ANNUAL REPORT
2022/23

Softlogic
Capital

Content

Vision

To provide extraordinary investment gains to our stakeholders by innovating and delivering "best value" financial solutions to the customers in our sector.

Mission

- **People:** Create a great place to work where people are inspired to be the best they can be.

- **Portfolio:** Acquire and develop a unique range of financial services that anticipate and satisfy customers desires and needs.

- **Profit:** Maximize and deliver sustainable returns to our shareholders.

- **Productivity:** Be a highly effective, lean and fast-moving team.

Our Story

Softlogic Capital PLC was incorporated as Capital Reach Holdings Limited in April 2005 as an Investment Holding Company. Subsequently, in August 2010, Softlogic Holdings PLC acquired the Company under its objective to form a fully-fledged finance arm to the greater Softlogic Group. The ordinary shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on September 2011.

Softlogic Capital PLC is the financial services sector holding company of the Softlogic Group. Softlogic Capital's portfolio of financial services comprises of Softlogic Finance PLC, a Licensed Finance Company under the purview of Central Bank of Sri Lanka; Softlogic Life Insurance PLC, an insurer licensed for Life Insurance by the Insurance Regulatory Commission of Sri Lanka; Softlogic Stockbrokers (Pvt) Ltd, a stock broking company licensed and operating on the Colombo Stock Exchange and Softlogic Asset Management (Pvt) Ltd, an Unit Trust Managing Company and an Investment Manager licensed by Securities and Exchange Commission of Sri Lanka.

Softlogic Capital

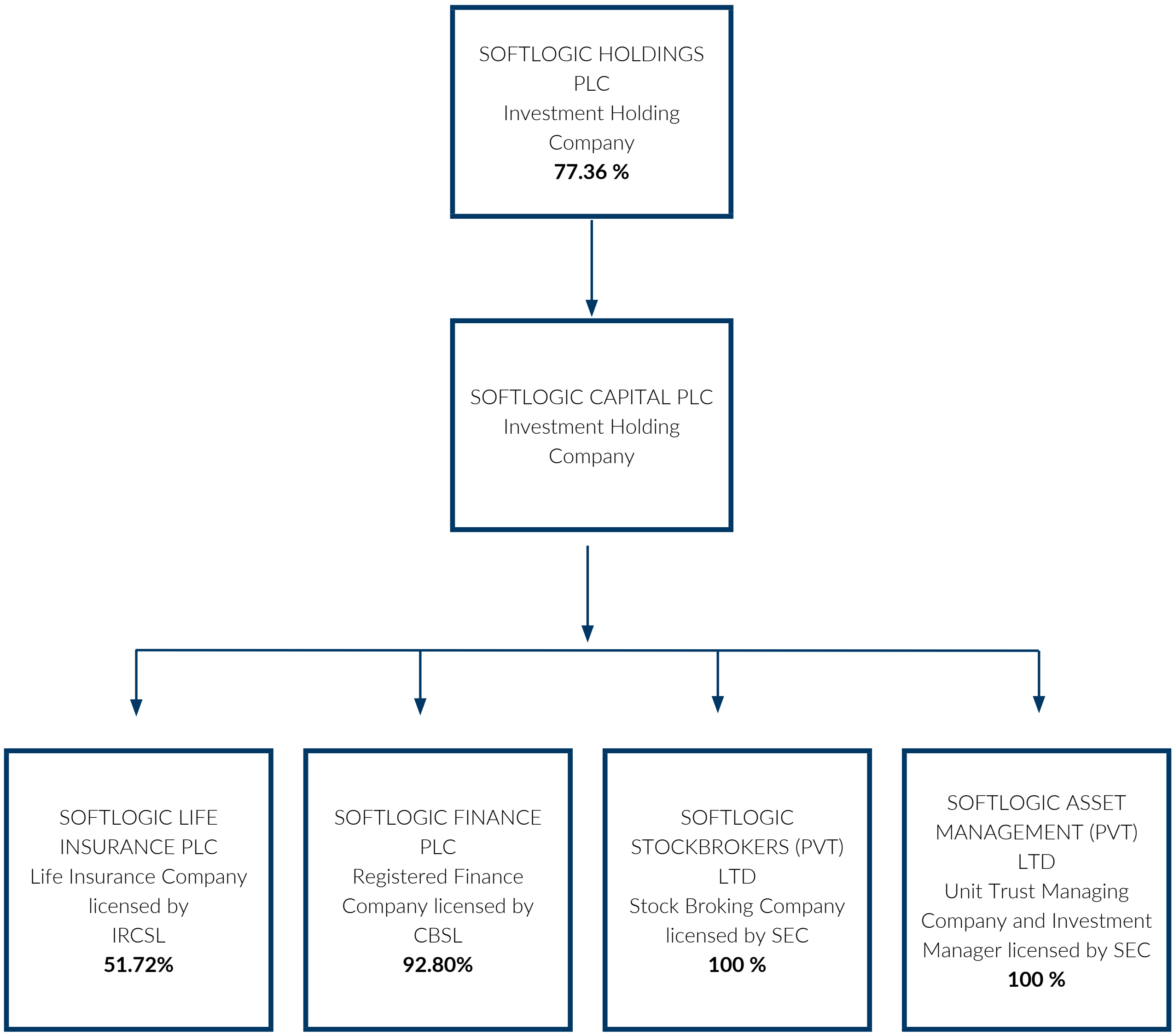
softlogic LIFE

Softlogic Finance

Softlogic Stockbrokers

softlogic INVEST

Group Structure



Financial Highlights

		2022/23	2021/22	%
FINANCIAL PERFORMANCE AND RATIOS				
Total revenue	Rs.Mn	32,687	27,433	19
Operating Profit	Rs.Mn	8,085	12,075	(33)
Profit before interest and tax	Rs.Mn	5,639	4,255	33
Profit/(loss) before tax	Rs.Mn	(626)	1,767	(135)
Income Tax Expense/(Income)	Rs.Mn	1,765	742	138
Profit/(loss) after tax	Rs.Mn	(2,391)	1,025	(333)
Profit/(loss) for the year attributable to equity holders	Rs.Mn	(3,443)	99	(3,578)
Operating profit margin	%	25	47	(47)
Net profit/(loss) margin	%	(7)	4	(296)
Earnings per share	Rs.	(3.52)	0.10	(3,578)
Return on equity (ROE) *	%	(32)	9	(446)
Return on capital employed (ROCE)**	%	13.54	10.06	35
FINANCIAL POSITION AND RATIOS AS AT THE YEAR END				
Total assets	Rs.Mn	74,074	70,490	5
Total equity	Rs.Mn	7,539	11,186	(33)
Shareholders' funds	Rs.Mn	2,380	6,137	(61)
Total interest bearing borrowings	Rs.Mn	21,686	15,523	40
Public deposits	Rs.Mn	12,431	15,582	(20)
Insurance contract liability	Rs.Mn	24,462	22,559	8
Net Asset Value Per Share	Rs.	2.44	6.28	(61)
Debt : Equity	No of times	4.53	2.78	63
SHARE INFORMATION				
Market value per share				
Highest value recorded during the year	Rs.	18.20	25.20	(28)
Lowest value recorded during the year	Rs.	3.40	3.00	13
Value as at end of the year	Rs.	11.10	6.20	79
No. of Shares in Issue	Mn	977.19	977.19	-
Market Capitalisation	Rs.Mn	10,846.78	6,058.56	79
Price to book value	No of times	4.56	0.99	362

* ROE calculated as a percentage of PAT to total equity

** ROCE calculated as a percentage of PBIT to total capital employed (total equity plus total interest bearing borrowings and public deposits)

Message from the Chairman

I welcome you, valued shareholders, to the 16th Annual General Meeting and present before you the Annual Report and Audited Financial Statements of Softlogic Capital PLC for the financial year 2022/23.

Despite facing unprecedented challenges, including currency fluctuations, foreign exchange market tightening, and shortages of essential goods, Sri Lanka rebounded from a severe macroeconomic crisis as political and social stability persisted. The year 2022 saw a struggling economy with foreign debt repayment suspension, political unrest leading to the resignation of key leaders, and a slowdown in tourism recovery due to socio-economic instability. However, the appointment of new leadership and resolution of commodity shortages facilitated a quicker return to normalcy than expected. Notably, Sri Lanka secured a USD 2.90 Bn Extended Fund Facility arrangement with the IMF in September 2022, contingent upon fulfilling conditions such as fiscal discipline, debt restructuring, and public sector reforms.

In 2022, Sri Lanka's economy experienced its sharpest contraction since independence due to a severe economic crisis influenced by both domestic and global factors, reversing post-pandemic progress. The real GDP shrank by 7.8%, a stark contrast to the 3.5% growth in the previous year, attributed to persistent budget and external deficits exacerbated by delayed policy responses and inadequately planned reforms. Fuel shortages stemming from foreign exchange scarcity led to disrupted supply chains, power outages, and increased production costs, aggravated by rising utility prices and currency depreciation, which in turn heightened inflation and reduced household disposable income. The Government and Central Bank introduced extensive monetary tightening, containment measures, fiscal reforms, and an IMF funding arrangement, preventing a more severe economic catastrophe, restoring stability, and fostering confidence despite notable near-term challenges.

Amidst Sri Lanka's socio political crisis, the Insurance Sector of the Group performed with a positive momentum which led the Group to record its highest ever consolidated revenue of Rs.32.7 Bn during 2022/2023, in comparison to the revenue of Rs.27.4 Bn reported the previous year. The Group recorded a loss after tax of Rs.2,391 Mn for the financial year which is 337 per cent drop compared to the profit after tax of Rs.1,025 Mn in 2021/22. Profit after tax of Rs.2,683 Mn earned by the Insurance Sector was netted off by the losses incurred by the Non-Bank Financial Institutions (NBFIs) and other Sector companies.

The Group demonstrated a noteworthy increase in its overall asset portfolio, amounting to Rs.74.1 Bn. This marked a notable growth compared to the total assets of Rs.70.4 Bn held at the end of the preceding financial year. Additionally, the cumulative equity attributed to the shareholders of the parent company reached Rs.2,380 Mn as of 31st March 2023. Significant spike in market interest rates and borrowing cost caused net asset value per share to decline to Rs.2.44, showing a decrease in comparison to the net asset value per share of Rs.6.28 in the previous financial year.

Softlogic Life Insurance recorded Gross Written Premium of Rs.23.3 Bn and reported Profit after Tax of Rs.2,683 Mn despite challenging socio-economic conditions which shows the sustainability of the business model. Softlogic Life Insurance realigned their selves to match the new status quo and reach new heights and clinched the number 2 position in the market while maintaining consistence market share growth witnessed over last 5 years. Despite Sri Lanka's the negative GDP Growth of 8.7%, Softlogic Life recorded a GWP growth of 15% in year 2022 where the industry grew by only 9.2%. This unmatched profile of Softlogic Life being awarded at many prestigious events in Sri Lanka for its success and we consider these awards as an external endorsement that recognises our success in every angle.

During the year under review, as an industry that predominately caters to the SME segment of the economy, Softlogic Finance experienced a direct impact from the Covid-19 pandemic and socio-economic crisis that resulted in decline in credit growth, collection of dues and dilution in overall profitability. Softlogic Finance reported a loss of Rs.2.99 Bn, representing a significant increase of Rs.2.1 Bn compared to the previous year stemming from substantial increase in market interest rates that impacted the fixed rate leasing book of the Company. Overall the loss is attributed to the substantial drop in Net Interest Income and the sharp increase in credit loss expense. The company is seeking to consolidate its operations, assess its financial position, adapt to market dynamics, and implement appropriate measures including cost optimization, branch rationalization and streamline processes to enhance profitability and mitigate risks. By implementing efficiency measures. That will include substantial digitisation, reducing operational costs and increasing efficiency, the company intends to improve its financial position and minimize losses.

We have completed year 2022/23 in a high interest rate regime which had negatively impacted investor sentiment and the equity market. This has impacted to the profitability of our stockbroking company during the financial year under review. However we are now witnessing positive investor sentiment and are ready to grab the opportunity to turnaround our negative performance.

Softlogic Invest is one of the largest fund managers in the market with Assets under management exceeding Rs.42 Bn. We launched Softlogic Invest three years ago with licenses to operate Unit Trusts & Fund Management business. The Unit Trusts have Rs.725 Mn under Softlogic Money Market Fund and Rs.82 Mn under Softlogic Equity Fund as at the end of 2022/23 financial year. Currently our unit holder base has exceeded 10,000 unitholders and we are the first Unit Trust Managing Company to achieve this target within the time horizon of 3 years. Both the money market fund and the equity fund navigated challenging benchmark yields during the year. Synergies with the Group that have already kicked off are expected to bring further momentum to the business.

Despite the unprecedented events in the country, economically, socially and politically, we remain optimistic and focused on delivering on the goals and aspirations of our stakeholders. Whilst the impact and outlook on consumer spend as a consequence of the fiscal and monetary tightening measures, including higher taxation, and elevated inflation are somewhat uncertain at this juncture in time, I am confident that our businesses have done their best to ensure that the momentum continues to meet its utmost potential as we serve all our stakeholders. We welcome the measures that have been proposed by the Central Bank to significantly reduce market interest rates that will have a favourable impact on the Company's performance. Our Group success stems from resilience and innovation. Our thirst for innovation will push us to explore new channels for growth whilst leveraging strongly on the latest in technology and its application. We will continue to explore unique product propositions, by utilizing synergies within the Group.

I would like to express our sincere thanks to all our stakeholders for the support extended to the Group during this extremely challenging year. I also extend sincere appreciation to all the staff of the Group for their support, tenacity and focus in executing our vision. The unstinted contributions made by the Directors in all our companies is highly appreciated. While the macroeconomic conditions have improved significantly, we are conscious that the current impact on consumer discretionary spend on account of higher taxation, interest rates and policy measures to restore economic stability may continue over the next few quarters, I have immense confidence in the many resources that we have accumulated that will contribute to us remaining resilient during unpredictive times.

(Sgd.)
A. K. Pathirage
Chairman

Colombo
31 August 2023

Management Discussion and Analysis

Operating Context of the Group

This section embodies the economic, political and legal backdrop the Group operated in and the resulting impacts during the year.

Global Economy

During 2022 global economic growth is expected to be 3.4%, which is a significant slowdown compared to the 6.1% growth seen in 2021. This decrease is primarily due to a cost-of-living crisis caused by escalating inflationary pressures worldwide. Additionally, the Russia-Ukraine conflict and a resurgence of Covid-19 in China further worsened the impact on the global economy.

Inflation has risen sharply in many countries, fueled by a combination of surging energy, food, and commodity prices, labor shortages, and supply disruptions. With more limited fiscal space, countries will face increasingly difficult policy trade-offs as they tackle rising inflation, heightened macro-financial risks, and slowing growth.

Even as policymakers focus on cushioning the impact of the war in Ukraine and the pandemic, the world is also facing sweeping forces of longer-term change, including those from the effects of climate change and the digital revolution. The impacts of these forces will inevitably play out in the balance of payments of individual countries, making structural reforms and improvements to policy frameworks all the more important for building resilience and achieving long-term, inclusive growth.

Sri Lankan Economy

In 2022, the Sri Lankan economy experienced its most challenging year since independence, marked by severe economic hardship leading to public anxiety and political upheaval. The government and Central Bank took immediate and coordinated policy actions to prevent further escalation, despite such actions affecting the general population. These measures were necessary to protect the economy from potentially devastating consequences of unchecked economic instability. The country managed to achieve a workable equilibrium, focusing on restoring socio-economic stability, while awaiting support from international financial institutions. The economy's vulnerabilities, including policy lapses and unsustainable macroeconomic practices, led to a multifaceted disaster with consequences such as inflation, fiscal imbalances, and a shortage of foreign exchange liquidity. Social unrest resulted in political instability, necessitating the reevaluation of policy priorities to steer the economy away from further turmoil.

Amidst mounting balance of payments (BOP) pressures, the Sri Lankan Central Bank allowed a measured adjustment of the exchange rate in March 2022, but the subsequent floating of the exchange rate resulted in overshooting due to speculative activity. In April 2022, the Central Bank implemented aggressive monetary policy tightening to control demand pressures and stabilize the exchange rate. Despite low official reserves, the Central Bank provided foreign exchange to meet essential import demands. Measures were taken to prioritize essential imports, restrict capital outflows, and provide daily guidance on the exchange rate to curb volatilities. The Government sought assistance from the IMF in early 2022, leading to a debt standstill in mid-April, with efforts to restructure outstanding debt. Several initiatives were taken to enhance revenue, curtail expenditure, and implement reforms. In September 2022, an Extended Fund Facility (EFF) agreement was reached with the IMF, followed by financing assurances for debt restructuring. In March 2023, the IMF approved the EFF-supported program to address structural impediments and restore public debt sustainability. While this restructuring poses short-term challenges for the financial sector, proactive measures by the Government and Central Bank aim to reinforce financial system stability in the future.

The policy measures and reforms implemented by the Government and the Central Bank have shown significant success. Inflation has returned to a positive path after reaching a peak in September 2022, and the exchange rate has stabilized and appreciated in early 2023, recovering from a sharp depreciation in the first half of 2022. The external current account deficit remained modest, and official reserves gradually accumulated, allowing the reinstatement of exchange rate flexibility in March 2023. The normalization of foreign exchange flows and the completion of the debt restructuring process in 2023, along with sweeping reforms in the public sector, are expected to contribute to improved and sustainable economic prospects.

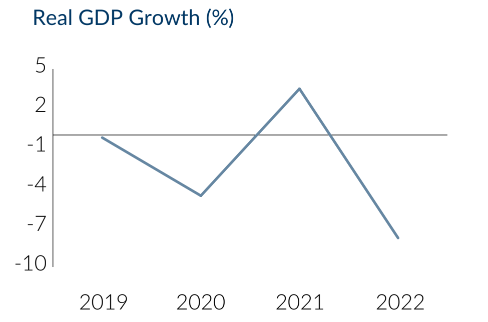
The socio-economic crisis in 2022 highlighted the importance of data-driven policymaking and the detrimental effects of ad hoc policy experiments and myopic populist policies. The cost of policy delays and neglecting evidence-based policy analysis and economic fundamentals was evident, resulting in delayed structural reforms that burdened the general public and businesses. In light of this, the Government, the Central Bank, and all stakeholders must support the implementation of essential reforms to address deep-rooted structural issues that have persisted for decades. Failure to execute such reforms may lead to perpetual bailouts, recurring debt restructuring, and unsustainable business cycles, placing undue pressure on citizens and hindering long-term economic progress and prosperity.

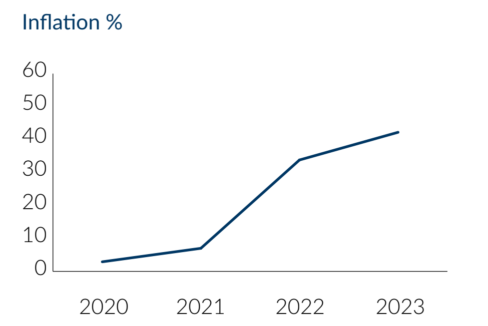
Therefore, the country should focus on consistent and well-coordinated policies, including those outlined in the IMF-EFF supported program, to avert future crises and move towards recovery.

Macroeconomic Outlook

Sri Lanka's economy will contract for a second consecutive year, albeit less steeply than last year. When Sri Lanka defaulted in 2022, the country was facing an uphill task of having to usher in a decade's worth of unpopular reforms within the span of a year in order to secure the IMF's EFF facility, whilst completing the debt restructuring process for the foreign debt. However, with the political change that came following the mass uprisings, the government of Sri Lanka and the Central Bank led a coordinated effort to ensure prompt action from a macro-economic and policy perspective.

Macro-Economic Indicators and their impact on Softlogic Capital Group

<table>
<tr><th>Indicator</th><th>2021/22</th><th>2022/23</th><th>Cause</th><th>Impact on the Softlogic Capital Group</th></tr>
<tr><td>GDP Growth</td><td>3.5%</td><td>(7.8%)</td><td rowspan="2">The contraction in the overall economy was driven by a contraction across all three sectors. Agricultural and Industrial sectors recorded a contraction of 4.6 per cent [CY2021: growth of 0.9 per cent] and 16 per cent [CY2021: growth of 5.7 per cent]. Services sector also recorded a contraction of 2 per cent [CY2020: growth of 3.5 per cent].</td><td rowspan="2">The impact of the economic contraction was evident across the group. While there have been notable achievements, in the insurance sector, NBFI and other sectors faced challenges which consequently drove the group into a net loss position.</td></tr>
<tr><td colspan="3">

The Sri Lankan economy, based on GDP at constant (2015) market prices, contracted by 7.8% in CY2022, compared to the 3.5% growth recorded in the previous year.</td></tr>
<tr><td>Inflation</td><td>38.8%</td><td>49.2%</td><td rowspan="2">As per the IMF, global inflation surged to 8.8% in CY2022 driven by the delayed effects of the dovish monetary and fiscal policy response to the Covid-19 pandemic, commodity shortages, supply chain disruptions, capacity limitations and the Russia-Ukraine War. General price levels in Sri Lanka, as demonstrated through headline and core inflation recorded a significant increase during the year. However, inflation noted a gradual slowdown in the second half considering a significant portion of inflation was driven by the currency adjustment which was largely one-off during the early part of the financial year.</td><td rowspan="2">Inflationary pressures adversely impacted on Group businesses due to decrease in real disposable income and exerting pressure on margins, mainly towards the early part of the year.</td></tr>
<tr><td colspan="3">

Year-on-year headline inflation, based on the NCPI, was 49.2% in March 2023 compared to 33.8% in April 2022.</td></tr>
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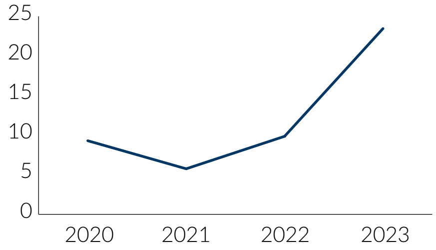
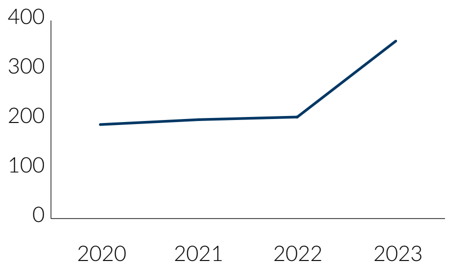
Management Discussion and Analysis

Indicator	2021/22	2022/23	Cause	Impact on the Softlogic Capital Group
Interest Rates	**9.85%**	**23.45%**	The Central Bank of Sri Lanka (CBSL) adopted a contractionary monetary policy to tackle rising inflation, external vulnerabilities, hyperinflationary fears, and economic activity losses. The interest rates surged, especially in the first half of the financial year, due to uncertainties surrounding domestic debt restructuring and liquidity shortages. The CBSL increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points in April 2022, with subsequent 100 basis points increments in July 2022 and March 2023, reaching 15.5% and 16.5%, respectively. The Statutory Reserve Ratio remained steady at 4% throughout the year. Additionally, the CBSL implemented regulatory measures, removing maximum interest rates on certain lending products and foreign currency deposits, to tighten monetary conditions effectively. These measures contributed to containing inflationary pressures. Towards the end of the financial year, the country's liquidity position improved, as interest rates decreased during the last three months due to reduced government debt financing requirements.	The Group's finance expense increased primarily on account of a significant increase in overall debt to fund its investment pipeline, which is in line with the funding strategy of the Group.
Average Weighted Prime Lending Rate (AWPLR) (%)  The Average Weighted Prime Lending Rate (AWPLR) increased from 9.85% in April 2022 to 23.45% in March 2023.				
Exchange Rate	**205.10**	**358.05**	The Rupee experienced a significant depreciation at the beginning of the financial year, with the exchange rate rising from Rs.201.46 in January 2022 to Rs.255.81 in March 2022. The pressure on the Rupee continued, reaching a peak of approximately Rs.360.00 during certain periods with notable volatility throughout the year. The foreign exchange market was inactive and illiquid in the first half due to foreign exchange shortages and economic uncertainty. However, the Rupee gradually strengthened in the fourth quarter, supported by a trade surplus increase from reduced imports due to contractionary fiscal and monetary policies, import restrictions, and steady foreign currency inflows from various sectors, including workers' remittances and portfolio investments. The market also gained confidence with the finalization of the IMF-EFF arrangement, contributing to the recovery in early March 2023.	Exchange rate movements could adversely impact payments of the Group in foreign currency.
Exchange Rate - Annual average - Rs/US$  The average LKR/USD exchange rate in 2022/23 based on the mid exchange rates published by the CBSL, stood at Rs.358.05 in contrast to Rs.205.10 in 2021/22.				

Sri Lanka Medium Term Macroeconomic Outlook

The medium term outlook of the Sri Lankan economy depends heavily on the timely and effective fulfilment of performance criteria and structural benchmarks and reforms envisaged in the macroeconomic adjustment programme outlined in the IMF-EFF arrangement. Effective implementation of reforms in a timely and consistent manner would be essential to create a conducive business environment in the period ahead. Further, the realisation of the baseline scenario of the macroeconomic outlook could be subject to unanticipated external and domestic shocks. The medium-term macroeconomic outlook that has been published by the Central Bank in the past had assumed the implementation of necessary reforms to remedy the structural impediments. However, the failure in implementing the required reforms delayed the realisation of the benign macroeconomic outlook envisaged in the past. As Sri Lanka has reached crossroads in its post-independence economic journey, there is some reasonable expectation at present that policy commitment to implementing long overdue reforms and public support for such decisive reforms will prevail in the ensuing period. Nevertheless, the envisaged medium-term path is fraught with uncertainties due to possible risks associated with the timing of completion of the ongoing debt restructuring negotiations, the pace and magnitude of the post-restructuring economic recovery, the successful completion of the IMF-EFF supported programme targets, etc. The progress of the reforms implemented thus far is notable. The resolve of policymakers to continue the reforms agenda in the period ahead, and the understanding of the public of the need to pursue painful reforms are imperative to ensure a sustained stability in the medium to long term.

