Funding Risk

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

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

Identification and Assessment

Liquidity risk refers to the potential inability of an institution to meet its financial obligations, which could adversely impact its stability. In 2024, Siyapatha Finance continued to prioritize the establishment and enhancement of a robust system to identify funding requirements, ensuring that funds are available

when needed and at optimal costs.

A key component of Siyapatha's liquidity risk management strategy is the continuous observation and assessment of current and anticipated funding needs. This includes meeting debt obligations and planning for contingencies across various scenarios. To mitigate liquidity challenges arising from mismatches in cash flow timing, the company diligently monitors cash flows, ensuring that liquid assets are sufficient to meet its obligations.

Key liquidity risk indicators, such as the liquid asset ratio, maturity gap analysis, capital adequacy ratios, and the Volatile Liability Dependency Ratio, are monitored closely. The Asset Liability Management Committee (ALCO) plays a vital role in overseeing these metrics, ensuring a healthy liquidity position and addressing potential risks proactively. This comprehensive approach enables Siyapatha Finance to adapt to changing market conditions while maintaining financial stability.

Control and Monitoring

Volatile Liability Dependency Ratio (Maturity)

The Volatile Liability Dependency Ratio on maturity is calculated by measuring the percentage of interest-bearing liabilities payable within 12 months relative to the total lending portfolio.

In 2024, Siyapatha Finance refined its liquidity monitoring practices by strengthening controls and implementing real-time tracking mechanisms. These efforts ensure that any emerging liquidity risks are promptly identified and mitigated. The company remains committed to aligning its liquidity management

framework with regulatory requirements and industry best practices, safeguarding its operational resilience.

People/ Conduct Risk

Human capital, encompassing the skills, knowledge, and intangible assets of individuals, remains a cornerstone of Siyapatha Finance's success. For a service-oriented organization, a competent and motivated workforce is vital in delivering effective financial solutions and achieving corporate objectives. In 2024, people risk continued to significantly influence the financial services industry, prompting Siyapatha to strengthen its proactive measures to mitigate potential challenges, ensuring minimal disruption to operations.

The roots of people risk often lie in gaps within the recruitment process, where the identification of candidates best suited to the company's needs may falter. Additional risks arise from inadequate mechanisms for evaluating performance, instances of misconduct, unplanned absenteeism, and employee negligence. Recognizing these challenges, Siyapatha Finance has implemented strategic initiatives to address and mitigate people risk effectively.

Identification and Assessment

Siyapatha maintains a robust screening and recruitment process, ensuring only the most qualified candidates join the organization. In 2024, the company enhanced its onboarding practices through updated orientation programs that emphasize the company's Code of Ethics and corporate values. New recruits underwent vigilant performance monitoring during their probationary periods, reinforcing the early identification of potential risks.

The company's commitment to fostering an engaged workforce was further demonstrated through coaching and mentoring programs designed to support team members' professional growth. HR visits to branches across the network promoted open dialogue and allowed for the early detection of potential concerns. The continuation of the open-door grievance-handling policy and the conduct of exit interviews further strengthened the company's ability to identify and address people-related risks in a timely manner.

Control and Monitoring

In 2024, the induction program was refined to ensure that all new recruits were thoroughly briefed on expected performance standards, particularly regarding internal processes and integrity. This clear communication helped align employee expectations with organizational objectives from the outset.

To uphold a culture of excellence, the company further optimized its performance assessment and compensation system, ensuring that exemplary performance was recognized and rewarded. A stringent disciplinary policy remained in place to govern employee behavior, emphasizing adherence to professional standards and ethical conduct.

Through these measures, Siyapatha Finance continues to build and sustain a resilient workforce, ensuring that people-related risks are effectively managed and that the organization remains agile in navigating the challenges of a dynamic business environment.

Technology Risk

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

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

In today's dynamic business environment, technology continues to be a cornerstone for driving innovation and operational efficiency. However, this reliance on technology introduces inherent risks, which, if not managed effectively, could lead to financial losses, operational disruptions, and reputational damage. At Siyapatha Finance, we prioritize proactive management of Technology Risk to safeguard our information assets and ensure their integrity.

Technology Risk encompasses various dimensions, including unauthorized access to systems or data, failures in existing IT systems, and reliance on outdated technology. Acknowledging the critical role of information as a key organizational asset, the company has intensified its focus on mitigating cyber threats and vulnerabilities. Our comprehensive measures are designed to prevent unauthorized access, enforce need-to-know access protocols, preserve confidentiality, maintain data integrity, ensure

business continuity, and minimize overall business risks. These efforts align with our strategic objectives of maximizing return on investment and preventing the misuse of information assets.

Our IT risk management approach is grounded in recognizing the strategic, financial, operational, regulatory, and reputational implications of these risks. As a subset of Operational Risk, IT Risk is categorized into Internal IT Risk, External IT Risk, and Business Continuity Risk, with further evaluation of risks concerning Loss of Integrity, Loss of Availability, and Loss of Confidentiality.

The Information Security and Compliance division continues to play a vital role in implementing a consistent and practical operating model across all IT domains. This division ensures that risk-related information is systematically reported, forming the foundation for objective-setting, informed decision-making, and accountability at every organizational level. High-risk situations and instances of non-compliance are promptly escalated to the Board Information Technology Committee (BITC) and the Board Integrated Risk Management Committee (BIRMC) by the Information Security and Compliance Officer.

The company's commitment to robust Technology Risk Management is underscored by the active engagement of the Board of Directors and senior management. They ensure clear accountabilities, allocate necessary resources, and make IT decisions within the defined risk appetite. In 2024, the company further enhanced its technology policies to address emerging threats and align with industry advancements.

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Identification and Assessment

Amidst a rapidly evolving digital landscape and ongoing business expansion, Siyapatha Finance reaffirmed its commitment to investing in IT system enhancements and security features.

Routine and comprehensive assessments of the IT system were undertaken throughout the year to ensure uninterrupted operations and address potential vulnerabilities to cyber-attacks. This proactive approach reflects the company's dedication to maintaining a resilient and secure technological infrastructure amidst a complex and dynamic business environment.

Control and Monitoring

In 2024, the company reinforced the security of its computing infrastructure by maintaining robust protections for computers, servers, and networks. This included advanced anti-virus and anti-spyware solutions, secure firewalls, and regular software updates. Comprehensive data backup processes, including off-site storage, were further optimized to enhance resilience and risk mitigation.

The introduction of new products underwent detailed planning processes, with technological requirements evaluated to ensure alignment with product specifications. Following system implementation, routine IT system audits were conducted to identify vulnerabilities and implement necessary controls. This ongoing evaluation process ensures that the company's systems remain secure, adaptive, and capable of addressing the challenges posed by an ever-evolving technological environment.

Through these strategic initiatives, Siyapatha Finance continues to leverage the benefits of technology while safeguarding its information assets to support sustainable and secure operations.

Compliance Risk

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

The Compliance Department is entrusted with safeguarding Siyapatha Finance from potential losses, both financial and reputational, that may arise from non-compliance with laws, regulations, directives, or self-regulated organizational standards pertinent to the company's operations.

Identification and Assessment

In 2024, the company continued to recognize the far-reaching impact of compliance risks, which can result in loss of earnings, missed business opportunities, reputational damage, and legal proceedings. Proactive identification and assessment processes were further refined to address emerging regulatory changes and heightened industry expectations.

Control and Monitoring

Siyapatha Finance maintained its commitment to stringent compliance with all applicable regulations and laws, including directives from the Central Bank of Sri Lanka and the Colombo Stock Exchange. Oversight of compliance activities remained

under the purview of the Compliance Officer, who operates independently and reports directly to the Board Integrated Risk Management Committee (BIRMC).

During the year, any non-compliance instances were promptly reported to both the BIRMC and the Board, ensuring swift corrective measures. The Compliance Department continued to enhance its role in disseminating regulatory directives by issuing targeted internal circulars tailored to the company's operational requirements.

To further strengthen compliance monitoring, the department implemented advanced reporting mechanisms and conducted comprehensive audits to ensure adherence to regulatory frameworks. This proactive and transparent approach has been instrumental in mitigating compliance risks and maintaining the company's reputation for regulatory excellence.

Strategic Risk

Strategic Risk: the risk of losses that might arise from pursuit of an unsuccessful business plan

Identification and Assessment

Strategic risks may arise from suboptimal business decisions, ineffective execution, insufficient resource allocation, or a failure to adapt to evolving business environments. Siyapatha Finance remains committed to proactively managing strategic risk through a structured and comprehensive approach.

The strategic direction for the upcoming three years has been meticulously planned, with regular reviews to ensure alignment with the company's objectives and the dynamic business environment. The strategic plan's formulation continues to be a collaborative process, integrating insights from all departments and organizational levels. This inclusive method strengthens the company's adaptability and ensures a well-informed strategic vision to navigate market challenges effectively.

Control and Monitoring

Throughout 2024, the company conducted regular reviews of its strategic plan, both at the Board level during routine evaluations and at the operational level on a more frequent basis. These reviews facilitated timely adjustments to address external factors, changes in the economic landscape, and other relevant considerations.

The monitoring framework was enhanced this year to include a deeper analysis of key performance indicators (KPIs), trend movements, and scenario-based simulations. This proactive approach not only tracked the achievement of strategic objectives but also allowed the early identification and resolution of potential challenges in plan implementation.

By strengthening its control and monitoring mechanisms, Siyapatha Finance ensured that its strategic initiatives remained aligned with its long-term vision while adapting effectively to external changes.

Reputational Risk

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

Identification and Assessment

For deposit-mobilizing institutions, reputation is crucial to success. As a subsidiary of a leading bank, Siyapatha Finance prioritizes good governance and transparency in all its operations.

Building and maintaining stakeholder trust is central to Siyapatha's operational philosophy. The company is committed to maintaining clear, open, and efficient communication with all stakeholders, ensuring timely engagement. Acknowledging the significance of reputational risk in the financial sector, Siyapatha is dedicated to preserving a positive image through ethical practices, strong governance, and transparent dealings.

Control and Monitoring

Siyapatha Finance takes a careful approach in external communications, involving multiple stakeholders in the finalization of materials. This collaborative process ensures a broad range of perspectives, reducing the risk of misalignment or unintended outcomes. Additionally, all external communications are subject to rigorous oversight by various layers of authority, reinforcing the company's focus on accuracy, transparency, and effective risk management.

Internally, the company has established a comprehensive internal control framework to monitor employee conduct. This system is key in upholding ethical standards, ensuring compliance with policies, and preventing reputational risks. Through a combination of meticulous external communication controls and a strong internal monitoring system, Siyapatha actively works to protect its reputation and maintain the trust of its 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, a critical component of operational risk, arises from potential adverse outcomes due to poorly drafted contracts, errors in their execution, the absence of formal agreements, or deficiencies in existing agreements. It also includes risks associated with regulatory actions, such as fines, penalties, reprimands, punitive damages, and the financial implications of private settlements. Siyapatha Finance addresses legal risk with a strong emphasis on regulatory compliance across all business relationships.

INTEGRATED RISK MANAGEMENT REPORT 2024

At the core of the company's legal risk management strategy is a thorough adherence to applicable laws and regulations in all transactions and engagements with individuals and institutions. This involves ensuring that every transaction is supported by comprehensive and accurate documentation, thereby reducing the likelihood of legal disputes.

To proactively mitigate the risk of regulatory non-compliance, Siyapatha Finance has implemented a robust system to verify that all operations align with the legal and regulatory framework. This systematic approach not only helps prevent potential legal repercussions but also underscores the company's commitment to integrity, transparency, and full compliance with applicable laws in all its activities.

ESG (Environmental, Social and Governance) Risk

As sustainability has become a central focus in the financial sector, a new dimension of risk—sustainability risk, also referred to as Environmental, Social, and Governance (ESG) Risk—has emerged. These risks examine both the potential effects that an organization's stakeholders (such as customers, outsourcing suppliers, employees, and the environment) may exert on the organization, as well as the reverse impact of the organization's activities on its stakeholders and the environment. When ESG risks materialize, they may have adverse impacts on assets, financial performance, earnings, and the reputation of the Company.

Siyapatha Finance identifies ESG risk as the result of inadequate management of environmental, social, and governance factors, which can potentially lead to financial losses

and reputational damage.

Siyapatha Finance adopts a holistic approach to ESG risk management by first identifying the most material environmental, social, and governance risks across its value chain. The Company then integrates relevant ESG risk mitigation strategies into its business operations, ensuring alignment with its sustainability objectives.

One of the key components of the ESG risk management framework is the Environmental and Social Risk Management process. This process outlines the requirement for thorough assessment, management, and supervision of environmental and social risks associated with credit operations over the tenure of financial agreements.

Key Initiatives in 2024

1. Dedicated Sustainability Department:

In alignment with its commitment to sustainability, Siyapatha Finance has established a dedicated Sustainability Department responsible for overseeing ESG-related activities. This department ensures compliance with the Company's Sustainability Policy, which has been approved by the Board of Directors.

2. ESG Risk Rating Methodology:

In 2024, Siyapatha Finance implemented a formal ESG risk rating methodology. This methodology enables the Company to evaluate and quantify ESG risks effectively, facilitating informed decision-making across all business operations.

3. Enhanced Integration Across Business Functions:

ESG considerations have been embedded within operational and strategic processes, reinforcing the Company's commitment to managing its environmental footprint, fostering social responsibility, and maintaining strong governance practices.

Through these initiatives, Siyapatha Finance PLC demonstrates its unwavering commitment to sustainability, ensuring that ESG risks are managed proactively and responsibly while contributing to long-term stakeholder value creation.

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 by 31st December 2024 is as follows:

Mr. P. L. C. Jayawickrama

Chairman [ID/NED]

[Appointed as the Chairman of BAC on 31st January 2024]

Mr. P. S. Cumaranatunga

Member [ID/NED]

[Appointed to BAC as a member on 1st June 2018]

Mr. J. H. Gunawardena

Member [ID/NED]

[Appointed to BAC as a member on 12th February 2019]

Ms. H. S. R. Ranatunga

Member [ID/NED]

[Appointed to BAC as a member on 23rd April 2020]

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

The Chairman of the Committee, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. Further, he is an Attorney-at-Law at the supreme Court of Sri Lanka. He graduated from the University of Sri Jayawardenepura, Sri Lanka with a special degree in B.Sc. (Accountancy & Financial Management).

Brief profiles of the members are given on pages 36 to 41 of the Annual Report.

MEETINGS

The Committee met on eleven (11) occasions during the year 2024. Details of attendance of the Committee members at these meetings are given in the table on page 110 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.

Two (02) meetings were held between the Committee and the External Auditors during the year, without any other Directors, Senior Management and employees being present.

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

THE TERMS OF REFERENCE

The Terms of Reference of the Committee are clearly spelt out in the Charter of the Board Audit Committee, which is approved by the Board of Directors. These terms are being reviewed annually and approved by the Board of Directors, after incorporating 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 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/SLFRS.

ROLES AND RESPONSIBILITIES

The Committee is responsible for;

- I. Review the integrity of Interim Financial Statements and the Annual Financial Statements prepared for disclosure, prior to submission to the Board of Directors.
- II. Ensure adherence to applicable accounting standards, statutory and regulatory compliance requirements and best practices.

COMMITTEE REPORTS

BOARD AUDIT COMMITTEE REPORT

- III. Overseeing the appointment of the External Auditor for audit services in compliance with the relevant statutes; approval of the audit fee, service period and any matters relating to resignation or dismissal of Auditors.
- IV. Ensure that the internal audit function is independent of the activities it audits and it is performed with impartiality, proficiency and due professional care.
- V. 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.
- VI. Ensure that the Committee is apprised of the resignation of senior staff members of the Internal Audit Department including the Head of Internal Audit and any outsourced service providers, and provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resignations.
- VII. Review the Company's statement on internal control systems before endorsement by the Board and to make sure of the adequacy and effectiveness of the internal control systems in the Company.

SUMMARY OF ACTIVITIES DURING 2023

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, objectivity and the 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 for Audit and Non-Audit Services and recommended for the approval of the Board. The auditors are 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 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 over 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 October 2024. In accordance with both the policy and Finance Business Direction No. 05 of 2021, the company is mandated not to engage the services of the same external audit firm for more than ten consecutive years. Consequently, Messrs. KPMG Chartered Accountants, has been appointed as the External Auditor for the financial year ended 31st December 2024, in lieu of Messers Ernst & Young. This appointment was approved by the Board of Directors and approved by shareholders at the 19th 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 October 2024.

INTERNAL AUDIT

During the year, the Committee reviewed the adequacy of the scope, functions, resources and independency of the Internal Audit Department, and satisfied itself that the department had the necessary authority and independence to carry out its work. 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 fraud. There is a provision under this policy for any staff member, who has a legitimate concern on an existing or potential "wrongdoing", such as improprieties in financial reporting, internal control or other matters committed by any person within the Company, to bring such concerns in confidence to the notice of the Chairman of the Board Audit Committee. The Board assigned a separate email address for 'whistleblowing' to be directed to the Chairman of BAC, 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 whistleblower. 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 2024 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 and 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.

DECLARATION

The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance and Listing Rules of the Colombo Stock Exchange. The details are given on pages 43 to 110.

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Audit Committee



P.L.C. Jayawickrama
Chairman
Board Audit Committee

14th February 2025

COMMITTEE REPORTS

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Siyapatha Finance PLC's Board Integrated Risk Management Committee, acting on behalf of the Board of Directors, remains steadfast in its commitment to evaluating and improving the company's risk profile. In During the year 2024, the Committee prioritized the development of comprehensive risk strategies, policies, and frameworks in close collaboration with Key Responsible Persons. Key Risk Indicators were meticulously reviewed using a standardized risk grid, in alignment with the Integrated Risk Management Policy. The Committee maintains a keen eye on external political, economic, and social developments, subjecting the portfolio to rigorous stress tests to ensure adaptability. Through this proactive approach, Siyapatha Finance PLC is well-positioned to navigate the dynamic risk landscape.

COMPOSITION

The Board Integrated Risk Management Committee is chaired by an Independent Non-Executive Director and comprises of three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. In compliance with 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 Managing Director and designated Key Responsible Persons overseeing credit, market, liquidity, operational, compliance, and strategic risks actively participate in Committee meetings by invitation. The Head of Risk fulfills a critical role as the secretary to the Committee

The Committee's composition during the period ended 31st December 2024 was as follows:

Mr. J. H. Gunawardena
(ID/NED) - Chairman
(Appointed w.e.f 29th January 2019)

Mr. P.S. Cumaranatunga
(ID/NED) - Member
(Appointed w.e.f 30th October 2017)

Mr. J. Selvaratnam
(NID/NED) - Member
(Appointed w.e.f 18th December 2018)

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

Mr. S. Perera
(NID/NED) - Member
(Appointed w.e.f 16th January 2020)

(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 six (06) meetings. The attendance of the Committee members is listed on page 110 of the Annual Report.