Overview of the Sri Lanka Financial Services Sector

During 2022, the financial system weathered headwinds from the most profound economic crisis since independence. Sovereign rating downgrade by all rating agencies, high sovereign exposure of the banking sector, economic contraction, acute foreign exchange shortage and high level of inflation along with the announcement of the standstill on external debt servicing on account of bilateral and commercial loans by the Government in April 2022 created a significant and unprecedented adverse impact on the activities of the financial sector and challenged the resilience of the financial system. Nevertheless, the stability of the banking sector was maintained during 2022 despite the looming challenges arising from continuously declining credit quality, acute pressure on liquidity, low level of profitability due to high impairments, and deteriorating capital buffers to absorb unexpected losses. Meanwhile, the sector grew in terms of assets and deposits while remaining broadly in compliance with the prudential requirements of the Central Bank.
The Licensed Finance Companies and Specialised Leasing Companies sector managed to continue its expansion during 2022 in terms of assets and deposits with adequate capital and liquidity buffers amidst challenges stemming from contraction of credit growth, declining profitability and increase in non-performing loans as indicated by Stage 3 loans. A measured adjustment in the exchange rate was allowed by the Monetary Board in early March 2022 in view of the pressure that was building up in the domestic foreign exchange market. However, the subsequent floating of the exchange rate caused a large depreciation of the exchange rate due to the dearth of liquidity in the domestic foreign exchange market and unfavourable market sentiments. Consequently, the Central Bank introduced a market guidance on the interbank foreign exchange market to ensure stability in the exchange rate. Money market liquidity, which remained at a persistently high level of deficit during the first half of 2022, declined considerably by end December 2022 mainly due to measures taken by the Central Bank. Meanwhile, money market activities recorded a lackluster performance amidst increased risk aversion among the participants.
The equity market recorded a dismal performance during 2022 reflecting the high yield for fixed income securities and negative market sentiments against the backdrop of prevailing adverse macroeconomic conditions. Financial infrastructure continued to support functioning of the financial sector in this challenging economic environment. Despite all these challenges, a modest improvement was observed during early 2023 with the gradual easing of liquidity pressures in the foreign exchange and money markets, and declining yields on government securities, supported by improved market confidence with the approval of the Extended Fund Facility from the International Monetary Fund (IMF) on 20 March 2023. However, debt restructuring may pose challenges to the financial sector. Nevertheless, the Government and Central Bank will take efforts to ensure financial system stability during the debt restructuring process.

Performance of the Financial Services Sector

Total Assets of the Financial System	2021		2022	
	Rs.Bn	Share (%)	Rs.Bn	Share (%)
Banking Sector	19,872.5	74.6	23,926.9	76.3
Other Deposit Taking Financial Institutions (Including Licensed Finance Companies)	1,646.2	6.2	1,830.9	5.8
Specialised Financial Institutions (Including Stockbrokers and Unit Trusts)	369.4	1.4	328.9	1.0
Contractual Savings Institutions (Including Insurance Companies)	4,758.2	17.9	5,292.3	16.9
Total	**26,646.3**	**100.0**	**31,379.0**	**100.0**

Source: CBSL Annual Report 2022

Risk and Industry Potentials

Credit Risk

The total gross NPLs/Stage 3 loans increased by 66.1 per cent as at end 2022 on a year-on-year basis, compared to the decrease of 13.9 per cent recorded as at end 2021. The time based classification of NPLs was replaced with SLFRS 9 based Stage 3 Loans on 01 April 2022, where LFCs were required to adopt 120 days past the due date for classification of Stage 3 loans instead of the earlier classification of 180 days. As a result of changing the loan classification methodology into a SLFRS based approach, lapsed debt moratoria, and the impact of adverse macroeconomic conditions, the sector's Gross Stage 3 Loans Ratio substantially increased to 17.5 per cent as at end 2022 from 11.0 per cent reported as at end 2021. The net impaired Stage 3 Loans Ratio increased to 12.3 per cent as at end 2022 from 2.7 per cent reported as at end 2021. The impairment coverage ratio for Stage 3 loans was reported at 29.6 per cent as at end 2022. The recent market developments, including interest rate movements, economic contraction, the impact of the moratoria schemes granted, and the introduction of higher taxes, will adversely affect the asset quality of the sector and its NPLs in the future.

Market Risk

The equity risk in the sector was minimal throughout the year 2022. The exposure of the trading portfolio to the equity market declined to 0.3 per cent of total assets in 2022 from 0.8 per cent in 2021.

Interest Rate Risk

Tight monetary policy and concerns over domestic debt restructuring uncertainties resulted in a sharp increase in the Treasury bill yields. This led to a substantial increase in maximum interest rates offered by LFCs on deposits and debt instruments and an upward revision in lending rates. The interest rate sensitivity ratio (interest bearing assets as a share of interest bearing liabilities with maturities of less than 12 months) increased to 96.8 per cent as at end 2022 from 85.6 per cent as at end 2021, indicating a reduction in the exposure to interest rate risk resulted from increased interest rates in 2022 compared to 2021.

Equity Risk

Equity risk of the banking sector was minimal throughout 2022. The equities listed under fair value through profit or loss and fair value through other comprehensive income portfolio stood at Rs.7.4 Bn and Rs.2.2 Bn, respectively, as at end 2022. The low share of equity investments in the total investment portfolio ensures that the market risk of the banking sector due to equity price fluctuations was minimal.

Liquidity Risk

On an aggregate basis, the sector maintained liquidity well above the minimum required level during 2022. The overall regulatory liquid assets available in the sector was Rs.184.9 Bn as at end 2022, against the stipulated minimum requirement of Rs. 98.0 Bn recording a liquidity surplus of Rs.86.9 Bn as at end 2022, compared to Rs.66.0 Bn recorded as at end 2021. However, the sector may face increased liquidity risk in the future due to early withdrawals, loan defaults, and non-availability of funding lines due to adverse economic conditions.

Foreign Exchange Risk

The net foreign currency exposure of the banking sector increased to a long position of US dollars 133.2 Mn as at end 2022 compared to a short position of US dollars 30 Mn as at end 2021, with a higher decrease in foreign currency liabilities compared to the decrease in foreign currency assets.

Capital Management Review – Consolidated Review

The sections that follow details the performance of the Group, under each form of Capital and the means by which each form of Capital is utilised for the execution of the businesses' strategies towards generating sustainable value to all stakeholders concerned. All Group activities are centered around sustainable value creation which is the underlying essence of our business model and business framework.

Financial services arm of Softlogic Capital that has now established an impressive presence in the market with portfolio comprising of;

- Softlogic Life Insurance PLC: An insurer licensed for Life Insurance by the Insurance Regulatory Commission of Sri Lanka;

- Softlogic Finance PLC: A Licensed Finance Company under the purview of Central Bank of Sri Lanka;
- Softlogic Stockbrokers (Pvt) Ltd : a stock broking company licensed and operating on the Colombo Stock Exchange.
- Softlogic Asset Management (Pvt) Ltd: Unit Trust Management and Investment Management company licensed from the Securities Exchange Commission of Sri Lanka (SEC).

This comprehensive financial service portfolio is primed for growth, leveraging on its fast-increasing customer base acquired from diverse sectors of the overall Group.

Financial and Manufactured Capital

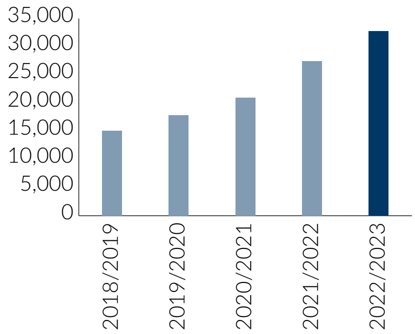
Our financial capital includes our monetary resources, which have been contributed by our investors and are being enhanced through our business activities, which is embedded in our business model. The Group concluded year 2022/23 with a decline of financial performance due to multifaceted challenges encountered during the last financial year, mainly due to the economic downturn of the country.

Our Manufactured Capital is a mix of its Building, Property Plant and Equipment and Branch network and IT equipment that support our value creation process.

Revenue

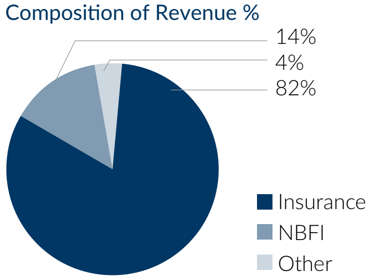
The Softlogic Capital Group recorded consolidated revenue of Rs.32 Bn during 2022/23, in comparison to the revenue of Rs.27 Bn reported the previous year. This increase of 19% mainly arose from the extraordinary performance of the insurance sector and which accounted for 82% of the total revenue.

Total Revenue (Rs. Mn.)



Composition of Revenue

Composition of Revenue %



Profitability

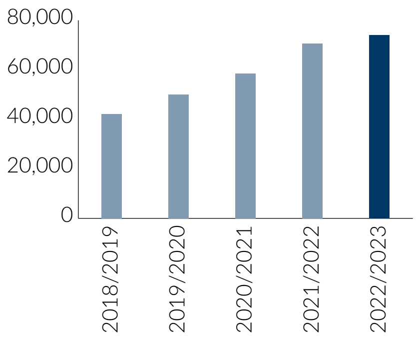
The financial performance of the company in the fiscal year 2022/23 has seen a notable shift, as evidenced by the loss after tax of Rs.2,391 Mn. This decrease represents a significant drop of 337% when compared to the profit after tax of Rs.1,025 Mn in the previous year.

Notably, the Insurance sector emerged as the most substantial contributor to the Group performance, generating a commendable profit after tax of Rs.2,683 Mn. The NBFI sector experienced a loss of Rs.2,995 Mn which countered the profitability arising from Insurance Sector. Loss of Rs.1,118 Mn incurred by the Company has further contributed to the overall decline in the Group profitability.

Total Assets

As at end of the financial year under review, the Group recorded a total asset base of Rs.74 Bn. This was in comparison to the total asset base of Rs.70 Bn held at the end of the previous financial year. The total assets included Rs.66 Bn as financial assets and Rs.8 Bn as non-financial assets. The largest portion of the assets was attributable to financial assets at amortized cost which amounted to Rs.43 Bn as at year end.

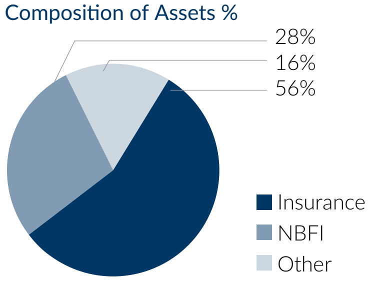
Total Assets (Rs. Mn.)



Composition of Assets

56 per cent of the total assets of the Group amounting to Rs.47 Bn were held by the Insurance sector. NBFI sector held a total asset base of Rs.23 Bn while the total asset base in the Other sector was 13 Bn.

Composition of Assets %



Net Assets per Share (NAPS)

The total equity attributable to equity holders of the parent company stood at Rs.2.3 Bn at end of the financial year under review. This indicated a net asset per share of Rs.2.44 which was a 61.22% decrease over the net assets per share of Rs.6.28 as at end of the previous financial year. The decrease has resulted from decrease of the equity attributable to the equity holders of the parent.

Building Our Manufactured Capital

We measure the expected return on our manufactured capital and manage them cautiously to generate maximum possible benefits out of the investments made. Our investments are mainly focused on business expansion to increase market value and digitalizing of our work processes with IT related infrastructure. We make sure to get the maximum value generated from our manufactured capital by obtaining regular maintenance, upgrades and certifications as required.

Human Capital

The Group's human capital includes employees who provide their expertise in various capacities and build an innovation driven culture. The knowledge, innovations and experience that our employees utilize within their roles help the organization to serve our customer better by attracting and retaining them.

Management Approach

We firmly believe that it is the 'People' factor that makes the difference as a critical driver of our business success in delivering a superior client experience, while sustaining the happiness and wellness of our employees.

Steering to the future

The Group has established medium term strategies to be recognised as a Great Place to Work with inculcated value streams within the Group, to ensure competent second level leaders who will be the future of the Group and to build a strong employer brand and emerge as one of the top employers of choice.

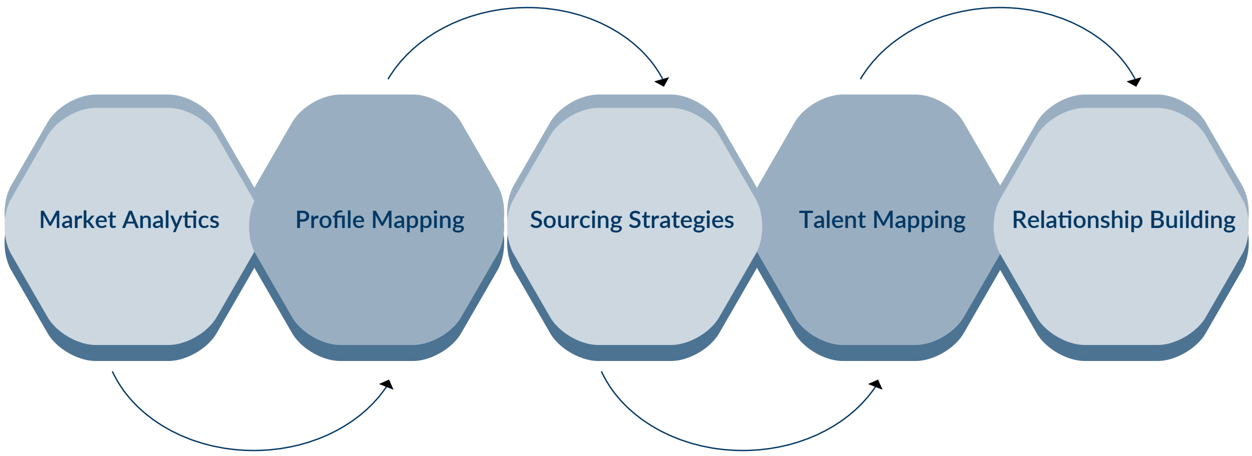
Short term strategies relating to Human capital comprise of short term targets as to improve employee retention rate, maintain strong HR governance practices, attend to employee concerns on working from home, take care of employee health and mental well-being, training a workforce to work in a digitalised environment, focus on gender parity and take steps to improve further as well as succession planning for key management positions.

Human Resource Policies and Practices

1. Talent Management Practices

Energizing our employees' talents positively aligns to the Group's long term and short-term initiatives. We invest in our young people in areas of skills by providing stepping stones to move up in the employee ladder to become future leaders. Our talent management philosophy is built on two key aspects namely Talent acquisition and Talent retention.

Talent Acquisition Process



2. Training and Professional Development

Building a strong talent pipelines is the core deliverable of the HR team to fulfil talent gaps and enhance employees professional and leadership skills. All the employees are eligible to internal and external training.

3. Career Development

We seek to provide career progression to all our staff on the basis of ability, qualifications and suitability of work. In this financial year the Group introduced more interactive learning through Learning Management System (LMS) to strengthen Group engagement strategy to ensure higher engagement during distant working.

4. Performance Management

By enabling our employees to perform to the best of their ability, and the Group has a performance driven culture we follow a Key Performance Indicator (KPI) setting process where all the permanent employees undergo performance appraisals during the year.

5. Rewards and Recognition

Treating our employees like our assets and maintaining harmonious relationships with them doesn't only yield business at present but is also an effective strategy for the future. Hence, we always rewarded our employees who go that extra mile pro- actively and develop a talented and dedicated workforce.

We expect to encourage our employees further by rewarding them along various parameters outlined in the HR practices.

6. Fair Pay and Other Benefits

Our key focus is to offer attractive and competitive remuneration which is designed to attract and retain a highly qualified and experienced workforce. The key remuneration policy principles are as follows:

The Group offers various other benefits to employees based on the category and the job responsibilities than regulated benefits. Adhering to the Group's equal opportunity policy, it does not discriminate employee benefits including remuneration, based on diversity including gender, age, race etc.

Set at a level to attract, motivate and retain high quality talent	Commensurate with each employee's level of expertise and aligned with the Group's performance.	Executive remuneration is set such that a significant portion is linked to performance to align the employees' and main stakeholder's interests.	Remuneration levels are based on industry and market surveys

7. Employee Diversity and Equal Opportunity

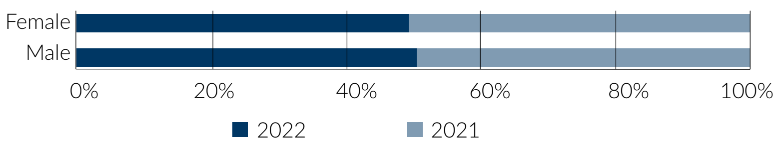
We value employee diversity and equal opportunity as key. Our HR policy on Equal Opportunity and Non-Discrimination was recently enhanced, so that there would be no discrimination based on race, religion, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion.

Group Gender Diversity

The Group has implemented multifaceted initiatives that support the empowerment of women in the workplace and to improve gender balance within the Group. The Group is promoting the creation of a workplace where both genders are motivated to play an active role. Goal is to Increase female representation within 2nd layer of management.

Management Discussion and Analysis

Group Gender Diversity



8. Succession Planning

Our Succession Plan is a focused process to keeping talent in the pipeline. The Group has initially taken action to attract suitable talent with experience, qualifications and competencies. The identified staff with us will be trained, developed over a period for future leadership in the organisation.

Looking Ahead

With the greater prospects our Group has to grow in the coming years we can foresee developments that would be needed in our employees in the areas of career development, succession planning, leadership and talent development. The environment we operate is changing rapidly and our operating landscape is challenged by many factors such as technological developments, changing customer needs etc.

The report and following aspects have been taken into consideration specially on our human capital.

- Focus on gender parity
- Employee development
- Cultural Transformation
- Innovation

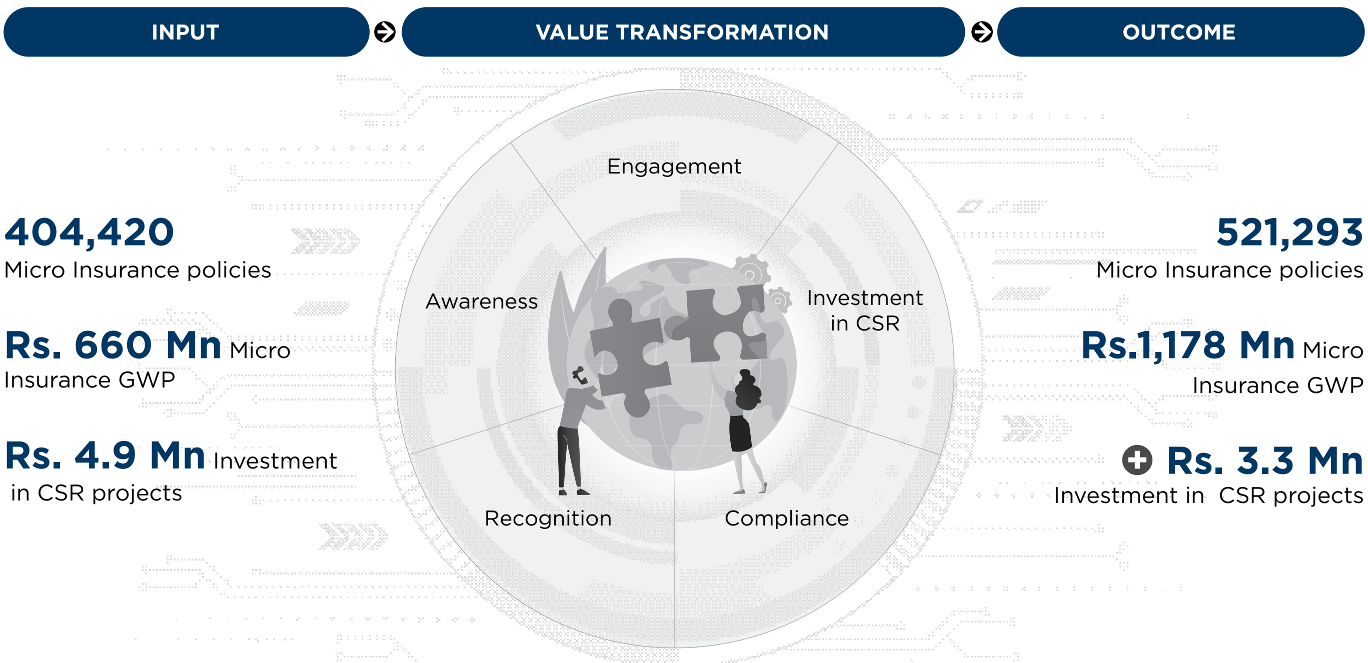
Social and Relationship Capital

In order to achieve long term sustainable value creation, it is immensely important to have sustainable relationships with customers, community and all other stakeholders. To this end, the Group is engaged in a multitude of initiatives that facilitate collaboration between the Group and its key stakeholders.

Management Approach to Community Development Projects

Our purpose is to make a difference in people's lives in terms of education, financial strength, mental health and social well-being. The Company has taken a step forward to provide a safety net to underserved communities and help to improve the quality of the lives significantly. By sharing this sense of purpose with stakeholders, we motivate and connect with our employees, business partners and customers to

CSR Summary 2022



Value Creation to Stakeholders

Rs. 3.3 Mn investment in CSR	Impact created for 521,293 lives through micro insurance	Positive community relationship	Community trust

Steering to the future

Long-term vision of the Group is to enhance our Group's contribution towards the community to enhance the standards of Sri Lankans and strengthen the Group's sustainable development.

Our Strategy

Our CSR strategy focusses on a progressive model which enables us to contribute to society through three core verticals.

1. Community development
2. Empowering the future generation
3. Environmental protection

Our CSR intent is inspiring all Sri Lankans to contribute towards enhancing the quality of all Sri Lankan lives by lending a helping hand wherever possible.

Looking Ahead

As a responsible corporate, the Group always intends to enhance the quality of lives and always inspires the well-being of society with better fitness, nutrition and wellness so that our people can live their lives to the fullest.

Our responsible business practices will be converted/ updated to stringent compliances by shaping those with future changes in the environment we operate. Our business practices will also be monitored by strong corporate governance practices within the Group, ensuring we are compliant with all laws and regulations at all times.

Intellectual Capital

Our Intellectual Capital is a combination of a well- positioned brand, our talented human capital, strong governance framework and the relationship with stakeholders, which drives excellence in business. Our drivers in intellectual capital improve the group's performance in areas such as profitability, productivity, and market value.

Steering to the future

Our long-term vision in terms of intellectual property is to implement artificial intelligence technology in day to day operations. In order to reach the vision, in medium term it is focused to enhance and preserve our employees and organizational knowledge which gives a value addition to our business model and to step into digitalise systems and Big data analytics. In short term the Group has focused on implementation of programs to improve employees' innovativeness and introduce system automations for business efficiency. Further development of human capital will be a key pillar of increasing Intellectual capital.

Management Approach

Our Intellectual Capital differentiates our service offering and provides us with a significant competitive edge. Awards and accolades bear testimony to exceptional growth of our intellectual capital, thereby enhancing our brand capital.

Looking Ahead

The Group will emphasise more on development of our Human Capital as it is key to our success. Also, the Group tend to improve on the organisation's capability in going forward by leveraging the organisation philosophy and systems and focus to create perception and value in the minds of stakeholders to build and protect relationships with them which help us to grow. The Group will purse IT advances across our business while focusing on development of Intellectual Capital. We have identified digitalisation as a key pillar on which our future success depends. We will adopt emerging digital trends such as Big Data, Artificial Intelligence, Machine learning etc.

Natural Capital

Our Natural Capital is all renewable and non-renewable environmental resources that support our value creation process. Our environment provides a significant quantum of resources that we use within our value creation process.

Steering to the future

The Group's long-term vision is to become a responsible corporate citizen who protects the environment. We have planned to organise awareness campaigns to increase employee commitment to achieve environmental protection strategies, to invest in environment protection initiatives, to automate business process to reduce/ eliminate paper usage and to initiate more green energy projects to promote the habit of planting trees.

In order to reduce the environmental impact from our business we have taken several internal and external measures some of those having positive impact on preserving Mother Nature, but quantification is not possible.

Our Internal Measures

Driving Eco Efficient Business following 3R Concept

Energy Consumption and Carbon Offsetting

Our key energy consumption sources are;

- Direct Consumption - Electricity used for our premises from the national grid
- Indirect Consumption - Fuel used for business travelling and business commuting of employees and sales force

While Carbon offsetting is the way to use carbon credits to enable companies to compensate for unavoidable emissions, we are committed to meeting carbon reduction goals and supporting the move to a low carbon economy.

Internal Policy on preserving Biodiversity

The Group follows a set of environment and social management system procedures consisting of five main activities for the management of Environment and Social (E & S) Risk Assessment which paves the way towards a more sustainable operation.

External Measures – Awareness Initiatives

Working towards helping Sri Lanka build a self-sustaining community, we began our very own home gardening program "Grow in the Garden". The main objectives of this project were to contribute to the national mission of promoting the home gardening concept in order to build self-sustaining communities within the country. Taking the lead step, we initiated our program with our staff and distributed 3,000 seed pouches to our customers across Sri Lanka through our sales force.

Looking Ahead

For the way forward, our objective is to enhance our efforts towards conservation of the environment by incorporating environmental sustainability into our business strategies. As a responsible corporate citizen, we will also continue to support and implement more greenery projects in order to create meaningful change in the environment we operate.

Sector Review

Insurance Sector

Overview of Insurance industry

Business Growth

The total assets of the insurance sector grew by 7.4 per cent as at end 2022 and reached Rs.947.3 Bn. The asset base of the long term insurance sub sector grew by 5.7 per cent to Rs.668.7 Bn as at end 2022 compared to a growth of 12.2 per cent recorded at end 2021.

Earnings

Gross written premium of the insurance sector grew by 10.3 per cent to Rs.257.6 Bn at end 2022 from Rs.233.5 Bn at end 2021. Gross written premium of the long term insurance sub sector and general insurance sub sector increased by 8.5 per cent and 12.4 per cent, respectively, during the period under review. However, the long term insurance sub sector remained the main contributor to the gross written premium of the sector which recorded a share of 52.6 per cent at end 2022.

Profitability

Profitability of the insurance sector increased during 2022 and reported a growth of 19.4 per cent in profits before tax. Profits before tax of the general insurance sub sector reported a significant growth of 41.2 per cent during the period under consideration with 15.4 per cent increase recorded in total income as at end 2022. However, the long term insurance sub sector reported a marginal growth of 1.3 per cent in profits before tax mainly due to 31.5 per cent increase recorded in claims at end 2022.

Overview of the Groups' Insurance Sector

Vision

To revolutionise insurance in Sri Lanka through world-class innovations and deliver extraordinary stakeholder value.

Key Indicators

Summary of financial performance of last two years are provided below.

Figures are in Mn.

Key Performance Indicators	2022/2023	2021/2022
Gross Written Premium	23,264	21,096
Profit After Tax	2,683	2,190
Net Assets	10,271	9,555
Insurance contract liabilities (Life fund)	24,462	22,559
Total Assets	**47,369**	**42,044**

Performance Review

The company concluded year 2022 with remarkable results despite the disruptions available in the market.

This showcases adaptability of our business model. The management carefully manged value creation activities within the business model in order to bring superior results during 2022.

Gross Written Premium (GWP)

The company GWP surpassed Rs.23 Bn by recording impressive growth of 26% compared to Rs.21 Bn GWP recorded in 2021/22.

Profit After Tax (PAT)

The profit of the Life Insurance Company is mainly determined based on the actuarial valuation made by the Appointed Actuary which is called "Surplus". In addition to the surplus, the profit of the Company consists of investment income of the shareholder funds less related expenses and income tax. The Company recorded Profit After tax of Rs.2,683 Mn led by effective claims management and strong growth in investment income despite challenging condition in the market. It showcased the adoptability and resilience of our business model. Value creation activities are managed within the business model in order to bring superior results during 2022/23.

Total Assets

Total assets of the company as at 31.03.2023 was Rs.47 Bn, recording a 22% growth compared to Rs.42 Bn as at 31.03.2022 in total assets. The growth was supported by the Company's highest GWP achievement of Rs.23 Bn.

Insurance Contract Liabilities

The Life Insurance contract liabilities refers to the reserves built to meet the future claims and maturities of Life Insurance policyholders. Life Insurance contract liabilities of the Company stood at Rs.24.4 Bn in 2022/23, with a significant increase of 8.44% compared to 2021/22.

Non-bank Financial Institutions (NBFI) Sector

Overview of Non-bank Financial Institutions (NBFI) Sector

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector managed to continue its expansion during 2022 amidst the economic contraction experienced by the country. Despite challenges faced from shrinking credit growth, declining profitability and increase in non-performing loans as indicated by Stage 3 loans, the LFCs and SLCs sector grew in terms of assets and deposits with adequate capital and liquidity buffers during 2022. The Masterplan for consolidation of Non-Bank Financial Institutions (the Masterplan) is implemented with the objective of establishing strong and stable LFCs in the medium term and thereby safeguarding the interest of depositors of the sector and preserving the financial system stability.

Performance of Non-bank Financial Institutions (NBFI) Sector

Total assets of the sector amounted to Rs.1,611.2 Bn by end 2022, representing 5.2 per cent of the total assets of Sri Lanka's financial system. By end 2022, the sector comprised of 36 LFCs3 and 1 SLC and there were 1,834 branches, of which 1,204 branches (65.6 per cent) were located outside the Western Province. Further, 127 new branches were established by the sector during 2022.

Year	Growth %			
	2019	2020	2021	2022
Banking Sector	5.3	18.3	15.1	15.4
NBIF Sector	0.1	(2.2)	6.1	8.3
Others	9.6	21.2	4.2	11.22
Total Financial System	5.8	17.5	13.5	17.76

Source: CBSL Annual Reports 2019-2022

Total assets of the NBIF sector increased by 8.3% during the period under consideration. The growth of the financial system was predominately driven by the banking sector which grew by Rs.4,054 Bn. Banking sector has gained and consolidated its share from 2017 onwards whilst the share of NBIF sector has declined over the same period.

Analysis of Sector Assets and Liabilities

Year	2019	2020	2021	2022
Loans and Advances (net) (Rs.Bn)	1,102.7	1,039.9	1,142.5	1,199.2
Investments (Rs.Bn)	132.2	158.8	167.4	199.6
Other (Rs.Bn)	197.8	202.9	177.9	212.4
Total (Rs.Bn)	1,432.7	1,401.6	1,487.8	1,611.2

Source: CBSL Annual Reports 2019-2022

Profitability and Capital Resources

Profitability

Profitability of the sector declined in 2022 compared to the previous year. The sector's Profit After Tax (PAT) reduced by 21.0 per cent from Rs.55.6 Bn in 2021 to Rs.43.9 Bn in 2022, mainly due to substantial increase in interest expenses. The decrease in profitability was reflected in the significant decrease in the Return on Equity (ROE) to 12.6 per cent and Return on Assets (ROA) before tax to 3.7 per cent in 2022, compared to 20.2 per cent and 5.4 per cent recorded, respectively, in 2021. The cost to income ratio increased to 87.3 per cent in 2022, from 72.6 per cent in 2021, while the efficiency ratio increased to 68.9 per cent during 2022.

Capital Resources

The sector showed resilience with capital maintained well above the minimum regulatory requirement on an aggregate level during the year. The capital base improved to Rs.317.5 Bn as at end 2022 compared to Rs.251.6 Bn recorded as at end 2021, due to retained profits by several large LFCs during the previous financial year, despite suspension of the licence of an LFC with a large negative net worth and enhancement of capital as a result of the completion of several consolidation transactions, in addition to 6 LFCs5 been non-compliant with the minimum core capital requirement and/or capital adequacy requirements. The sector's core capital and total capital ratios increased significantly to 20.6 per cent and 22.0 per cent, respectively, as at end 2022 from the reported levels of 15.5 per cent and 17.0 per cent as at end 2021.

In 2020, the masterplan was introduced to address the weaknesses and risk exposures in the IFcs and SIcs sector. Under Phase I of the Masterplan, 5 transactions were fully completed during 2022 and 3 proposed amalgamations which were approved by the Monetary Board in 2022 are currently in progress. Further, the companies that were unable to find a partner to merge with were directed to exit from the market upon cancellation of the license, and two such transactions are currently in progress.

Overview of the Group's Non-bank Financial Institutions (NBFI) Sector

Vision

To be the preferred Non-Banking financial institution in Sri Lanka

Key Indicators

Financial Highlights	2022/23	2021/22
Financial Results for the Year Ended 31st March (Rs.Mn)		
Total Gross Income	4,199	3,204
Loans and Advances Portfolio	8,843	9,324
Lease and Hire Purchase Portfolio	7,816	11,263
Customer Deposit Base	12,431	15,599

Revenue and Profitability

The year under review brought in significant challenges in the company's interest-earning activities and credit quality. The company's reported loss of Rs.2.99 Bn, representing a significant increase of Rs.2.1 Bn or 220.1% compared to the previous year. This loss is attributed to the substantial drop in NII and the sharp increase in credit loss expense.

Total interest income of the Company increased significantly, by Rs.980 Mn or 33.3% to reach Rs.3.9 Bn. This increase can be attributed to two primary factors: expansion in gold loans and interest income from government securities.

Due to the Central Bank's deposit caps imposed at regular intervals during the year, Softlogic Finance had to discontinue borrowing through customer deposits, which was its main source of funding. The Central Bank imposed deposits caps on the Company due to non-compliance of the capital adequacy requirements of the Central Bank. As a result, the deposits base dropped by Rs.3.2 Bn or 20.3% compared to the previous year. This decrease in the deposits base posed a significant challenge for the company's funding requirements. Despite the decrease in the deposits base, the company experienced an increase in interest expense on deposits. This increase can be attributed to rising interest rates and the repricing impact at renewal. The company had to offer higher interest rates to attract deposits, leading to higher interest expenses on the funds raised through this channel. As a result, total interest expense has increased to Rs.3,991Mn by 148%.

While the growth in interest income is positive, it was not sufficient to offset the substantial increase in interest expense. The substantial rise in interest expense outweighed the growth in interest income, negatively impacting the profitability of the company's lending activities. This resulted in a considerable drop in the company's Net Interest Income (NII). The NII decreased from Rs.1.4 Bn in the previous year to Rs.34.1 Mn, reflecting a substantial decline. As a result, the net interest margin (NIM) experienced a drop, decreasing to 0.1% from the 5.8% recorded in the previous year.

The credit loss expense on financial and other assets has increased by Rs.599.5 Mn or 49.5%, reaching a total of Rs.1.8 Bn. This significant increase can be attributed primarily to individual impairment on term and revolving loans, which accounted for a Rs.1.2 Bn increase in credit loss. The company has taken other effective measures to address the increase in credit loss. One such measure is the recruitment of new talent, including the Head of Recoveries, which has strengthened the company's recoveries. Additionally, various reforms have been implemented to tighten monitoring and follow-up processes, with the aim of improving recoveries and reducing non-performing loans (NPLs). The company's expectation is that the credit loss will not sharply increase in the coming years as a result of these measures. The company has also taken proactive steps in initiating legal actions on NPLs, which has sped up bringing customers into negotiations and settlements. This approach has yielded positive results, as the legal actions on defaulted customers are now materializing. The company has incentivized recoveries, including legal and NPL recoveries, to motivate and increase productivity.

Lending and Lease and Hire Purchase Portfolio

In recent years, the company primarily focused on leasing as its main lending product. However, due to the central bank's imposition of a cap of Rs.18.2 Bn in August 2022 on the total lending book, which was then gradually downsized throughout the year, the company was compelled to discontinue this particular product during the year. Despite this change, the company managed to maintain a similar income level from leasing compared to the previous year. The leasing book experienced a sharp decline, decreasing from Rs.11.3 Bn to Rs.7.8 Bn. Additionally, the loans receivable and factoring books also saw declines of Rs.1.5 Bn and Rs.598.0 Mn, respectively, reaching Rs.4.2 Bn and Rs.112.3 Mn by the end of the year. These adjustments in the company's lending portfolio reflect the impact of the central bank's regulations and necessitated a shift in the company's lending strategy.

The imposed cap did not include gold loans and fixed deposit loans, as these were supported by assets and liabilities that could be readily liquidated if necessary. Consequently, the company made the strategic decision to discontinue its leasing and other loan offerings, and instead focused on expanding its gold loan business. This shift allowed the company to continue growing its gold loan book while operating within the prescribed limits set by the Central Bank. Consequently, the gold loan book of the company grew by Rs.1.6 Bn or 57.3% reaching Rs.4.5 Bn at the end of the year. This growth in gold loans assisted the company to improve its interest income despite steep drop in its overall lending book.

Deposit Portfolio Analysis

In August of 2022, the central bank took regulatory action by placing a limit of Rs.17.0 Bn on customer deposits and halting the acceptance of new deposits. This restriction was later tightened, and by the conclusion of that year, the ceiling had been reduced to Rs.12.5 Bn. The organization was then obligated to make a further reduction of Rs.3.5 Bn in this cap by the end of September 2023. The main source of funding for the company's asset expansion and operational capital requirements had been customer deposits. Nevertheless, due to the enforced restriction, the company found itself incapable of drawing in fresh deposits, being forced to depend solely on deposit renewals, which incurred significant costs due to escalating interest rates.

Consequently, the company's foundation of customer deposits contracted by Rs.3.2 Bn, marking a decline of 20.3%, culminating in a year-end figure of Rs.12.4 Bn. Despite these substantial constraints, the company managed to conform to the deposit cap by year-end. Given this enforced limitation, the company was compelled to explore alternative avenues for funding and strategically transitioned to raising funds through commercial papers to fulfill its financial commitments.

Capital Adequacy

Despite securing additional capital through the rights issue, the Tier I and Total Capital ratios experienced significant declines, sinking to -1.1% and 0.6% respectively. This stark reduction can be attributed to the substantial loss of nearly Rs.3.0 Bn incurred over the course of the year. Notably, the reported ratios fell considerably below the minimum thresholds mandated by the central bank's capital adequacy requirements. Under the provisions outlined in the central bank's PCA framework, regulatory restrictions were imposed on the company's lending, deposits, and commercial paper activities due to the non-fulfillment of these capital adequacy prerequisites.

While it is crucial to acknowledge the central bank's regulatory stance aimed at addressing the company's capital inadequacy, it is equally important to recognize the consequential impact of these measures brought to the company. The company's ability to expand its lending portfolio at a sustainable pace and enhance its NII thereby reduce reported loss was curtailed due to the regulatory actions taken in response to the non-compliances with capital adequacy norms.

Other Sector

Overview of the Performance of Group's Other Sector

Group's other sectors comprise of Softlogic Asset Management (Pvt) Ltd; Unit Trust Management and Investment Management company licensed from the Securities Exchange Commission of Sri Lanka (SEC) and Softlogic Stockbrokers (Pvt) Ltd; a stock broking company licensed from Securities and Exchange Commission of Sri Lanka (SEC) and operating on the Colombo Stock Exchange.

Overview of Group's Asset Management Sector

Softlogic Asset Management (Pvt) Ltd, the asset management arm of Softlogic Capital, launched two-unit trusts or mutual funds; Softlogic Equity Fund and Softlogic Money Market Fund after obtaining the license from the Securities Exchange Commission of Sri Lanka (SEC).

Softlogic Equity Fund

The Portfolio is actively managed using a bottom-up stock selection approach investing in listed companies in the Colombo Stock Exchange (CSE), where investee companies are evaluated by the fund managers and a research team.

The equity fund delivered a return 45.17% (Net return after all fees) from its inception date to 31st March 2023. The benchmark, All Share Price Index (ASPI) reported an 83.03% return over the same period. However, during the financial year 2022/23 the equity fund had a positive return of 15.69% vs the All-Share Price Index positive 4.46%.

The fund allocated portfolio into bank, capital goods, consumer services, energy, & material sectors.

Though the fund does not allocate funds solely based on the top-down level, fund has carefully selected companies that come under these sectors for future value creation. From inception, fund strategy has been to concentrate portfolios into key-value counters while maintaining an appropriate level of diversification.

The fund expects the market to move sideways in the first quarter of 2023/24 due to uncertainties over domestic debt restructuring and expectations of slowing market earnings with the drop in aggregate demand in the first half of FY 2023/24. However, the fund believes that the interest rate cycle will ease, and GDP growth will recover following the successful completion of external debt negotiations in the second half of FY 2023/24. Fund anticipates an increase in stock market participation in the second half of FY 2023/24, driven by attractive valuations. Therefore, the equity allocation will be increased to capture the upside potential of the market. The sectors to watch would be tourism, energy sector, and materials sector which will perform well in FY 2023/24, given the resurgence in economic activity. Hence, fund will overweight these sectors in the portfolio.

Softlogic Money Market Fund

The Money Market Fund yielded an attractive 15.45% for the year under consideration where the respective benchmark yield (NDBIB -CRISIL 91 Day T-Bill Index) of 25.48% p.a. and at the same time the current yield of the fund was 26.07% at end of March 2023.

The underperformance against the benchmark can be attributed to a sudden spike in interest rates during the first quarter of 2022. This spike was a consequence of Sri Lanka's soft default on foreign debt, hyperinflation, currency depreciation, and expectations regarding domestic debt restructuring. As a result, it took time for the fund portfolio to adjust to the upward yield curve and reprice accordingly.

Fund has maintained a more than 70% allocation into government securities and the balance 29% with "B" category issuers. At the same time, fund has always maintained ample liquidity in the portfolio to satisfy redemptions.

Stock Broking Sector

Overview of Stockbroking Sector

The volatility in the market performance was due to subdued investor confidence caused by the challenging global landscape and adverse macroeconomic conditions on the domestic front. As panicked investors started withdrawing their funds amidst increased macroeconomic concerns and political instability the market suffered a steep fall in February 2022. However, the situation moderated mid-2022 with the market showing signs of improvement, although significant volatilities were experienced in several instances.

Market capitalization decreased by 29.91% to Rs.3,847 Bn as at end December 2022 while new listings and other capital raising arrangements such as rights issues, declined during the year in comparison to 2021. However, there was a noticeable improvement in net foreign inflows with the Colombo Stock Exchange recording Rs.51 Bn of net foreign inflows during the year at the end of December 2022 compared to a net outflow of Rs.53 Bn recorded during the corresponding period of 2021.

Overview of the Group's Stock Brokering Sector

Softlogic Stockbrokers' is centered on its best-in-class research capabilities, access to foreign clientele and excellent client servicing which has enabled it to develop sustainable relationships with a diverse pool of customers.

Outlook

The objective of Softlogic Capital Group is to understand opportunities to enhance and provide long-term protection and security for our future generation. The nurturing and mentoring role we have adopted ensures the well-being, health and financial security of our stakeholders.

We remain focused on delivering on the goals and aspirations of our stakeholders from customers and employees to the community. We will continue to explore unique product propositions, backed by our investments in talent and technology on our journey towards sustainable growth.

Board of Directors

Mr. Ashok Pathirage

Mr. Ashok Pathirage, recognised as a visionary leader of Sri Lanka's corporate world, is the founding member and Chairman/Managing Director of Softlogic Group, one of Sri Lanka's leading conglomerates. He manages over 50 companies with a pragmatic vision providing employment to more than 11,000 employees. Mr. Pathirage manages and gives strategic direction to the Group which has a leading market presence in three core verticals, namely Retail, Healthcare Services and Financial Services and in three non-core verticals namely, IT, Leisure & Automobiles.

Asiri Hospital chain is the country's leading private healthcare provider which has achieved technological milestones in medical innovation and reliability in Sri Lanka's private healthcare services.

Softlogic Holdings PLC, Softlogic Capital PLC, Softlogic Life Insurance PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC where he serves as Chairman/Managing Director are listed companies in the Colombo Stock Exchange.

He is the Chairman of NDB Capital Holdings Ltd. He also served as the Deputy Chairman of National Development Bank PLC until completion of his full tenure in terms of the regulatory guidelines.

Mr. Pathirage serves as the Chairman of Sri Lankan Airlines Limited an airline where the Government of Sri Lanka is the principle shareholder. He is also the Chairman of Sri Lankan Catering Limited.

Mr. Iftikar Ahamed

Mr. Iftikar Ahamed heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the financial services holding company of the group that has interests in Insurance, Leasing and Finance, Asset Management and Stockbroking. He is also the Managing Director of Softlogic Life Insurance PLC, Director of Softlogic Asset Management Pvt Ltd, Director of Softlogic Stockbrokers Pvt Ltd and Director of Softlogic Corporate Services Pvt Ltd. He counts over 30 years of experience in a wide range of métiers within the financial services industry and has extensive Banking experience both in Sri Lanka and overseas, having held senior management positions as Deputy Chief Executive Officer at Nations Trust Bank PLC and Senior Associate Director at Deutsche Bank AG. He holds an MBA from the University of Wales, UK.

Mr. Ranjan Perera

Mr. Ranjan Perera is a co-founder and shareholder of Softlogic Group of Companies. An Executive Director since inception and having three decades of experience holds many Directorships in subsidiaries of the Softlogic Group.

He is the CEO of the Groups' Mobile Phone Operations, CEO of Retail Sector, Managing Director of Softlogic Pharmaceuticals (Pvt) Ltd and Managing Director – FMCG Channel. He is also heading the Supply Chain Management & Logistics. Currently he is a member of the Board of Study, Sri Lanka Foundation Institute.

Mr. Lucille Wijewardena

Mr. Lucille Wijewardena is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a Master's Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenepura. In his career spanning 35 years he has held many Senior Management positions in areas of Finance and General Management. He served as the Managing Director of Hayleys Plantations, Talawakelle Plantations Ltd and Pussellawa Plantations Ltd. He served as the Chairman of the Sri Lanka Tea Board. He also held the post of Chairman of Mahaweli Marine Cement Company Ltd and Group Chief Accountant of Carson Cumberbatch & Co. Ltd.

Currently he is the Chairman of Softlogic Stockbrokers (Pvt) Ltd, Managing Director of Anuga Holdings (Pvt) Ltd and Director of Hatton Plantations PLC. He also serves on the Press Complaint Commission of Sri Lanka as a member of the Dispute Resolution Committee.

Mr. Ajita Mahes Pasqual

Mr. Ajita Mahes Pasqual possesses 31 years of experience in the Banking Sector with 22 years in Senior Management positions with HSBC Bank in Corporate Banking, Trade Finance & Treasury. He held the position of Director/General Manager/CEO of Seylan Bank PLC from January 2004 to December 2012. Also, he held the position of Consultant of Nations Lanka Finance PLC. Currently he serves as the Chairman of Adam Investment PLC, Adam Capital PLC and Adam Carbons (Pvt) Ltd.

He possesses a B.Sc. in Business Administration & Economics from Manchester College, N Manchester, Indiana, USA.

Board of Directors

Mr. Aaron Russell-Davison

Mr. Aaron Russell-Davison joined the Softlogic Group in 2016. With over twenty years of banking experience, he was most recently the Global Head of Debt Capital Markets for Standard Chartered Bank, Singapore. Mr. Russell Davison has held a series of other senior investment banking positions in Hong Kong, Singapore and London during his career. Mr. Russell - Davison served as the Non - Executive Chairman at Softlogic Finance PLC. He is a Non-Executive Independent Director at Amana Bank PLC.

He graduated from the University of Western Australia in 1991 with a Bachelor of Arts in Asian History and Politics.

Mr. Shanker Somasunderam

Mr. Somasunderam studied and qualified in the United Kingdom as a Chartered Management Accountant and became a Fellow Member of CIMA (U.K.).

In 1994, he founded Lanka Bell Ltd and was an Executive Director and became the Deputy Chairman of Lanka Bell Ltd until he divested his shares in Lanka Bell in 2005.

He acquired controlling interest of Browns Group of Companies in 2005 and was appointed to the Board of Browns Group of Companies as the Deputy Chairman and thereafter appointed as the Group Director from 1st July 2006. He divested his stake in Browns Group of Companies in December 2015.

Currently, Mr. Somasunderam is the Chairman and Managing Director of Bricks Developers (Pvt) Ltd, a Property Development Company which is engaged in the business of building apartments.

Mr. Haresh Kaimal

Mr. Haresh Kaimal is a co-founder of the Softlogic Group and a Director since its inception. With over 3 decades of experience in IT and Operations, he heads the Group IT division which oversees the entire Group requirements in Information Technology covering all sectors.

He is an Executive Director of Softlogic BPO Service (Pvt) Ltd, Director of Softlogic Holdings PLC, Softlogic Finance PLC, Softlogic Life Insurance PLC, Odel PLC, and many other group companies.

Corporate Governance

Governance Framework

Softlogic Capital PLC has a well-defined and well-structured corporate governance framework in place to support the Board's aim of achieving long term and sustainable shareholder value. Even though the framework is robust, it is imperative that it is supported by the right culture, values and behaviors, both at the top and throughout the entire organization.

The Company places strong emphasis on complying with the requirements of the Code of Best Practices on Corporate Governance Code jointly issued by the Securities and Exchange Commission (SEC) and the Institute of Chartered Accountants of Sri Lanka (CASL) as well as the rules on Corporate Governance issued by the Colombo Stock Exchange (CSE). Although the organization monitors its compliance with these mandatory requirements, our corporate governance process is intensified further as a system of checks and balances in order to ensure that the Company's sound corporate governance practices are in the best interests of all our stakeholders and the organization as a whole.

The Company's approach to manage financial and non-financial resources ensures the alignment of Company objectives with the long-term interests of its stakeholders. This creates an environment where every transaction with every stakeholder can be seen as an opportunity to support the sustainable development of the economy in which the Company operates.

Our corporate governance framework is structured in a manner which reflects both the governing body and the system in which it operates. While it is closely connected to the assignment of rights and responsibilities across the organization and other partners, the framework strives to provide challenge, clarity and accountability to all stakeholders.