ACTIVITIES

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

Strengthening the Policy Framework

- The Integrated Risk Management Policy and the Operational Risk Management Policy were reviewed and updated to align with operational and regulatory changes, receiving approval from the Board.
- Risk Coordinators (RCs) for the first line of defense and Regional Risk Analysts (RRAs) for the second line of defense were appointed to enhance the risk awareness culture.
- The Credit Risk Policy was updated in response to the company's new credit risk management strategies.
- The Stress Testing Policy was reviewed and approved by the Board to reflect new strategic initiatives.
- A comprehensive review of all company policies and manuals, including their risk ratings, was conducted.

- Committee reviews risks arising from the new strategies introduced by the Company from time to time.

Regulatory and Compliance Risk

- The company's capital plan was reviewed against the regulatory framework and a proposal for any necessary capital infusion to meet Tier II capital requirements was submitted to the Board for approval.
- High-level independent standards were established to monitor compliance risk and ensure regulatory adherence.
- Post-crisis contingency planning was closely followed up, including periodic cash flow monitoring.

Credit Risk

- Quarterly progress reviews were conducted for asset categories with high Non-Performing Asset (NPA) ratios to drive asset quality improvement.
- Facilities sanctioned by the company were reviewed in the context of industry outlook to assess the portfolio's performance.
- Segmental monitoring was enhanced through the introduction of industry-specific 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,

1. Establish and oversee an independent risk management function tasked with managing risk-taking activities across the Company.
2. Ensure that the Head of Risk is accountable for developing and implementing a Board-approved integrated risk management framework.
3. The Committee shall assess all risks such as credit, market, liquidity, operational and strategic risks to the Company on at least quarterly basis through appropriate risk indicators and management information.
4. The Committee shall review the adequacy and effectiveness of all management level committees such as Asset & Liability Committee (ALCO) to address specific risks and manage those risks within quantitative and qualitative risk limits specified by the Committee.
5. The Committee shall 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 Board, recommended by the Committee on the basis of the Companies policies, regulatory and supervisory requirements.
6. The Committee shall assess all aspects of Risk Management and Compliance in the Company including those of the Business Continuity Plan.
7. The Committee shall establish a compliance function headed by a dedicated Compliance Officer to assess the Company's compliance with the laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.
8. The Committee shall recommend setting-up risk appetite/tolerance limits of the Company at enterprise and strategic business unit levels.
9. The Committee shall recommend all Risk, Compliance and control group policies for Board approval.
10. The Committee shall maintain continuous awareness of any changes in the Company's risk profile.
11. The Committee shall ensure that there are clear and independent reporting lines, responsibilities for the overall business activities and risk management functions.
12. The Committee shall cultivate a pro-active risk management culture throughout the Company.
13. The Committee shall periodically review, the risk exposures of the Company to be in line with the Company's objectives, business strategies and risk appetite limits.
14. The Committee shall review and formulate the strategy and methodology for allocation of risk/economic capital, including recommend same for Board approval.
15. The Committee shall ensure adequacy of tools, systems and resources for the successful risk management and compliance function within the Company and to recommend the financial budget for the provision of adequate tools and systems to support the risk management functions.

COMMITTEE REPORTS

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

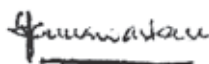
16. The Committee shall review risk related public disclosures to be made under CBSL directives.
17. The Committee shall submit a Risk Assessment Summary Report of each meeting to the next immediate Board meeting seeking the Board's views, concurrence and/or specific directions.
18. The Committee may also undertake other functions as deemed necessary or appropriate for the fulfillment of its duties.
19. Develop the Company's Risk Appetite through a Risk Appetite Statement (RAS), clearly defining the individual and aggregate levels and types of risk the Company will accept or avoid to achieve its strategic business objectives.

input and specific directives.

APPRECIATION

I would like to express my gratitude to the management team and members of the Board Integrated Risk Management Committee, for the unwavering support given throughout the year.

On behalf of the Board Integrated Risk Management Committee



J.H. Gunawardena

Chairman
Board Integrated Risk Management Committee

14th February 2025

ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE

In compliance with the Finance Business Act Direction No. 5 of 2021, Committee members conduct an annual self-evaluation which confirmed that its performance was effective and the summary of this evaluation is submitted to the Board.

REPORTING TO THE BOARD

Approved minutes of Committee meetings are presented to the Board for review, ensuring all Board members have access to them. Additionally, a risk trajectory report highlighting key discussions from Committee meetings is submitted to the Board for information and to solicit the Board's

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Board Human Resources and Remuneration Committee (the Committee) was established by the Board of Directors of Siyapatha Finance PLC (the Company) to oversee the development and implementation of a fair and transparent remuneration policy. This policy aligns with the Company's Human Capital Management Strategy, ensuring the ability to attract new talent, nurture and retain skilled employees, and promote their overall well-being.

COMPOSITION

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. The Committee operates independently of management and remains free from any business, personal, or other relationships that could influence its independent and impartial judgments.

The Committee's composition during the period ended 31st December 2024 was as follows:

Mr. D. Sooriyaarachchi

(ID/NED) - Chairman

(Appointed as a member w.e.f. 17th December 2019 and Chairman of the Committee w.e.f. 24th February 2024)

Mr. P.S. Cumaranatunga

(ID/NED) - Member

(Appointed w.e.f. 1st November 2017)

Ms. H.S.R. Ranatunga

(ID/NED) - Member

(Appointed w.e.f. 12th February 2020)

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

M/s. P W Corporate Secretarial (Private) Limited served as the Secretary to the Committee until 1st July 2024, after which date Ms. A. Berugoda was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

Brief profiles of the members are given on pages 36 to 41 of the Annual Report.

MEETINGS

The Committee met six (06) times during the year 2024, and the attendance of the Committee Members at these meetings is provided in the table on page 110 of the Annual Report. The Managing Director, Chief Human Resources Officer, and other members of the Corporate Management team attend meetings by invitation, when required, and assist in the Committee's deliberations by providing relevant information, except when their compensation packages or other matters relating to them are being reviewed.

THE TERMS OF REFERENCE

The Committee operates within the Board approved Terms of Reference which contains the role and functions of the Committee under relevant regulated statutes.

ROLES AND RESPONSIBILITIES

The responsibilities of the Committee include the following,

- To provide recommendations to the Board on the Remuneration Policy of the Company.

- Advise on the compensation and benefits for the Managing Director and Executive Directors.
- To 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 2024 to 31st December 2024 are set out on page 255 of the Annual Report.
- 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.
- Advise the Managing Director on all aspects of Human Resources functions, including staff salary revisions, major organizational changes, and succession planning for the Company.
- Oversee significant changes to employee remuneration and benefit structures across the Company, reviewing relevant matters as required.
- Establish and maintain a robust remuneration framework for Senior Management and other employees, ensuring that rewards align with performance, skills, experience, and responsibilities.
- Monitor and evaluate any significant changes to employee remuneration and benefits plans within the Company.
- Provide recommendations on other related matters referred to the Committee by the Board of

COMMITTEE REPORTS

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

Directors.

FUNCTIONS OF THE COMMITTEE

The Board of Directors has entrusted the Committee with the responsibility of formulating Human Resources Policies designed to attract, develop, and retain the talent needed to achieve the Company's objectives. Additionally, the Committee is tasked with overseeing the implementation of these policies.

During the year the Committee reviewed the performance of the Managing Director and Senior Management based on the targets set in the previous year and determined the bonus payable and the annual increments.

REMUNERATION AND BENEFITS POLICY

The Remuneration and Benefits Policy establishes a framework for compensating employees with equitable and competitive remuneration aligned with industry standards. Its objective is to attract, retain, and motivate a talented workforce by offering a comprehensive benefits package that supports employee well-being and fosters professional growth.

The policy adopts a performance-driven approach, linking remuneration to both individual and organisational achievements. Salary structures are reviewed periodically to ensure fairness and competitiveness in line with market trends. In addition to base salaries, the policy incorporates performance bonuses, incentives and recognition programs to reward exceptional contributions.

Moreover, the policy underscores the significance of non-monetary

benefits, such as health insurance, retirement plans, and opportunities for professional development. By cultivating a supportive and engaging work environment, the organisation seeks to enhance employee satisfaction and productivity, ultimately driving business success.

The policy undergoes regular evaluations to ensure its alignment with organisational goals and evolving market conditions. The Remuneration and Benefits Policy is formally approved by the Board.

EVALUATION OF THE COMMITTEE

The Committee conducted its annual self-evaluation to assess its effectiveness, and a summary of the findings was submitted to the Board for their information.

REPORTING TO THE BOARD

The minutes of the Committee meetings are regularly presented to the Board of Directors, ensuring that Board members are informed of the Committee's deliberations.

PROFESSIONAL ADVICE

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

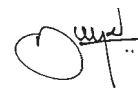
DECLARATION

The Committee has complied with the applicable provisions of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance and Listing Rules of the Colombo Stock Exchange. The details are given on pages 43 to 110.

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Human Resources and Remuneration Committee



D. Sooriyaarachchi
Chairman

Board Human Resource and Remuneration Committee

14th February 2025

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board Related Party Transactions Review Committee (the Committee) was established by the Board on 27th January 2015. It operates in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange (the 'CSE Rules'), to strengthen the Company's internal controls and mitigate conflicts of interest in transactions involving related parties.

COMPOSITION

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

The Committee's composition during the period ended 31st December 2024 was as follows;

Mr. D. Sooriyaarachchi

(ID/NED) - Chairman
(Appointed w.e.f 1st June 2020)

Mr. J.H. Gunawardena

(ID/NED) - Member
(Appointed w.e.f 24th February 2021)

Mr. J. Selvaratnam

(NID/NED) - Member
(Appointed w.e.f 11th September 2019)

Ms. H.S.R. Ranatunga

(ID/NED) - Member
(Appointed 12th February 2020)

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 36 to 41 of the Annual Report.

The Managing Director attends meetings by invitation. The Head of Compliance and the Head of Compliance Officer were present at discussions where appropriate.

M/s P W Corporate Secretarial (Private) Limited served as the Secretaries to the Committee until 1st July 2024, after which Ms. A. Berugoda assumed the role of the Company Secretary and commenced her duties as Secretary to the Committee.

MEETINGS

During the year 2024, the Committee met five (05) times. Attendance of the Committee members at meetings are given in the table on page 110 of the Annual Report.

THE TERMS OF REFERENCE

The Committee operates within the framework of its Terms of Reference (ToR) and the Related Party Transactions Procedure, as approved by the Board of Directors. The ToR outlines guidelines for handling Related Party Transactions and their reporting, except for exempted transactions.

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 nonrecurrent 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.

FUNCTIONS OF THE COMMITTEE

Review of all relevant Related Party Transactions by the Committee takes place prior to the transaction

COMMITTEE REPORTS

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

being entered and the Committee communicates its observations to the Board whenever necessary. RPTs are published in Note 44 to the Financial Statements. A system has been developed internally to monitor 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 Secretary, 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 (RPTs) Guide in respect of the following:

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

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 for their information.

REPORTING TO THE BOARD

The approved minutes of the Committee meetings are regularly reported to the Board of Directors, to seek their views and specific directions.

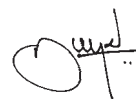
DECLARATION

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and the reviewed transactions are communicated to the Board of Directors for their comments and observations. A declaration by the Board of Directors as an affirmative statement of the 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 is given on pages 43 to 110 of the Annual Report.

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Related Party Transactions Review Committee



D. Sooriyaarachchi

Chairman
Board Related Party Transactions
Review Committee

14th February 2025

BOARD NOMINATION COMMITTEE REPORT

The Board Nomination Committee (the Committee) is established by the Board of Directors of Siyapatha Finance PLC ('the Company') to assist in the process of identifying, assessing and recommending qualified candidates for the Board and Senior Management positions. Since its formation, the Committee has operated in accordance with its Terms of Reference. The Committee ensures that the Company uphold the highest standards of good governance and a structured transparent process for the selection, and appointment of Key Responsible Persons including their succession.

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. Mr. D. Sooriyaarachchi was appointed as Chairman of the Committee and Mr. P. S. Cumararatunga (Chairman of the Board) who served as the Chairman of the Committee stepped down from the Committee Chairmanship and continues to be a member with effect from 24th September 2024.

The Committee's composition during the period ended 31st December 2024 was as follows;

Mr. D. Sooriyaarachchi

(ID/NED) – Chairman
(Appointed as a member w.e.f 1st January 2020 and then as the Chairman from 24th September 2024)

Mr. P.S. Cumararatunga

(ID/NED) - Member
(Appointed as a member w.e.f. 1st September 2018, assumed the role

of Chairman of the Committee on 1st January 2020, and stepped down as Chairman on 24th September 2024.)

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

(NID/NED) - Member
(Appointed w.e.f 26th April 2022)

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

M/s P W Corporate Secretarial (Private) Limited served as the Secretary to the Committee until 1st July 2024, after which date Ms. A. Berugoda was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

Brief profiles of the Members appear on pages 36 to 41 of the Annual Report.

MEETINGS

During the year 2024, the Committee met four (04) times and the attendance of the Committee Members at meetings is given in the table on page 110 of the Annual Report. The Managing Director attends meetings of the Committee by invitation except when matters relating to him are reviewed.

THE TERMS OF REFERENCE

The Committee is governed by the Board approved Terms of Reference of which contains the role and functions of the Committee, under relevant regulated statutes.

ROLES AND RESPONSIBILITIES

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

- 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 fulfil the responsibilities.
- The Committee shall recommend from time to time, successors in place of resigning or retiring Directors and Corporate Management Personnel.
- 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).
- 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).
- 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

COMMITTEE REPORTS

BOARD NOMINATION COMMITTEE REPORT

Head of Compliance Officer.

- 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.
- 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.
- The Committee shall carry out an annual evaluation of the Committee's performance to determine the effectiveness of the Committee.
- The Committee shall make recommendations on any other

matters delegated by the Board of Directors.

- A member of the Nomination Committee shall not participate in decision-making relating to his/her own appointment/reappointment.
- The Chairperson of the Board shall not chair the Committee when dealing with the appointment of his successor.

PERFORMANCE OF THE COMMITTEE

During the year, the Committee performed the following:

- Nomination of Director appointment to the Board in terms of the Finance Companies Direction No. 05 of 2021 and Policy on Selection, Nomination, Appointment and Election of Directors.

- Reviewed and considered the declarations submitted by the Non-Executive Directors regarding their independence/ non-independence in terms of Listing Rules of the Colombo Stock Exchange and the Fitness and Propriety of Directors based on the assessment criteria stipulated by the said rules.
- Assessment of Fitness and Propriety of Directors in accordance with the Finance Companies Direction No. 6 of 2021.
- Recommendation to re-elect M/s. J Selvaratnam, D Sooriyaarachchi and J H Gunawardena to the Board, in terms of the Articles 24(7) and (8) of the Articles of Association at the Annual General Meeting to be held on 25th March 2025, based on their performance and the contribution made to achieve the strategic initiatives of the Company.

Name of the Director	Board Sub-Committee Memberships	Date of First Appointment as a Director	Date of last Re-election as a Director	Directorships in Other Listed Entities	Material Relationships
Mr. J Selvaratnam	BIRMC BCGC BRPTRC BCC	18th December 2018	29th March 2022	<u>Commitments over the preceding three years</u> NIL <u>Present Commitments</u> Details are given on pages 36 - 41	NIL
Mr. D Sooriyaarachchi	BHRRC BNC BRPTRC BITC	20th November 2019	25th April 2023	<u>Commitments over the preceding three years</u> NIL <u>Present Commitments</u> Details are given on pages 36 - 41	NIL
Mr. J H Gunawardena	BRPTRC BAC BIRMC BCGC	29th January 2019	25th April 2023	<u>Commitments over the preceding three years</u> NIL <u>Present Commitments</u> Details are given on pages 36 - 41	NIL

[BNC - Board Nomination Committee, BHRRC - Board Human Resources and Remuneration Committee, BRPTRC - Board Related Party Transactions Review Committee, BAC - Board Audit Committee, BIRMC - Board Integrated Risk Management Committee, BCGC - Board Corporate Governance Committee, BCC - Board Credit Committee, BITC - Board IT Committee]

BOARD DIVERSITY

The Board of Directors of the Company possesses substantial calibre, professional qualifications, a proven track record, and extensive experience in their respective fields, enabling them to perform effectively.

TRAINING

The Board recognized the need for continuous training and active participation in professional development to enhance their capabilities and review the training and development needs of members as required. The Directors participated in training programs conducted by the Central Bank of Sri Lanka and the Colombo Stock Exchange, as well as internal training programs organized by the Company.

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the committee was carried out by the members of the Committee and a summary is submitted to the Board for their information.

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.

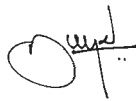
DECLARATION

The Corporate Governance requirements stipulated under the Finance Companies Direction No. 05 of 2021 and the Listing Rules of the Colombo Stock Exchange are complied with. The details are provided on pages 43 to 110

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Nomination Committee



D. Sooriyaarachchi

Chairman
Board Nomination Committee

14th February 2025

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
(Appointed w.e.f. 18th December 2018)

Mr. H.M.A. Seneviratne

(ED) - Member
(Appointed w.e.f. 1st March 2019)

Mr. W.S.C. Perera

(NID/NED) - Member
(Appointed w.e.f. 28th January 2020)

Ms. H.S.R. Ranatunga

(ID/NED) - Member
(Appointed w.e.f. 16th January 2020)

[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 twelve (12) occasions. The attendance of the Committee members is listed on page 110 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 third 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. The Manager - Risk, functions as the Secretary to the Committee.

THE TERMS OF REFERENCE

The Committee is governed by the Board approved Terms of Reference of which outlines the roles and responsibilities, scope, duties and the functions of the Committee.

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 is responsible for reviewing the quality and performance of the Company's credit portfolio, focusing on key metrics such as infection ratios, non-performing ratios, movements in arrears buckets, collection efficiencies, and related management information.

Additionally, the Committee monitors the progress of yard vehicles, assesses the status of large 30 defaulters in terms of legal actions and hardcore recovery collections, and recommends write-offs proposed by the line management to the Board of Directors as required.

The Committee ensures proper oversight of the credit process by regularly reviewing the credit approval framework in terms of evaluations of the performance of Delegated Authority, assigning appropriate credit limits, and setting caps on facility limits in alignment with the Company's strategy, credit appetite and market trends.

The Committee reviews and recommends proposals for new lending products, ensuring that these products align with the Company's strategy, risk appetite, meet regulatory and compliance standards.

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

Credit Process & Portfolio Quality

The Committee continued to monitor and assess the overall credit quality of the Company, ensuring effective oversight through regular engagement with Senior Management and key team members involved in the lending process. Managing asset quality amidst challenging economic and political conditions posed a significant hurdle. However, the implementation of new strategies in credit processing, recoveries, and legal collections allowed the Company to successfully reduce its NPA ratio to a single-digit figure by the end of December 2024.

Additionally, the Committee remained actively engaged in overseeing the gold financing portfolio, which is particularly sensitive to market fluctuations. Through timely and informed decision-making, the team achieved exceptional portfolio performance.

Given the challenging economic environment, the Committee placed significant emphasis on improvements in the Risk Rating process, closely monitoring Infection Ratios across products, and ensuring the appropriateness of credit limits through quarterly reviews of Delegated Authority limits and overall portfolio behavior.

Key market penetration strategies undertaken by the Company to enhance portfolio growth despite the difficult economic conditions included the relaunch of loan products across various competitive avenues and strengthening the central credit evaluation process. Efforts to enhance service standards, particularly through reduced service time for the gold financing portfolio, further reinforced these initiatives.

Collections & Recoveries

Collections and recoveries remained a critical focus area for the Committee. The recovery process was significantly strengthened to address the collection challenges posed by unfavorable economic and social changes. Various strategies were implemented, including preventive and reversal measures, increased awareness, and improved training and education for the team to enhance customer service in recoveries. Transition to a performance driven culture with proactive recognition by the Senior Management motivated the team.

The establishment of recovery clinics was another key initiative to further improve the process.

As a result, the team achieved one of the highest collection efficiency ratios, making a substantial contribution to the reduction of non-performing advances, with the support from the Hardcore and Legal teams.

The revamping of the legal team, strengthening of the Hardcore Collections team, and realignment of processes created greater cohesiveness within these groups, enabling the Company to close out and settle long-outstanding cases.

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the committee was carried out by the members of the Committee and a summary is submitted to the Board for their information.

REPORTING TO THE BOARD

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

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

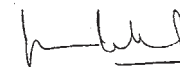
DECLARATION

This is a Board approved Committee and governed by the Terms of References.

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board Credit Committee



Janakan Selvaratnam
Chairman -
Board Credit Committee

14th February 2025

BOARD CORPORATE GOVERNANCE COMMITTEE REPORT

The Board Corporate Governance Committee [the Committee] was established on 20th 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 2024 was as follows:

Ms. H.S.R. Ranatunga

[ID/NED] – Chairperson

[Appointed as a Member on 12th February 2020 and appointed as the Chairperson w.e.f 1st December 2020]

Mr. H.M.A. Seneviratne

[ED] - Managing Director/Member

[Member since 8th May 2019 and stepped down on 26th November 2024]

Mr. J. H. Gunawardena

[ID/NED] – Member

[w.e.f. 8th May 2019]

Mr. J. Selvaratnam

[NID/NED] – Member

[w.e.f. 11th September 2019]

Mr.P.L.C.Jayawickrama

[ID/ NED] — Member

[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, 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 or the Board Sub Committee Meetings for the relevant agenda item.

BOARD MEETINGS

The Board of Directors held 14 meetings during the 12 months period ended 31st December 2024, and 02 meetings were held only with the participation of Non - Executive Directors. Meanwhile, the board's subcommittees held a total of 61 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 subcommittees comprise of a combination of Board members and is attended by a number of Key Responsible Persons 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.05 of 2021 and Section 9 of the Listing Rules of Colombo Stock Exchange.

Members of each Board subcommittee are 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 Corporate Governance Committee, the Board

Credit 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, oversight 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) Limited served as Secretary to the Board until 1st July 2024 after which Ms. A Berugoda was appointed as Company Secretary. She functions as the Secretary, to 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 and Manager Risk function as secretaries to the Board Audit Committee, Board Integrated Risk Management Committee, Board

Corporate Governance Committee, Board IT Committee and Board Credit Committee respectively. 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 whenever 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

All employees, including the Board of Directors are bound by the ethics, values, and expectations set out in the Code of Conduct. The Code is made available to all employees and to the Board of Directors 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.

BOARD CORPORATE GOVERNANCE COMMITTEE REPORT

WHISTLEBLOWING 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 with risk exposure, 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 robust 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.

DISCLOSURES BY THE COMMITTEE

The Board of Directors conducts an annual self-assessment to evaluate both individual performance and the overall effectiveness of the Board as a collective body.

The newly appointed Directors receive regular briefings during Board meetings and Board Subcommittee meetings, covering Corporate Governance, Listing Rules, and other relevant laws and regulations. These programs also offer an introduction to the Company's key focus areas. Additionally, the Board is periodically updated on Corporate Governance, Listing Rules, regulations, and other applicable legal requirements as necessary.

ANNUAL PERFORMANCE EVALUATION

The Board in compliance with Finance Business Act Direction No.05 of 2021 conducts an annual performance of the subcommittees. At the end of the year, the members of the BCGC conducted the Committee's annual self-evaluation, which confirmed that its performance was effective. Further, the Board adopted an annual self-assessment by each Director on individual performance and as of its Board as a whole.

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.

DECLARATIONS BY THE COMMITTEE

The Company has established a process for the periodic evaluation of the performance of the Board of Directors and the Managing Director, ensuring the effective fulfillment of their responsibilities.

Corporate Governance requirements stipulated under the CSE Listing Rules section 9 have already been met by the Company.

APPRECIATION

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.

On behalf of the Board Corporate Governance Committee,



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

14th February 2025

BOARD IT COMMITTEE REPORT

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, Mr. S. Perera, 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
(Appointed w.e.f 28th January 2020)

Mr. H M A Seneviratne

(ED) - Managing Director/Member
(Appointed w.e.f 1st October 2019)

Mr. D Sooriyaarachchi

(ID/NED)- Member
(Appointed w.e.f 1st June 2020)

Mr. L 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 36 to 41 of the Annual Report.

The Committee comprises an Executive Director and three Non-Executive Directors, two of whom are independent. Proceedings are conducted in accordance with the Board-approved Terms of Reference, with the Committee's composition subject to periodic review by the Board. Members of Corporate Management may be invited to attend meetings as deemed necessary by the Committee.

MEETINGS

The Committee convened eleven (11) times during the year, with member attendance detailed on page 110 of the Annual Report. The Committee meetings are scheduled by the Secretary in consultation with the Committee Chairman. The Head of IT functions as the Secretary to the Committee.

THE TERMS OF REFERENCE

The Committee is governed by the Board approved Terms of Reference of which contains the role and functions of the Committee, under relevant regulated statutes.

KEY ACHIEVEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2024

- Enhanced IT resiliency by upgrading firewalls, implementing optimized rules, and replacing network switches to improve performance and meet CIS benchmarks for network protection.
- Successfully operated core IT systems from the Disaster Recovery (DR) site twice during the year, with consecutive three-day switchover and switchback drills conducted during working hours without any data loss.

- Conducted external penetration testing, identifying only low-risk vulnerabilities, with remediation efforts underway.
- Fortified remote login protocols to ensure secure access across the network.
- Initiated the evaluation of core banking software as part of a transformative migration project, including a detailed feature assessment to ensure alignment with organizational goals.
- Employee Development.
- Conducted cybersecurity awareness training for employees to strengthen their understanding of security best practices and mitigate risks.

ROLES AND RESPONSIBILITIES

- Review and approve the organization's IT strategy, ensuring alignment with overall business goals. Oversee IT governance policies, ensuring they meet regulatory and compliance requirements. Implement an IT Risk Framework to monitor and strengthen technology risk within the infrastructure.
- Ensure compliance with Direction No. 1 of 2022 on Technology Risk Management and Resilience.
- Ensure alignment of IT and cybersecurity strategies, security policies, and a robust risk management framework, supported by adequate technical resources and effective communication on IT and cybersecurity across the Company.
- Ensure the protection of personal data in compliance with the Personal Data Protection Act.

BOARD IT COMMITTEE REPORT

KEY ACTIVITIES

The Committee is dedicated to achieving the following IT strategic goals:

- Develop information security policies and procedures to ensure strong governance over digital and physical IT assets.
- Safeguard the confidentiality, integrity, and availability of information.
- Enhance operational efficiency and reduce manual processes.
- Develop and maintain cost-effective information systems.
- Improve customer service through the strategic use of technology.
- Minimize the cost of IT services.
- Foster product innovation aligned with business objectives.
- Build a business partner ecosystem to design, develop, and integrate IT systems for seamless operations.

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the committee was carried out by the members of the Committee and a summary is submitted to the Board for their information.

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.

DECLARATION

The requirements stipulated under the Finance Business Act Directions No. 01 of 2022 Technology Risk Management and Resilience are complied with. The details are provided on pages 131 to 132.

APPRECIATION

I would like to express my sincere appreciation to all Committee members and the Management team for their consistent support, dedication, and collaborative efforts throughout the year.

On behalf of the Board IT Committee



W.S.C. Perera

Chairman - Board IT Committee

14th February 2025

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FINANCIAL CALENDAR

FINANCIAL CALENDAR 2024

Audited Financial Statements for the year ended 31st December 2023 signed on	14th February 2024
19th Annual General Meeting held on	26th March 2024
Publication of half yearly Financial Statements (2nd half of year 2023) (audited) 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 distributed on	28th 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	27th August 2024
Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange published on	
1st Quarter ended 31st March 2024	14th May 2024
2nd Quarter ended 30th June 2024	30th July 2024
3rd Quarter ended 30th September 2024	30th October 2024
4th Quarter ended 31st December 2024	18 February 2025
20th Annual General Meeting to be held on	25th March 2025

PROPOSED FINANCIAL CALENDAR - 2025

Publication of half yearly Financial Statements (2nd half of year 2024) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	28th February 2025
LKR 0.12 per share Scrip Dividend for 2024 to be declared on*	25th March 2025
Publication of half yearly Financial Statements (1st half of year 2025) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 31st August 2025
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 2026
Interim Financial Statements in terms of Rules 7.4 of the Colombo Stock Exchange to be published	
1st Quarter ended 31st March 2025	On or before 15th May 2025
2nd Quarter ended 30th June 2025	On or before 15th August 2025
3rd Quarter ended 30th September 2025	On or before 15th November 2025
4th Quarter ended 31st December 2025	On or before 28th February 2026
Audited Financial Statements for the year ended 31st December 2025 to be signed in	February 2026
21st Annual General Meeting to be held in	March 2026

*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 2024, 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 14th February 2025. The Report includes the information required by the Companies Act No. 7 of 2007, Finance Business Act Direction 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 25th February 2025. The appropriate number of copies of the

Annual Report will be submitted to the Central Bank of Sri Lanka, Colombo Stock Exchange, Registrar of Companies, Securities and Exchange Commission of Sri Lanka and to the Sri Lanka Accounting and Auditing Standards Monitoring 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 (upgraded to "A (lka)" w.e.f. 24th January 2025). The agency has also affirmed the National Long-Term Rating on Siyapatha's subordinated unsecured debentures at "BBB-(lka)" (upgraded to "BBB+(lka)" w.e.f. 24th January 2025). The registered 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 158
II)	Completed and signed Financial Statements of the Company for accounting period completed.	Section 168 (1) (b)	Refer pages 171-260
III)	Auditor's Report on Financial Statements of the Company.	Section 168 (1) (c)	Refer pages 168-170
IV)	Any changes made to the accounting policies during the year under review.	Section 168 (1) (d)	Refer page 158
V)	Particulars of the entries in the Interests Registers of the Company during the accounting period.	Section 168 (1) (e)	Refer pages 162
VI)	Remuneration and other benefits paid to the Directors of the Company during the period.	Section 168 (1) (f)	Refer pages 255
VII)	Total amount of donations made by the Company during the period.	Section 168 (1) (g)	Refer page 163
VIII)	Information on Directorate of the Company during and at the end of the accounting period.	Section 168 (1) (h)	Refer pages 160-162
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 pages 163-164
X)	Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Refer pages 163-164
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 164

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, vehicle loan facilities, mortgage loans, gold loans, revolving loans, personal/business loans, debt factoring and fast draft loans. 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 2024, is stated in the Chairman's Message on pages 7 to 10, the Managing Director's Review on pages 11 to 14, and Management Discussion and Analysis on pages 15 to 32, 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 7 to 10 and the Managing Director's Review on pages 11 to 14. These reports form an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

FINANCIAL STATEMENTS

The Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs &

LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011, and regulatory requirements, including specific disclosures.

The aforementioned Financial Statements for the year ended 31st December 2024, duly signed by the Chief Financial Officer, Managing Director, and two Directors of the Company, are given from page 171 to page 260. 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 171 to 260 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 176 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 Direction No. 05 of 2021 on Corporate Governance. The said statement, which forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company, is provided on pages 157 to 164. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referenced on page 167.

AUDITOR'S REPORT

The Auditors of the Company, Messrs KPMG, Chartered Accountants, carried out the audit on the Financial Statements of the Company for the year ended 31st December 2024, and their report on the said Financial Statements is presented on pages 168 to 170.

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 176 to 260. 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 2024 was LKR 9,842,826,112/- (compared to LKR 10,130,370,576/- in 2023). An analysis of the interest income is provided in Note 06 to the Financial Statements.

Profit and Appropriations

The Company recorded a 75.55% increase in profit before tax and a 69.44% increase in profit after tax in 2024 compared to 2023. The Company's Total Comprehensive Income (net of tax) for the year was LKR 1,207,643,956 (compared to LKR 713,514,999 in 2023). A detailed breakdown of the profits and appropriations of the Company is provided below.

ended 31st December 2024. This dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 25th March 2025.

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

For the year ended 31st December	2024 LKR.000	2023 LKR.000
Profit before tax	2,105,285	1,199,218
Less: Income tax expense	(901,912)	(489,016)
Net profit after tax	1,203,373	710,202
Actuarial(losses)/gains on defined benefit plans, net of tax	4,271	3,313
Unappropriated balance brought forward from previous year	3,911,559	3,460,442
Profit available for appropriation	5,119,203	4,173,956
Appropriations		
Transfer to Statutory Reserve Fund	(61,000)	(36,000)
Dividend		
Final scrip dividend paid-2023 (LKR. 2.33 per share)	-	(226,397)
Final scrip dividend paid-2024 (LKR. 0.07 per share)	(7,023)	
Unappropriated balance carried forward	5,051,180	3,911,559
Proposed dividend		
Final scrip dividend-2023 (LKR. 0.07 per share)		7,023
Final scrip dividend-2024 (LKR. 0.12 per share)	(12,051)	

TAXATION

The Income Tax rate applicable to the Company's operations is 30%. 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)

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	2024 LKR.000	2023 LKR.000
Statutory Reserve Fund	375,000	314,000
Revaluation Reserve	154,295	154,295
Retained Earnings	5,051,180	3,911,559
Total	5,580,475	4,379,854

CAPITAL EXPENDITURE

The total capital expenditure on the acquisition of property, plant, and equipment and intangible assets of the Company amounted to LKR 226,147,017/- (compared to LKR 92,086,560/- in 2023). 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.

DIVIDEND

The Directors have recommended a scrip dividend of LKR 0.12 per share (compared to LKR 0.07 per share in 2023) to be paid for the financial year

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

STATED CAPITAL AND DEBENTURES

Stated Capital

As of 31st December 2024, the Stated Capital of the Company amounted to LKR 2,872,846,360 consisting of 100,421,363 ordinary shares (compared to LKR 2,866,876,752.59 consisting of 100,329,537 ordinary shares in 2023). The number of shares issued by the Company increased from 100,329,537 ordinary shares to 100,421,363 ordinary shares as a result of the payment of the Scrip Dividend for 2023.

Debt Capital

As of 31st December 2024, the Company has issued rated, senior, unsecured, redeemable debentures to the value of LKR 4,000,000,000/-. Furthermore, during the year ended 31st December 2024, the Company redeemed rated, senior, unsecured, redeemable debentures to the value of LKR 1,500,000,000/-. Details of the outstanding debentures as of 31st December 2024 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 33 to 34.

SHAREHOLDING

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

Name	No of Shares	% of Issued Share Capital
Mr. P.S. Cumararatunga	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	100,421,356	100.00
Total	100,421,363	100.00

EQUITABLE TREATMENT TO STAKEHOLDERS

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

the Colombo Stock Exchange and the Finance Business Act Direction 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 36 to 41 of the Annual Report.

THE BOARD OF DIRECTORS

The Board of Directors of the Company comprises 09 Directors (2023: 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 2024 to 31st December 2024 are listed below. The classification of Directors is provided next to their names in accordance with the Listing Rules of

Annual Assessment of Continuing Directors

The affidavits of the Directors have been submitted to the Director, DSNBFI, for the assessment year 2024 in accordance with Finance Business Act Directions No. 06 of 2021 on the Assessment of Fitness and Propriety of Key Responsible Persons.

Name	Classification	Remarks (Appointed date, etc.)
Mr. P.S. Cumararatunga	Independent, Non-Executive Director	30.10.2017
Mr. Y.S.H.R.S. Silva	Non-Independent, Non-Executive Director	01.06.2018
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
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. P.L.C. Jayawickrama	Independent, Non-Executive Director	29.01.2024

Changes in Directorate

In accordance with 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 have been disclosed.

RETIREMENT AND RE-ELECTION / REAPPOINTMENT OF DIRECTORS

In accordance with Articles 24(7) and 24(8) of the Articles of Association of the Company, Mr. J Selvaratnam, Mr. J H Gunawardena and Mr. D Sooriyaarachchi 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 Direction 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 2023 issued by the Institute of Chartered Accountants of Sri Lanka.

The following Directors served as members of the Board Sub-Committees:

Board Audit Committee

- Mr. P L C Jayawickrama - *Committee Chairman*
- Mr. P S Cumaranatunga
- Mr. J H Gunawardena
- Ms. H S R Ranatunga

The Report of the Board Audit Committee appears on pages 135 to 137.

The Board Integrated Risk Management Committee

- Mr. J H Gunawardena - *Committee Chairman*
- Mr. P S Cumaranatunga
- Mr. J Selvaratnam
- Mr. W S C Perera
- Mr. P L C Jayawickrama

The Report of the Board Integrated Risk Management Committee appears on pages 138 to 140.

The Board Human Resources and Remuneration Committee

- Mr. D Sooriyaarachchi - *Committee Chairman*
- Mr. P S Cumaranatunga
- Ms. H S R Ranatunga

The Report of the Board Human Resources and Remuneration

Committee appears on pages 141 to 142.

The Board Credit Committee

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

The Report of the Credit Committee appears on pages 148 to 149.

The Board Corporate Governance Committee

- Ms. H S R Ranatunga - *Committee Chairman*
- Mr. J Selvaratnam
- Mr. J H Gunawardena
- Mr. P L C Jayawickrama

The Report of the Board Corporate Governance Committee appears on pages 150 to 152.

The Board Related Party Transactions Review Committee

- Mr. D Sooriyaarachchi - *Committee Chairman*
- Mr. J Selvaratnam
- Mr. J H Gunawardena
- Mr. H S R Ranatunga
- Mr. P L C Jayawickrama

The Report of the Board Related Party Transactions Review Committee appears on pages 143 to 144.

The Board Nomination Committee

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

The Report of the Board Nomination Committee appears on pages 145 to 147.

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

The Board IT Committee

- Mr. W S C Perera -
Committee Chairman
- Mr. H M A Seneviratne
- Mr. D Sooriyaarachchi
- Mr. P L C Jayawickrama

The Report of the Board IT Committee appears on pages 153 to 154.