Code of Best Practice on Corporate Governance (Issued jointly by the SEC and CA Sri Lanka)						
The Company				**Shareholders**		**Sustainability Reporting**
The Board	Directors' Remuneration	Relations with Shareholders	Accountability and Audit	Institutional Investors	Other Investors	
A1-A11	B1-B3	C1-C3	D1-D6	E1-E2	F1-F2	G

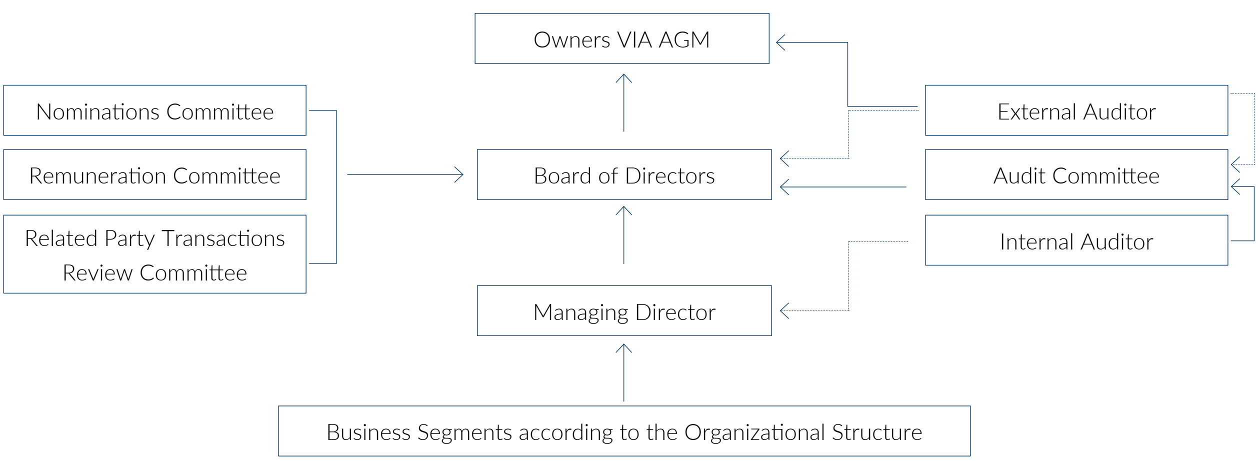
The Board

An Effective Board
(Principle A.1)

The Board of Softlogic Capital PLC comprises of 7 renowned professionals whose profiles are given on pages 23 to 24. Directors are elected by shareholders at the Annual General Meeting, with the exception of the Managing Director who is appointed by the Board, and remain as Executive Director until expiry or termination of such appointments. Casual vacancies are filled by the Board, based on the recommendations of the Board Nomination Committee as provided for in the Articles of Association.

The Board provides strategic direction and sets in place a sufficiently robust governance structure and policy framework to facilitate value creation to stakeholders in accordance with applicable laws and regulations.

Governance Framework



Board Sub-Committees

There are 4 Board Sub-Committees that have been established considering the business needs of the Company and best practice in corporate governance as described below.

Board Sub-Committee	Areas of Oversight	Composition
Audit Committee - AC	• Financial Reporting • Internal Controls • Internal Audit • External Audit Refer the report of the AC on pages 42 to 45 for more information	Comprises 03 Independent Non-Executive Directors. The Managing Director, Head of Finance and Group Head of Internal Audit attend the meetings by invitation together with other relevant Key Management Personnel (KMP). The Company Secretary acts as the Secretary to the Committee
Nomination Committee – NC	• Selection and appointment of Directors and KMP • Succession planning • Evaluating the effectiveness of the Board and its Committees Refer the report of the NC on page 46 for more information	Comprises 02 Independent Non-Executive Directors and 01 Non- Executive Director. Executive support is provided by the Human Resources Department whenever required. The Company Secretary acts as the Secretary to the Committee.
Remuneration Committee – RC	• Remuneration of Managing Director and KMP • HR Policies including Remuneration Policy • Organizational structure Refer the report of the RC on page 47 for more information.	Comprises 02 Independent Non-Executive Directors and 01 Non- Executive Director. The Company Secretary acts as the Secretary to the Committee.
Related Party Transactions Review Committee - RPTRC	• Related Party Transactions Policy and Processes • Market disclosures on related party Transactions • Quarterly and annual disclosures of related party transactions • Refer the report of the RPTRC on pages 48 to 49 for more information.	Comprises 03 Independent Non-Executive Directors. The Company Secretary acts as the Secretary to the Committee.

Regular Meetings

(Principle A 1.1)

During 2022/23 the Board held 04 scheduled meetings. The Board Committees also met regularly as summarized below.

Details of the Main Board and Board Sub-Committees as at 31 March 2023

	Main Board		Board Audit Committee		Board Nomination Committee		Board Remuneration Committee		Board Related Party Transactions Review Committee	
	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA
Mr. A K Pathirage	C	30-Aug-10			C	03-May-11	C	03-May-11		
Mr. T M I Ahamed	M	30-Aug-10	I						I	
Mr. R J Perera	M	30-Aug-10								
Mr. W L P Wijewardena	M	04-Mar-11	C	03-May-11	M	03-May-11	M	03-May-11	C	06-Feb-14
Mr. A M Pasqual	M	17-Mar-11	M	03-May-11	M	03-May-11	M	03-May-11	M	06-Feb-14
Mr. A Russell-Davison	M	24-Jan-17								
Mr. V S Somasunderam	M	10-Sep-17	M	01-May-18					M	30-May-18
Mr. A C M Lafir (Resigned w.e.f. 26th June 2023)	M	02-July-18								

DOA – Date of Appointment Status – C – Chairman/M – Member/I – Participated by Invitation

Composition of the Main Board and Board Sub-Committee as at 31 March 2023

	Executive Members	Non-Executive Members	Independent Members	Non-Independent Members	Gender		Age Group	
					Male	Female	Below 60 Years	Over 60 Years
Main Board	1	7	3	5	8	Nil	2	6
Board Audit Committee	1*	3	3	1*	3	Nil	Nil	3
Board Nomination Committee	Nil	3	2	1	3	Nil	1	2
Board Remuneration Committee	Nil	3	2	1	3	Nil	1	2
Board-Related Party Review Committee	1*	3	3	Nil	3	Nil	Nil	3

* Attended by invitation

Corporate Governance

Number of Meetings Held and Attendance

	Main Board		Board Audit Committee		Board Nomination Committee		Board Remuneration Committee		Board Related Party Transactions Review Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr. A K Pathirage	4	4				1	1	1		
Mr. T M I Ahamed	4	4								
Mr. R J Perera	4	4								
Mr. W L P Wijewardena	4	4	4	4	1	1	1	1	4	4
Mr. A M Pasqual	4	4	4	3	1	1	1	1	4	4
Mr. A Russell-Davison	4	3								
Mr. V S Somasunderam	4		4	4					4	4
Mr. A C M Lafir – (Resigned w.e.f 26th June 2023)	4	4								

Board Responsibilities

(Principle A 1.2)

Role of the Board

- Represent and serve the interests of the shareholders by overseeing and appraising the Company's strategies, policies and performance
- Optimise performance and build sustainable value for shareholders in accordance with the regulatory framework and internal policies
- Establishing an appropriate governance framework encompassing compliance with the Company's values
- Ensure regulators are apprised of the Company's performance and any major developments

Key Board Responsibilities

- Formulation and implementation of a sound business strategy;
- Ensure that the Managing Director (MD) and management team possess the skills, experience and knowledge to implement the strategy;
- Adoption of an effective MD and Key Management Personnel succession / strategy;
- Set up effective systems to secure integrity of information, internal controls, business continuity and risk management;
- Compliance with laws, regulations and ethical standards;
- Ensure all stakeholder interests are considered in corporate decisions;
- Add sustainable business development in Corporate Strategy, decisions and activities;
- Ensure the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations
- Selection, appointment and evaluation of the performance of the Managing Director
- Developing a suitable corporate governance framework and policies
- Appointment and oversight of External Auditors
- Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. Powers Reserved for the Board
- Approving major capital expenditure, acquisitions and divestitures and monitoring capital management
- Appointment of Board Secretary
- Power to seek professional advice in appropriate circumstance at the expense of the Company
- Review, amend and approval of governance structures and policies

The Board provides guidance in formulating the Company's 3 year strategic plan which is prepared and presented by the Corporate Management to the Board who reviews and approves the same at a Special Board meeting convened for the purpose. Performance vis-à-vis the strategic plan is monitored at Quarterly Board meetings whilst specialised areas identified for oversight by Board Sub Committees have been monitored and progress and concerns reported to the Board.

The Board is assisted by the following Sub-Committees in fulfilling their role:

- The Board Audit Committee assists the Board in ensuring effective systems to secure integrity of information, internal controls and adopting appropriate accounting policies and fostering compliance with financial regulation.
- The Board Nomination Committee supports the Board in ensuring that the Managing Director and other Key Management Personnel have the necessary skills, experience and knowledge to implement strategy and also reviews succession plans for the Company and for the Managing

Director and Key Management Personnel.

- The Board Remuneration Committee assists the Board in formulating formal and transparent procedure for developing policy on remuneration for executive directors, senior management and other staff of the Company. They recommend annual increments, bonuses and changes in prerequisites and incentives and ensure that no director is involved in setting his own remuneration package.
- Board Related Party Transactions Review Committee assists the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules that required mandatory compliance.

Act in Accordance with Laws

(Principle A.1.3)

The Board is collectively and individually committed to meet all compliance requirements applicable to the Company. Furthermore, the Board is empowered to seek independent professional advice from external parties whilst performing their duties for effective directorship functions at the Company's expense.

Access to advice and services of Company Secretary

(Principle A.1.4)

All Directors are able to obtain the advice and services of the Company Secretaries and the appointment and removal of the Company Secretary are matters involving the whole Board under recommendation of the Board Nomination Committee as it is a Key Management Position. The Company Secretaries responsibilities are summarised below:

- Matters pertaining to the conduct of Board Meetings and General Meetings
- Conduct of proceedings in accordance with the Articles of Association and relevant legislation
- Co-ordinating the publication and distribution of the Company's Annual Report
- Maintaining registers of shareholders, company charges, Directors and secretary, Directors' interests in shares and debentures, interests in voting shares, debenture holders, interests register and the seal register
- Filing statutory returns/information with the Registrar General of Companies
- Adoption of best practice on corporate governance including facilitating and assisting the Directors with respect to their duties and responsibilities, in compliance with relevant legislation and best practice
- Acting as a channel of communication and information for Non-Executive Directors and shareholders
- Disclosures on related parties and related party transactions as required by laws and regulations
- Monitoring and ensuring compliance with the listing rules and managing relations with the CSE
- Obtaining legal advice in consultation with the Board on company law, SEC, CSE and other relevant legislations in ensuring that the Company complies with all applicable laws and regulations.

Independent judgment

(Principle A.1.5)

The Board comprises of senior professionals who are well recognised personalities in their respective field and collectively contribute their skills, perspectives and experience to the Board enriching the discussion and debate on matters set before them. As experienced professionals, they bring their independent judgment on issues of strategy, performance, resources, key appointments and standards of business conduct into the Company. The composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors and minimises the tendency for one or few members of the Board to dominate the Board processes or decision-making.

Dedicate Adequate Time and Effort to Matters of the Board and the Company

(Principle A.1.6)

All Directors have invested adequate time and effort to matters of the Board and the Company, to ensure that their duties and responsibilities owed to the Company are satisfactorily discharged and are aware of the importance of dedicating sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting to ensure that Directors have sufficient time to review the same and call for additional information or clarifications, if required. While there is provision to circulate Board papers closer to the meeting, in exceptional circumstances, this is generally discouraged. Members of the Corporate Management and external experts make representations to the Board and Board Sub-Committees on the business environment, regulatory changes, operations and other developments on a regular basis to facilitate enhancing the knowledge of the Board on matters relevant to the Company's operations. Furthermore, the Directors on a regular basis are involved in evaluating Board memorandums and circular resolution.

Training for Directors

(Principle A.1.7)

Every Director receives appropriate training when first appointed to the Board, and subsequently as necessary relating to both general aspects of directorship and matters specific to the Company. The Board regularly reviews and agree the training and development needs of the Directors and based on the assessment all directors have adequate knowledge, skill and experience and are continuously updated with the latest developments in the Business Environment. In addition, directors engage in continuous professional development in relation to their respective fields of expertise.

Division of Responsibilities between the Chairman and CEO

(Principle A.2)

The positions of the Chairman and the Managing Director have been separated where the Chairman is responsible for the effective conducting of the business of the board and the Managing Director is responsible for the management of the Company business to be in-line with best practice in order to maintain a balance of power and authority which ensures that no one individual has unfettered powers of decision making. The Chairman is a Non-Executive Director whilst the Managing Director is an Executive Director appointed by the Board. The roles of the Chairman and the Managing Director are clearly defined in the Board Charter.

The Chairman's Role

(Principle A.3)

The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of the duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with Key Management Personnel, acting as a sound Board on strategic and operational matters. And also, the Chairman ensures that all directors are encouraged to make an effective contribution with their respective capabilities, balance of power between Executive and Non-Executive directors are maintained and the views of directors on issue under consideration are ascertained. The agenda for each Board Meetings is determined by the Chairman in consultation with the Company Secretaries and Directors wishing to include items on the agenda may request the Chairman to discuss the same.

Financial Acumen

(Principle A.4)

The Board consists of two Fellow Members of the Institute of Chartered Accountants of Sri Lanka and one Fellow Member of the Chartered Institute of Management Accountants (UK), ensuring a sufficiency of financial acumen within the Board on matters of finance. Additionally, other Directors on the Board are luminaries in their respective fields with sufficient financial acumen.

Board Balance

(Principle A.5)

The Board comprises Seven Non-Executive Directors and one Executive Director as at 31 March 2023. Out of all the Non-Executive Directors, three Non-Executive Directors are independent of Management and free of business or other relationships that could materially interfere with or be perceived to interfere with the exercise of their unfettered and independent judgment.

The independence of the Non-Executive Directors was reviewed on the basis of the detailed criteria mentioned below;

A Director would not be independent if he:

1. Has been employed by the Company, subsidiary or parent of the Company during the period of two years immediately preceding appointment;

2. Currently has or has had within last two years immediately preceding appointment as Director, a Material Business Relationship with the Company, whether directly or indirectly;

3. Has a close family member who is a Director or chief executive officer or Key Management Personnel (and/or an equivalent position);

4. Is a significant shareholder of the Company or an officer of, or otherwise associated directly with, a significant shareholder of the Company;

5. Has served on the Board of the Company continuously for a period exceeding nine years from the date of the first appointment;

6. Is employed in another company or business:

- In which a majority of the other directors of the Company are employed or are Directors; or
- In which a majority of the other Directors of the Company have a Significant Shareholding or Material Business Relationship; or
- That has a Significant Shareholding in the Company or with which the Company has a Business Connection;

7. Is a Director of another company:

- In which a majority of the other Directors of the Company are employed or are Directors; or
- That has a Business Connection with the Company or Significant Shareholding in the Company;

8. Has a Material Business Relationship or a Significant Shareholding in another company or business:

- In which a majority of the other Directors of the Company are employed or are Directors; and/or
- Which has a Business Connection with the Company or Significant Shareholding in the same.

Non-Executive Directors	Employment by the Company	Material Business Relationship	Close family member is a KMP	Significant shareholding	Service of nine or more years	Business Relationship	Director in another entity	Shareholder in another company
Mr. A K Pathirage	✓	✓	✓	✓	x	✓	x	x
Mr. R J Perera	✓	✓	✓	✓	x	✓	x	x
Mr. W L P Wijewardena	✓	✓	✓	✓	x	✓	✓	✓
Mr. A M Pasqual	✓	✓	✓	✓	x	✓	✓	✓
Mr. A Russell-Davison	✓	✓	✓	✓	✓	✓	x	✓
Mr. V S Somasunderam	✓	✓	✓	✓	✓	✓	✓	✓
Mr. A C M Lafir (Resigned w.e.f 26th June 2023)	✓	✓	✓	✓	✓	✓	x	✓

✓ Compliant x Do not meet the independent criteria

The board noted that Mr. W. L. P. Wijewardena and Mr. A.M. Pasqual, who served as independent directors do not satisfy the criteria for 'Independence' in that they have continuously been a director of the Company exceeding nine years from the date of their first appointment. However, the Board taking into account all of the circumstances in that being professionals and have considerable experience in the commercial sphere, the Board is satisfied that their judgements will be exercised in the same manner as a qualified independent director.

All Non-Executive Directors submit annual declarations against the specified criteria in the Schedule H to the Code and those are evaluated by the Board to determine the independence or non-independence of each Non-Executive Director to ensure compliance with the Code based on the specified criteria and other information available to the Board.

The Chairman holds a meeting at least once a year with only the Non-Executive Directors without the presence of the Executive Director. Directors' concerns regarding matters which are not resolved unanimously are recorded in the Board minutes.

Supply of Relevant Information

(Principle A.6)

Board members receive information regarding matters set before the Board, 7 days prior to the meetings and the Chairman ensures that all Directors are properly briefed on same by requiring the presence of KMP, when deemed necessary. Management also makes presentations on regular agenda items to the Board and its Sub-Committees. Additionally, the Directors have access to KMP, to seek clarifications or additional information on matters presented to the Board. Directors who are unable to attend a meeting is updated on proceedings through formally documented minutes which are also discussed at the next meeting to ensure follow up and proper recording.

Appointments to the Board

(Principles A.7)

The Board Nomination Committee is responsible for setting in place a formal and transparent procedure for the appointment of new Directors and further information regarding the operations of this committee are given on page 46 They receive resumes of the potential candidates recommended by the Board in the event of a vacancy of a Non-Executive Director and review same in order to make recommendations to the Board which may include an interview with the candidate. The process for appointment of Executive Directors is similar with the exception being that candidates may be selected from amongst the Key Management Personnel, of the Company. The Board Nomination Committee also assesses annually the combined knowledge and experience of the Board in relation to the Company's strategic plans to identify additional requirements which are addressed when incumbent Directors come up for re-election. Appointments of new Directors are promptly communicated to the CSE and shareholders. These communications typically include a brief resume of the Director, relevant expertise, key appointments, shareholding, and directorships in other entities and whether he is independent or not.

Re-Election

(Principle A.8)

Newly appointed directors elect at the first Annual General Meeting (AGM) following their appointment, but are available for re-election by the shareholders at the same meeting. One third of the Non-Executive Directors are required to resign by rotation, but may stand for re-election at the AGM

Appraisal of Board Performance

(Principle A.9)

The role played by the Board and its Sub-Committees collectively in providing a strong strategic direction as well as prudent risk management is critical for the realization of the long-term vision of the Company while generating sustainable value for all its stakeholders. This means that it is important that the Board should periodically appraise its own performance in order to ensure that it adequately meets its responsibilities as set out in the Board Charter as well as facilitates continuous improvement individually and collectively in the performance of the Board.

The assessment of the Board is carried out as a Self-Assessment by the Board of Directors. The Board and its committees periodically appraise their own effectiveness in executing their duties and meeting its responsibilities as set out in the Board Charter. The Nominations Committee has been given the responsibility of evaluation of the self-appraisals of the Directors and provide their recommendation to the Board.

Disclosure of Information in Respect of Directors

(Principle A.10)

Information specified in the Code with regard to Directors are disclosed in this Annual Report as follows:

- Name, qualifications, expertise, material business interests, key appointments and brief profiles of the directors on pages 23 to 24.
- Other business interests on pages 50 to 52.
- Memberships of Board committees, status of Directorship, attendance at Board Meetings and Board Sub Committee meetings are on pages 25 to 37.
- Remuneration paid under Note 46 to the Financial Statements on page 160.

Appraisal of Managing Director

(Principle A.11)

The Board agrees the criteria which are in line with the short, medium and long term objectives of the Company for assessing performance in consultation with the Managing Director at the beginning of the year and assesses performance based on same at the close of the financial year. The evaluation is formally approved within 3 months of the close of the financial year. This takes into account performance vis-à-vis the targets, the operating environment and considers whether the explanations provided are reasonable for areas where performance has been below agreed targets. The Board is supported by the Board Remuneration Committee in this process.

Directors' Remuneration

Directors' and Executive Remuneration

(Principle B.1)

The Board Remuneration Committee is responsible for making recommendations to the Board regarding the remuneration of Executive Directors. This vibrant committee comprises entirely of Non-Executive Directors and majority of them also meet the criteria for independence as set out in the Code. They consult the Chairman and the Managing Director regarding the same and also seek professional advice whenever deemed necessary in discharging their responsibilities. Remuneration for Non-Executive Directors is set by the Board as a whole. Remuneration for Executive Directors is set with reference to the Remuneration and Benefit Policy. The above processes ensure that no individual Director is involved in determining his or her own remuneration.

The Level and Make Up of Remuneration

(Principle B2)

It is the responsibility of the Board Remuneration Committee to ensure that the remuneration of both Executive and Non-Executive Directors is sufficient to attract well-known professionals to the Board and retain them as contributing members in driving the performance of the Company. And also, the Committee ensures that Remuneration for Non Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration and benefits of the Executive Directors and Key Management Personnel are determined in accordance with the remuneration policies of the Company which are designed to be attractive, motivating and capable of retaining high performing, qualified and experienced employees in the Company.

Disclosure of Remuneration

(Principle B.3)

The remuneration policy is disclosed on the Report of the Board Remuneration Committee appearing on page 47. The names of the Board Remuneration Committee members are set out on page 47 and the aggregate remuneration paid to Executive and Non-Executive Directors is given in Note 46 to the Financial Statements on page 160.

Relations with Shareholders

Constructive use of the AGM

(Principle C.1)

The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, Appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007. The Chairman ensures the presence of the Chairman of the Board Audit Committee, Board Remuneration Committee, Board Nomination Committee and Board Related Party Transaction Review Committee to respond to any questions that may be directed to them by the Chairman. Notice of the AGM is circulated 15 working days in advance together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM.

Communication with Shareholders

(Principle C.2.)

The Company will engage with shareholders and the investment community at large codifying its current practices which are in compliance with the Companies Act, SEC, CSE requirements and the Code of Best Practice on Corporate Governance.

The Company has multiple channels of communication with its shareholders which including a dedicated investor relations section in the Company website at http://www.softlogiccapital.lk , press releases and notices in English, Sinhala and Tamil newspapers and required disclosures to the CSE which are published on the CSE website. The Interim Financial Statements are published on the CSE website within 45 days except in the fourth quarter in which it is done within two months. It is also the intention of the Board to ensure that the Annual Report provides a balanced review of the Company's performance which is comprehensive but concise.

Major and Material Transactions

(Principle C.3)

Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base. Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, Directors should disclose to shareholders the purpose and all material facts of such transaction and obtain shareholders' approval by ordinary resolution at an extraordinary general meeting.

There were no actual or proposed transactions which requires prior approval from shareholders which would materially alter the Company's or Group's net asset base nor any major related party transactions as disclosed in the Directors' Report on page 50 All other related party transactions are disclosed in Note 46 to the Financial Statements on page 160.

Accountability and Audit Financial Reporting

(Principles D.1)

The Annual Report presents a balanced review of the Company's financial position, performance and prospects which have been presented combining both narrative and visual elements to ensure that the content is understandable. Care has been exercised to ensure that all statutory requirements are complied with in the Annual Report and in the issue of interim communications on financial performance which are reviewed by the Audit Committee and approved prior to publication. The following disclosures as required by the Code are included in this Report:

- Annual Report of the Board of Directors presented on page 50 includes the disclosures required as per Principle D.1.3 of the Code

- Statement of Directors' Responsibility on page 53 contains a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements

- Independent Auditors' Report on pages 58 to 59 includes a statement of their responsibilities

- Statement of going concern of the Company is set out on page 53 in the Statement of Directors' Responsibility and page 50 of the Annual Report of the Board of Directors.

- In the unlikely event of the net assets of the Company falling below 50% of Stated Capital, the Board will summon an Extraordinary General Meeting to notify the shareholders of the position and to explain the remedial action being taken. The Financial Statements clearly explain the movement of net assets during the year. Refer page 160 for details.

- Related Party transactions are disclosed on page 50 of the Directors' Report and in Note 46 in the Financial Statements on page 160 and the process in place is described in the Report of the Board Related Party Transactions Review Committee on page 48.

Internal Control and Audit Committee

(Principle D.2 and D.3)

The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder interests and assets of the Company. Board Audit Committee assists the Board in discharge of its duties in relation to internal controls. Their responsibilities are summarised in the respective Committee reports appearing on pages 42 to 45 and have been formulated with reference to the requirements of the Code.

The Board Audit Committee comprises 3 Non-Executive Independent Directors. A summary of their responsibilities and activities are given in the Report of the Board Audit Committee on pages 42 to 45. It is supported by the Internal Audit function of the Company who report directly to the Audit Committee.

Corporate Governance

The Chairman of the Board Audit Committee is Mr. W. L. P. Wijewardena, a Fellow member of The Institute of Chartered Accountants of Sri Lanka.

Code of Business Conduct and Ethics and Corporate Governance Report

(Principles D.4 and D.5)

The Company has an internally developed Code of Conduct and Business Ethics which is applicable to all employees. The Code of Business Conduct and Ethics is in compliance with the requirements of the Schedule I of the Code of Best Practice on Corporate Governance. The Board Remuneration Committee reviews the Code of Business conduct and Ethics to ensure that it is sufficient and relevant with reference to the current operations of the Company.

This Section on corporate governance from pages 25 to 37 complies with the requirement to disclose the extent of compliance with the Code of Best Practice on Corporate Governance as required in Principle D5.

Shareholders Institutional Shareholders

(Principles E)

The Company has 6,285 voting ordinary shareholders of which 5.3% are institutional shareholders. We have a regular structured dialogue with the large institutional shareholders and the Chairman is responsible in communicating of any concerns of these institutional shareholders expressed at the meetings to the Board as a whole. Institutional Investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating Companies' governance arrangements, particularly those relating to Board structure and composition.

Other Investors

(Principal F)

The information disseminated by the Company is adequate for individual shareholders to undertake an analysis of the Company and/or seek independent investment advice regarding the prospects of the Company. Please refer to the Annual Financial Statements on pages 60 to 165.

All shareholders are given adequate notice of General Meetings and provided with all the necessary information to make informed decisions at Meetings. Please refer to Notice of the Meeting on page 176.

Additionally, the information on Investor Relations on pages 166 to 170 has key information required by shareholders and analysts.

Sustainability Reporting

(Principle G)

Sustainability principles form part of the operations of the Company and our subsidiaries. They are considered in formulating our business strategy.

Statement of Compliance under section 7.10 of the Rules of the Colombo Stock Exchange (CSE) on Corporate Governance (Mandatory Provisions) as at 31 March 2023

Rule	Requirement	Status of Compliance	Comments
7.10.1	Non-Executive Directors (NED) At least two or 1/3 of the Board, whichever is higher should be NEDs	Yes	7 out of 8 Board members are NEDs
7.10.2(a)	Number of Independent Directors Two or 1/3 of NEDs appointed to the Board of Directors, whichever is higher shall be 'independent	Yes	3 out of 7 NEDs are Independent Directors
7.10.2(b)	Declaration of independence Each NED is required to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in Listing Rules	Yes	Each Non-Executive Director has submitted the annual declaration in the specimen format declaring of his independence or non-independence against the specified criteria.
7.10.3	Disclosures relating to directors		
	(a) The names of Non-Executive Directors determined to be 'independent'	Yes	The Board has made a determination for the financial year as to the independence or non-independence of each non-executive director based on such declaration and other information made available to the Board. The names of Non-Executive Directors determined to be 'independent' are on pages 50 to 52.

Rule	Requirement	Status of Compliance	Comments
	(b) In the event a Director does not qualify as 'independent' against any criteria set out in the Rules, however the Board is of the opinion that the Director is nevertheless 'independent', the Board shall specify the criteria not met and the basis for its determination	Yes	Please refer Annual Report of the Board of Directors on the Affairs of the Company on pages 50 to 52.
	(c) A brief resume of each Director including information on the nature of his/her expertise in relevant functional areas	Yes	Please refer Board of Directors section of the Annual Report on pages 23 to 34.
7.10.4	Criteria for Defining Independence		
	Requirements for meeting the criteria for an Independent Director:	Yes	Refer Corporate Governance Section on pages 25 to 37 of the Annual Report
7.10.5	Remuneration Committee		
7.10.5(a)	Composition The remuneration committee shall comprise; of a minimum of two independent NEDs; or of NEDs a majority of whom shall be independent, whichever shall be higher.	Yes	The Remuneration Committee comprises of three Non-Executive Directors, of which two are independent and Mr. A. K. Pathirage, who is a Non-Executive Director acts as the Chairman
7.10.5(b)	Functions The Committee shall recommend to the Board the remuneration payable to the Executive Directors and Chief Executive Officer	Yes	Please refer the Remuneration Committee Report on page 47.
7.10.5(c)	Disclosures in the Annual Report		
i ii ii	Names of Directors comprising the Remuneration Committee Statement of the remuneration policy The aggregate remuneration paid to Executive and Non-Executive Directors		Please refer the Remuneration Committee Report on page 47 Please refer Annual Report of the Board of Directors on the Affairs of the Company on pages 50 to 52.
7.10.6	Audit Committee		
7.10.6(a)	Composition The Committed shall comprise; of a minimum of two independent NEDs; or of NEDs a majority of whom shall be independent, whichever shall be higher; One NED shall be appointed as Chairman of the committee by the Board of Directors Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer shall attend audit committee meetings; The Chairman or one member of the Committee should be a Member of a recognized professional accounting body;	Yes	The Audit Committee comprises of three Independent Non-Executive Directors. Mr. W L P Wijewardena (INED) acts as the Chairman of the Committee. The Managing Director, Head of Finance and Head of Internal Audit attend meetings of the Committee by invitation. The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka

Rule	Requirement	Status of Compliance	Comments
7.10.6(b) i ii iii iv v	Functions Oversee the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards; Oversee compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements; Oversee processes to ensure internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards; Assessment of the independence and performance of the external auditors; To make recommendations to the Board on appointment, re-appointment and removal of external auditors and approve remuneration and terms of engagement	Yes	Please refer the Audit Committee Report on pages 42 to 45.
7.10.6(c)	Disclosures in the Annual Report		
	The names of the Directors comprising the Audit committee The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination A report by the Committee setting out the manner of compliance in relation to the above	Yes	Please refer the Audit Committee Report on pages 42 to 45.

Statement of Compliance under section 9.2 to 9.3 of the Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions as at 31 March 2023

Rule	Requirement	Status of Compliance	Comments
9.2.1	Except for transactions set out in Rule 9.5, all other Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee"	Yes	Please refer the Related Party Transactions Review Committee Report on pages 48 to 49.
9.2.2	The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition of the Committee may also include Executive Directors at the option of the Listed Entity. One Independent Non-Executive Director shall be appointed as Chairman of the Committee	Yes	The Related Party Transactions Review Committee is comprised with 3 Independent Non Executive Directors.
9.2.3	If the Parent Company and the Subsidiary Company both are listed entities, the Related Party Transactions Review Committee of the Parent Company may be permitted to function as such Committee of the Subsidiary	Yes	The Company has a separate Related Party Transactions Review Committee from the Parent Company.
9.2.4	Relate Party Transaction Review Committee shall meet once a calendar quarter	Yes	The Committee conducted meetings at each quarter in the financial year.

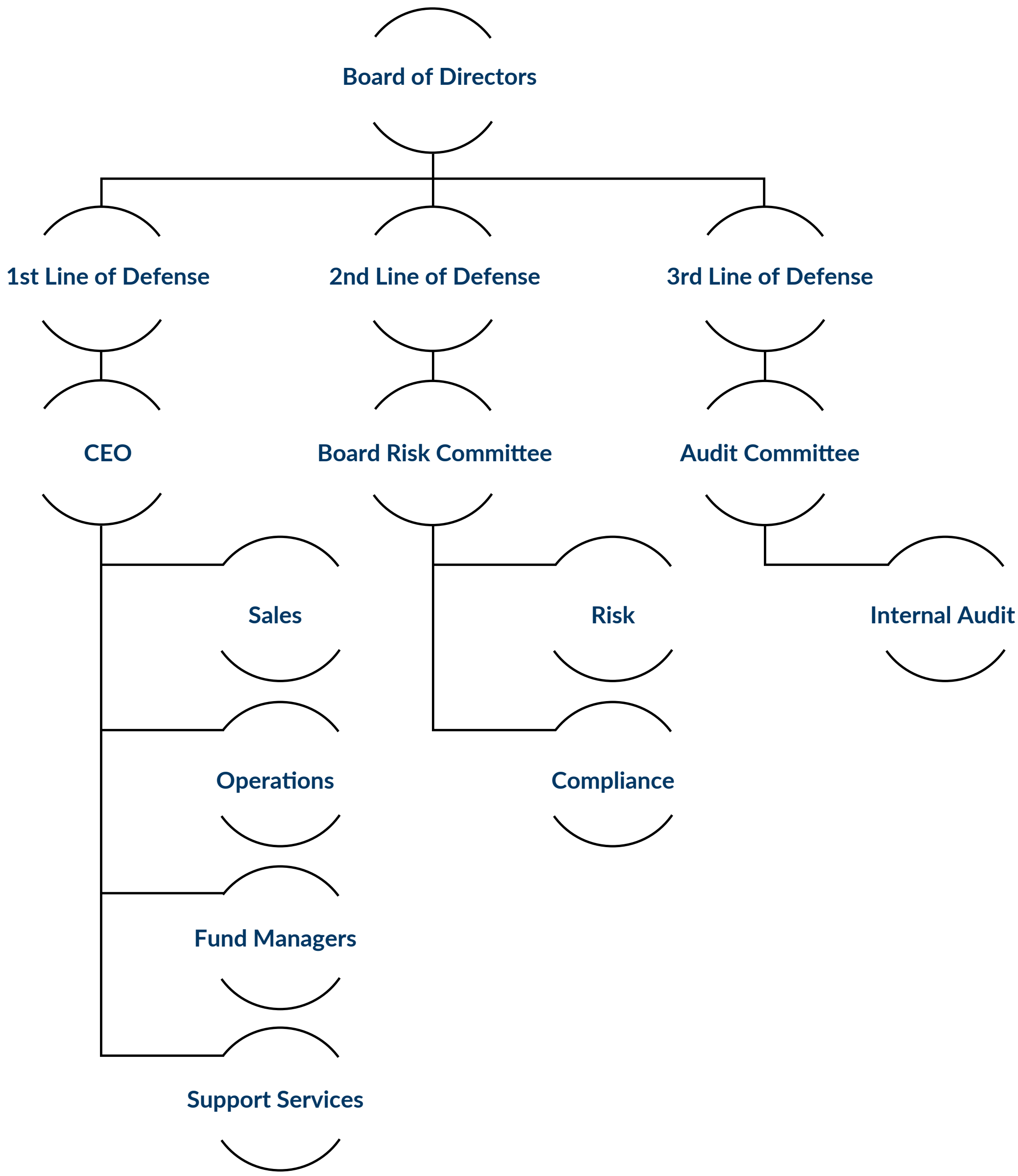
Rule	Requirement	Status of Compliance	Comments
9.3.2 (a) and (b)	Information on non-recurrent related party transactions, if aggregate value of the non-recurrent related party transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements information on recurrent related party transactions, if the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue/income as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent related party transactions entered into during the financial year in the Annual Report. The name of the related party and the corresponding aggregate value of the related party transactions entered into with the same related party must be presented in the specified format	Yes	Please refer Note 46 in the Notes to the Financial Statements section for the disclosure for non-recurrent related party transactions
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee		Please refer pages 48 to 49 for the Related Party Transaction Review Committee Report
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s		Please refer Director's Responsibility Statement in Pages 53 to 54 for the statement.

Risk Management

Risk management plays a pivotal role and is considered a focal point in all business unit within Softlogic Capital. Given the importance of Risk Management, a comprehensive and integrated approach is taken towards Risk Management and is embed into its strategic plans and day to day business activities and is considered a method of protecting the value of the business units and its business activities by enabling the business to make informed decisions based on the defined risk appetite and manage expected returns. This has resulted in the Group following Risk Management Principles that drive the ERM approach and aid in achieving the Group's Risk Management Objectives.

The Risk Management Framework embeds a clear and concise risk governance structure, which ensures clear demarcations within the First, Second and Third Lines of Defense. It also ensures a structured process for risk identification and mitigation, which results in proactive identification of events or circumstances relevant to the organization's objectives (risks and opportunities) and assess them in terms of likelihood and magnitude of impact, thereby determining a response strategy, and monitoring its progress, so that it may protect and create value for the Company's stakeholders, including owners, employees, customers, regulators, and society.

The Risk Management processes at Softlogic Capital Group has been built by laying a solid foundation that has been specialized further by adding unique layers to address the requirement and strategy of the Group. It is a 100% "Home Grown" process built bottom up that has evolved over the years and validated as "Appropriate" for the Business by credit rating agencies.



Risk Management Process

The Group has a comprehensive process to ensure the risk management objectives. The following diagram reflect the 04 main pillars of the risk management process of the Group.

Figure: Risk Management Process

Risk Identification

Identification of risks may occur in one or more ways listed below;

a) Direct Observations

b) Incident Analysis

c) Scenario Analysis

d) Structured What – If Analysis

Risks can be identified by individual risk owners or the Risk Unit. The risks identified can be specific to a particular department or be applicable to the Company as a whole and also allows the Risk Unit to identify the area/s that need attention so as to mitigate any future losses and/ or maximize the opportunities present. These risks can be scored and analysed to achieve optimal decision making. The identified risks are reviewed by the Internal Risk Committee after which, they are submitted to the Board Risk Committee for review.

Risk Measurement/ Scoring

The above process remains uniform across all Business Units with the Risk Measurement and Scoring System individualized and specialized to suit each company.

All identified risks are rated according to its likelihood of occurrence and the potential impact on the Business as defined in a pre-defined risk Matrix of the Business Units. The potential impact of a risk is evaluated based on the severity of the impact on business continuity, profit, and the loss of business portfolio.

As such the levels of severity have also been defined as Marginal, Significant, Critical and Catastrophic based on the risk appetites of each SBU.

Risk Monitoring

The risk register comprises of all identified risks that if materialise, would have a material impact on the company. It also comprises of a detailed action plan on how these risks will be analysed, mitigated and eliminated. The register is reviewed and updated on a quarterly basis and presented to the Board risk committee.

Risk Reporting

Reporting is carried out via varying tools such as the Market Risk Report, Strategic and Operational Risk Report, IT Risk Report and other ad-hoc reports to both the Internal Risk Committee and Board Risk Committee of the Company on a quarterly basis.

Risk Management during COVID -19 and economic turmoil

2022/23 was yet another challenging year for Sri Lanka and all business entities within. The challenges faced were completely different to that faced in 2020 and 2021.

The Risk Culture embraced by the organization also resulted in the workforce being equipped with an agile mindset, which allows for smoother transitions under disruptive scenarios. In 2022, the workforce was able to switch immediately to varying methods of work owing to the Fuel Crisis and continue business as usual.

Management of risk specifically related to the economic crisis

Key Risk faced	Mitigation Action	Successful Management (Yes/Now)
Disruptions in Continuity to Business Operations owing to the Fuel Crisis	A detailed and pretested BCP ensured seamless business continuity as well as the well-being of our employees, while servicing our customers at full capacity and meeting key stakeholder expectations. Business Continuity Plans of all Group entities, which are reviewed, tested and approved by the respective Board Risk Committees annually, had several pre-identified critical business functions that were absolutely essential for the Group's sustenance in the event of a crisis situation. Constant awareness, together with compulsory annual awareness sessions for all critical teams identified and routine Physical and IT Disaster Recovery Simulations ensured employee familiarity with BCP protocols.	✓

Risk Management

Key Risk faced	Mitigation Action	Successful Management (Yes/Now)
Market Risks	**Continuous and Dynamic Market Risk Management** involved the monitoring of movements of key global and local economic indicators and frequent stress testing carried out as part of Market Risk Mitigation, enabled the Risk Unit to pre-warn the companies on impacts arising from extreme volatilities of key economic indicators. Assessing the sensitivity to the said volatilities also enabled the Group to understand the resulting impacts on the Group's; ✓ Investment Portfolio ✓ Unrealized / realized losses via the same ✓ Impacts via the existing Asset and Liability mismatch ✓ Asset Quality and potential credit risks ✓ Capital Adequacy Ratio ✓ Solvency Ratio	✓
Sovereign Risks	Resulting risks and impacts on the Group's exposure to International Sovereign Bonds and Sri Lanka Development Bonds were assessed under multiple scenarios. Based on the impact assessment, prudent and cautious treatment has been evaluated and decided through 2022/23.	✓
Interest Rate Risks	The dynamic Market Risk Management as detailed above has resulted in the Group understanding the strategies required to mitigate and allow for opportunities from varying interest rate scenarios. The continuous increase of rates through 2022/23, resulted in the Group strategizing on maximizing the movement of rates, whilst fully understanding the factors and time frame of when the trend will reverse and preparing for the same.	✓
Lapse Risk	Scenario/stress testing and sensitivity analysis of key Insurance Risks also allowed the company to understand the impacts that could arise in the event of lapse risks owing to inflation and limited disposable income. This resulted in a focused renewal campaign and focused KPI's on persistency that were monitored through 2022/23.	✓
Inflation Risk / Claims Risk	The Group experienced an increase in the claim ratio through 2022/23. Extensive analysis was conducted to identify the causes behind the increase and the following was identified: ✓ Medical Inflation ✓ Increase in the frequency of claims related to Dengue and Lower Respiratory Tract Infections Detailed discussions around the above took place at the Board Risk Committee of the Life Insurance Company which provided direction on mitigating the same via increases in premiums across selected components of the portfolio	✓
USD Liquidity Risk	The severe shortage of FCY experienced in Sri Lanka, impacted the Group's payments to reinsurers. The Group put in motion a payment plan and leveraged relationships with reinsurers so that retention risks were managed	✓

Risk Landscape of the Group

Strategic Risks

Economic and Political Risk
Competitor Risk

Financial Risks

Interest Rate Risk
Exchange Rate Risk
Equity Risk
Credit Risk
Asset and Liability Risk

Insurance Risks

Product design and pricing risk
Underwriting and Claims Risk
Lapse Ris
Reisnurance Risk

Operational Risks

Internal and External Fraud
Business disruptions and Failiures
Explomyement practices and workplace safety
Legal and Compliance risks
Damage to physical riskss
Execution, delivery and process manahement

Regulatory Risks

Reputation Risks

Key Risks Rating

		Group
1.	Economic and Political Risk	●
2.	Interest Rate Risk	●
3.	Credit Risk	●
4.	Asset Liability Risk	●
5.	Competitor Risk	●
6.	Regulatory Risk	●
7.	Reputation Risk	●
8.	Operational Risks (Non-IT)	●
9.	IT Risks	●
10.	Insurance Risks	●

Audit Committee Report

Committee Composition and Attendance

Name	Position	Attendance
Mr. W. L. P. Wijewardena (Chairman)	Independent Non - Executive Director	4/4
Mr. A. M. Pasqual	Independent Non - Executive Director	3/4
Mr. S. Somasunderam	Independent Non - Executive Director	4/4

The Board Audit committee ("the Committee") appointed by and responsible to the Board of Directors comprises of three (3) Independent Non-Executive Directors.

Rules on Corporate Governance under "Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance", issued by The Institute of Chartered Accountants of Sri Lanka further regulate the composition, roles and functions of the Committee.

The committee conducted proceedings in accordance with the terms of reference approved by the Board. The Board has determined that the committee possesses an adequate blend of financial and industry expertise in order to efficiently carry out its duties.

Expertise of the Committee

The Chairman of the Audit committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka (FCA) and holds a Masters Degree in Business Administration (MBA) from the Post Graduate Institute of Management, University of Sri Jayewardenepura. Each of the members of the Committee has a depth of financial expertise and collectively, the Committee has considerable financial experience on which to draw. The Committee members also bring a multitude of varied expertise and knowledge to the Audit Committee, which enables the effective conduct of operations. More information on the Committee members including the experience, qualifications and expertise may be sourced through the brief profiles on pages 23 to 24 of the Annual Report.

Committee Meetings

The Audit Committee conducted four (4) meetings during the year. Attendance by the Committee members at each of these meetings is given in the above table. The minutes of the Audit Committee meetings were tabled at each Board Meeting on a regular basis. Any individual member of the Committee has the opportunity to raise specific issues at the meetings. The undersigned was in regular contact with the Management including the Head of Finance and Group Head of Internal Audit during the year on the matters coming under the purview of the Committee.

Secretary to the Committee

The Company's Board Secretary Messrs. Softlogic Corporate Services (Pvt) Ltd functions as the secretary to the Audit Committee.

Regular Attendees by Invitation

- Managing Director
- Head of Finance
- Head of Internal Audit

The Corporate Management team and the External Auditors attend to the meetings as and when required.

Committee Charter

The Board Audit Committee ("the Committee") of Softlogic Capital PLC (the Company) is a standing committee of the Board of Directors ("Board"). The role of the Audit Committee is to assist the Board in satisfying its oversight responsibilities for the integrity of the financial statements of the Company, the internal control and risk management system of the Company and its compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the adequacy and performance of the Internal Audit function. The scope of functions and responsibilities are set out in the terms of reference of the Committee which has been affirmed by the Board and is reviewed annually.

The composition, role and the functions of the Board Committee is further regulated by the Rules on Corporate Governance under Listing Rules of the "Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance", issued by The Institute of Chartered Accountants of Sri Lanka. The effectiveness of the Committee is assessed annually by each member of the Committee and the results are conveyed to the Board.

Objectives

The Committee is empowered by the Board of Directors to:

1. Ensure that the financial reporting system is well managed and able to provide accurate and timely financial information to the Board of Directors, regulators and shareholders.

2. Review the appropriateness of accounting policies and to ensure that the financial statements are prepared in accordance with Sri Lanka Accounting standards (SLFRSs and LKASs), Companies Act No 7 of 2007 and other relevant laws and regulations.

3. Evaluate the adequacy, efficiency and the effectiveness of the Company's internal control system including controls relating to financial statement reporting and risk management measures to ensure that the risk management framework of the Company is implemented effectively to avoid, mitigate or transfer current and evolving risks.

4. Ensure that the conduct of the business is in compliance with the applicable laws and regulations of the country and the policies and procedures of the Company.

5. Monitoring and reviewing the activities and performance of the internal, external and outsourced auditor/s, including monitoring their independence and objectivity.

6. To evaluate ability to continue as a going concern into the foreseeable future.

7. Ensure impact of new Accounting standards are discussed and disclosed to shareholders. The Audit Committee is empowered to seek any information it so desires from the Management and staff of the Company or from external parties whilst reserving the right to meet the external/ internal auditors exclusively as and when required. Furthermore, the Committee is authorised to retain independent legal, accounting or other advisors in order to achieve the objectives stated above.

Continuous Professional Development

The Committee is conscious of the need to keep its knowledge up to date and Committee members participated at presentations and workshops conducted internally and externally on relevant topics.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

1. FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the Company's quarterly and annual financial statements, prior to publication, with Management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards (SLFRSs and LKASs), the appropriateness and changes in accounting policies and material judgmental matters. The Committee also discussed with the External Auditors and Management the matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year. The Committee, in acknowledgement of its responsibility to monitor the financial reporting process of the company, reviewed the following areas, in consultation with the External Auditors and the Management where necessary:

- Significant accounting and reporting issues
- Developments in the financial reporting framework
- Reviewed consistency and appropriateness of the accounting policies adopted by the company to ensure compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's)
- Disclosure requirements and other applicable accounting and financial reporting requirements such as the Companies Act No. 07 of 2007.
- Reviewed all four (4) Quarterly financial statements and the Annual Financial Statements for the year 2022/23 of the Company prior to its publication,
- Reviewed the impact of new Accounting standards

2. INTERNAL AUDIT, RISKS AND CONTROLS

The Committee monitors the effectiveness of the internal audit function and is responsible for effectiveness of the internal control systems to ensure that processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in preparation and presentation of Financial Statements and is responsible for approving their appointment or removal and for ensuring they have adequate access to information required to conduct their audits. During the year, the Committee reviewed the internal audit plan and recommended changes and further monitored the progress on regular basis.

The scope of internal audit includes the review of the adequacy, effectiveness and efficiency of the internal controls and the action taken to mitigate operational and business risks. In addition, they monitor and report on compliance with statutory regulations and the Company's accounting and operational policies. The internal audit representatives are present at Audit Committee Meetings during discussions relating to their respective audit reports. The Committee ensured that the Internal Audit Function is independent of the activities it audited and that it was performed with impartiality, proficiency and due professional care.

The Committee annually evaluates the independence and resources of the Internal Audit Function and every quarter assesses the progress of Internal Audit Strategy which comprises of progress, key audit findings, results of the implementation of audit recommendation and other key initiatives by the Internal Audit Function; High risk audit findings are discussed in detail at each Committee meeting with the associated recommendations and the response from the Management.

3. EXTERNAL AUDIT

The Committee conducted meetings with the External Auditors to discuss the audit scope and plan. Discussions were also carried out between the Committee, the Management and the External Auditors regarding the coordination of the audit effort to assure the External Auditors have the access to required information and co-operation from all employees and regularly overlooked the implementation of the prescribed corrective actions. The External Auditors were given adequate access to the Audit Committee as well as to all relevant information

Audit Committee Report

required. The Committee met with the external auditor one time during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit and auditor's independence. The External Auditors were provided with an opportunity of meeting Non-Executive Directors of the Committee separately without the Executive Director and the Corporate Management being present. This is to ensure the independence of the auditors to discuss their opinion on any matter. In addition to above, following factors were discussed at the audit committee during 2022/23;

- Discussing the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors prior to commencement of the annual audit.
- Discussing all relevant matters arising from the final audit, and any matters the Auditor may wish to discuss, including matters that may need to be discussed in the absence of Key Management Personnel. The Committee members evaluated the Scope, Deliverables, Resources and Quality Assurance Initiatives for the year of the External Auditor, Messrs Ernst and Young.

Independence and Objectivity of the External Auditor

The Audit Committee undertook the annual evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process. As far as the Audit Committee is aware, Auditors do not have any relationship (other than that of Auditors) with the Company. The Committee has also received a declaration from Messrs Ernst and Young, Chartered Accountants as required by the Company's Act No 07 of 2007, confirming that they do not have any relationship with the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance 2013 issued by CA Sri Lanka and the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

Provision of Non-Audit Service

The Committee reviewed the non-audit services provided by the auditors to ensure that the provision of these services does not impair their independence. The Committee sets out guidelines for the engagement of the External Auditor to provide non-audit services, taking into account:

- Skills and experience for providing the particular non-audit service.
- The nature of non-audit services, the related fee levels individually and in aggregate, relative to the audit fee.

The Board Audit Committee reviewed these guidelines for engagement of the external auditor to provide non-audit services. Further, the Committee was of the view that such services were not within the category of services identified as prohibited under the Guidelines for Listed Companies on Audit and Audit Committees issued by the Securities and Exchange Commission of Sri Lanka.

Re-Appointment of External Auditors

The Board Audit Committee has the primary responsibility for making recommendations to the Board on the appointment, reappointment or removal of the External Auditor in-line with professional standards and regulatory requirements. The Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young, Chartered Accountants be reappointed as Auditors for the financial year ending 31 March 2023 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendation to the Board with regards to the remuneration of the Auditors.

4. COMPLIANCE WITH RULES AND REGULATIONS

The Committee examines the systems and procedures that are in place to ensure compliance with applicable regulatory requirements via the Compliance Report prepared by the Senior Manager - Finance.

5. SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS's and LKAS's) applicable to the Company and made recommendation to the Board of Directors. The committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

6. CORPORATE GOVERNANCE

The Company is fully compliant with the applicable rules on corporate governance under the listing rules of the Colombo Stock Exchange (CSE). In addition, the Company is in substantially compliant with the Code of Best Practice on Corporate Governance 2013 issued by CA Sri Lanka.