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 43 to 110 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 162 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 2024, 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 2024 and 31st December 2023 are as follows:

Name	Position	No of Shares		No of Debentures	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023
Mr. P.S. Cumaranatunga	Chairman	01	01	300,000	75,000
Mr. Y.S.H.R.S. Silva	Director	01	01	-	-
Mr. J. Selvaratnam	Director	01	01	-	-
Mr. J.H. Gunawardena	Director	01	01	-	-
Mr. D. Sooriyaarachchi	Director	01	01	-	-
Mr. W.S.C. Perera	Director	01	01	-	-
Ms. H.S.R. Ranatunga	Director	01	01	-	-

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 Direction No. 05 of 2021 on Corporate Governance. This is done by answering a selfassessment 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 2025.

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 2024, the number of employees on the Company's payroll was 967 (2023:849).

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.

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 2023, 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. 510,000/- (compared to LKR. 500,000/- in 2023). 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 111 to 134.

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 2023, 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 43 to 110 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 KPMG, Chartered Accountants. The audit fees for KPMG for the year ended 31st December 2024 amount to LKR 2,000,000/- (compared to LKR 1,980,000/- paid in 2023 to Messrs Ernst & Young, Chartered Accountants). Additionally,

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

fees for non-audit-related services amount to LKR 4,659,817/- (compared to LKR 2,415,034/- paid in 2023 to Messrs Ernst & Young). Details of the audit fees are provided in Note 11.1 to the Financial Statements.

Based on the declaration provided by Messrs KPMG, and to the best of the Directors' knowledge, the Auditors 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 Board Audit Committee, the Board has recommended to the shareholders to re-appoint Messrs. KPMG, Chartered Accountants, as Auditors of the Company for the ensuing year.

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 25th March 2025. The Notice of Meeting is provided on page 270 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



Ms. Arosha Berugoda
Company Secretary

Siyapatha Finance PLC
14th February 2025

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 5 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's 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 audit 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, periodic 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

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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 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. KPMG, 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 2024 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 167 of this Annual Report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliances to prudential regulatory requirements, 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

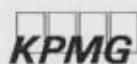


P.L.C. Jayawickrama
Chairman -Board Audit Committee

Siyapatha Finance PLC
14 February 2025

ASSURANCE REPORT ON THE DIRECTOR'S STATEMENT ON INTERNAL CONTROL

THE BOARD OF DIRECTORS OF SIYAPATHA FINANCE PLC



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 166,
Colombo 00300, Sri Lanka.

Tel: +94 - 11 542 6426
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Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Siyapatha Finance PLC to provide assurance on the Director's Statement on Internal Control ("Statement") included in the annual report for the year ended 31st December 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Siyapatha Finance PLC on the Directors' Statement on Internal Control" issued in compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance 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 professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

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 Siyapatha Finance PLC.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051, Assurance Report for Siyapatha Finance PLC on Directors' Statement on Internal

Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires 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 purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed and audit or review of the financial information.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for Siyapatha Finance PLC.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

- Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.
- Reviewed the documentation prepared by the Directors to support their Statement made.
- Related the Statement made by the Directors to our knowledge of the License Finance Company obtained during the audit of the financial statements.
- Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.
- Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

- Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.
- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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 Siyapatha Finance PLC'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 judgment, having regard to our understanding of the nature of the Siyapatha Finance PLC, 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 on pages 165 to 166 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of Siyapatha Finance PLC.

CHARTERED ACCOUNTANTS
Colombo

21 March 2025

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C.P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekera FCA

T.J.S. Rajakarier FCA
W.K.D.C. Abeyaratne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D. Corea Dharmaratne

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SIYAPATHA FINANCE PLC



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of Siyapatha Finance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2024, and the statement of income, 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 policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2024, and of its financial

performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

Allowance for Expected Credit Losses of Financial Assets measured at Amortised Cost

Allowance 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 3.1.7.

Risk Description	Our Response:
<p>The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for expected credit losses in accordance with SLFRS 9- Financial Instruments (SLFRS 9).</p> <p>High degree of complexity and judgment are involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required.</p> <p>Additional subjectivity and judgement are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.</p> <p>We have identified the allowance for expected credit losses as a key audit matter due to the significance of the loans and advances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain and volatile macro-economic environment; Challenging the key assumptions in the ECL models, including staging, PD, and LGD and evaluating the reasonableness of Management's key judgments and estimates; Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment; Working with our internal FRM specialists in order to assess the management computation of ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, and assumptions to the ECL model; Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

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Information Technology (IT) Systems Controls over Financial Reporting

Risk Description	Our Response:
<p>The Company's businesses utilize many interdependent Information Technology (IT) systems to process and record a high volume of transactions.</p> <p>The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial statements which provide a true and fair view of the Company's financial position and performance.</p> <p>The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.</p>	<p>We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes.</p> <p>Our further audit procedures included:</p> <p>General IT controls design, observation and operation</p> <ul style="list-style-type: none"> Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, policy review and awareness, and IT Risk Management practices; Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations; and Data integrity of critical system reporting used by us in our audit to select samples and analyze data used by management to generate financial statements. <p>Application controls</p> <p>Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications.</p> <ul style="list-style-type: none"> On sample basis, re-performed selected automated computations and compared our results with those from the system and the general ledger. <p>User access controls operation</p> <p>Design and operating effectiveness testing of key controls across the user access management.</p> <ul style="list-style-type: none"> Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems; Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management; and Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights.

Other Matter

The financial statements of Siyapatha Finance PLC for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on February 14, 2024.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The 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

INDEPENDENT AUDITOR'S REPORT



concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

reasonableness of accounting estimates and related disclosures made by management.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

KPMG
Colombo, Sri Lanka

14 February 2025

INCOME STATEMENT

For the year ended 31 December	Note	2024 Rs.'000	2023 Rs.'000
Interest income		9,842,826	10,130,371
Less: Interest expenses		(5,309,323)	(7,009,764)
Net interest income	6	4,533,503	3,120,607
Fee and commission income		349,015	331,729
Less: Fee and commission expenses		(2,905)	(3,981)
Net fee and commission income	7	346,110	327,748
Other operating income	8	1,097,165	600,661
Total operating income		5,976,778	4,049,016
Less: Credit loss expense on financial assets and other losses	9	136,912	(80,869)
Net operating income		6,113,690	3,968,147
Less: Operating expenses			
Personnel expenses	10	(2,097,640)	(1,368,823)
Other operating expenses	11	(1,108,098)	(922,017)
Operating profit before taxes on financial services		2,907,952	1,677,307
Less: Taxes on financial services	12	(802,667)	(478,089)
Profit before income tax		2,105,285	1,199,218
Less: Income tax expense	13	(901,912)	(489,016)
Profit for the year		1,203,373	710,202
Basic/Diluted earnings per share (Rs.)	14	11.98	7.07
Dividend per share (Rs.)	15	0.07	2.33

The Accounting policies and Notes to the Financial Statements from pages 176 to 260 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

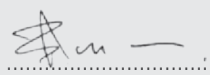
For the year ended 31 December	Note	2024 Rs.'000	2023 Rs.'000
Profit for the year		1,203,373	710,202
Other comprehensive income/ (expenses)			
Other comprehensive income not to be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plan	34.3	6,103	4,733
Deferred tax effect on actuarial gains/(losses)	28	(1,832)	(1,420)
Other comprehensive income for the year, net of tax		4,271	3,313
Total comprehensive income for the year, net of tax		1,207,644	713,515
Attributable to :			
Equity holders of the parent company		1,207,644	713,515
		1,207,644	713,515

The Accounting policies and Notes to the Financial Statements from pages 176 to 260 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Assets			
Cash and bank balances	17	260,579	285,352
Securities purchased under repurchase agreements		5,001,843	250,123
Factoring receivables	18	95,417	95,969
Gold loan receivables	19	11,412,292	7,930,227
Assets held for sale		24,838	114,043
Loan receivables	20	3,829,072	1,343,011
Lease receivables	21	30,717,750	26,640,517
Hire purchase receivables	22	-	-
Other assets	23	812,692	735,058
Equity instruments at fair value through other comprehensive income	24	56	56
Debt instruments at amortized cost	25	4,335,257	5,799,840
Property, plant & equipment	26	2,486,547	2,465,349
Right-of-use assets	27	482,732	380,579
Deferred tax assets	28	233,834	184,308
Intangible assets	29	16,033	16,068
Total Assets		59,708,942	46,240,500
Liabilities			
Bank overdraft		128,514	135,930
Due to other customers	30	32,197,075	23,565,911
Debt issued and other borrowed funds	31	15,642,339	13,148,267
Other payables	32	2,373,259	1,577,908
Current tax liabilities	33	754,721	427,797
Retirement benefit obligations	34	159,713	137,957
Total Liabilities		51,255,621	38,993,770
Equity			
Stated capital	35	2,872,846	2,866,876
Statutory reserve fund	36	375,000	314,000
Revaluation reserve	37	154,295	154,295
Retained earnings	38	5,051,180	3,911,559
Total Equity		8,453,321	7,246,730
Total Liabilities and Equity		59,708,942	46,240,500
Net asset value per share (Rs.)		84.18	72.23
Commitments and contingencies	42	30,206	30,643

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 176 to 260 form an integral part of these Financial Statements.

14 February 2025
Colombo

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 01 January 2023		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	3,911,559	7,246,731
Profit for the year		-	-	-	1,203,373	1,203,373
Other comprehensive income, net of tax		-	-	-	4,271	4,271
Transfer to Statutory Reserve Fund	36	-	61,000	-	(61,000)	-
Scrip dividend paid		5,970	-	-	(7,023)	(1,053)
Balance as at 31 December 2024		2,872,846	375,000	154,295	5,051,180	8,453,321

The Accounting policies and Notes to the Financial Statements from pages 176 to 260 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	2024 Rs.'000	2023 Rs.'000
Cash flows from operating activities			
Profit before taxation from operations		2,105,285	1,199,218
Interest expenses	6.2	5,309,323	7,009,764
Fee & commission expenses	7	2,905	3,981
Credit loss expense on financial assets	9	(136,912)	80,869
Provision for staff gratuity	34.2	43,074	42,007
Provision for depreciation	26.1	164,379	155,545
Amortization of software	29	5,266	7,856
Amortization expenses on right-of-use assets	27	89,172	80,119
(Profit)/Loss on sale of motor vehicles		(680)	(1,695)
		5,476,527	7,378,445
Operating profit before working capital changes		7,581,812	8,577,663
(Increase)/Decrease in lease receivables		(3,911,427)	(1,798,308)
(Increase)/Decrease in hire purchase receivables		936	293
(Increase)/Decrease in factoring receivables		10,474	45,082
(Increase)/Decrease in gold loan receivables		(3,478,583)	738,561
(Increase)/Decrease in loan receivables		(2,409,095)	(269,756)
Increase/(Decrease) in due to other customers		8,586,181	3,757,012
(Increase)/Decrease in other assets		(303,426)	(481,828)
Increase/(Decrease) in other payables		945,987	402,193
		(558,952)	2,393,249
Cash generated from operating activities		7,022,860	10,970,912
Interest expense paid		(5,154,724)	(6,824,516)
Gratuity paid	34.1	(15,214)	(16,169)
Income tax paid	33	(626,347)	(373,343)
Surcharge tax paid		-	-
Dividend tax paid		(1,053)	(33,960)
Net cash inflow from operating activities		1,225,521	3,722,924
Cash flow from investing activities			
Net investments in government bonds & government securities		1,897,145	(393,121)
Purchase of property, plant and equipment and intangible assets		(226,148)	(92,087)
Proceeds from sale of property, plant and equipment		36,019	1,837
Net cash outflow from investing activities		1,707,016	(483,371)
Net cash inflow before financing activities		2,932,537	3,239,553
Cash flow from financing activities			
Proceeds from long term loans & securitizations	31.1	2,000,000	2,500,000
Repayments of long term loans & securitizations	31.1	(4,118,449)	(3,919,897)
Debentures redeemed	31.4	(1,500,000)	(2,000,000)
Proceeds from Debentures	31.4	4,000,000	-
Share application money pending allotment	35.1	-	-
Net proceeds from short term borrowings	31.1	2,000,000	1,260,000
Repayment of principal portion of lease liabilities	32.1	(147,165)	(130,205)
Net cash outflow from financing activities		2,234,386	(2,290,102)
Net increase in cash and cash equivalents		5,166,923	949,451
Cash & cash equivalents at the beginning of the year		3,112,229	2,162,778
Cash and cash equivalents at end of the year		8,279,152	3,112,229
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances (Note 17)		260,681	285,454
Securities purchased under repurchase agreements less than three months		5,001,841	250,123
Investment in Government securities less than three months		3,145,144	2,712,582
Bank overdraft		(128,514)	(135,930)
		8,279,152	3,112,229

The Accounting policies and Notes to the Financial Statements from pages 176 to 260 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Siyapatha Finance PLC ("The Company"), formerly known as Siyapatha Finance Limited is a domiciled, public limited liability company incorporated in Sri Lanka on 03 March 2005 under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No. 7 of 2007. It is a Licensed Finance Company under the Finance Business Act No. 42 of 2011 and amendments thereto. The registered office of the Company is located at, No. 111, Dudley Senanayake Mawatha, Colombo 08.

The debentures of the Company were initially listed on the Colombo Stock Exchange on 02 January 2015.

The staff strength of the Company as at 31 December 2024 was 967 (2023:849).

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007.

The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange and the CBSL Guidelines.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements as per Sri Lanka Accounting Standards and the provisions of the Companies Act No. 7 of 2007.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company as at and for the year ended 31 December 2024 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 14 February 2025.

2.4 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following items in the Statement of Financial Position.

- Financial Assets at fair value through other comprehensive income at fair value (Note 24)
- 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)

2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs), which is the currency of the primary economic environment in which Siyapatha Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Company's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial

Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 41 to the financial statements.

2.7 Materiality, Aggregation and Offsetting

In compliance with Sri Lanka Accounting Standard -LKAS 01 (Presentation of Financial Statements), each material 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.

NOTES TO THE FINANCIAL STATEMENTS

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, the management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively by categorising them, into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered for accounting judgements and estimates include,

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis.

- Development of ECLs, models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. The above assumptions and judgements are discussed in detail under Note 3.1.7 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 2024. The collective impairment models applied in 2023 were continued in 2024 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 70% to 40% in response to the positive trends observed in macroeconomic variables during 2024.

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

NOTES TO THE FINANCIAL STATEMENTS

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 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. MATERIAL ACCOUNTING POLICIES

Application of Accounting Policies

The Company has consistently applied the accounting policies for all periods presented in the financial statements. The Company has adopted the standards set out in Note 3 during the year. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective as given in Note 5.

Apart from the material accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the financial statements. These material accounting policies have been applied consistently to all periods presented in the

financial statements of the Company, unless otherwise indicated.

The accounting policies have been consistently applied by the entity where applicable and deviations if any have been disclosed accordingly. Further the changes in accounting policies due to adoption of new standards and interpretations have been presented in Note 4 to the 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.

NOTES TO THE FINANCIAL STATEMENTS

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, loan receivables, gold loan receivables and other assets.

The details of the above conditions are outlined below.

3.1.3.1 (a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.3.1 (b) The SPPI test

As a second step of its classification process, the

Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3.1.3.2 Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such

classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in income statement as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Currently, the Company has recorded its non-quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 24 to the Financial Statements.

3.1.3.3 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The company does not have compound financial instruments which contains both a liability and an equity component and require separation as at the date of the issue.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, securitizations and debentures.

3.1.3.4 Financial guarantees and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and ECL Provision under SLFRS 9.

The premium received is recognised in the Income Statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in within the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded - in the Statement of Financial Position. The nominal values of these instruments are disclosed in Note 42.

3.1.4 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and

financial guarantees, are measured as,

- (i) **Financial liabilities at Fair Value through Profit or Loss (FVTPL)**
 - a) Financial liabilities held for trading
 - b) Financial liabilities designated at fair value through profit or loss
- (ii) **Financial liabilities at amortised cost, when they are held for trading, derivative instruments or the fair value designation is applied.**

The subsequent measurement of financial liabilities depends on their classification.

- i. **Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)**
Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognized in the Income Statement.
- ii. **Financial Liabilities at Amortised Cost**
Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the

NOTES TO THE FINANCIAL STATEMENTS

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 Derecognition of Financial Assets and Financial Liabilities

3.1.5.1 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.

3.1.5.2 Derecognition other than for substantial modification

3.1.5.2 (a) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows

from the financial asset

or

- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned,

during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset

or

- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset

continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.1.5.2 (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.

3.1.6 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

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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.

3.1.7 Impairment of Financial Assets

3.1.7.1 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 POCL, 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.

3.1.7.2 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 3.1.7.4 (a).

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.1.7.4 (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 3.1.7.4 (c).

With the exception of debt factoring and other revolving facilities, for which the treatment is separately set out in Note 3.1.7.7 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.

3.1.7.3 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

NOTES TO THE FINANCIAL STATEMENTS

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

3.1.7.4 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

3.1.7.4 (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.

3.1.7.4 (b) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events

within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2 and Stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

3.1.7.4 (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.

3.1.7.5 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.

3.1.7.6 Debt instruments measured at fair value through OCI

NOTES TO THE FINANCIAL STATEMENTS

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.

3.1.7.7 Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products is limited to 12 months.

The ongoing assessment of

whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

3.1.7.8 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.

	2024	2023
Base Case	40%	20%
Best Case	20%	10%
Worst Case	40%	70%

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.

3.1.7.9 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.

3.1.7.10 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 3.1.7.10.

3.1.7.11 Write-off of Financial Assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

3.1.7.12 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.

3.1.7.13 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 2024 and 2023.

3.1.8 Offsetting Financial Assets and Liabilities

Financial assets and financial

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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.

3.1.9 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2 Leases

At inception of a contract, the Company assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of

an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has right to obtain substantially all of the economic benefits from use of asset throughout the period of use; and
- The Company has right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either;
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for

what purpose it will be used.

3.2.1 Company as the Lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment and are in the range of 1 to 10 years.

In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date,

discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company'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

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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 was 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.

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.

- 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.

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 2024 (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.

- Non-current Liabilities with Covenants – Amendments to IAS 1
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2024

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

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Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

- **IFRSs 18 Presentation and Disclosure in Financial Statements**

SLFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

- **SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures**

- SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- SLFRS S2 Climate-related Disclosures is to requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- These standards will become effective for the

Company from 1 April 2025. No financial impact is expected on the Company except for additional disclosures.

- **Other accounting standards**

The following new and amended accounting standards are not expected to have a significant impact on the Company's consolidated financial statements.

- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

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	2024 Rs.'000	2023 Rs.'000
Interest income on lease receivables	5,877,363	5,291,753
Interest income on hire purchase receivables	72	157
Interest income on factoring receivables	20,468	35,527
Interest income accrued on impaired financial assets (Note 18.5 & 18.6)	541	1,561
Interest income on loan receivables	419,863	215,148
Interest income on gold loan receivables	1,877,449	2,465,862
Interest income on government securities	862,378	1,347,816
Interest income on overdue rentals	757,691	746,782
Interest income on staff loans	26,126	22,944
Interest income on placements with banks	876	2,821
Total interest income	9,842,826	10,130,371

NOTES TO THE FINANCIAL STATEMENTS**6.2 Interest expenses**

For the year ended 31 December	2024	2023
	Rs.'000	Rs.'000
Bank overdraft	4,411	12,461
Short term borrowings	409,983	627,114
Lease liabilities (Note 32.1)	61,675	56,334
Customer deposits	3,534,285	4,426,114
Long term borrowings	666,460	1,062,853
Securitization loans	63,196	365,991
Redeemable debentures	569,313	458,897
Total interest expenses	5,309,323	7,009,764
Net interest income	4,533,503	3,120,607

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	2024	2023
	Rs.'000	Rs.'000
Documentation charges	92,441	64,031
Insurance commission	145,965	147,521
Service charges-Gold loan	106,446	116,809
Processing fees	444	717
Fee based income-Savings	1	60
Other fee & commission income	3,718	2,591
Total fee and commission income	349,015	331,729
Fee and commission expenses		
Guarantee fee	96	1,058
Processing fees - Bank loans	2,809	2,923
Total fee and commission expenses	2,905	3,981
Net fee and commission income	346,110	327,748

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	2024 Rs.'000	2023 Rs.'000
Profit on early terminations	798,000	376,209
Profit on disposal of motor vehicles	680	1,695
Recovery of bad debts written off	128,347	81,133
Recovery of charges	33,370	31,289
Gain on Assets Held for Sale	25,502	-
Sundry income	111,266	110,335
Total other operating income	1,097,165	600,661

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 3.1.7. to the Financial Statements.

For the year ended 31 December	2024 Rs.'000	2023 Rs.'000
Bank balances (Note 17.1)		
Stage 1	-	62
Stage 2	-	-
Stage 3	-	-
	-	62
Factoring receivables (Note 18.5 & 18.6)		
Stage 1	(3,141)	(18,620)
Stage 2	-	-
Stage 3	(6,782)	(9,638)
	(9,922)	(28,258)
Gold loan receivables (Note 19.4 & 19.5)		
Stage 1	5,682	6,974
Stage 2	(561)	(5,113)
Stage 3	(8,604)	(4,573)
	(3,483)	(2,712)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	2024 Rs.'000	2023 Rs.'000
Loan receivables (Note 20.5 & 20.6)		
Stage 1	12,775	8,169
Stage 2	(3,193)	(65,836)
Stage 3	(86,548)	(22,128)
	(76,966)	(79,795)
Lease receivables (Note 21.6 & 21.7)		
Stage 1	17,314	15,751
Stage 2	(1,522)	(43,996)
Stage 3	(181,599)	48,574
	(165,807)	20,329
Hire purchase receivables (Note 22.6 & 22.7)		
Stage 1	-	-
Stage 2	-	-
Stage 3	(937)	954
	(937)	954
Repossessed stock (Note 23.1 & 23.2)		
Stage 1	-	-
Stage 2	-	-
Stage 3	110,858	167,977
	110,858	167,977
Other receivables (Note 23.3)		
Stage 1	-	-
Stage 2	-	-
Stage 3	12,813	735
	12,813	735
Credit related commitments & contingencies (Note 42.2)		
Stage 1	(3,471)	1,577
Stage 2	-	-
Stage 3	-	-
	(3,471)	1,577
	(136,912)	80,869

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 2024 (current service cost) has been recognised in the Income Statement under 'Personnel expenses' together with the net interest expense. The Company recognises the total actuarial gain/loss that arises in calculating the Company's obligation in respect of gratuity in other comprehensive income during the period in which it occurs. There were no plan amendments or curtailments affecting the Company's gratuity liabilities during the year ended 31 December 2024 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	2024	2023
	Rs.'000	Rs.'000
Salaries and bonus	1,626,609	1,122,637
Contributions to EPF & ETF	116,915	96,946
Provision on gratuity (Note 34.2)	43,074	42,007
Others	311,042	107,233
	2,097,640	1,368,823

NOTES TO THE FINANCIAL STATEMENTS**11. OTHER OPERATING EXPENSES**

For the year ended 31 December	2024	2023
	Rs.'000	Rs.'000
Directors' emoluments	43,627	38,922
Auditors' remuneration (Note 11.1)	6,660	4,395
Professional & legal expenses	28,685	28,687
Depreciation & amortization expenses (Note 11.2)	258,816	243,520
Deposit insurance premium	39,443	32,868
Donations	510	-
Office administration & establishment expenses	547,517	440,514
Advertising expenses	88,909	50,322
Expenses on sustainable financial activities	1,369	1,964
Other expenses	92,562	80,826
	1,108,098	922,017

11.1 Auditors' remuneration

Audit fees	2,000	1,980
Audit related fees & expenses	2,535	1,461
Non - audit expenses	2,125	954
	6,660	4,395

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 (%)	
	2024	2023
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 (%)	
	2024	2023
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 2024, the Company conducted an operational efficiency review and estimates were revised accordingly.

For the year ended 31 December	2024	2023
	Rs.'000	Rs.'000
Depreciation on property, plant & equipment (Note 26.1)	164,378	155,545
Amortization of intangible assets (Note 29)	5,266	7,856
Amortisation expenses on right-of-use assets (Note 27)	89,172	80,119
	258,816	243,520

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	2024 Rs.'000	2023 Rs.'000
Value added tax on financial services	704,781	419,508
Social security contribution levy	97,886	58,581
	802,667	478,089

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	2024 Rs.'000	2023 Rs.'000
Current tax based on profit for the year (Note 13.2)	846,223	447,181
(Over)/Under provision in respect of previous years, including settlements (Note 13.2)	107,048	1,779
Total current tax expense	953,271	448,960
13.1.2 Deferred tax expense		
- Due to change in temporary differences (Note 28)	(51,359)	40,056
Total deferred taxation reversal (Note 28)	(51,359)	40,056
Income tax expense (Note 13.2)	901,912	489,016
Effective tax rate	42.8%	40.8%

13.2 Reconciliation of the accounting profit to current tax expense

For the year ended 31 December	2024		2023	
	%	Rs.'000	%	Rs.'000
Profit before tax		2,105,285		1,199,218
Tax effect on accounting profit before tax	30.0%	631,586	30.0%	359,765
Tax effect of non deductible expenses	18.7%	392,827	22.4%	268,470
Tax effect of other allowable credits	-8.5%	(178,190)	-15.1%	(181,054)
	40.2%	846,223	37.3%	447,181
(Over)/ Under provision of current taxes in respect of previous years	5.1%	107,048	0.1%	1,779
Deferred tax charge/(reversal)				
- Due to change in temporary differences	-2.4%	(51,359)	3.3%	40,056
	42.8%	901,912	40.8%	489,016

13.3 Applicable Income Tax Rates

	2024	2023
Applicable Income Tax Rate	30%	30%

The Company was liable for income tax on local dividend received for the year 2024 at 15% (2023 -15%).

NOTES TO THE FINANCIAL STATEMENTS

13.4 Income Tax Rate

13.4.1 For the year ended 31 December 2024

The Company applied the 30% tax rate 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 of 31 December 2024 and 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.

	2024	2023
Profit attributable to ordinary shareholders (Rs.) 000)	1,203,373	710,202
Weighted average number of ordinary shares during the year (14.1)	100,421,363	100,421,363
Basic/Diluted earnings per ordinary share (Rs.)	11.98	7.07

14.1 Weighted average number of ordinary shares (basic)

	Outstanding No: of Shares		Weighted Average No: of Shares	
	2024	2023	2024	2023
Number of shares in issue as at 01 January	100,329,537	97,166,011	100,329,537	100,329,537
Add:				
Number of shares issued due to scrip dividend 2022	-	3,163,526	-	-
Number of shares issued due to scrip dividend 2023	91,826		91,826	91,826
Number of shares in issue/weighted average number of ordinary shares at 31 December	100,421,363	100,329,537	100,421,363	100,421,363

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'.

	2024	2023
Scrip dividends paid (Rs. 000)	7,023	226,397
Number of Ordinary Shares	100,329,537	97,166,011
Dividends per Ordinary Share (Rs.)	0.07	2.33

A scrip dividend of Rs. 0.07 per share for the year 2023 was paid in March 2024. (A scrip dividend of Rs. 2.33 per share for the year 2022 was paid in April 2023).

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 2024	Amortised Cost Rs'000	Fair value through Other Comprehensive Income Rs'000	Total Rs'000
Financial Assets			
Cash and bank balances	260,579	-	260,579
Securities purchased under repurchase agreements	5,001,843	-	5,001,843
Factoring receivables	95,417	-	95,417
Gold loan receivables	11,412,292	-	11,412,292
Loan receivables	3,829,072	-	3,829,072
Lease receivables	30,717,750	-	30,717,750
Hire purchase receivables	-	-	-
Other assets	688,958	-	688,958
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	4,335,257	-	4,335,257
Total Financial Assets	56,341,168	56	56,341,223
Financial Liabilities			
Bank overdraft	128,514	-	128,514
Due to other customers	32,197,075	-	32,197,075
Debt issued and other borrowed funds	15,642,339	-	15,642,339
Other payables	1,829,797	-	1,829,797
Total Financial Liabilities	49,797,725	-	49,797,725

NOTES TO THE FINANCIAL STATEMENTS

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

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	2024 Rs. '000	2023 Rs. '000
Cash in hand	244,308	236,084
Balances with local banks	16,373	49,370
Less: Allowance for expected credit losses (Note 17.1)	(102)	(102)
	260,579	285,352

17.1 The movement in provision for expected credit losses is as follows.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Stage 1		
Balance as at 01 January	102	40
Charge/(Reversal) for the year (Note 9)	-	62
Balance as at 31 December	102	102

18. FACTORING RECEIVABLES

As at 31 December	2024 Rs. '000	2023 Rs. '000
Factoring receivables	142,982	154,003
Less: VAT suspense	(39)	(39)
Gross factoring receivable	142,943	153,964
Less : Allowance for expected credit losses/ individual impairment(Note 18.3)	(43,427)	(50,755)
Allowance for expected credit losses/ collective impairment(Note 18.4)	(4,099)	(7,240)
	95,417	95,969

18.1 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Individually impaired factoring receivables	-	-	45,312	45,312
Factoring receivables subject to collective impairment	97,336	-	295	97,631
Gross factoring receivables	97,336	-	45,607	142,943
Allowance for expected credit losses(ECL) (Note 18.5)	(4,099)	-	(43,427)	(47,526)
	93,237	-	2,179	95,417

18.2 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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 18.6)	(7,240)	-	(50,755)	(57,995)
	91,350	-	4,619	95,969

NOTES TO THE FINANCIAL STATEMENTS

18.3 Allowance for expected credit losses/Impairment

	2024 Rs. '000	2023 Rs. '000
Individually impaired loans		
Balance as at 01 January	50,755	231,834
Charge/ (Reversal) to income statement	(6,781)	(10,857)
Write-off during the year	-	(170,130)
Interest income accrued on impaired loans(Note 6.1)	(541)	(1,561)
Other movements	(5)	1,469
Balance as at 31 December	43,427	50,755

18.4 Allowance for expected credit losses/Impairment

	2024 Rs. '000	2023 Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	7,240	24,641
Charge/ (Reversal) to income statement	(3,141)	(17,401)
Balance as at 31 December	4,099	7,240

18.5 Movement in allowance for expected credit losses

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	7,240	-	50,755	57,995
Charge/ (Reversal) to income statement (Note 9)	(3,141)	-	(6,782)	(9,923)
Write-off during the year	-	-	-	-
Interest income accrued on impaired loans(Note 6.1)	-	-	(541)	(541)
Other movements	-	-	(5)	(5)
Balance as at 31 December 2024	4,099	-	43,427	47,526

18.6 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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

19. GOLD LOAN RECEIVABLES

As at 31 December	2024 Rs. '000	2023 Rs. '000
Gold loan receivables	11,446,479	7,967,897
Less : Allowance for expected credit losses/ collective impairment(Note 19.3)	(34,187)	(37,670)
	11,412,292	7,930,227

19.1 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Gold loan receivables- subject to collective impairment	10,287,582	1,098,876	60,022	11,446,479
Allowance for expected credit losses(ECL) (Note 19.4)	(26,657)	(7,065)	(464)	(34,187)
	10,260,925	1,091,810	59,558	11,412,292

19.2 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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 19.5)	(20,975)	(7,627)	(9,068)	(37,670)
	6,176,817	1,125,920	627,490	7,930,227

19.3 Allowance for expected credit losses/Impairment Loans subject to collective impairment

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	37,670	40,382
Charge/ (Reversal) to income statement	(3,483)	(2,712)
Balance as at 31 December	34,187	37,670

19.4 Movement in allowance for expected credit losses

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	20,975	7,627	9,068	37,670
Charge/ (Reversal) to income statement (Note 9)	5,682	(561)	(8,604)	(3,483)
Balance as at 31 December 2024	26,657	7,065	464	34,187

NOTES TO THE FINANCIAL STATEMENTS

19.5 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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

20. LOAN RECEIVABLES

As at 31 December	2024 Rs. '000	2023 Rs. '000
Revolving loan receivables	67,707	70,378
Fast draft loans receivables	3,252,784	635,818
Personal/Business loan receivables	1,513,638	1,726,466
Gross loan receivables	4,834,129	2,432,662
Less : Allowance for expected credit losses/ individual impairment(Note 20.3)	(847,939)	(915,774)
Less : Allowance for expected credit losses/ collective impairment(Note 20.4)	(157,118)	(173,877)
	3,829,072	1,343,011

20.1 Analysis of loan receivables on maximum exposure to credit risk

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Individually impaired loan receivables	-	7,203	903,137	910,340
Loan receivables subject to collective impairment	3,555,170	208,830	159,790	3,923,789
Allowance for expected credit losses(ECL) (Note 20.5)	(21,966)	(8,775)	(974,316)	(1,005,057)
	3,533,204	207,258	88,611	3,829,072

20.2 Analysis of loan receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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 20.6)	(9,191)	(11,968)	(1,068,492)	(1,089,651)
	1,049,034	51,410	242,567	1,343,011

20.3 Allowance for expected credit losses/Impairment

	2024 Rs. '000	2023 Rs. '000
Individually impaired loans		
Balance as at 01 January	915,774	954,569
Charge/ (Reversal) to income statement	(67,834)	101,743
Write-off during the year	-	(140,538)
Balance as at 31 December	847,939	915,774

20.4 Allowance for expected credit losses/ Impairment

	2024 Rs. '000	2023 Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	173,877	355,415
Charge/ (Reversal) to income statement	(9,132)	(181,538)
Write-off during the year	(7,628)	-
Balance as at 31 December	157,118	173,877

20.5 Movement in allowance for expected credit losses

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	9,191	11,968	1,068,492	1,089,651
Charge/ (Reversal) to income statement (Note 9)	12,775	(3,193)	(86,548)	(76,966)
Write-off during the year	-	-	(7,628)	(7,628)
Balance as at 31 December 2024	21,966	8,775	974,316	1,005,057

20.6 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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

21. LEASE RECEIVABLES

As at 31 December At Amortized cost	2024 Rs. '000	2023 Rs. '000
Total lease rentals receivable	42,274,296	38,504,993
Less: Unearned lease interest income	(9,727,455)	(9,431,280)
Gross lease receivable	32,546,841	29,073,713
Less: Allowance for expected credit losses/ collective impairment (Note 21.5)	(1,829,090)	(2,433,196)
Net lease receivable (Note 21.1 & 21.2)	30,717,751	26,640,517

Lease receivables include receivables amounting to Rs.15,892,671,996/- (2023- Rs.15,479,184,918/-) that have been assigned under term loan funding arrangement.

NOTES TO THE FINANCIAL STATEMENTS**21.1 Maturity analysis of net lease receivable**

As at 31 December 2024	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)	18,422,460	23,796,437	55,400	42,274,296
Less: Unearned lease interest income	(4,775,799)	(4,948,713)	(2,944)	(9,727,456)
Gross lease receivable	13,646,661	18,847,723	52,456	32,546,840
Less: Allowance for expected credit losses	(775,354)	(1,050,811)	(2,925)	(1,829,090)
Net lease receivable	12,871,307	17,796,912	49,531	30,717,750

21.2 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

21.3 Analysis of lease receivables on maximum exposure to credit risk

As at 31 December 2024	Stage1	Stage2	Stage3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross lease receivables- subject to collective impairment	12,658,212	17,066,668	2,821,960	32,546,840
Allowance for expected credit losses(ECL) (Note 21.6)	(134,775)	(763,438)	(930,878)	(1,829,090)
	12,523,437	16,303,230	1,891,082	30,717,750

21.4 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 21.7)	(117,461)	(764,959)	(1,550,776)	(2,433,196)
	9,049,772	13,710,668	3,880,077	26,640,517

21.5 Allowance for expected credit losses/Impairment

	2024 Rs. '000	2023 Rs. '000
Loans subject to collective impairment		
Balance as at 01 January	2,433,196	2,564,025
Charge/ (Reversal) to income statement (Note 9)	(165,807)	20,329
Write-off during the year	(438,299)	(151,158)
Balance as at 31 December	1,829,090	2,433,196

21.6 Movement in allowance for expected credit losses

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	117,461	764,959	1,550,776	2,433,196
Charge/ (Reversal) to income statement (Note 9)	17,314	(1,522)	(181,599)	(165,807)
Write-off during the year	-	-	(438,299)	(438,299)
Balance as at 31 December 2024	134,775	763,438	930,878	1,829,090

21.7 Movement in allowance for expected credit losses

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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

22. HIRE PURCHASE RECEIVABLES

As at 31 December	2024 Rs. '000	2023 Rs. '000
Total hire purchase rentals receivable	1,340	2,393
Less: Unearned hire purchase interest income	-	(116)
Gross hire purchase receivable	1,340	2,277
Less: Allowance for expected credit losses/ collective impairment (Note 22.5)	(1,340)	(2,277)
Net hire purchase receivable (Note 22.1 & 22.2)	-	-

No hire purchase receivables have been assigned under term loan funding arrangements as at 31 December 2024. (2023-Nil).