7. ETHICS, GOOD GOVERNANCE AND WHISTLE BLOWING

The Committee continuously emphasised on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Charter was put in place and followed for educating and encouraging all members of staff to resort to whistleblowing, if they suspect wrong doings or other improprieties. The highest standards of corporate governance and adherence to the Group's Code of Ethics were ensured.

All appropriate procedures were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means. The Whistle-Blowers Charter guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers.

8. COMMITTEE EVALUATION AND PROFESSIONAL DEVELOPMENT

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution on the overall performance of the Company, the Committee has been rated as highly effective.

9. PROFESSIONAL ADVICE

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

10. CYBER SECURITY REVIEW

The Committee assessed the actions taken to mitigate the cybersecurity risk of the Group. The Committee emphasized the importance of maintaining sound controls to protect cyberattacks specially with the initiation of Work from Home (WFH) arrangement.

11. CONCLUSION

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operated effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. The Company's External Auditors have been effective and independent throughout the year. In addition, the Committee observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, codes of ethics and standards of conducts have been followed. The committee is also satisfied that the application of appropriate accounting policies provides reasonable assurance that the financial statements of the group are true and fair.

(Sgd.)
W. L. P. Wijewardena
Chairman – Audit Committee

Colombo, Sri Lanka
31 August 2023

Nomination Committee Report

Composition of the committee and attendance

The Nomination Committee ("the Committee") appointed by Board of Directors consists of the following members whose profiles are given on pages 23 to 24. The Committee's attendance at meetings are provided below.

Name	Position
Mr. A. K. Pathirage (Chairman)	Non - Executive Director
Mr. W. L. P. Wijewardena	Independent Non - Executive Director
Mr. A. M. Pasqual	Independent Non - Executive Director

Terms of Reference of the Board Nominations Committee

The Nomination Committee was established to ensure the Board's oversight and control over the selection of Directors. The committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision on the matter. The Committee focuses on the following objectives in discharging its responsibilities.

- To implement a procedure to select Directors to the Board
- Provide advice and recommendations to the Board or the Chairman on any such appointment
- To ensure that the Directors are fit and proper persons to hold office
- To consider and recommend the reelection of current Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.
- A member of Nominations Committee opts out in decisions relating to his own appointment.

Board Nomination Committee Meetings

The Committee meets as and when required.

Professional Advice

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

Conclusion

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring the diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current needs at Board level.

(Sgd.)
A. K. Pathirage
Chairman - Nomination Committee

Colombo, Sri Lanka
31 August 2023

Remuneration Committee Report

Composition of the committee and attendance

The Remuneration Committee ("the Committee") appointed by Board of Directors consists of the following members whose profiles are given on pages 23 to 24. The Committee's attendance at meetings are provided below.

Name	Position	Attendance
Mr. A. K. Pathirage (Chairman)	Non - Executive Director	1/1
Mr. W. L .P. Wijewardena	Independent Non - Executive Director	1/1
Mr. A. M. Pasqual	Independent Non - Executive Director	1/1

Terms of Reference of the Board Remuneration Committee

As per the Charter of the Remuneration Committee of the Company, the Committee is responsible for setting the remuneration policy of the Company and determining remuneration packages of all Senior Managers and Directors. The Committee also discusses and advises the Managing Director on structuring remuneration packages for the Corporate Management. This enables the Company to attract, retain and motivate high caliber individuals with the skills and abilities required to lead the organization.

Board Remuneration Committee Meetings

The Committee meets at least once in every financial year.

Professional Advice

The committee has the authority to seek external professional advice on matters within its purview whenever required.

The Year Ahead

The Committee will continue to review the Remuneration Policy and Remuneration structures for its KMP and its other employees and make recommendations on the above mentioned in order to ensure the Company is in a position to attract, motivate and retain the best of human resources.

(Sgd.)
A. K. Pathirage
Chairman - Remuneration Committee

Colombo, Sri Lanka
31 August 2023

Related Party Transactions Review Committee Report

Name	Position	Attendance
Mr. W. L. P. Wijewardena (Chairman)	Independent Non - Executive Director	4/4
Mr. A. M. Pasqual	Independent Non - Executive Director	4/4
Mr. S. Somasunderam	Independent Non - Executive Director	4/4

The Related Party Transactions Review Committee which is appointed by the Board of Directors of the Company, consists of the above Independent Non- Executive Directors who possess in depth expertise and knowledge in Finance. Additional information on the committee members may be sourced through the profile descriptions on pages 23 to 24 of this report.

The Committee met four (04) times during the financial year ended 31 March 2023, and the attendance of committee members at meetings is stated in the above table.

The Committee has reviewed the related party transactions during the financial year and has communicated the observations to the Board of Directors.

On the invitation of the Committee, the Managing Director and Head of Finance attended to these meetings.

Messrs Softlogic Corporate Services (Pvt) Ltd functions as the Company Secretaries to the Related Party Transactions Review Committee.

Committee Charter

The Related Party Transactions Review Committee was established by the Board of Directors to assist the Board in reviewing all related party transactions carried out by the Company in terms of the CSE Listing rules that required mandatory compliance with effect from 01 January 2016.

Accordingly, except for exempted transactions, all other Related Party Transactions are required to be reviewed by the Related Party Transactions Review Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company.

Terms of Reference of the Committee

Terms of Reference (TOR) covers the responsibilities of Related Party Transactions Review Committee in terms of the CSE Listing Rules.

The TOR mentions the constitution and the composition of the Committee; that the Chairman should be a Non - Executive Independent Director; at least once in every quarter the Committee should meet, and these are in conformity with the provisions of the said Section in the Listing Rules. It sets out the guidelines on Related Party transactions and its reporting.

The Terms of Reference (TOR) of the Related Party Transactions Review Committee was approved by the Board of Directors and is reviewed annually as per regulatory and operational requirements.

The core objective of the Related Party Transactions Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules.

The Related Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

Objectives, Responsibilities and Duties

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- Reviewing Related Party Transactions of the Company except those explicitly exempted under the Listing Rules;
- Adopting policies and procedures to review Related Party Transactions of the Company and set out guidelines and methods for the capturing and reviewing of Related Party Transactions;
- Assessing whether the Related Party Transactions are in the best interests of the Company and its Shareholders as a whole;
- Updating the Board of Directors on the RPT of the Company on a quarterly basis and determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- To set out guidelines and methods for the capturing and reviewing of Related Party Transactions based on the nature of such transactions in line with the business of the Company as Recurrent Related Party Transactions and Non - Recurrent Related Party Transactions for Senior Management.
- Advising the Board in making immediate market disclosures and other appropriate disclosures on applicable RPT as required by Section 9 of the Continuing Listing Requirements of the CSE.

- Monitoring compliance with the Code of Best Practices on Related Party Transactions issued by the SEC.

Key Functions Performed During the Year Under Review

Details relating to the non - recurrent and recurrent Related Party Transactions which require additional disclosures based on the respective thresholds specified in the Section 9 to the Listing Rules of the Colombo Stock Exchange are disclosed in Note 46 to the financial statements. Details of other Related Party Transactions entered into by the Company during the above period is also disclosed in Note 46 to the financial statements.

The annual review of the RPT policy was carried out during the year 2022/23, and committee did not recommend any changes to the policy, and same has been submitted for the Board approval.

Guiding Principles of the Committee

The Related Party Transactions Review Committee in ensuring that all transactions with related parties of the Company are treated on par with other shareholders and constituents of the Company, issues guidelines to the Senior Management setting the necessary processes to identify, approve, disclose and monitor all transactions with related parties and the threshold limits and agreed upon terms and conditions with respect to related party transactions.

Methodology of the Committee

In accordance with the Guiding Principles, self-declarations are obtained from each Director and Key Management Personnel (KMP) of the Company for the purpose of identifying parties related to the Directors and KMPs. Hence, the Company adopts a disclosure-based approach in identifying the related parties. Based on the information furnished in these declarations, the Company has set-up a process which enables the Company to generate data on related party transactions throughout the Company's network.

The Committee is supported with its task of reviewing related party transactions by way of the confirmation reports of the Management on related party transactions that took place during each quarter. These reports primarily confirm to the Committee if a related party transaction occurred based on at arms-length basis or not and the reasons for conducting such transactions with a related party.

If a member has a material personal interest in a matter being considered or a Related Party Transaction involves directly or indirectly one of the members of this Committee, the conflicted member informs the Committee immediately and exclude himself at the meeting and such member is not present while the matter is being considered at the meeting and abstains from voting on the matter.

Professional Advice

The Committee has assessed and/or ensured that they have access to internal and external resources and may seek the advice of the External Auditors of the Company, Counsel or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee with respect to any Related Party Transaction and obtain such advice as and when necessary.

The Year Ahead

The Committee will continue to review RPT in order to ensure the Company is in compliance with its stipulated framework governing Related Party Transactions.

(Sgd.)
W. L. P. Wijewardena
Chairman – Related Party Transactions Review Committee

Colombo, Sri Lanka
31 August 2023

Annual Report of the Board of Directors

The Directors of Softlogic Capital PLC have pleasure in presenting to the members of their report together with the Audited Financial Statements of the Company and the Audited Financial Statements of the Group for the year ended 31 March 2023.

GENERAL

The Company was incorporated as a limited liability company on 21 April 2005 under the Companies Act No. 17 of 1982 as Capital Reach Holdings Limited. It was re-registered under the Companies Act No. 07 of 2007 on 27 November 2008 under Registration No. PB 779. The name of the Company was changed to Softlogic Capital Limited on 26 November 2010. The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on 21 September 2011 and consequent thereto, its name was changed to Softlogic Capital PLC on 22 May 2012 and was assigned with PB 779PQ as its new number.

Principal Activities and Nature

The principal activities of the Company are making investments and providing financial and management consultancy services. A review of the business of the Company and its performance during the year with comments on financial results, future strategies and prospects are contained in the Chairman's Message on page 6. This Report together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary companies.

Future Developments

An indication of likely future developments is set out in the Chairman's Review on page 6. In the ordinary course of business the company develops new products and services in each of its business segments.

Performance Review

The Financial Statements reflect the state of affairs of the Company and the Group. This report forms an integral part of the Annual Report of the Board of Directors.

Summarized Financial Results

	Group 31.03.2023 (Rs.)	Company 31.03.2023 (Rs.)
Revenue	32,687,232,444	1,489,183,316
Loss for the year	(2,390,630,968)	(1,118,401,750)

Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board of Directors and the Auditors are included in this Annual Report and forms part and parcel hereof.

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 the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirement of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. A Statement in this regard is given on pages 53 to 54.

Independent Auditor's Report

The Report of the Auditors on the consolidated Financial Statements of the Company is given on pages 56 to 59.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 68 to 87 Figures pertaining to the previous periods have been re-stated where necessary to conform to the presentation for the year under review.

Property, Plant & Equipment

The details and movement of property, plant and equipment during the year under review is set out in Note 31 to the Financial Statements on page 135.

Land Holdings

The Company does not own any land or buildings. The land and buildings owned by subsidiaries are reflected in their respective Statements of Financial Position at their market values.

Stated Capital

The stated capital of the Company as at 31 March 2023 is Rs.3,891,595,200/- represented by 977,187,200 Ordinary Shares.

Events after the Date of the Statement of Financial Performance

No circumstances have arisen, and no material events have occurred after the date of the Statement of Financial Position, which would require adjustments to, or disclose in the accounts other than those disclosed in Note 42 to the Financial Statements.

Related Party Transactions

The Company's transactions with Related Parties, given in Note 46 to the Financial Statements.

DIRECTORATE

The following Directors held Office during the year under review. The biographical details of the Board members are set out on pages 23 to 24

Mr. A. K. Pathirage - Chairman
Mr. T. M. I. Ahamed - Managing Director
Mr. R. J. Perera
Mr. W. L. P. Wijewardena*
Mr. A. M. Pasqual*
Mr. A. Russell-Davison
Mr. S. Somasunderam*
Mr. A. C. M. Lafir - Resigned from the Board w.e.f. 26th June 2023
Mr. H. K. Kaimal - Appointed to the Board w.e.f. 25th August 2023

*Independent Non-Executive Directors

Messrs. A. Russell-Davison and S. V. Somasundaram retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 88 and 89 of the Articles of Association and being eligible are recommended by the Directors for re-election.

In terms of Article 84 of the Article of Association of the Company Mr. H. K. Kaimal retire and being eligible offer himself for eletion.

Re appoint in terms of Section 211 of the Companies Act No. 07 of 2007, Mr. W. L. P. Wijewardena who is 70 years of age as a Director of the Company.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company are as follows:

	No. of Shares as at 31/03/2023	No. of Shares as at 31/03/2022
Mr. A. K. Pathirage	2,847,872	2,847,872
Mr. T. M. I. Ahamed	-	-
Mr. R.J. Perera	-	-
Mr. W. L. P. Wijewardena	242,000	242,000
Mr. A. M. Pasqual	14,200	14,200
Mr. A. Russell-Davison	-	-
Mr. V. S. Somasunderam	-	-
Mr. A. C. M. Lafir (Resigned w.e.f. 26th June 2023)	-	-

Mr. A. K. Pathirage is the Chairman and the major shareholder of Softlogic Holdings PLC which held 755,960,543 shares constituting 77.36% of the issued shares of the company. Messrs. R. J. Perera, A. Russell-Davison and Mr. H. K. Kaimal also serve as Directors of Softlogic Holdings PLC.

Remuneration of Directors

The Directors' remuneration is disclosed under Key Management Personnel in Note 46 to the Financial Statements on page 162.

Directors' Interests in Contracts and Proposed Contracts with the Company

Directors' interests in contracts, both direct and indirect are referred to in Note 46 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the provisions of the Companies Act.

Shareholders' Information

The distribution of shareholders is indicated on pages 166 to 169 of the Annual Report. There were 6,285 registered shareholders as at 31 March 2023 (31 March 2022 – 6,544).

Information on the twenty (20) largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the listing rules of the Colombo Stock Exchange are given on pages 166 to 169 under Investor Information.

Share Information

Information on share trading is given on page 166 of the Annual Report.

Internal Control

The Directors are responsible for the governance of the Company including the establishment and maintenance of the Company's system of internal control. Internal control systems are designed to meet the particular needs of the organization concerned and the risk to which it is exposed and by their nature can provide reasonable, but not absolute assurance against material misstatement or loss. The Directors are satisfied that a strong control environment is prevalent within the Company and that the internal control systems referred to above are effective.

Risk Management

The Group's risk management objectives and policies and the exposure to risks, are set out in pages 38 to 41 of the Annual Report.

Corporate Governance

The Directors confirm that, as at the applicable financial period the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange. The Corporate Governance

Annual Report of the Board of Directors

Statement on pages 25 to 37 explains the practices within the Company in this respect.

Mr. W. L. P. Wijewardena, Mr. A. M. Pasqual and Mr. S. Somasunderam function as Independent Non-Executive Directors of the Company. As per the rules issued by the Colombo Stock Exchange, Mr. W. L. P. Wijewardena and Mr. A. M. Pasqual meet all the criteria of independence except one. Mr. W. L. P. Wijewardena and Mr. A. M. Pasqual had served on the Board of the Company continuously for a period exceeding nine (9) years from the date of their first appointment.

The Board having evaluated all the factors concluded that their independence has not been impaired due to them having served on the Board of the Company continuously for a period exceeding nine (9) years from the date of the first appointment.

The Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee, function as Board Sub Committees, with Directors who possess the requisite qualifications and experience. The present composition of the said Committees is as follows:

Audit Committee
Mr. W. L. P. Wijewardena – Independent Non-Executive Director (Chairman)
Mr. A. M. Pasqual – Independent NonExecutive Director
Mr. S. Somasunderam – Independent Non-Executive Director

Remuneration Committee
Mr. A. K. Pathirage - Non-Executive Director (Chairman)
Mr. W. L. P. Wijewardena – Independent Non-Executive Director
Mr. A. M. Pasqual – Independent Non-Executive Director

Nominations Committee
Mr. A. K. Pathirage – Non-Executive Director (Chairman)
Mr. W. L. P. Wijewardena – Independent Non-Executive Director
Mr. A .M. Pasqual – Independent NonExecutive Director

Related Party Transaction Review Committee
Mr. W. L. P. Wijewardena – Independent Non-Executive Director (Chairman)
Mr. A. M. Pasqual – Independent Non-Executive Director
Mr. S. Somasunderam – Independent Non-Executive Director

The Auditors
The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

The Auditors of the Company, Messrs Ernst & Young, Chartered Accountants were paid Rs.1,288,500 as audit fees for the financial year ended 31 March 2023 (2022 – Rs.1,140,000) by the Company. Details of which are given in Note 20 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company that would have an impact on their independence. The Auditors also do not have any interest in the Company.

Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has recommended to the Board that the existing auditors, Messrs. Ernst & Young, Chartered Accountants be reappointed. Ernst & Young have expressed their willingness to continue in office and ordinary resolution reappointing them as auditors and authorizing the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Going Concern
The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Directors have adopted the going concern basis in preparing the accounts.

Annual General Meeting
The Annual General Meeting of the Company will be held on 26th September 2023 at 10.00 a.m. The Notice of the Annual General Meeting is on page 177 of the Annual Report.

For and on behalf of the Board

(Sgd)	(Sgd)
A. K. Pathirage	**T. M. I. Ahamed**
Chairman	Managing Director

(Sgd)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

31 August 2023
Colombo

Statement of Directors' Responsibility

The Statement sets out the responsibility of the Directors, in relation to the Financial Statements of Softlogic Capital PLC. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the 'Auditors' Report which is given on pages 56 to 59.

In terms of Sections 150 (1) and 151 of the Companies Act No. 07 of 2007, the Board of Directors of the Company are responsible for ensuring that the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company as at end of each financial year and of the financial performance of the Company for each financial year and place them before a general meeting.

The Financial Statements comprise of the Statement of Financial Position as at 31 March 2023, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company and Group give a true and fair view of the:

- Financial position of the Company and Group as at 31st March 2023; and
- The financial performance of the Company and Group for the financial year then ended.

COMPLIANCE REPORT

In preparing these Financial Statements, The Board of Directors also wishes to confirm that:

a. Appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 68 to 87 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;

b. The Financial Statements for the year 2022/23, prepared and presented in this Annual Report have been prepared based on the Sri Lanka Accounting Standards (SLFRSs and LKASs) are in agreement with the underlying books of account and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

c. The appropriate steps have been taken to ensure that the Company maintain proper books of account and review the financial reporting system directly at regular board meetings and also through the Audit Committee. The Report of the said Committee is given on pages 42 to 45. The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the Audit Committee.

d. Proper accounting records which explain the Company's transactions that have been maintained as required by the Section 148 (1) of the Companies Act to determine at any point of time the Company's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act.

e. They accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

f. They have taken reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records.

g. As required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who has expressed a desire to receive a hard copy within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE.

h. That all shareholders in each category have been treated equitably.

i. That the Company has met all the requirements under the Section 7 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable. The directors affirm that the Company complied with rules pertaining to Related Party Transactions under the Section 09 of the Listing Rules of the CSE.

j. After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Corporate Governance issued jointly by the CASL and the SEC, the Directors

Statement of Directors' Responsibility

have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements of the Company and Group.

k. The Financial Statements of the Company and Group has been certified by the Company's Chief Financial Officer (i.e Senior Manager - Finance), the officer responsible for their preparation, as required by the Sections 150 (1) (b) of the Companies Act No. 07 of 2007 and also have been signed by two Directors of the company on page 63 as required by the Sections 150 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirements;

l. The Company's External Auditors, Messrs. Ernst and Young who were appointed in terms of the Section 158 of the Companies Act No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections that they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 34 to 55.

m. The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or, where relevant, provided for.

Accordingly The Directors are of the view that they have discharged their responsibilities effectively as set out in this Statement.

By Order of the Board;

(Sgd.)
A. K. Pathirage
Chairman

(Sgd.)
T. M. I. Ahamed
Managing Director

Colombo
31 August 2023

Managing Director's/CEO and Chief Financial Officer's Responsibility Statement

The Financial Statements of the Softlogic Capital PLC (the Company) as at 31st March 2023 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Companies Act No. 07 of 2007 ;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Application of Significant Accounting Policies and Estimates that involve a high degree of judgement and complexity were discussed with the Audit Committee and Company's External Auditors. Comparative information has been restated to comply with the current presentation, where applicable.
We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the Cash Flows of the Company during the year under review. We also confirm that the Company has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing and maintaining Internal Controls and Procedures within the Company. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the entity are made known to us for safeguarding assets, preventing and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Procedures of the entity for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Procedures, to the best of our knowledge.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and fraud that involves Management or other employees. The Group's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs. Ernst and Young, Chartered Accountants and their Report is given on pages 56 to 59. The Audit Committee pre-approves the audit and non-audit services provided by Messrs. Ernst and Young, in order to ensure that the provision of such services does not impair Ernst and Young's independence and objectivity.

The Audit Committee (AC), inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to Statutory and Regulatory Requirements, the details of which are given in the 'Audit Committee Report' appearing on pages 42 to 45.

The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the AC, ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the AC to discuss any matter of substance. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the entity has complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

a) The Company has complied with all applicable laws and regulations and guidelines and there is no material litigation against the company.

b) All taxes, duties, levies and all statutory payments by the company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the company as at 31st March 2023 have been paid, or where relevant provided for.

c) The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.

(Sgd.)

Iftikar Ahamed
Managing Director / Chief Executive Officer

(Sgd.)
Anupama Karannagoda
Assistant Vice President - Finance

Colombo
31 August 2023

Independent Auditor's Report

Building a better working world

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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
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ey.com

TO THE SHAREHOLDERS OF SOFTLOGIC CAPITAL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Financial Statements of Softlogic Capital PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and 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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit addressed the key audit matter
Insurance Contract Liabilities Life Insurance Contract Liabilities amounting to Rs.24.5 Bn, represent 36.8% of total liabilities of the Group as at 31 March 2023, and are determined based on an actuarial valuation as described in Notes 2.3.14 and 40 to the financial statements. This was a key audit matter due to: • materiality of the reported Life Insurance Contract Liabilities; • the degree of assumptions, judgements and estimation uncertainty associated with the actuarial valuation of Life Insurance Contract Liabilities and liability adequacy test carried out to determine the adequacy of the carrying value of Life Insurance Contract Liabilities. Key areas of significant judgments, estimates and assumptions used in the valuation of the Life Insurance Contract Liabilities included the following: • The determination of assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rates, discount rates and related claim handling expenses.	Our audit procedures with the involvement of the component auditor included the following : • assessing the competence, capabilities and objectivity of management's actuarial expert involved in the liability valuation process. • performed the audit procedures to test the controls over the process of estimating the insurance contract liabilities. • involved an internal expert to assess the reasonableness of the assumptions used in the valuation of the insurance contract liabilities. • reconciling the movements in insurance contract liabilities during the year with the movements in the financial results. assessed the adequacy of the disclosures and the movement in the insurance contract liabilities in Notes 2.3.14 and 40.

Key Audit Matter	How our audit addressed the key audit matter
IT based Internal controls related to financial reporting Financial reporting processes of insurance and non banking financial institution segments are reliant on IT systems. This was a key audit matter due to: • use of data and reports generated by IT systems that are compiled and formulated with spreadsheets, in the key financial statements disclosures of the non banking financial institution segment and, • many financial reporting controls of the insurance segment being dependent on the correct functioning of operational and financial IT systems. Accordingly, IT based Internal controls related to financial reporting is considered a key audit matter.	Our audit procedures with the involvement of component auditors included the following; • obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures. • identified and test checked relevant controls of key IT systems related to the subsidiaries' financial reporting process. • evaluated the design and operating effectiveness of IT controls, including those related to user access and change management. • checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.
Allowance for expected credit losses on financial assets carried at amortized cost As at 31 March 2023, loan, lease and hire purchase receivables of LKR 20.7 Bn net of impairment allowance of LKR 4 Bn amounted to LKR 16. 7 Bn are disclosed in Notes 26 and 27. These collectively contributed 22.5% to the Group's total assets . This was a key audit matter due to the materiality of the reported allowance for expected credit losses which involved complex calculations; degree of significant judgements and assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgments, estimates and assumptions used by management in the assessment of the allowance for expected credit losses included the following; • Management overlays to incorporate the current economic contraction. • The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.	Our audit procedures included the following; • assessed the alignment of the Company's allowance for expected credit losses computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report. • evaluated the Internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of allowance for expected credit losses policies and procedures by the Board and the management. • checked the completeness, accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Company . • In addition to the above, the following procedures were performed. **For Loan, Lease and Hire Purchase receivables assessed on an individual basis for impairment:** • evaluated the reasonableness of credit quality assessment. • checked the arithmetical accuracy of the underlying individual impairment calculations. • evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts relating to elevated risk industries, debt moratoriums and status of recovery actions of collaterals in forecasting the value and timing of cashflows.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
	For Loan, Lease and Hire Purchase receivables assessed on a collective basis for impairment: • tested key inputs as disclosed in Note 27 and the calculations used in the allowance for expected credit losses. • assessed whether judgements, assumptions and estimates used by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used based on available market data, economic scenarios considered, and probability weighting assigned to each scenario. assessed the adequacy of the related financial statement disclosures set out in Notes 26 & 27 of the financial statements.
Interest Bearing Borrowings As of the reporting date, the Group reported total interest-bearing borrowings of Rs. 21.7 Bn, which represent 32.6% of total liabilities as disclosed in Note 38. This was a key audit matter due to: • the materiality of the interest-bearing borrowings • related disclosures in the financial statements.	**Our audit procedures with the involvement of component auditors included the following;** • assessed the design and effectiveness of controls implemented for the borrowings, monitoring, evaluating and timely reporting on covenant compliances in relation to interest bearing borrowings. • obtained direct confirmations from Financial Institutions for outstanding amounts as of the reporting date. assessed the adequacy and appropriateness of the disclosures made in Note 38 to interest bearing borrowings.