22.1 Maturity analysis of net hire purchase receivable

As at 31 December 2024	1Year Rs. '000	1-5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Total hire purchase rentals receivable	1,340	-	-	1,340
Less: Unearned hire purchase interest income	-	-	-	-
Gross hire purchase receivable	1,340	-	-	1,340
Less: Allowance for expected credit losses	(1,340)	-	-	(1,340)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS**22.2 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)
	-	-	-	-

22.3 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2024	Stage1	Stage2	Stage3	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross hire purchase receivables- subject to collective impairment	-	-	1,340	1,340
Allowance for expected credit losses(ECL) (Note 22.6)	-	-	(1,340)	(1,340)
	-	-	-	-

22.4 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 22.7)	-	-	(2,277)	(2,277)
	-	-	-	-

22.5 Allowance for expected credit losses/Impairment

	2024	2023
Loans subject to collective impairment	Rs. '000	Rs. '000
Balance as at 01 January	2,277	1,323
Charge/ (Reversal) to income statement (Note 9)	(937)	954
Write-off during the year	-	-
Balance as at 31 December	1,340	2,277

22.6 Movement in allowance for expected credit losses

As at 31 December 2024	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	-	-	2,277	2,277
Charge/ (Reversal) to income statement (Note 9)	-	-	(937)	(937)
Write-off during the year	-	-	-	-
Balance as at 31 December 2024	-	-	1,340	1,340

22.7 Analysis of hire purchase receivables on maximum exposure to credit risk

As at 31 December 2023	Stage1 Rs. '000	Stage2 Rs. '000	Stage3 Rs. '000	Total 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

23. OTHER ASSETS

As at 31 December	2024 Rs. '000	2023 Rs. '000
Financial Assets		
Reposessed stock	81,882	209,306
Less: Provision for reposessed stock (Note 23.1 & 23.2)	(81,882)	(209,306)
Insurance premium receivable	416,038	439,484
Less: Provision for insurance premium receivable	(999)	(5,537)
Staff loan	194,201	129,358
Less: Staff loan fair value adjustment	(26,014)	(13,794)
Insurance commission receivable	138,357	112,097
Less: Provision for insurance commission receivable	(50,676)	(38,272)
Other financial assets	18,050	21,625
	688,958	644,961
Non Financial Assets		
Pre paid expenses	67,596	38,340
Pre-paid staff cost (Note 23.4)	26,014	13,794
Advance payments	7,051	13,955
Inventories	4,609	809
Taxes receivable	284	284
Other non financial assets	18,179	22,915
	123,735	90,097
	812,692	735,058

NOTES TO THE FINANCIAL STATEMENTS**23.1 Movement in provision for repossessed stock**

As at 31 December 2024	Lease Rs.'000	Hire purchase Rs.'000	Loan Rs.'000	Factoring Rs.'000	Total Rs.'000
Balance as at 01 January 2024	203,173	1,530	4,271	332	209,306
Charge/ (Reversal) during the year (Note 9)	109,022	303	969	565	110,858
Write-off during the year	(236,991)	(1,291)	-	-	(238,282)
Balance as at 31 December 2024	75,204	541	5,240	897	81,882

23.2 Movement in provision for repossessed stock

As at 31 December 2023	Lease Rs.'000	Hire purchase Rs.'000	Loan Rs.'000	Factoring Rs.'000	Total 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

Repossessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

23.3 Movement in provision for other receivables

	2024 Rs. '000	2023 Rs. '000
Stage 3		
Balance as at 01 January	43,809	43,074
Write-off during the year	(4,947)	-
Charge/(Reversal) for the year (Note 9)	12,813	735
Balance as at 31 December	51,675	43,809

23.4 The movement in the pre-paid staff cost

	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	13,794	18,939
Add: Adjustment for new grants (net of settlements)	20,669	3,691
Charge to personnel expenses	(8,449)	(8,836)
Balance as at 31 December	26,014	13,794

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December	2024 Rs.'000	2023 Rs.'000
Equity instruments at fair value through other comprehensive income (FVOCI)	56	56
	56	56

Unquoted equity instruments at FVOCI are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

25. DEBT INSTRUMENTS AT AMORTISED COST

As at 31 December	2024 Rs.'000	2023 Rs.'000
Government debt securities - treasury bills	4,335,257	5,799,840
	4,335,257	5,799,840

25.1 Analysis of debt instruments at amortised cost

As at 31 December	2024 Rs.'000	2023 Rs.'000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	4,335,257	5,799,840
	4,335,257	5,799,840

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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'.

26.1

Cost	Freehold Land & Buildings	Fixtures	Office furniture	Office equipment	Motor vehicles	Computer equipment	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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)
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-
Balance as at 31 December 2023	1,825,192	628,029	50,569	256,635	1,034	356,840	3,118,299
Additions and improvements	-	71,359	7,020	40,049	10,625	87,496	216,549
Disposals/ Adjustments during the year	28,974	(42,604)	(2,147)	(20,563)	-	(7,868)	(44,208)
Balance as at 31 December 2024	1,854,166	656,784	55,442	276,121	11,659	436,468	3,290,640
Accumulated Depreciation							
Balance as at 31 December 2022	-	229,167	38,281	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
Depreciation charge for the year	38,848	50,910	4,468	16,319	583	53,250	164,379
Disposals/ Adjustments during the year	-	(1,356)	(2,147)	(2,792)	-	(6,941)	(13,236)
Balance as at 31 December 2024	73,865	335,682	44,530	118,483	1,617	229,916	804,093
Net book value as at 31 December 2024	1,780,301	321,102	10,912	157,638	10,042	206,552	2,486,547
Net book value as at 31 December 2023	1,790,175	341,901	8,361	151,679	-	173,233	2,465,349

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	2024 Cost	2024 Carrying value	2023 Cost	2023 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	1,355,800	1,400,691	1,365,674
Total	1,604,770	1,559,879	1,604,770	1,569,753

NOTES TO THE FINANCIAL STATEMENTS**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 Rs'000	Cost/Re- valuation of Build- ing Rs'000	Total Value Rs'000	Accu- mulated Deprecia- tion Rs'000	2024 Net Book Value Rs'000	2023 Net Book Value Rs'000
No:111, Dudley Senanayake Mawatha, Colombo 08	29.1	61,370	1	424,500	1,429,666	1,854,166	73,865	1,780,300	1,790,174
				424,500	1,429,666	1,854,166	73,865	1,780,300	1,790,174

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	2024 Rs.'000	2023 Rs.'000
Computer equipment	95,767	88,274
Fixtures	203,518	159,373
Motor vehicles	8,529	8,529
Office equipment	70,740	61,138
Office furniture	32,060	26,774
Computer software	144,232	143,772
Total	554,847	487,860

26.6 Temporarily idle Property, Plant and Equipment

The Company does not have any temporarily idle property, plant & equipment as at 31 December 2024 (2023: 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 2024 (2023: 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 (2023: 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	2024 Rs.'000	2023 Rs.'000
Cost		
Balance as at 01 January	869,450	780,596
Additions and improvements	191,325	88,854
Cost as at 31 December	1,060,775	869,450
Accumulated amortisation		
Balance as at 01 January	488,871	408,752
Amortisation expenses for the year	89,172	80,119
Accumulated amortisation as at 31 December	578,043	488,871
Net book value as at 31 December	482,732	380,579

27.1 Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumptions

27.1.1 Sensitivity to Discount Rates

1% increase/(decrease) in discount rate as at 31 December 2024 would have (decreased)/increased the lease liability by approximately Rs.32.77 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.2.30 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 2024 would have increased by Rs. 74.7 Million with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 31.2 Million.

NOTES TO THE FINANCIAL STATEMENTS**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	Right of use assets	Lease liabilities	Total
	Property, plant & equipment	Leased assets						
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 01 January 2023	22,343	17,650	(296,847)	66,126	(35,057)	-	-	(225,785)
Income statement								
Due to rate revision	-	-	-	-	-	-	-	-
Due to change in temporary differences	30,833	(15,503)	32,477	-	(7,750)	-	-	40,056
Other comprehensive income								
Due to rate revision	-	-	-	-	-	-	-	-
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)
Income statement								
Due to change in temporary differences	27,963	(2,092)	(45,635)	-	(8,358)	144,821	(168,057)	(51,359)
Other comprehensive income								
Due to change in temporary differences	-	-	-	-	1,832	-	-	1,832
Balance as at 31 December 2024	81,139	55	(310,005)	66,126	(47,913)	144,821	(168,057)	(233,835)

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 2024 only include computer software and cost of licenses. Rates of amortization for computer software and licenses are given in Note 11.2, Depreciation & amortization expense's.

As at 31 December	2024 Rs.'000	2023 Rs.'000
Cost		
Balance as at 01 January	161,731	153,098
Additions and improvements	9,600	8,633
Disposals / adjustments	(4,368)	-
Cost as at 31 December	166,963	161,731
Accumulated amortisation		
Balance as at 01 January	145,663	137,807
Amortisation for the year	5,266	7,856
Write off during the year	-	-
Accumulated amortisation as at 31 December	150,930	145,663
Net book value as at 31 December	16,033	16,068

30. DUE TO OTHER CUSTOMERS

As at 31 December	2024 Rs.'000	2023 Rs.'000
Term deposits	31,929,041	23,364,009
Saving deposits	268,034	201,902
	32,197,075	23,565,911

31. DEBT ISSUED AND OTHER BORROWED FUNDS

As at 31 December	2024 Rs.'000	2023 Rs.'000
Loans (31.2)	9,792,186	9,471,351
Securitized (31.3)	-	549,506
Redeemable debentures (31.4)	5,850,153	3,127,410
	15,642,339	13,148,267

NOTES TO THE FINANCIAL STATEMENTS

The company has not had any default of principal, interest or other breaches with regard to any liability during 2024 & 2023.

31.1 Movement in Debt issued and other borrowed funds

	2023	Grantings/ Accrual	Repayments	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long-term borrowings & securitizations	5,580,186	2,000,000	(4,118,449)	3,461,737
Short-term borrowings	4,310,000	2,000,000	-	6,310,000
Redeemable debentures	3,000,000	4,000,000	(1,500,000)	5,500,000
Capital outstanding of debt issued and other borrowed funds	12,890,186	8,000,000	(5,618,449)	15,271,737
Interest on debt issued and other borrowed funds	258,081	1,775,038	(1,662,518)	370,602
	13,148,267	9,775,038	(7,280,967)	15,642,339

31.2 Loans - on terms

As at 31 December	Period	Amortised cost 2024	2023
		Rs.'000	Rs.'000
Short term loans			
Sampath Bank PLC	06 Month	1,750,770	1,403,224
Hatton National Bank PLC	01 Month	1,751,819	756,484
Nations Trust Bank PLC	01 Month	301,235	864,900
Seylan Bank PLC	01 Month	1,250,456	1,304,316
		5,054,280	4,328,924
long term loans			
Sampath Bank PLC	60-240 Months	1,902,868	2,789,947
Commercial Bank PLC	60 Months	293,333	795,438
Hatton National Bank PLC	60 Months	-	250,387
Nations Trust Bank PLC	60 Months	475,415	814,009
Seylan Bank PLC	60 Months	-	-
Cargills Bank Limited	60 Months	392,234	492,646
Commercial Bank PLC	50 Months	1,674,057	-
		4,737,906	5,142,427
		9,792,186	9,471,351

31.2.1 Loans - on maturity

As at 31 December 2024	Payable within 1 Year Rs'000	Payable after 1 Year Rs'000	Total Rs'000
Short term loans and long term loans payable	1,451,207	3,286,699	4,737,906
	1,451,207	3,286,699	4,737,906

31.3 Securitizations

As at 31 December 2024	Payable within 1 year Rs'000	Payable after 1 year Rs'000	Total Rs'000
Securitizations payable	-	-	-
	-	-	-

31.4 Redeemable debentures - movement

As at 31 December	2024 Rs.'000	2023 Rs.'000
Balance as at 01 January	3,127,410	5,237,136
Debentures issued	4,000,000	-
Debentures redeemed	(1,500,000)	(2,000,000)
	5,627,410	3,237,136
Interest payable	572,896	457,124
Interest paid	(350,153)	(566,850)
Balance as at 31 December	5,850,153	3,127,410

31.4.1 Redeemable debentures - maturity

As at 31 December 2023	Payable within 1 Year Rs'000	Payable after 1 Year Rs'000	Total Rs'000
Debentures payable	-	5,850,153	5,850,153
	-	5,850,153	5,850,153

31.4.2 Details of debentures issued

	No of Debentures	Issue Date	Maturity Date	Rate of Interest	Amortised cost	
					2024 Rs.'000	2023 Rs'000
Rated unsecured subordinated redeemable debentures	15,000,000	8-Aug-19	7-Aug-24	13.33%	-	1,579,980
Rated unsecured senior redeemable debentures *	40,000,000	6-Jun-24	6-Jun-29	13.20%	4,302,334	-
Rated unsecured subordinated redeemable debentures	15,000,000	1-Sep-21	1-Sep-26	9.46%	1,547,818	1,547,430
					5,850,152	3,127,410

*The Company has redeemed these debentures on 07 July 2024.

NOTES TO THE FINANCIAL STATEMENTS**32. OTHER PAYABLES**

As at 31 December	2024	2023
	Rs'000	Rs'000
Financial Liabilities		
Vendor payable	271,200	175,396
Insurance premium payable	397,043	332,483
Lease liabilities(Note 32.1 & 32.2)	560,189	454,356
Other financial liabilities	601,364	370,139
	1,829,797	1,332,374
Non Financial Liabilities		
VAT payable	1,239	1,661
Other taxes payable	160,849	127,871
Accrued expenses	89,535	37,651
Deposit insurance premium	3,952	2,871
Deferred guarantee income	6	9
Other non financial liabilities	287,881	75,471
	543,462	245,534
	2,373,259	1,577,908

32.1 Movement of lease liabilities during the year is as follows.

	2024	2023
	Rs'000	Rs'000
Balance as at 01 January	454,356	439,373
Additions	191,325	88,854
Accretion of interest (Note 6.2)	61,675	56,334
Payments during the year	(147,165)	(130,205)
Balance as at 31 December	560,189	454,356

32.2 Maturity analysis of lease liabilities

	2024	2023
	Rs'000	Rs'000
Less than 1 year	210,267	193,425
1 to 5 years	260,220	203,882
More than 5 years	89,702	57,049
Total lease liabilities as at 31 December	560,189	454,356

33. CURRENT TAX LIABILITIES

As at 31 December	2024 Rs'000	2023 Rs'000
Balance as at 01 January	427,797	352,180
Current tax based on profit for the year (Note 13.1)	846,223	447,181
Under provision in respect of previous years (Note 13.1)	107,048	1,779
Payment of tax	(626,347)	(373,343)
Balance as at 31 December	754,721	427,797

34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 December 2024 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

As at 31 December	2024 Rs'000	2023 Rs'000
Balance as at 01 January	137,957	116,852
Amount recognised in the income statement (34.2)	43,074	42,007
Amounts recognised in other comprehensive income (34.3)	(6,103)	(4,733)
Benefits paid by the plan	(15,214)	(16,169)
Balance as at 31 December	159,713	137,957

34.2 Amount recognised in the Income Statement

As at 31 December	2024 Rs'000	2023 Rs'000
Current service cost for the year	25,140	20,974
Interest on the defined benefit liability	17,934	21,033
Gain on plan amendment during the year	-	-
Total amount recognised in income statement	43,074	42,007

34.3 Amounts recognised in Other Comprehensive Income (OCI)

As at 31 December	2024 Rs'000	2023 Rs'000
Actuarial (gain)/loss due to changes in assumptions	110	430
Liability experience (gains)/losses arising during the year	(6,213)	(5,163)
Total amount recognized in OCI	(6,103)	(4,733)

NOTES TO THE FINANCIAL STATEMENTS

34.4 Assumptions

	2024	2023
Financial assumptions*		
Discount rate	12.00%	13.00%
Future salary increment rate	11.00%	12.00%
Demographic assumptions		
Mortality	GA 1983 Mortality Table	GA 1983 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.

* In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 12% p.a (2023-13% p.a) has been used to discount future retirement benefit liabilities.

Expected average future working life of the active participants is 16.3 years (2023: 16.3 years)

The weighted average duration of the defined benefit obligation is 14.4 years (2023:14.7 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	2024		2023	
		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%	18.40 Million	(18.40 Million)	16.04 Million	(16.04 Million)
Discount rate	-1.00%	(22.00 Million)	22.00 Million	(19.20 Million)	19.20 Million
Salary Increment rate	1.00%	(21.66 Million)	21.66 Million	(18.91 Million)	18.91 Million
Salary Increment rate	-1.00%	18.45 Million	(18.45 Million)	16.10 Million	(16.10 Million)

35. STATED CAPITAL

As at 31 December	2024		2023	
	No. of shares	Rs.000	No. of shares	Rs.000
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01 January	100,329,537	2,866,876	97,166,011	2,674,439
Rights issue	-	-	-	-
Scrip dividend	91,826	5,970	3,163,526	192,437
Ordinary shares as at 31 December	100,421,363	2,872,846	100,329,537	2,866,876

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.

As at 31 December	2024 Rs.000	2023 Rs.000
Balance as at 01 January	314,000	278,000
Transfer during the year	61,000	36,000
Balance as at 31 December	375,000	314,000

37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land and building as at the date of revaluation.

As at 31 December	2024 Rs.000	2023 Rs.000
Balance as at 01 January	154,295	154,295
Revaluation surplus(net of tax)	-	-
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

	2024		2023			
	Rs. '000		Rs. '000			
	Fair value measurement using		Fair value measurement using			
	Carrying value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Total
FINANCIAL ASSETS						
Factoring receivables	95,417	-	95,417	-	95,417	95,969
Gold loan receivables		-				7,981,787
	11,412,292		11,471,785		11,471,785	7,981,787
Loan receivables	3,829,072	-	4,689,227	-	4,689,227	1,343,011
Lease receivables		-				26,640,517
	30,717,750		33,787,111		33,787,111	30,290,430
Debt instruments at amortised cost	4,335,257	-	4,335,257	-	4,335,257	5,799,840
Equity instruments at fair value through OCI	56	-	-	56	56	56
Hire purchase receivables	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	50,389,844	-	54,378,795	56	54,378,851	41,809,620
FINANCIAL LIABILITIES						
Due to other customers	32,197,075	-	32,091,005	-	32,091,005	23,565,911
Debt instruments issued and other borrowed funds	15,642,339	-	15,688,625	-	15,688,625	13,148,267
TOTAL FINANCIAL LIABILITIES	47,839,414	-	47,779,629	-	47,779,629	36,714,178

There were no transfers between levels of fair value hierarchy during 2023 and 2024.

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.

NOTES TO THE FINANCIAL STATEMENTS

40.3 Risk measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defense". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions.

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigating measures suggested.

Credit Risk	1. Default Risk	<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	<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
Interest rate risk	Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)		<ul style="list-style-type: none"> ● Strict compliance with CBSL Guidelines
	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.

40.4.1 Impairment Assessment

The methodology of the impairment assessment has explained in Note 3.1.7 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

40.4.1.(a) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

NOTES TO THE FINANCIAL STATEMENTS

40. RISK MANAGEMENT (Contd...)

40.4.1.(a) Definition of default and cure (Contd...)

- 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.

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 prolonged 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	2024				2023			
	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	102	-	-	102
Loans & Advances:								
Factoring receivables	4,099	-	43,427	47,526	7,240	-	50,755	57,995
Gold loan receivables	26,657	7,065	464	34,187	20,975	7,627	9,068	37,670
Loan receivables	21,966	8,775	974,316	1,005,057	9,191	11,968	1,068,492	1,089,651
Lease receivables	134,775	763,438	930,878	1,829,090	117,461	764,959	1,550,776	2,433,196
Hire purchase receivables	-	-	1,340	1,340	-	-	2,277	2,277
Repossessed stock	-	-	81,882	81,882	-	-	209,306	209,306
Insurance premium receivable	-	-	999	999	-	-	5,537	5,537
Insurance commission receivable	-	-	50,676	50,676	-	-	38,272	38,272
Credit related commitments & contingencies	923	-	-	923	4,394	-	-	4,394
Total impairment for expected credit losses	188,522	779,278	2,083,982	3,051,783	159,363	784,554	2,934,483	3,878,400

40.4.1(d) Movement of the total allowance for expected credit losses during the year

	2024	2023
	Rs.000	Rs.000
Balance as at 01 January	3,878,400	4,316,023
Net charge to profit or loss (Note 9)	(136,912)	80,869
Write-off during the year	(689,158)	(518,400)
Interest income accrued on impaired loans & receivables (Note 6.1)	(541)	(1,561)
Other movements	(5)	1,469
Balance as at 31 December	3,051,784	3,878,400

The methodology used in the determination of expected credit losses is explained in Note 3.1.7 to Financial Statements.

NOTES TO THE 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.

	2024							
	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 2024	16,723,243	154,867	15,827,375	784,554	7,844,250	2,896,211	40,394,868	3,835,632
- Transfer to stage 1	919,238	48,736	(715,113)	(25,107)	(209,975)	(20,735)	(5,850)	2,894
- Transfer to stage 2	(1,370,687)	(22,151)	2,046,888	105,052	(686,874)	(83,132)	(10,674)	(231)
- Transfer to stage 3	(280,252)	(6,097)	(1,124,692)	(74,204)	1,225,785	27,599	(179,159)	(52,701)
Net remeasurement of impairment		(2,628)				(9,141)	-	(11,769)
New financial assets originated or purchased	22,446,924	100,148	10,808,350	246,572	336,129	535,588	33,591,403	882,308
Financial assets that have been derecognised	(11,539,269)	(85,064)	(8,296,808)	(257,590)	(3,636,078)	(636,264)	(23,472,154)	(978,918)
Write-offs	-	-	-	-	(680,593)	(676,577)	(680,593)	(676,577)
Interest accrued on impaired loans and advances	-	-	-	-	-	(595)	-	(595)
Other changes	-	-	-	-		40	-	40
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	26,899,196	187,811	18,545,999	779,278	4,192,643	2,032,994	49,637,841	3,000,083

40.4.1(e) Credit exposure & provision for impairment movement-Loans & Advances (Contd...)

	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

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 2024 and 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS

40.4.1(f) Credit exposure & provision for impairment movement-Loans & Advances (Contd...)

As at 31 December 2024	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
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	183,913	138,102	2	322,017	(322,017)
- Decrease existing PD by 10% across all age buckets	(177,186)	(138,152)	(2)	(315,340)	315,340
Change in Loss Given Default (LGD)					
- 1% increase	27,858	79,840	22,258	129,956	(129,956)
- 1% decrease	(27,858)	(79,767)	(22,258)	(129,883)	129,883
Change in Economic Factor Adjustment (EFA)					
- Worse case 5% increase, best case 5% decrease, base case constant	1,352	4,213	-	5,566	(5,566)
- Worse case 5% decrease, best case 5% increase, base case constant	(1,392)	(3,910)	-	(5,302)	5,302

As at 31 December 2023	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement Rs.000
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	
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

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	2024		2023	
	Mix Rs.000	Amortised Cost Rs.000	Mix Rs.000	Amortised Cost Rs.000
Stage 1				
Cash Collateral	1%	314,588	2%	395,342
Property, plant and machinery	0%	-	0%	-
Treasury Guarantee	0%	-	0%	-
Vehicles	60%	16,019,785	60%	9,999,290
Gold Articles	38%	10,287,582	37%	6,197,792
Others	1%	277,245	1%	130,819
Unsecured	0%	-	0%	-
	100%	26,899,200	100%	16,723,243
Stage 2				
Cash Collateral	0%	37,012	0%	42,956
Property, plant and machinery	0%	-	0%	1,443
Treasury Guarantee	0%	-	0%	-
Vehicles	94%	17,398,377	92%	14,631,169
Gold Articles	6%	1,098,876	7%	1,133,547
Others	0%	11,730	0%	18,260
Unsecured	0%	-	0%	-
	100%	18,545,995	100%	15,827,375
Stage 3				
Cash Collateral	1%	26,969	1%	80,114
Property, plant and machinery	7%	305,260	5%	367,959
Treasury Guarantee	0%	-	0%	-
Vehicles	73%	3,052,412	75%	5,915,371
Gold Articles	1%	60,022	8%	636,558
Others	18%	747,979	11%	842,594
Unsecured	0%	-	0%	1,654
	100%	4,192,642	100%	7,844,250

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.

NOTES TO THE FINANCIAL STATEMENTS

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	2024				2023			
	Not Contractually Past due Rs.000	Contractually Past due		Total Rs.000	Not Contractually Past due Rs.000	Contractually Past due		Total Rs.000
		31 - 60 Days	61 - 90 Days			31 - 60 Days	61 - 90 Days	
		Rs.000	Rs.000			Rs.000	Rs.000	
Gold loan receivables	-	689,732	409,144	1,098,876	-	742,469	391,078	1,133,547
Loan receivables	-	162,995	53,038	216,033	9,755	29,886	23,740	63,381
Lease receivables	9,769,646	4,295,540	3,001,482	17,066,668	7,109,600	3,798,716	3,567,311	14,475,627
Other receivables	107,288	41,752	42,742		66,329	38,794	49,697	154,820
	9,876,934	5,190,018	3,506,406	18,573,358	7,185,684	4,609,865	4,031,826	15,827,375

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).

	2024				2024	2023
	Contractually Past due				Total	Total
	0-30 Days Rs.000	31 - 60 Days Rs.000	61 - 90 Days Rs.000	Above 90 Days Rs.000	Rs.000	Rs.000
Factoring receivables	-	-	-	45,607	45,607	55,374
Gold loan receivables	-	-	-	60,022	60,022	636,558
Loan receivables	-	-	-	1,062,927	1,062,927	1,311,059
Lease receivables	76,598	41,988	21,273	2,682,099	2,821,959	5,430,854
Hire purchase receivables	-	-	-	1,339	1,339	2,278
Other receivables	716	448	521	199,104	200,788	408,127
	77,314	42,436	21,794	4,051,097	4,192,641	7,844,250

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	2024							2023						
	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
Loan receivables	390,864	396,340	787,205	15,755	94,266	110,021	677,184	363,478	743,544	1,107,022	14,376	191,733	206,109	900,913
Lease receivables	1,829	33,680	35,508	442	29,838	30,280	5,228	435	44,448	44,883	77	30,914	30,991	13,892
	392,693	430,020	822,713	16,197	124,104	140,301	682,412	363,913	787,992	1,151,905	14,453	222,647	237,100	914,805

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 74.0 Million worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased from Rs 3.94 Million as at 31 December 2023 to Rs 1.26 Million as at 31 December 2024.

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.

NOTES TO THE FINANCIAL STATEMENTS

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets.

As at 31 December	2024		2023	
	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	260,579	16,373	285,352	49,370
Securities purchased under repurchase agreements	5,001,843	-	250,123	-
Factoring receivables	95,417	56,071	95,969	38,510
Gold loan receivables	11,412,292	-	7,930,227	-
Loan receivables	3,829,072	344,142	1,343,011	65,625
Lease receivables	30,717,750	-	26,640,517	-
Hire purchase receivables	-	-	-	-
Other assets	688,958	520,770	644,961	529,397
Equity instruments at fair value through OCI	56	56	56	56
Debt instruments at amortised cost	4,335,257	-	5,799,840	-
Total Financial Assets	56,341,224	937,412	42,990,056	682,958

Approximately 96.5% (2023:95.2%) of the loans and receivables are secured against securities including movable property, gold, lease receivables etc. Further, 0.8% and 0.6% (2023:0.8% and 1.3%) 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.

	2024			2023		
	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	558,294	36,012	522,283	556,728	518,412	38,316

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 2024												Rs' 000
	Manufac- turing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	260,579	-	-	260,579
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	5,001,843	-	-	-	5,001,843
Factoring receivables	61,834	-	-	27,271	-	363	5,949	-	-	-	-	95,417
Gold loan receivables	95,987	42,071	2,971,875	1,531,621	486,706	99,594	1,785,743	-	-	4,398,695	-	11,412,292
Loan receivables	257,634	113,679	103,500	769,224	343,239	186,734	1,191,751	-	-	863,312	-	3,829,072
Lease receivables	2,445,603	1,094,475	3,460,149	5,511,192	1,917,000	3,423,801	7,819,231	-	-	5,046,300	-	30,717,751
Hire purchase receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	36,074	57,649	45,744	64,843	32,546	13,758	270,317	-	-	62,295	105,732	688,957
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	4,335,257	-	-	-	4,335,257
	2,897,132	1,307,874	6,581,268	7,904,150	2,779,491	3,724,250	11,072,991	9,337,099	260,635	10,370,602	105,732	56,341,224

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	10,063,195	6,049,963	285,408	11,076,499	95,451	42,990,056

The provisional breakdown for factoring, gold loan, loans, leasing and hire purchases is as follows.

NOTES TO THE FINANCIAL STATEMENTS**40. RISK MANAGEMENT (Contd...)****40.4.6 Analysis of Risk Concentration (Contd...)**

As at 31 December	2024	2023
	Rs.'000	Rs.'000
Province		
Central	6,336,501	5,184,564
Eastern	4,717,225	3,492,720
North Central	1,622,095	1,571,400
North Western	4,856,017	3,779,380
Northern	1,446,343	1,290,806
Sabaragamuwa	2,866,392	2,422,091
Southern	3,166,344	2,819,881
Uva	878,020	496,145
Western	20,165,594	14,952,738
Total	46,054,532	36,009,725

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.

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	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Rs. Million Sensitivity of Equity
	2024	2024	2024
Term Loans linked to AWPLR	1 / (-1)	(15.24)/15.24	0.18%
	0.5 / (0.5)	(7.62)/7.62	0.09%
	0.25 / (0.25)	(3.81)/3.81	0.04%
	2023	2023	2023
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%

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 18.75% (2023-37.45%) 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 2024	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	260,579	-	-	-	-	-	260,579
Securities purchased under repurchase agreements	5,001,843	-	-	-	-	-	5,001,843
Factoring receivables	43,542	51,875	-	-	-	-	95,417
Lease receivables	4,030,728	8,840,579	13,302,826	4,494,087	49,531	-	30,717,751
Hire purchase receivables	-	-	-	-	-	-	-
Gold loan receivables	8,361,688	3,050,604	-	-	-	-	11,412,292
Loan receivables	562,718	3,052,860	136,924	76,570	-	-	3,829,072
Other assets	421,299	73,510	107,095	68,064	18,989	-	688,958
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	3,145,145	1,190,112	-	-	-	-	4,335,257
Total Financial Assets	21,827,541	16,259,540	13,546,844	4,638,721	68,576	-	56,341,225

NOTES TO THE FINANCIAL STATEMENTS

40. RISK MANAGEMENT (Contd...)

40.5.2 Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities (Contd...)

As at 31 December 2024	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 Liabilities							
Bank overdraft	128,514	-	-	-	-	-	128,514
Due to other customers	7,122,560	16,370,972	8,015,678	682,794	5,071	-	32,197,075
Debt instruments issued and other borrowed funds	8,409,021	375,008	2,391,675	4,466,636	-	-	15,642,339
Other payables	-	-	-	-	-	1,829,797	1,829,797
Total Financial Liabilities	15,660,094	16,745,980	10,407,353	5,149,430	5,071	1,829,797	49,797,725
Interest Sensitivity Gap	6,167,447	(486,440)	3,139,492	(510,709)	63,505	(1,829,797)	6,543,499

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

40.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. 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 25.47% (2023-16.51%) of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction and amendments thereto). Liquid assets are maintained with Sri Lanka Government securities.

NOTES TO THE FINANCIAL STATEMENTS

40. RISK MANAGEMENT (Contd...)

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 2024.

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 2024. 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 2024	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Financial Assets						
Cash and bank balances	260,681	-	-	-	-	260,681
Securities purchased under repurchase agreements	5,032,604	-	-	-	-	5,032,604
Factoring receivables	177,166	53,061	-	-	-	230,227
Lease receivables	5,801,921	12,880,784	18,405,965	5,390,472	55,400	42,534,541
Hire purchase receivables	1,664	-	-	-	-	1,664
Gold loan receivables	8,502,308	3,456,962	-	-	-	11,959,271
Loan receivables	7,335,587	2,089,180	69,765	810,966	-	10,305,498
Other assets	430,010	91,141	146,911	86,409	22,767	777,237
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	2,087,899	2,336,789	-	-	-	4,424,688
Total Financial Assets	29,629,840	20,907,917	18,622,641	6,287,847	78,222	75,526,468
Financial Liabilities						
Bank overdraft	128,514	-	-	-	-	128,514
Due to other customers	6,821,732	17,407,192	10,297,378	877,541	-	35,403,843
Debt instruments issued and other borrowed funds	4,097,151	3,946,504	4,623,494	5,778,381	1,402,835	19,848,366
Other payables	46,746	70,868	177,607	129,028	133,325	557,574
Total Financial Liabilities	11,094,143	21,424,564	15,098,479	6,784,951	1,536,160	55,938,297
Net Financial Asset/Liabilities	18,535,697	(516,647)	3,524,161	(497,104)	(1,457,938)	19,588,171

As at 31 December 2023	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total 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

As at 31 December 2023	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
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

41. MATURITY ANALYSIS

As at 31 December 2024	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Assets						
Cash and bank balances	260,579	-	-	-	-	260,579
Securities purchased under repurchase agreements	5,001,843	-	-	-	-	5,001,843
Factoring receivables	43,542	51,875	-	-	-	95,417
Gold loan receivables	8,361,688	3,050,604	-	-	-	11,412,292
Non current assets held for sale	24,838	-	-	-	-	24,838
Loan receivables	562,718	3,052,860	136,924	76,570	-	3,829,072
Lease receivables	4,030,728	8,840,579	13,302,826	4,494,087	49,531	30,717,750
Hire purchase receivables	-	-	-	-	-	-
Other assets	551,241	67,298	107,096	68,065	18,992	812,692
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	3,145,145	1,190,112	-	-	-	4,335,257
Property, plant & equipment	-	-	-	-	2,486,546	2,486,546
Right-of-use assets	55,943	74,142	153,954	108,885	89,809	482,732
Deferred tax assets	-	233,835	-	-	-	233,835
Intangible assets	-	-	-	-	16,033	16,033
Total Assets	22,038,265	16,561,305	13,700,799	4,747,606	2,660,967	59,708,942
Liabilities						
Bank overdraft	128,514	-	-	-	-	128,514
Due to other customers	7,122,560	16,370,972	8,015,678	682,794	5,071	32,197,075
Debt instruments issued and other borrowed funds	3,754,179	3,101,460	2,950,697	4,695,103	1,140,900	15,642,339
Other payables	1,694,974	328,363	151,774	108,447	89,702	2,373,261
Current tax liabilities	-	754,721	-	-	-	754,721
Retirement benefit obligations	-	-	-	-	159,713	159,713
Total Liabilities	12,700,228	20,555,516	11,118,149	5,486,345	1,395,386	51,255,621

NOTES TO THE FINANCIAL STATEMENTS

41. MATURITY ANALYSIS (Contd...)

As at 31 December 2023	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total 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

42. COMMITMENTS AND CONTINGENCIES

	2024 Rs. '000					2023 Rs. '000				
	On Demand	Within 01 year	1-5 years	More than 5 years	Total	On Demand	Within 01 year	1-5 years	More than 5 years	Total
Credit related commitments & contingencies										
Undrawn-direct credit facilities										
- Factoring	23,420	-	-	-	23,420	25,565	-	-	-	25,565
- Revolving Loans	-	-	-	-	-	-	-	-	-	-
Guarantees	-	1,000	-	-	1,000	-	3,000	-	-	3,000
Impairment for expected credit losses - credit related commitments & contingencies	(923)	-	-	-	(923)	(4,394)	-	-	-	(4,394)
	22,497	1,000	-	-	23,497	21,171	3,000	-	-	24,171
Other commitments & contingencies										
Capital commitments (Note 42.3)	-	6,709	-	-	6,709	-	6,472	-	-	6,472
Commitments & contingencies net of impairment for expected credit losses	22,497	7,709	-	-	30,206	21,171	9,472	-	-	30,643

42.1 Analysis of Credit Related Commitments and Contingencies based on the Exposure to Credit Risk

As at 31 December	2024				2023			
	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	23,420	-	-	23,420	25,565	-	-	25,565
Guarantees	1,000	-	-	1,000	3,000	-	-	3,000
Impairment for Expected Credit Losses	(923)	-	-	(923)	(4,394)	-	-	(4,394)
	23,498	-	-	22,497	24,171	-	-	21,171

42.2 Impairment for Expected Credit Losses- Credit Related Commitments and Contingencies

As at 31 December	2024				2023			
	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	4,394	-	-	4,394	2,817	-	-	2,817
Net charge for the year (Note 9)	(3,471)	-	-	(3,471)	1,577	-	-	1,577
Balance as at 31 December	923	-	-	923	4,394	-	-	4,394

NOTES TO THE FINANCIAL STATEMENTS

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	2024 Rs'000	2023 Rs'000
Approved and contracted for	6,709	6,472
Approved but not contracted for	-	-
	6,709	6,472

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 2024 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 2024.

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.