Other information included in the 2022/23 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

The 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group'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 internal controls of the Company and the Group.
- 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No.7 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 1697.

31 August 2023
Colombo

Income Statement

For the year ended 31 March In LKR	Note	Group		Company	
		2023	2022	2023	2022
Interest income	9	10,132,540,025	5,447,003,547	763,784,349	96,964,552
Net Earned Premium	10	20,458,557,682	19,165,724,038	-	-
Fee and trading income	11	325,488,669	666,703,217	129,485,084	126,565,163
Other income and gains	12	1,171,485,176	1,947,325,948	10,929,981	166,630,030
Net realized gains	13	196,743,422	284,364,372	-	-
Net fair value gains / (losses)	14	283,819,758	(108,283,254)	-	-
Dividend income	15	118,597,711	29,893,003	584,983,902	593,135,579
Total operating income		**32,687,232,443**	**27,432,730,871**	**1,489,183,316**	**983,295,324**
Direct expenses					
Interest expenses	16	(6,264,902,431)	(2,487,082,301)	(2,147,379,739)	(587,341,744)
Net claims and net acquisition cost	17	(14,788,416,408)	(10,781,208,166)	-	-
Other direct expenses	18	(125,286,146)	(169,619,259)	(18,010,466)	(9,753,622)
Credit loss expense on financial assets and other losses	19	(3,423,987,181)	(1,919,551,670)	-	-
Net operating income/(loss)		**8,084,640,277**	**12,075,269,475**	**(676,206,889)**	**386,199,958**
Administrative expenses		(5,492,160,111)	(4,684,930,215)	(208,365,294)	(129,537,653)
Distribution costs		(863,611,574)	(665,989,831)	(13,870,941)	(24,051,166)
Change in insurance contract liabilities		(1,948,266,096)	(4,713,849,494)	-	-
Other operating expenses		(406,634,748)	(243,099,909)	(753,875)	(20,938,122)
Profit/(loss) before tax for the year	**20**	**(626,032,252)**	**1,767,400,026**	**(899,196,999)**	**211,673,017**
Tax expense	21	(1,764,598,716)	(742,124,015)	(219,204,751)	(4,773,196)
Profit/(loss) after tax for the year		**(2,390,630,968)**	**1,025,276,011**	**(1,118,401,750)**	**206,899,821**
Profit/(loss) after tax for the year attributable to;					
Equity holders of the parent		(3,443,125,870)	99,004,678		
Non-controlling interests		1,052,494,902	926,271,333		
		(2,390,630,968)	1,025,276,011		
Basic earnings/(loss) per share	22	(3.52)	0.10	(1.14)	0.21

Figures in brackets indicates deductions.

The accounting policies and notes from pages 68 to 165 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 March In LKR	Note	Group 2023	Group 2022	Company 2023	Company 2022
Profit/(loss) for the year		(2,390,630,968)	1,025,276,011	(1,118,401,750)	206,899,821
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods					
Net loss on financial instruments at fair value through other comprehensive income		(256,180,333)	(592,279,527)	-	-
Net other comprehensive loss to be reclassified to income statement in subsequent periods		(256,180,333)	(592,279,527)	-	-
Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods					
Net loss on equity instruments at fair value through other comprehensive income		(411,567,176)	(301,784,490)	(12,365,149)	(49,259,884)
Revaluation of land and buildings		18,065,000	65,494,561	-	-
Re-measurement gain / (loss) on defined benefit plans	41.2	35,766,925	1,157,705	(29,460)	66,438
Net other comprehensive loss not to be reclassified to income statement in subsequent periods		(357,735,251)	(235,132,224)	(12,394,609)	(49,193,446)
Tax on other comprehensive loss	21.2	(8,293,818)	(9,519,379)	-	-
Total Other comprehensive income/(loss) for the year, net of tax		(622,209,402)	(836,931,130)	(12,394,609)	(49,193,446)
Total comprehensive (loss) for the year		**(3,012,840,370)**	**188,344,881**	**(1,130,796,359)**	**157,706,375**
Attributable to :					
Equity holders of the parent		(3,750,284,048)	(322,347,856)		
Non-controlling interests		737,443,678	510,692,737		
		(3,012,840,370)	**188,344,881**		

Figures in brackets indicates deductions.

The accounting policies and notes from pages 68 to 165 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March In LKR	Note	Group		Company	
		2023	2022	2023	2022
ASSETS					
Cash and cash equivalents	23	1,534,034,946	1,204,596,848	80,616	2,966,681
Amounts due from related companies	46	6,588,308	9,177,484	23,574,854	46,929,843
Other assets	24	2,714,211,207	2,604,932,801	58,725,627	15,724,357
Income tax receivable	37.1	258,190,765	254,134,779	-	-
Financial assets recognized through profit or loss	25.1	4,057,009,201	4,099,833,043	-	-
Financial assets measured at fair value through other comprehensive income	25.2	2,324,850,123	2,918,294,800	171,603,171	183,968,321
Other financial assets at amortised cost	25.3	42,753,554,869	34,112,932,668	3,345,220,361	2,005,930,826
Loans and advances	26	8,842,788,482	9,323,826,328	-	-
Lease and hirepurchase receivables	27	7,816,461,877	11,262,883,980	-	-
Investment in subsidiaries	28	-	-	9,605,552,869	8,756,429,555
Deferred tax asset	42.1	428,669,722	1,095,871,780	-	219,204,750
Right of use assets	29	653,070,434	704,387,253	191,490,632	249,496,824
Investment Property	30	103,237,000	103,237,000	-	-
Property, plant and equipment	31	1,044,529,703	1,107,472,781	3,234,830	4,317,683
Intangible assets	32	1,537,028,984	1,688,855,692	3,920,084	-
TOTAL ASSETS		**74,074,225,621**	**70,490,437,237**	**13,403,403,045**	**11,484,968,840**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	33	3,891,595,200	3,891,595,200	3,891,595,200	3,891,595,200
Reserve fund	34.1	260,448,732	260,448,732	-	-
Fair value reserve	34.2	(1,806,203,820)	(1,467,228,125)	(83,067,326)	(70,702,177)
Revaluation reserve		216,993,842	205,090,245	-	-
Restricted regulatory reserve	34.3	798,004,000	798,004,000	-	-
Non-Distributable Regulatory Loss Allowance Reserve	34.4	1,748,974,244	-	-	-
Retained earnings		(2,729,795,739)	2,448,984,388	(804,064,701)	314,366,509
Shareholders' funds		2,380,016,459	6,136,894,440	3,004,463,173	4,135,259,532
Non-controlling interest		5,158,825,112	5,048,701,414	-	-
Total equity		**7,538,841,571**	**11,185,595,854**	**3,004,463,173**	**4,135,259,532**

As at 31 March In LKR	Note	Group 2023	Group 2022	Company 2023	Company 2022
Liabilities					
Bank overdrafts	23	793,848,377	479,458,875	322,060,550	90,887,124
Trade and other payables	35	5,643,944,500	4,672,566,916	36,603,791	38,367,426
Amounts due to related companies	46	48,082,982	4,731,804	58,215,949	-
Other non financial liabilities	36	257,402,128	166,495,189	3,747,955	565,763
Income tax liabilities	37.2	935,265,514	50,766,916	-	-
Interest bearing borrowings	38	21,685,942,810	15,522,839,661	9,978,144,804	7,219,863,187
Public deposits	39	12,430,946,956	15,582,314,099	-	-
Insurance contract liabilities	40	24,462,093,046	22,559,123,313	-	-
Employee benefit liabilities	41	276,146,368	263,082,607	166,823	25,808
Deferred tax liabilities	42.2	1,711,369	3,462,003	-	-
Total Liability		**66,535,384,050**	**59,304,841,383**	**10,398,939,872**	**7,349,709,308**
TOTAL EQUITY & LIABILITIES		**74,074,225,621**	**70,490,437,237**	**13,403,403,045**	**11,484,968,840**

The Financial Statements are in compliance with the requirements of Companies Act No. 07 of 2007.

(Sgd.)
Anupama Karannagoda
Assistant Vice President - Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of Board by;

(Sgd.)
A. K. Pathirage
Chairman

(Sgd.)
T. M. I. Ahamed
Managing Director

Figures in brackets indicates deductions.
The accounting policies and notes from pages 68 to 165 form an integral part of these financial statements.

31August 2023
Colombo

Statement of Changes in Equity

In LKR	Note	Attributable to equity holders of the parent									
		Stated capital	Reserve fund	Fair Value Reserve	Revaluation Reserve	Restricted Regulatory Reserve	Non-Distributable Regulatory Loss Allowance Reserve	Retained earnings	Total	Non Controlling Interest	Total equity
Group											
As at 31st March 2021		3,891,595,200	260,448,732	(993,743,319)	147,984,005	798,004,000	-	2,218,369,539	6,322,658,157	5,151,153,014	11,473,811,171
Profit for the year		-	-	-	-	-	-	99,004,678	99,004,678	926,271,333	1,025,276,011
Other comprehensive income/(loss) for the year		-	-	(481,811,020)	57,106,240	-	-	3,352,246	(421,352,534)	(415,578,596)	(836,931,130)
Total comprehensive income/(loss)		-	-	(481,811,020)	57,106,240	-	-	102,356,924	(322,347,856)	510,692,737	188,344,881
Transfer of realized gain/loss of equity instruments at FVOCI		-	-	8,326,214	-	-	-	(8,326,214)	-	-	-
Dividend Paid to non controlling interest		-	-	-	-	-	-	-	-	(506,951,872)	(506,951,872)
Changes in ownership interest in subsidiaries		-	-	-	-	-	-	136,584,139	136,584,139	(106,192,465)	30,391,674
		-	-	8,326,214	-	-	-	128,257,925	136,584,139	(613,144,337)	(476,560,198)
As at 31st March 2022		**3,891,595,200**	**260,448,732**	**(1,467,228,125)**	**205,090,245**	**798,004,000**	**-**	**2,448,984,388**	**6,136,894,440**	**5,048,701,414**	**11,185,595,854**
Profit/(loss) for the year		-	-	-	-	-	-	(3,443,125,870)	(3,443,125,870)	1,052,494,902	(2,390,630,968)
Other comprehensive income/(loss) for the year		-	-	(338,975,695)	11,903,597	-	-	19,913,920	(307,158,178)	(315,051,224)	(622,209,402)
Total comprehensive income/(loss)		-	-	(338,975,695)	11,903,597	-	-	(3,423,211,950)	(3,750,284,048)	737,443,678	(3,012,840,370)
Transfer to Non-Distributable Regulatory Loss Allowance Reserve	34.4	-	-	-	-	-	1,748,974,244	(1,748,974,244)	-	-	-
Dividend Paid to non controlling interest		-	-	-	-	-	-	-	-	(633,689,840)	(633,689,840)
Changes in ownership interest in subsidiaries		-	-	-	-	-	-	(3,995,857)	(3,995,857)	6,369,860	2,374,003
Share Issue Expenses		-	-	-	-	-	-	(2,598,076)	(2,598,076)	-	(2,598,076)
		-	-	-	-	-	1,748,974,244	(1,755,568,177)	(6,593,933)	(627,319,980)	(633,913,913)
As at 31st March 2023		**3,891,595,200**	**260,448,732**	**(1,806,203,820)**	**216,993,842**	**798,004,000**	**1,748,974,244**	**(2,729,795,739)**	**2,380,016,459**	**5,158,825,112**	**7,538,841,571**

Figures in brackets indicates deductions.

The accounting policies and notes from pages 68 to 165 form an integral part of these financial statements.

In LKR	Stated capital	Fair Value reserve	Retained earnings	Total
Company				
As at 01st April 2021	3,891,595,200	(21,442,293)	107,400,250	3,977,553,157
Profit for the year	-	-	206,899,821	206,899,821
Other comprehensive income/(loss)	-	(49,259,884)	66,438	(49,193,446)
Total comprehensive income/(loss)	-	(49,259,884)	206,966,259	157,706,375
As at 31 March 2022	**3,891,595,200**	**(70,702,177)**	**314,366,509**	**4,135,259,532**
Loss for the year	-	-	(1,118,401,750)	(1,118,401,750)
Other comprehensive loss	-	(12,365,149)	(29,460)	(12,394,609)
Total comprehensive loss	-	(12,365,149)	(1,118,431,210)	(1,130,796,359)
As at 31 March 2023	**3,891,595,200**	**(83,067,326)**	**(804,064,701)**	**3,004,463,173**

Figures in brackets indicates deductions.

The accounting policies and notes from pages 68 to 165 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March In LKR	Note	Group 2023	Group 2022	Company 2023	Company 2022
Cash flow from operating activities					
Profit before tax		(626,032,252)	1,767,400,026	(899,196,999)	211,673,017
Adjustments for					
Dividend income	15	(118,597,711)	(29,893,003)	(584,983,902)	(593,135,579)
Profit on disposal of property, plant and equipment	12	(29,313,802)	(14,124,116)	-	-
Realized gain	13	(196,743,422)	(284,364,372)	-	-
Fair value gain	14	(283,819,758)	108,283,254	-	-
Amortization of intangible assets	32	157,685,691	157,454,922	138,899	-
Unrealized exchange (gain)/loss		(880,309,225)	(1,599,534,840)	-	11,332,460
Interest expenses	16	6,264,902,431	2,487,082,301	2,147,379,739	587,341,744
Gratuity provision and related costs	41	70,377,315	55,134,368	89,227	22,101
Change in fair value of put option liability	12	-	(154,609,367)	-	(154,609,367)
Credit loss expense on financial assets and other losses	19	3,423,987,181	1,919,551,670	-	-
Amortisation of right of use assets	29	349,331,615	310,716,841	117,542,312	95,058,811
Depreciation	31	170,913,665	187,428,441	1,472,853	1,371,047
Operating profit before working capital changes		**8,302,381,728**	**4,910,526,125**	**782,442,129**	**159,054,234**
(Increase)/decrease in amounts due form related companies		2,589,176	(4,134,999)	23,354,989	(17,762,608)
(Increase)/decrease in other assets		(109,278,403)	(932,064,617)	(43,001,270)	(2,686,496)
(Increase)/decrease in Financial assets recognized through profit or loss		42,823,841	1,460,945,735	-	-
(Increase)/decrease in Financial assets measured at fair value through other comprehensive income		593,444,677	(119,673,576)	-	(46,180,526)
(Increase)/decrease in other financial assets at amortized cost		(10,254,834,495)	(7,713,710,482)	(1,339,289,536)	(1,448,880,125)
(Increase)/decrease in loans and advances		(1,328,737,042)	735,701,715	-	-
(Increase)/decrease in lease and hirepurchase receivables		3,446,422,103	(6,000,179,890)	-	-
Increase/(decrease) in trade and other payables		971,377,590	1,147,393,323	(1,763,635)	3,758,704
Increase /(decrease) in amount due to related companies		43,351,178	4,402,484	58,238,277	(714,972)
Increase /(decrease) in other non financial liabilities		90,906,938	27,296,029	3,182,192	(1,647)
Increase/(decrease) in insurance contract liabilities		1,902,969,734	4,611,129,493	-	-
Increase/(decrease) in public deposits		(3,151,367,143)	999,997,856	-	-
Cash (used in) / generated from operations		**552,049,882**	**(872,370,804)**	**(516,836,854)**	**(1,353,413,436)**
Tax paid		(338,898,498)	(25,242,139)	-	-
Interest paid		(5,072,324,669)	(2,397,806,560)	(1,443,649,557)	(495,971,616)
Gratuity paid	41	(21,889,428)	(53,591,837)	-	-
Net cash used in operations		**(4,881,062,713)**	**(3,349,011,340)**	**(1,960,486,412)**	**(1,849,385,052)**

For the year ended 31 March In LKR	Note	Group 2023	Group 2022	Company 2023	Company 2022
Cash flows from investing activities					
Dividend income	15	118,597,711	29,893,003	584,983,902	593,135,579
Investment in subsidiaries		-	-	(849,123,314)	(2,209,276,065)
Proceeds from non controlling interest		2,374,003	34,183,179	-	-
Proceeds on disposal of property plant & equipment		160,786,471	15,338,946	-	-
Purchase of property, plant & equipment and intangible assets		(164,876,889)	(108,063,118)	(4,448,983)	(965,400)
Net cash (used in) / generated from investing activities		**116,881,296**	**(28,647,990)**	**(268,588,395)**	**(1,617,105,886)**
Cash flows from financing activities					
Subsidiary dividend paid to non-controlling interest	47.1	(633,689,840)	(506,951,872)	-	-
Proceeds from right issue	33	-	-	-	-
Proceeds from long term borrowings		3,589,604,404	4,708,239,789	2,730,725,304	2,462,725,000
Repayment of long term borrowings		(3,431,713,812)	(4,659,353,465)	(915,000,000)	(1,490,886,644)
Payment of principal portion of lease liability	38.2.1	(406,932,544)	(362,955,883)	(161,561,673)	(125,562,884)
Proceed/(repayment) from short term borrowings		5,661,961,805	3,892,179,646	340,851,684	2,352,421,248
Net cash generated from financing activities		**4,779,230,013**	**3,071,158,215**	**1,995,015,315**	**3,198,696,720**
Net increase / (decrease) in cash and cash equivalents		15,048,596	(306,501,115)	(234,059,491)	(267,794,218)
Cash & cash equivalents at the beginning of the year		725,137,973	1,031,639,088	(87,920,443)	179,873,775
Cash and cash equivalents at the end of the year (Note A)		**740,186,569**	**725,137,973**	**(321,979,934)**	**(87,920,443)**
A Cash & cash equivalents					
Cash & bank balances	23	1,534,034,946	1,204,596,848	80,616	2,966,681
Bank overdrafts	23	(793,848,377)	(479,458,875)	(322,060,550)	(90,887,124)
		740,186,569	**725,137,973**	**(321,979,934)**	**(87,920,443)**

Figures in brackets indicates deductions.

The accounting policies and notes from pages 68 to 165 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Softlogic Capital PLC (the "Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at Level 16, One Galle Face Tower, Colombo 02. Ordinary shares of the company are listed on the Colombo stock exchange.

1.2 Consolidated Financial Statements

The Financial statements for the year ended 31 March 2023, comprise "the Company" referring to Softlogic Capital PLC, as the holding company "the Group" referring to the companies that have been consolidated therein.

1.3 Approval of the financial statements

The Financial Statements for the year ended 31 March 2023 were authorized for issue by the Board of Directors on 31 August 2023.

1.4 Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

1.5 Statement of compliance

These financial statements comprises with the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

1.6 Principal activities and nature of operations

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are Investment Management, Insurance, leasing, hire purchase, granting loans, pawn broking, Stock-brokering, management of unit trusts and providing management consultancy and financial advisory services.

1.7 Parent enterprise and ultimate parent enterprise

In the opinion of the Directors, the ultimate parent undertaking and controlling party of the Company is Softlogic Holdings PLC, which is a limited liability company incorporated and domiciled in Sri Lanka.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for land and buildings, derivative financial instruments, fair value through profit or loss financial assets and fair value through other comprehensive income financial assets that have been measured at fair value.

2.1.1 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

2.1.2 Going concern

In determining the basis of preparing the Financial Statements for the year ended 31 March 2023, based on all available information, the management has considered the consequences of current economic crisis of the country, other events, and conditions. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's and the Group's ability to continue to operate as a going concern due to the improving operating environment despite the ongoing effects of the economic crisis.

Further, in determining the going concern, the management performed multiple stress tested scenarios considering cost management practices, ability to continue operations under current economic crisis, cash reserves, ability to secure additional funding to finance the adverse effects to the cash flows, ability to secure required human resources, expected revenue streams, credit and collection management practices and ability to defer non-essential capital expenditures.

Accordingly, the financial statements of the Company and Group continue to be prepared on the going concern basis of accounting and no material uncertainty exists related to the events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern.

2.1.3 Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

Certain of the comparative figures pertaining to 31 March 2022 have been reclassified in order to improve the quality of the information presented and conform to the presentation of the current period. Such reclassifications do not affect the previously reported profit. The details of which are as follows.

	As Previously Reported	Effect of reclassification	As Reported Currently
Credit loss expense on financial assets and other losses	(1,210,260,697)	(709,290,973)	(1,919,551,670)
Administrative expenses	(5,394,221,188)	709,290,973	(4,684,930,215)

During the year credit loss expense on Sri Lanka Development Bonds, International Sovereign Bonds and Other Financial Assets were reclassified with Credit loss expense on financial assets and other losses for better presentation.

2.1.4 New accounting standards not effective at the reporting date

The amended standards that are issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Group intends to adopt these amended standards, if applicable, when they become effective.

No significant impact resulted on the financial statements of the Group due to changes in Accounting Standards and disclosures during the year.

2.1.4.1 SLFRS 17 Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01st January 2025. Early adoption is permitted along with the adoption of SLFRS 9 and SLFRS 15. SLFRS 17 supersedes SLFRS 4 Insurance contracts. The Softlogic Life Insurance is intended to adopt the new standard on its mandatory effective date.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that exited in their jurisdiction prior to January 2005. SLFRS 17 replaces this with new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognized as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day – one gain arising on initial recognition. Losses are recognized directly to the income statement. For the measurement purposes contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contacts under SLFRS 17 is represented by the recognition of the service provided to policy holders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non- economic assumptions. SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of service to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to

SLFRS 17, the amount of deferred profit, being the CSM at transition date, need to be determined.

SLFRS 17 requires, the CSM to be calculated as if the standards had applied retrospectively. If this is not practical, an entity is required to choose either a simplified retrospective approach or determine the CSM by reference to the fair value of the liabilities at transition date.

The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profit on in – force business in future reporting periods. SLFRS 17 is expected to have a substantial change in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition.

SLFRS 17 Implementation Programme – Softlogic Life Insurance PLC

Softlogic Life Insurance PLC has an implementation program underway to implement SLFRS 17. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes. The Company is in Phase 2 of this implementation program.

2.1.4.2 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2.1.4.3 Definition of Accounting Estimates- Amendments to LKAS 08

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Notes to the Financial Statements

2.1.4.4 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 01 January 2023.

v2.1.4.5 Classification of Liabilities as Current or Noncurrent - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify -

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2.1.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (Softlogic Finance PLC [SF], Softlogic Life Insurance PLC [SLI], Softlogic Stockbrokers (Pvt) Ltd [SSB] and Softlogic Asset Management (Pvt) Ltd [SAM]) as at 31 March 2023 using an acquisition method of accounting.

Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loss of control

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

2.1.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Board of Directors is the Chief Operating Decision Maker (CODM) and 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 profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

For management purposes, the Group is organised into business units based on its services provided and has three reportable segments, as follows:

- Non-Banking Financial Institutions
- Insurance
- Others

Investment Management, consultancy and advisory services segment and Stockbroking segment have been aggregated to form the other reportable operating segment. More information on the Group's reportable segments are disclosed in Note 45.

2.1.7 Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.2 Significant accounting judgments, estimates and assumptions

The Group's consolidated financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. All estimates and assumptions required in conformity with SLFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality

a. Impairment losses on financial assets

The measurement of impairment losses under 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 driven by a number of factors, changes in which can result in different levels of allowances.

The Group'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 accounting judgements and estimates include;

- The Group's internal credit grading system, which assigns probability of default (PDs) to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so 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 fair values 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).
- Selection of forward –looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

b. Fair value of financial instruments

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group 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 7 to the Financial Statements.

c. Financial assets and financial liabilities classification

The Group's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instrument is given in Note 6 "Analysis of Financial Instruments by Measurement Basis".

d. Income tax

The Group 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 Board of directors carefully analyzed the availability of the future taxable profits against which the unused tax losses can be utilized. In this assessment Group estimated the profitability using the internal budgets and plans for the upcoming years in a very conservative manner.

e. Property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgment of the management estimate these values, rates, methods and hence they are subject to uncertainty.

f. Fair value of land and buildings

The freehold land and building of the Group is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Group engages independent valuation specialists to determine fair value of free hold land and building in terms of SLFRS 13 - Fair Value Measurement. The details of revaluation of freehold land and building including methods of valuation are given in Note 30 to the Financial Statements.

g. Defined benefit plans

The cost of Defined Benefit Pension Plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a 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 extrapolated 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 rates and expected future salary increase rate for the Group. The sensitivity of assumptions used in actuarial valuations are set out in Note 41 to the Financial Statements.

h. Valuation of Insurance Contract Liabilities – Life Insurance

The liability for Life Insurance contracts with discretionary participating features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a Liability Adequacy Test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and Surrender rates and discount rates as further detailed. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectation about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The valuation of the Long Term insurance business as at 31 March 2023 was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited.

All Life Insurance contracts are subject to the Liability Adequacy Test (LAT) as required by SLFRS 4 – Insurance Contracts. The LAT was carried out by Mr. Kunj Behari Maheshwari, Messrs. Towers Watson India Private Limited.

i. 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. Unless the probability of occurrence is remote, contingent liabilities are not recognized in the statement of financial position but are disclosed in the statement of financial position. Details of commitments and contingencies are given in Note 43 to the Financial Statements.

2.3 Summary of significant accounting policies

2.3.1 Property, plant and equipment

The Group applies the requirements of the LKAS 16 - Property, Plant and Equipment in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost.

Subsequent to the initial measurement items of Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for the Land and Buildings.

Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the following;

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the asset to a working condition for its intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost model

The Group applies the Cost Model to all Property, Plant and Equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation model

The Group applies the Revaluation Model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every two years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property and equipment are recognised in Income Statement as incurred.