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, 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	2024	2023
	Rs'000	Rs'000
Directors' fees & short term employee benefits	73,583	67,783
Total	73,583	67,783

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	2024	2023
	Rs'000	Rs'000
Term/Savings deposits	366,589	314,312
Debentures	30,000	7,500

For the year ended 31 December	2024	2023
	Rs'000	Rs'000
Interest on term/savings deposits	44,397	64,640
Interest on Debentures	2,891	1,000

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	2024	2023
	Rs'000	Rs'000
Investment in government securities - REPOs/Treasury bills		
Opening Balance	2,918,469	876,841
Matured during the year	(870,802)	-
Net investments during the year	-	2,041,628
Closing Balance	2,047,667	2,918,469
Other payables	19	41

NOTES TO THE FINANCIAL STATEMENTS

44. RELATED PARTY TRANSACTIONS (Contd..)

44.4 Transactions with Group Companies (Contd..)

44.4.1 Sampath Bank PLC - Parent Company (Contd..)

As at 31 December	2024 Rs'000	2023 Rs'000
Term Loan (Only capital)		
Opening Balance	2,783,333	2,633,333
Granted during the year	-	1,000,000
Less : Repayment during the year	(883,767)	(850,000)
Closing Balance	1,899,566	2,783,333
Short Term Loan (Only capital)	1,750,000	1,400,000
Bank Overdraft	128,514	135,931
Total Accommodation obtained	3,778,080	4,319,264
Less : Favourable balances in current accounts with bank	(11,167)	(39,384)
Net Accommodation	3,766,913	4,279,880
Net Accommodation as a percentage of Capital Funds	44.56%	59.06%

For the year ended 31 December	2024 Rs'000	2023 Rs'000
Expenses		
Interest expenses	405,107	933,315
Other expenses	354	7,810
Income		
Fee for locating ATM machines at Company's branch premises operations	684	252
Interest Income on short term government securities	386,865	391,918
Interest Income on call/savings deposits	875	2,821
The company has invested in short term government securities through Sampath Bank PLC.		
Issue of scrip dividend		
Scrip Dividend(Gross)-number of shares- 91,826 (2023-3,163,526)	7,023	226,397

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	2024	2023
	Rs'000	Rs'000
Facilities granted	-	14
Deposits	298,275	230,000
For the year ended 31 December	2024	2023
	Rs'000	Rs'000
Interest Income on leasing facility granted	-	147
Interest expense on deposits	33,515	19,134
Hardware/Software maintenance paid	5,793	11,150

44.4.3 Sampath Centre Ltd

	2024	2023
	Rs'000	Rs'000
As at 31 December		
Facilities granted	-	-
Deposits	74,816	172,291
For the year ended 31 December	2024	2023
	Rs'000	Rs'000
Interest income on loan facility granted	-	2,274
Interest expense on deposits	18,438	24,515

44.4.4 SC Securities (Pvt) Limited

	2024	2023
	Rs'000	Rs'000
As at 31 December		
Deposits	-	9,456
For the year ended 31 December		
Interest expense on deposits	752	2,343

NOTES TO THE FINANCIAL STATEMENTS

45. ASSETS PLEDGED

The following Financial assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under the Note 31.2 to the Financial Statements.

Funding Institute	Nature of Asset	Nature of Liability	Value of Assets Pledged Rs'000	Included Under
Sampath Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	786,588	Gross Receivable
Sampath Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	2,333,142	Gross Receivable
Sampath Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	667,102	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	192,510	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	250,562	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	133,658	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	2,170,377	Gross Receivable
Nations Trust Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	1,336,468	Gross Receivable
Nations Trust Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	877,980	Gross Receivable
Seylan Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	4,055,310	Gross Receivable
Cargills Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	588,475	Gross Receivable
Hatton National Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	2,500,500	Gross Receivable

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The company has transferred future receivables of lending portfolio, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within Lending portfolio.

46. SEGMENT INFORMATION

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 2023 & 2024.

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	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest Income	7,245,428	7,001,082	2,055,693	2,744,109	541,705	385,180	9,842,826	10,130,371
Less: Interest expenses	(3,749,783)	(5,413,381)	(1,098,049)	(1,150,969)	(461,490)	(445,414)	(5,309,323)	(7,009,764)
Net interest income	3,495,644	1,587,701	957,644	1,593,140	80,216	(60,234)	4,533,503	3,120,607
Net fee and commission income	208,911	210,715	106,446	116,809	30,753	224	346,110	327,748
Other operating income	1,051,565	587,772	-	-	45,600	12,889	1,097,165	600,661
Total operating income	4,756,120	2,386,188	1,064,090	1,709,949	156,569	(47,121)	5,976,778	4,049,016
Less: Impairment (charges)/reversal on loans and losses	47,359	(189,430)	3,483	2,583	86,071	105,978	136,912	(80,869)
Net operating income	4,803,479	2,196,758	1,067,572	1,712,532	242,640	58,857	6,113,691	3,968,147
Less: Total operating expenses (Including Taxes on financial services)	(2,980,782)	(2,059,958)	(723,045)	(520,571)	(304,579)	(188,400)	(4,008,406)	(2,768,929)
Operating profit before taxes	1,822,697	136,800	344,528	1,191,961	(61,939)	(129,543)	2,105,285	1,199,218
Less: Income tax expenses							(901,912)	(489,016)
Profit for the year							1,203,373	710,202
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							1,203,373	710,202
As at 31 December	2024	2023	2024	2023	2024	2023	2024	2023
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment assets	30,717,750	26,640,517	11,412,292	7,930,228	17,578,900	11,669,755	59,708,942	46,240,500
Total assets	30,717,750	26,640,517	11,412,292	7,930,228	17,578,900	11,669,755	59,708,942	46,240,500
Segment liabilities	26,380,627	22,465,463	9,800,960	6,687,417	15,074,033	9,840,890	51,255,621	38,993,770
Total liabilities	26,380,627	22,465,463	9,800,960	6,687,417	15,074,033	9,840,890	51,255,621	38,993,770

NOTES TO THE FINANCIAL STATEMENTS

47. 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	2015 Rs.000	2016 Rs.000	2017 Rs.000	2018 Rs.000	2019 Rs.000	2020 Rs.000	2021 Rs.000	2022 Rs.000	2023 Rs.000	2024 Rs.000
Interest income	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	9,842,826
Interest expenses	(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)	(5,309,323)
Net interest income	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	4,533,503
Other income	232,315	312,774	465,904	567,459	690,293	765,479	1,360,895	1,025,545	928,409	1,443,275
Operating income	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	5,976,778
Operating expenses	(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)	3,205,738
Operating profit	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	2,771,040
Impairment (charges)/ reversals/provision for doubtful debts	(49,275)	(79,189)	(236,744)	(829,751)	(1,050,938)	(1,356,264)	(1,618,176)	(131,671)	(80,869)	136,912
Taxes on financial services	(93,305)	(128,500)	(230,810)	(291,259)	(406,369)	(226,551)	(399,355)	(400,808)	(478,089)	(802,667)
Profit before taxation	559,153	515,186	785,240	833,789	798,530	678,019	1,526,074	1,063,737	1,199,218	2,105,285
Tax expenses	(174,629)	(187,904)	(286,378)	(317,268)	(318,336)	(268,528)	(431,531)	(308,768)	(489,016)	(901,912)
Profit for the year	384,524	327,282	498,862	516,521	480,194	409,491	1,094,543	754,969	710,202	1,203,373

As at 31 December	2015 Rs.000	2016 Rs.000	2017 Rs.000	2018 Rs.000	2019 Rs.000	2020 Rs.000	2021 Rs.000	2022 Rs.000	2023 Rs.000	2024 Rs.000
Assets										
Cash and bank balances	130,070	169,333	297,858	191,556	273,429	292,036	250,277	221,187	285,352	260,579
Securities purchased under repurchase agreements	601,679	777,438	1,200,981	1,768,461	2,304,392	2,781,162	1,839,911	-	250,123	5,001,843
Investment in Fixed Deposits	-	-	65,699	-	-	-	-	-	-	-
Factoring receivables	1,157,136	1,979,243	1,899,702	1,332,310	655,141	261,944	153,483	112,793	95,969	95,417
Pawning / Gold loan receivables	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	11,412,292
Loan receivables	286,968	743,740	2,724,776	2,481,575	1,533,713	1,750,116	1,643,806	993,460	1,343,011	3,829,072
Lease receivables	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	30,717,750
HP receivable	2,083,571	837,560	252,000	48,525	3,437	2,125	934	1,247	-	-
Other assets	378,334	662,612	932,742	1,193,305	2,142,771	2,676,889	3,991,848	9,237,263	9,695,301	8,391,990
Total Assets	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	59,708,942
Liabilities										
Bank overdraft	163,583	460,494	456,018	321,821	361,586	250,536	191,266	826,180	135,930	128,514
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	32,197,075
Debt issued and other borrowed funds	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	15,642,339
Other payables	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	3,287,693
Total Liabilities	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	51,255,621

TEN YEAR SUMMARY

As at 31 December	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	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	576,975	635,917	948,666	1,379,922	1,522,881	2,346,095	2,674,439	2,866,876	2,872,846
Share application money pending allotment	-	-	-	400,000	-	700,000	-	-	-	-
Statutory reserve fund	70,059	86,422	113,000	139,000	164,000	185,000	240,000	278,000	314,000	375,000
Revaluation Reserve	-	-	56,823	107,763	117,951	117,951	124,504	154,295	154,295	154,295
Retained earnings	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	5,051,180
Total Equity	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	8,453,321
Total Liabilities and Equity	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	59,708,942

Year ended 31 December	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Growth in Interest Income	7%	44%	62%	39%	13%	-6%	-0.41%	21.86%	22.50%	-2.84%
Growth Interest Expenses	6%	97%	71%	33%	15%	-9%	27.04%	105.71%	21.11%	-24.26%
Cost to income ratio with taxes on financial services (%)	55.96%	61.18%	55.59%	49.33%	49.87%	45.36%	41.05%	65.92%	68.39%	67.07%
Cost to income ratio without taxes on financial services (%)	49.21%	52.78%	45.56%	40.46%	38.85%	39.28%	33.56%	54.49%	56.59%	53.64%
Interest Cover ratio	1.84	1.32	1.28	1.23	1.19	1.18	1.54	1.18	1.17	1.40
Growth in Operating Profit	8%	3%	73%	56%	15%	0.2%	56.74%	-54.95%	10.15%	57.61%
Growth in Profit After Tax (PAT)	48%	-15%	52%	4%	-7%	-15%	167%	-31%	-6%	69%
Earning/(Loss) Per Share-Rs.	7.32	6.14	8.70	8.43	6.56	5.37	12.35	7.52	7.07	11.98
Growth in Advances	41%	42%	42%	21%	10%	-1%	2.42%	5.57%	3.97%	27.89%
Growth in Deposits and Borrowings	43%	46%	45%	20%	11%	-1%	-0.57%	3.99%	3.07%	30.17%
Growth in Shareholder's Funds	23%	20%	28%	43%	13%	28%	21.46%	5.48%	10.35%	16.65%
Debt/Equity Ratio	7.65	9.33	10.53	8.86	8.70	6.75	5.52	5.44	5.09	5.67
Net Assets per Share-Rs.	30.69	35.67	44.43	55.68	54.78	67.26	67.69	67.59	72.23	84.18
Return on Average Total Assets	3%	2%	2%	2%	1%	1%	2.59%	1.68%	1.55%	2.24%
Return on Average Equity	26%	18%	23%	17%	13%	9.54%	19.16%	11.82%	10.41%	15.32%

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 2024, the Company maintained a Tier I ratio of 17.54% and a Total Capital ratio of 18.97%. 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	8,037,106
Total Capital	8,690,988
Risk Weighted Amount for Credit Risk	40,404,555
Risk Weighted Amount for Operational Risk	5,413,361
Total Risk Weighted Amount	45,817,916
Tier 1 Capital Ratio, %	17.54
Total Capital Ratio, %	18.97

GLOSSARY OF FINANCIAL TERMS

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Allowance for Impairment

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

Asset and Liability Committee (ALCO)

A risk-management committee in a finance company that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and

approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the finance company's forecast and strategic balance-sheet allocations.

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.

GLOSSARY OF FINANCIAL TERMS

Expected Credit Losses (ECLs)

ECLs are probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased (i.e. neutral, not conservative and not biased towards optimism or pessimism) and are determined by evaluating a range of possible outcomes.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default (EAD)

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

F

Factoring

Factoring is a time-honored financial tool used by companies worldwide. It is the purchase of account receivables (invoices) for immediate cash.

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value through Profit or Loss

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains the ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset

Any asset that is cash, an equity instrument of "another" entity or a contractual right to receive cash or another financial asset from another entity.

Financial Guarantee Contract

A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

G

Going concern

An entity shall prepare Financial Statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Group

A Group is a parent and all its subsidiaries.

Gearing

Long term borrowings divided by the total funds available for shareholders.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld.

Guarantees

A promise made by a third party (guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations.

H

Hire purchase

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin

Net Interest income expressed as a percentage of average interest earning assets.

Interest Spread

Represents the difference between average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

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 not being effectively recovered. In other

words, It describes the relationship between Infected (arrears) 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.

GLOSSARY OF FINANCIAL TERMS

M

Market Risk

This refers to the possibility of loss arising from changes in a value of a financial instrument as a result in changes of market variables such as interest rate, exchange rates, credit spread and other asset prices.

Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets per Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net Interest Income

The difference between income earned on interest bearing assets and costs incurred on financial instruments/ facilities used for funding.

Net Interest Margin (NIM)

Net interest income expressed as a percentage of average interest earning assets.

Non Performing Advances

A lease, hire purchase or other advance placed on cash basis (i.e. interest income is only recognised when cash is received), because in the opinion of management, there is a reasonable doubt regarding the collectability of principal and/ or interest. Rentals receivable in arrears for more than six rentals have been categorised as non-performing. Non-performing advances are reclassified as performing when all arrears rentals are settled in full.

NPA Ratio

The total non-performing leases, hire purchases and other advances expressed as a percentage of total loans and advances portfolio.

O

Off- Balance Sheet Items

Items that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to commitments and contingencies in future.

Offsetting of financial statements

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent Company

An entity that controls one or more subsidiaries.

Past Due

A financial asset is past due when a counter party has failed to make a payment when contractually due.

Power

The Power is the existing rights that give the current ability to direct the relevant activities.

Probability of Default (PD)

The probability that an obligor will default within a one-year time horizon.

Projected Unit Credit Method (PUC)

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method).

Provision Cover

Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on nonperforming loans, leases and advances.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under the conditions of uncertainty, such that asset or income are not overstated and liabilities or expenses are not understated.

R

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Residual Value

The estimated amount that is currently realizable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of average assets.

Return on Equity (ROE)

Net Profit after Tax less dividend on preference shares if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreements

Transactions involving the purchase of securities by the company and resale back to the seller at a future date and specified price.

Right-of-use asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

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 20th Annual General Meeting of Siyapatha Finance PLC will be held on 25th March 2025 at 9.00 a.m. at Siyapatha Tower, 111, Dudley Senanayake Mawatha, Colombo 08, for the following purposes;

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 Financial Statements for the year ended 31st December 2024 with the Report of the Auditors thereon.
2. To re-elect Mr. J Selvaratnam as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.
3. To re-elect Mr. J H Gunawardena as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.
4. To re-elect Mr. D Sooriyaarachchi as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.
5. To declare a Dividend of LKR 0.12 per share for the financial year 2024 and if though fit, to pass the following resolution by way of an Ordinary Resolution.

"IT IS HEREBY RESOLVED THAT a dividend of LKR 0.12 per share be distributed in the form of a scrip dividend amounting to a total sum of Rupees Twelve Million Fifty Thousand Five Hundred and Sixty Three and Cents Fifty Six only (LKR 12,050,563.56). The shares issued in the scrip dividend shall be valued at LKR 75.76 per share which results in one (01) share being issued for each existing 742.7450796 shares. Consequently the total number of shares to be issued under the scrip dividend shall be 135,203 Ordinary Shares."

6. To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuring year and authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine donations for the year ending 31st December 2025 and up to the date of the next Annual General Meeting.

By order of the Board

SIYAPATHA FINANCE PLC



Arosha Berugoda
COMPANY SECRETARY

14th February 2025

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/
PP No.....) of.....being a shareholder/s
of Siyapatha Finance PLC hereby appoint;
(holder of NIC/PP No.....) of or failing him/her

Mr. P S Cumaranatunga of Colombo
Mr. Y S H R S Silva of Kandy
Mr. H M A Seneviratne of Thalawathugoda
Mr. J Selvaratnam of Rajagiriya
Mr. J H Gunawardena of Ratmalana
Mr. D Sooriyaarachchi of Nugegoda
Mr. W S C Perera of Pelawaththa
Ms. H S R Ranatunga of Colombo
Mr. P L C Jayawickrama of Malabe

failing him*
failing him*
failing him*
failing him*
failing him*
failing him*
failing him*
failing her*

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 20th Annual General Meeting of the Company to be held on 25th March 2025 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. J Selvaratnam as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(2)	To re-elect Mr. J H Gunawardena as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(3)	To re-elect Mr. D Sooriyaarachchi as a Director in terms of Article 24(7) and (8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(4)	To declare a Dividend of LKR 0.12 per share for the financial year 2024 "IT IS HEREBY RESOLVED THAT a dividend of LKR 0.12 per share be distributed in the form of a scrip dividend amounting to a total sum of Rupees Twelve Million Fifty Thousand Five Hundred and Sixty Three and Cents Fifty Six only (LKR 12,050,563.56). The shares issued in the scrip dividend shall be valued at LKR 75.76 per share which results in one (01) share being issued for each existing 742.7450796 shares. Consequently the total number of shares to be issued under the scrip dividend shall be 135,203 Ordinary Shares."	<input type="checkbox"/>	<input type="checkbox"/>
(5)	To re-appoint Messrs KPMG, Chartered Accountants as the Auditors of the Company for the ensuring year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
(6)	To authorize the Directors to determine donations for the year ending 31st December 2025 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this day ofTwo Thousand and Twenty Five.

.....
Signature of the Shareholder

* Please delete which 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

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 reregistered 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.

OWNERSHIP

Siyapatha Finance PLC is a fully owned subsidiary of Sampath Bank PLC.
Siyapatha Finance PLC does not have any subsidiaries established.

REGISTERED OFFICE

No: 111, Dudley Senanayake Mawatha, Colombo 08

HEAD OFFICE

Siyapatha Tower,
No: 111, Dudley Senanayake Mawatha, Colombo 08

CREDIT RATING

Rating (Issued by Fitch Ratings Lanka): National Long-Term Rating of 'BBB+(lka)', Outlook-Stable (as at 31 December 2024) Current Rating 'A (lka)', outlook - stable

OPERATING COUNTRIES

Operations are limited to Sri Lanka

BOARD OF DIRECTORS

Mr. Sumith Cumaranatunga
Chairman
(Independent / Non-Executive Director)

Mr. Rushanka Silva
Deputy Chairman
(Non-Independent / Non-Executive Director)

Mr. Ananda Seneviratne
Managing Director
(Executive Director)

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. Laknath Jayawickrama
Director
(Independent / Non-Executive)

LAWYERS

Messrs Nithya Partners Attorneys-at-Law
No: 97/A Galle Road, Colombo 03
Tel: 0114 712 628

COMPANY SECRETARY

Ms. Arosha Berugoda
No: 111, Dudley Senanayake Mawatha, Colombo 08
Tel: 0117 605 605

AUDITORS

Messrs KPMG
Chartered Accountants
No: 32A Sir Mohomad Macan Markar Mawatha, Colombo 03
Tel: 0115 426 426

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
MCB Bank Limited
Union Bank of Colombo PLC
DFCC Bank PLC
Pan Asia Banking Corporation 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.



**සියපත ෆිනෑන්ස්
ඒයපත පිඤාන්ස්
Siyapatha Finance**

(Finance Company of Sampath Bank Group)

Siyapatha Finance PLC

111, Dudley Senanayake Mawatha, Colombo 08

Tel: 0117 605 605 | 0777 605 605

Email: info@siyapatha.lk

Web: www.siyapatha.lk