Repairs and maintenance

Repairs and maintenance are charged to the Income Statement 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. These are expenses of a capital nature directly incurred on Property, Plant and Equipment, awaiting capitalisation.

Depreciation

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 of the different types of assets.

The estimated useful lives for the current and comparative period are as follows:

Buildings	20 Years
Furniture and fittings	10 Years/5years
Computers and printers	5 Years
Office equipment	5 Years
Motor vehicles	4 Years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised.

Carrying value

The carrying value of an asset or significant company of assets within a class is assessed annually with its fair value and where the fair value is less than the carrying value the asset is written down to its fair value. The consequent adjustment is recognized in the Income Statement.

The residual values of assets that are not insignificant are reassessed annually. Depreciation on revaluation of a class of assets is based on the remaining useful life of the assets at the time of the revaluation.

De-recognition

An item of Property, Plant and Equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is de-recognised.

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 de-recognised. Major inspection costs are capitalized. At each such capitalization the remaining carrying amount of the previous cost of inspections is de-recognised.

2.3.2 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings – 4 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest Bearing Borrowings note. (see Note 38).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (12 months or less) of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of lease arrangements that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.3.3 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to- day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment properties are derecognized when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

2.3.4 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the subsidiary level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 5 to 20 years.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which does not exceed five years.

(c) Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

(d) Present Value of acquired in-force long term Insurance Business (PVIB)

The present value of future profits on

a portfolio of long-term life insurance contracts as at the acquisition date of Asian Alliance Insurance PLC is recognized as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses.

The PVIB is amortized over the average useful life of the related contracts in the portfolio. The amortization charge and any impairment losses would be recognized in the consolidated income statement as an expense.

A summary of the policies applied to the Group's intangible assets is as follows:

	In-force Long-term Insurance Business	Brand Name	Computer Software	Stock-Broker License
Useful lives	Definite	Infinite	Definite	Infinite
Method used	Based on the tenure of existing policies	-	4 years	-
Internally generated/ acquired	Acquired	Acquired	Acquired	Acquired
Impairment testing	Annually and/or when an indication of impairment exists	Annually and/or when an indication of impairment exists	When an indication of impairment exists	Annually and/or when an indication of impairment exists

2.3.5 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.3.6 Financial instruments

2.3.6.1 Financial assets

2.3.6.1.1 Initial recognition and subsequent measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

(a) Financial assets at amortised cost :

The Group only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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.

Financial assets measured at amortised cost consist of cash and bank balances, loan receivables, gold loan receivables, factoring receivables, trade debtors, policy holder loans, reinsurance receivables, premium receivables, corporate debt securities, placements with banks, government securities and deposits with regulator.

The details of the above conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Group'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 Group'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 Group's original expectations, the Group 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.

The SPPI test

As a second step of its classification process, the Group assesses the contractual terms of financial 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 amortization 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 Group 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 of that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(b) Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Debt instruments

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Equity instruments

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under SLFRS 09 Financial Instruments and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as dividend income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2.3.6.1.2 De-recognition of financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.3.6.1.3 Impairment of financial assets

The Group recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 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 Group established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group, clusters its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit impaired. The Group 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 Group 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) de-recognition of the financial asset.

a. The Calculation of Expected Credit Loss (ECL)

The Group calculates ECLs based on a four probability - weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognised and is still in the portfolio.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The Group individually reviews at each reporting date, financial assets above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default.

Indicators for significant increase in credit risk and assessed accordingly in ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

Movement between the stages

Financial assets can be transferred between the different categories depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

Loan commitments:

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

Financial guarantee contracts:

The Company's liability under each guarantee is measured at the higher of the 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 four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon de-recognition of the assets.

b. Debt factoring and revolving loans

The Group's product offering includes debt factoring and revolving loan facilities, in which the Group has the right to cancel and/or reduce the facilities within a short notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is limited to 12 months.

c. Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

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.

d. Reversal of impairment of financial assets

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.

e. Renegotiated loans

The Group makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group 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 Group 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. Renegotiated loans 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 Group's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. De-recognition 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 renegotiated asset until it collected or written off.

f. Write-off of financial assets at amortised cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

g. Collateral valuation

The Group 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 Group 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 valuers, Audited Financial Statements and other independent sources.

h. Collateral repossessed

The Group'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.

2.3.6.2 Financial liabilities

2.3.6.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies, loans and borrowings including bank overdrafts, public deposits and derivative financial instruments.

2.3.6.2.2 Subsequent measurement

Financial liabilities, other than loan commitments and financial guarantees, are classified 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 and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

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 fair value, and changes therein recognized in Income Statement.

Financial liabilities at amortised cost

Financial Instruments issued by the Group that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft', 'trade and other payable' 'public deposits', and 'interest bearing borrowings' as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are de-recognised as well as through the EIR amortisation process.

2.3.6.2.3 De-recognition of financial liability

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.3.6.3 Reclassifications of financial assets and financial liabilities

From 1 April 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.3.6.4 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKAS/SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

2.3.6.5 Derivative financial instruments Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives either as,

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)
- hedges of a net investment in a foreign operation (net investment hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.3.6.6 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 Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are 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 Group 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 7 to the Financial Statements.

2.3.7 Loans to policy holders

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates. Policyholder Loans are reviewed for impairment at each reporting date. The Board of Directors has assessed potential impairment loss as at 31 March 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the Reporting date in respect of Loans to Life Policyholder.

2.3.8 Reinsurance receivables

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in the Income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance assets are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.3.9 Premium receivable

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognized in the income statement.

The life insurance premiums for policies within 30 days grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

2.3.10 Other non-financial assets

Inventories

Inventories are valued at lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the estimated price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to it's present location and conditions accounted for as follows;

Vehicle stock - at purchase cost on a specific identification basis

Real estate stocks - at purchase values of properties acquired and at value of related asset extinguished for properties repossessed and any subsequent expenditure incurred on such development including the borrowing costs up to the completion of developments

Repossessed Vehicle - based on the valuation obtained as at the date of repossession.

Consumables - at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items

Cost is determined on a weighted average basis.

2.3.11 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprises of cash in hand, demand deposits and liquid investments readily convertible to identified amounts of cash and subject to insignificant change in value with an original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of bank balances and cash as defined above, net of outstanding bank overdrafts.

The consolidated cash flow statement has been prepared using the indirect method as required in LKAS 7.

2.3.12 Retirement benefit costs

a. Defined benefit plans – gratuity

All the employees of the group are eligible for gratuity under the Gratuity Act No. 12 of 1983.The Group measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise.

Past service costs are recognised immediately in income, unless the change to the pension plans is conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs are amortised on straight line basis over the vesting period.

The gratuity liability is not externally funded. This item is grouped under 'Deferred liabilities' in the consolidated statement of financial position.

b. Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

All Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions by the Group in line with respective statutes and regulations. The Group contributes 12% to the respective provident fund and 3% to the Employees Trust Fund of such employees' gross emoluments.

2.3.13 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain the expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognized as an interest expense in the consolidated income statement.

2.3.14 Insurance contract liabilities

Life insurance contract liabilities

Measurement

Life insurance liabilities are recognised when contracts are entered into and premiums charged. These liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 (RBC) with effect from 1 January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

As per RBC rules with effective from 01 January 2016 the value of the life insurance liabilities are determined as follows;

Life Insurance Liabilities = Best Estimate Long Term Liability (BEL) + Risk Margin for Adverse Deviation (RM)

Best estimate liability is measured sum of the present value of all future best estimate cash flows calculated as per the RBC principles and the discount rate estimated as per the clarification note issued by CA Sri Lanka for financial reporting.

Measurement is usually based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for the calculation includes, in particular, assumptions relating to;

- Mortality Rates
- Persistency rates
- Morbidity Rates
- Expense and future inflation
- Participating fund yield

Assumptions are estimated on a realistic basis at the end of financial year with provision for adverse deviation to make allowance for the risks of change and random fluctuations. Further in valuing the policy liabilities, provisions for reinsurance have been allowed in accordance with applicable reinsurance terms as per current reinsurance arrangements.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC). However any negative liabilities that arise have been zerorised at product level when determining the aggregate liability.

De – recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate net by using an existing liability adequacy test.

Product classification

• Insurance contracts

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment Contracts depending on the level of insurance risk transferred. Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the company holds. Contracts where the Company does not assume an insurance risk is classified as investment contracts.

• Investment contracts

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract.

Subsequent classification

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Are likely to be a significant portion of the total contractual benefits:
- The amount or timing of which is contractually at the discretion of the issuer: and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer
- The profit or loss of the Group, fund or other entity that issues the contract

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities as appropriate.

2.3.15 Reinsurance payables

Reinsurance payable represents balances due to reinsurance companies. Amount payables are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related insurance contracts.

Reinsurance liabilities are de-recognised when the contractual liabilities are extinguished or expire,or when the contract is transferred to other party.

2.3.16 Reserve fund

The reserves recorded in the equity on the Group's Statement of Financial Position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 20% of the net profit for the period is transferred to the Statutory reserve fund during the financial year.

2.3.17 Revenue recognition

Revenue represents the amounts derived from the provision of goods and services and lending activities to customers outside the Group which fall within the Group's ordinary activities net of trade discounts and turnover related taxes. All intra group transactions have been eliminated.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific criteria are used for the purpose of recognizing revenue.

2.3.17.1 Interest income

Under SLFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

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 Group 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 investment. 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 income in the income statement.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL 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.

2.3.17.2 Fee and trading income

2.3.17.2.1 Gross Written Premium

Gross written premiums on life insurance contracts are recognized as revenue when payable by the policyholder (policies within the 30 day grace period are considered as due). Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognized as income. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies. For single premium business, revenue is recognized on the date on which the policy is effective.

2.3.17.2.2 Fee and commission income

Fee and commission income are integral to the effective interest rate on a financial asset and is included in the effective interest rate.

Other fee and commission income

– including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Group first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

The Group earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

a) 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.

b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

2.3.17.2.3 Brokerage income

Brokerage Income is recognized on an accrual basis on the contractual date.

2.3.17.2.4 Other income

Gain or Loss on Disposal of an Item of Property, Plant and Equipment

Any gain or loss on disposal of an item of Property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in 'Other Income' in the Income Statement. When revalued assets are sold, any related amount included in the revaluation surplus reserves are transferred to Retained Earnings.

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.

2.3.17.2.5 Net realized gains/(losses)

Net realised gains and losses recorded in the Income Statement include gains and losses through disposal of debt instruments measured at fair value through other comprehensive income. Gains and losses are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

2.3.17.2.6 Net fair value gains/(losses)

Fair value gains and losses recorded in the Income Statement on investments include fair value gains and losses on financial assets recognised through Profit or Loss.

2.3.17.2.7 Dividend income

Dividend income is recognized when the right to receive payment is established. Usually this occurs on the ex-dividend date for equity securities.

2.3.18 Premium ceded to reinsurers

Premium ceded to reinsurers represents the premium paid by the company to its reinsurers in order to manage its underwriting risks.

Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on accrual basis.

2.3.19 Interest expense

Interest expense is recorded using the effective interest rate (EIR) method for all financial liabilities measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

Notes to the Financial Statements

The EIR (and therefore, the amortised cost of the liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest expense 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 liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the liability in the Statement of Financial Position with an increase or reduction in interest expense. The adjustment is subsequently amortised through Interest expense in the income statement.

2.3.20 Net insurance benefits and claims paid

Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Maturities and annuity payments are recorded when due. Death claims and surrenders are recorded on the basis of notifications received.

Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

Net change in insurance claims outstanding

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

2.3.21 Underwriting and net acquisition cost

All acquisition cost are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

2.3.22 Other operating and administrative expenses

Expenditure recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Income Statement.

For the purpose of presentation of the Income Statement the directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

2.3.23 Income tax expenses

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

2.3.23.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the Reporting Date, and any adjustment to tax payable in respect of previous years. 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.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or Statement of Profit or Loss and Other Comprehensive Income is recognised in equity or Statement of Profit or Loss and Other Comprehensive Income and not in the Income Statement.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

2.3.23.2 Deferred tax

Deferred Tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred Tax is not recognized for the following temporary differences:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to

control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

- In addition, deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
- Deferred Tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred Tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2.3.23.3 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.

2.3.23.4 Withholding Tax (WHT) on dividends

Withholding tax on dividends distributed by the Company that arise from the distribution of dividends of the company is recognised at the time of liability to pay the related dividend is recognized.

2.3.23.5 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

2.3.24 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net 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 the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

3. DIRECTORS RESPONSIBILITY STATEMENTS

Directors acknowledge the responsibility for the true and fair presentation of the consolidated financial statements in accordance with the books of accounts and Sri Lanka Accounting Standards and the requirements of the Companies Act No 07 of Sri Lanka.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1. Introduction and overview

The Group's principal financial liabilities, comprise of public deposits, borrowings, trade and other payables, banks overdrafts, put option liability and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group financial assets comprise financial assets measured at amortised cost, lease and hire purchase receivable, trade & other receivables and cash and cash equivalents that flows directly from its operations. The Group also holds other financial instruments such as investments in equity instruments.

The Group is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is carried out under 3 lines of defense in the order of senior management officials under policies approved by the Group's operating segments and units. The Group's overall risk management program seeks to minimize potential adverse effect on the Group's financial performance.

The Board of Directors of the Group and Boards of directors of individual components manage each of these risks, which are summarized below.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management frame work. The Board of Directors has established the Risk Management Committee for developing and monitoring the Group's Risk Management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group risk management policies are established to identify and analyze the risks face by the group, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the groups activities. The Group, through its training and management standards and procedures, aims to maintain a discipline and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the group risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk face by the group. The Group Audit Committee is assisted in its oversight role by the internal audit undertake both regular and ad-hoc review of risk management controls and procedures, the results of which are reported to the Audit Committee.

4.2 Market risk

Market risk is the risk that changes in market prices, such as interest rates, exhcange rates and equity price will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Management of market risk

Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolio of the group include position arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Group employs a range of tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non-trading portfolios.

4.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

4.2.1.1 Exposure to interest rate risk

The interest rate profile of Group's interest bearing financial instruments as reported to the management of the Group is as follows;

As at 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Fixed interest rate instruments:				
Financial assets	64,627,299,005	44,385,532,662	2,445,220,361	1,105,930,826
Financial liabilities	26,185,177,698	23,297,481,163	7,363,794,386	4,547,649,669
Floating interest rate instruments:				
Financial assets	1,263,287,133	4,035,038,949	900,000,000	900,000,000
Financial liabilities	7,416,313,498	7,971,038,546	2,376,987,202	2,368,070,820

4.2.1.2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. Provided all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase in basis points	Effect on profit before tax	
	Rupee Borrowings	Group	Company
2023	+400 b.p	(332,652,540)	(95,079,488)
	-400 b.p	332,652,540	95,079,488
2022	+400 b.p	(354,841,542)	(94,722,833)
	-400 b.p	354,841,542	94,722,833

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

4.2.2 Foreign currency risk

"Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of adverse fluctuations in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in foreign currency transactions which are affected by foreign exchange movements.

Management has set up a policy that requires Company and subsidiaries to manage their foreign exchange risk and strict-limits on maximum exposure that can be entered into.

Foreign currency sensitivity

The following table demonstrates the sensitivity to possible changes in the USD/RS exchange rate, provided that all other variables are held constant.

	Increase/ (Decrease) in exchange rate USD	Effect on profit before tax	Effect on equity
2023	10%	398,272,648	Nil
	-10%	(398,272,648)	Nil
2022	50%	2,209,821,617	Nil
	-50%	(2,209,821,617)	Nil

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

4.2.3 Equity price risk

The Group expose to equity price risk which arises from equity securities measured at fair value through Profit or loss and equity securities measured at other comprehensive income. Management of the group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the board of directors.

The Group holds listed equity instruments which are susceptible to market-price risk arising from uncertainties about future values of these securities.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Periodic reports on equity investment portfolio are submitted to the senior management of individual business segment based on the relevance. The respective Board of Directors reviews and approves all equity investment decisions. To manage its price risk arising from investments in equity securities, the group diversifies its equity investment portfolio.

	Financial assets recognized through profit or loss				Financial assets measured at fair value through other comprehensive income			
	2023		2022		2023		2022	
	Rs	%	Rs	%	Rs	%	Rs	%
Group								
Banks, Finance and Insurance	-	0.0%	-	0.0%	949,643,716	71.8%	1,106,820,657	66.4%
Diversified Holdings	-	0.0%	22,524,555	24.9%	-	0.0%	-	0.0%
Healthcare	-	0.0%	-	0.0%	372,426,237	28.2%	560,882,888	33.6%
Power & Energy	-	0.0%	3,249,400	3.6%	-	0.0%	-	0.0%
Capital Goods	-	0.0%	16,499,844	18.3%	-	0.0%	-	0.0%
Transportation	-	0.0%	40,118,395	44.4%	-	0.0%	-	0.0%
Consumer Durables and Apparel	-	0.0%	7,925,135	8.8%	-	0.0%	-	0.0%
	-	0.0%	90,317,329	100.0%	1,322,069,953	100%	1,667,703,545	100%

	Financial assets measured at fair value through other comprehensive income			
	2023		2022	
	Rs	%	Rs	%
Company				
Bank, Finance and Insurance	94,199,171	100.0%	109,746,321	100.0%
	94,199,171	**100.0%**	**109,746,321**	**100.0%**

Investments in unquoted investments are made after obtaining the board approval.

4.2.3.1 Sensitivity analysis

The following table demonstrate the sensitivity of cumulative change in fair value to reasonably possible changes in equity prices provided all other variables are held constant. The effect of a decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

This table consider only equity shares classified under short term and long term financial assets.

	Change in equity price	Effect on profit before tax	Effect on other comprehensive Income	Effect on equity
Group				
2023				
Quoted equity investments listed in Colombo Stock Exchange	4%	-	52,882,798	52,882,798
2022				
Quoted equity investments listed in Colombo Stock Exchange	24%	21,676,159	400,248,851	421,925,010

	Change in equity price	Effect on profit before tax	Effect on other comprehensive Income	Effect on equity
Company				
2023				
Quoted equity investments listed in Colombo Stock Exchange	4%	-	3,767,967	3,767,967
2022				
Quoted equity investments listed in Colombo Stock Exchange	24%	-	26,339,117	26,339,117

4.3. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and customer lending) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis with that the Group's exposure to bad debt is not significant.

Hire purchase and lease portfolio is broad and risk of non payment is mitigated by stringent standard of credit approval process. There is no concentration risk on any single region, customer or sector in particular collection of dues from customers is robust with the delinquency rate being better than the financial industry average.

With respect to credit risk arising from other financial assets of the Group, such as cash and cash equivalents, financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortisesd cost the Group's exposure to credit risk arise from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk.

4.3.1 Credit risk - Default risk

Default risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Group. The Group has in place standards, policies and procedures for the control and monitoring of all such risks.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

4.3.2 Credit risk - Concentration risk

The Group seeks to manage its credit concentration risk exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or group of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash margins, mortgages over properties and pledge over equity instruments.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

4.3.3 Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee and Credit Risk Committee. Group Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the board of directors as appropriate.

- Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

- Regular audits of business units and credit processes are undertaken by Internal Audit.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.The tables below show the maximum exposure to credit risk for the components of financial position. The maximum exposure is shown gross before the effect of mitigation through the use of collateral agreements.

Group

As at 31 March	2023								
	Cash in hand and at banks	Financial assets recognized through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets at amortized cost	Loans and advances	Lease and hirepurchase receivables	Total maximum exposure	% of allocation	Total net exposure
Risk exposure - Group									
Government securities	-	158,749,543	647,109,570	27,178,615,963	-	-	27,984,475,076	45%	27,984,475,076
Corporate debt securities	-	800,164,056	-	10,113,636,094	-	-	10,913,800,150	17%	10,913,800,150
Deposits with regulator	-	-	-	1,000,000	-	-	1,000,000	0%	1,000,000
Deposits with bank	-	-	-	767,839,333	-	-	767,839,333	1%	767,839,333
Loans and advances	-	-	-	742,541,347	8,842,788,482	-	9,585,329,829	15%	5,035,960,801
Lease and hirepurchase	-	-	-	-	-	7,816,461,877	7,816,461,877	12%	-
Policy holder loans	-	-	-	274,513,772	-		274,513,772	0%	274,513,772
Trade debtors	-	-	-	591,932,687	-	-	591,932,687	1%	591,932,687
Premium Receivables	-	-	-	1,560,313,193	-	-	1,560,313,193	2%	1,560,313,193
Reinsurance receivables	-	-	-	712,689,225	-	-	712,689,225	1%	712,689,225
Securitised Papers				810,473,255	-		810,473,255	1%	810,473,255
Amounts due from related companies	-	-	-	6,588,308	-	-	6,588,308	0%	6,588,308
Cash in hand and at bank	1,534,034,946	-	-	-	-	-	1,534,034,946	2%	1,534,034,946
Total credit risk exposure	**1,534,034,946**	**958,913,599**	**647,109,570**	**42,760,143,177**	**8,842,788,482**	**7,816,461,877**	**62,559,451,651**	**100%**	**50,193,620,746**
Equity securities - Quoted	-	-	1,322,069,953	-	-	-	1,322,069,953	28%	1,322,069,953
Equity securities - Unquoted	-	-	355,670,600	-	-	-	355,670,600	7%	355,670,600
Investments in units	-	3,064,599,556	-	-	-	-	3,064,599,556	64%	3,064,599,556
Derivative financial assets	-	33,496,046	-	-	-	-	33,496,046	1%	33,496,046
Total equity risk exposure	**-**	**3,098,095,602**	**1,677,740,553**	**-**	**-**	**-**	**4,775,836,155**	**100%**	**4,775,836,155**
Total	**1,534,034,946**	**4,057,009,201**	**2,324,850,123**	**42,760,143,177**	**8,842,788,482**	**7,816,461,877**	**67,335,287,806**		**54,969,456,901**

Notes to the Financial Statements

As at 31 March	2022								
	Cash in hand and at banks	Financial assets recognised through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets at amortized cost	Loans and advances	Lease and hirepurchase receivables	Total maximum exposure	% of allocation	Total net exposure
Risk exposure - Group									
Government securities	-	143,311,732	909,540,655	20,364,372,180		-	21,417,224,567	37%	21,417,224,567
Corporate debt securities	-	764,109,299	-	9,644,944,118		-	10,409,053,417	18%	10,409,053,417
Deposits with regulator	-	-	-	1,000,000		-	1,000,000	0%	1,000,000
Deposits with bank	-	-	-	1,240,319,079		-	1,240,319,079	2%	1,240,319,079
Loans and advances	-	-	-	-	9,323,826,328	-	9,323,826,328	16%	6,541,771,937
Lease and hirepurchase	-	-	-	-		11,262,883,980	11,262,883,980	19%	-
Policyholder loans	-	-	-	224,190,976			224,190,976	0%	224,190,976
Trade debtors	-	-	-	1,043,605,539		-	1,043,605,539	2%	1,043,605,539
Premium receivables	-	-	-	1,181,972,278		-	1,181,972,278	2%	1,181,972,278
Reinsurance receivables	-	-	-	412,528,498		-	412,528,498	1%	412,528,498
Securitised Papers				732,142,644			732,142,644	1%	732,142,644
Amount due from related companies	-	-	-	9,177,484		-	9,177,484	0%	9,177,484
Cash in hand and at bank	1,204,596,848	-	-	-		-	1,204,596,848	2%	1,204,596,848
Total credit risk exposure	**1,204,596,848**	**907,421,031**	**909,540,655**	**34,854,252,796**	**9,323,826,328**	**11,262,883,980**	**58,462,521,638**	**100%**	**44,417,583,267**
Equity securities - Quoted	-	90,317,329	1,667,703,545	-		-	1,758,020,874	34%	1,758,020,874
Equity securities - Unquoted	-	-	341,050,600	-		-	341,050,600	7%	341,050,600
Investments in units	-	3,102,094,683	-	-		-	3,102,094,683	60%	3,102,094,683
Total equity risk exposure	**-**	**3,192,412,012**	**2,008,754,145**	**-**	**-**	**-**	**5,201,166,157**	**100%**	**5,201,166,157**
Total	**1,204,596,848**	**4,099,833,043**	**2,918,294,800**	**34,854,252,796**	**9,323,826,328**	**11,262,883,980**	**63,663,687,795**		**49,618,749,424**

Company

As at 31 March	2023						
	Cash in hand and at banks	Financial assets measured at fair value through other comprehensive income	Loans and advances	Financial assets at amortized cost	Total maximum exposure	% of allocation	Total net exposure
Risk exposure - Company							
Corporate debt securities	-	-	-	2,486,984,064	2,486,984,064	74%	2,486,984,064
Other Loans	-	-	-	852,271,150	852,271,150	25%	852,271,150
Deposits with bank	-	-	-	5,965,147	5,965,147	0%	5,965,147
Amounts due from related companies	-	-	-	23,574,854	23,574,854	1%	23,574,854
Cash in hand and at bank	80,616	-	-	-	80,616	0%	80,616
Total credit risk exposure	**80,616**	**-**	**-**	**3,368,795,215**	**3,368,875,831**	**100%**	**3,368,875,831**
Equity securities - Quoted	-	94,199,171	-	-	94,199,171	55%	94,199,171
Equity securities - Unquoted	-	77,404,000	-	-	77,404,000	45%	77,404,000
Total equity risk exposure	**-**	**171,603,171**	**-**	**-**	**171,603,171**	**100%**	**171,603,171**
Total	**80,616**	**171,603,171**	**-**	**3,368,795,215**	**3,540,479,002**		**3,540,479,002**

Group

As at 31 March	2022						
	Cash in hand and at banks	Financial assets measured at fair value through other comprehensive income	Loans and advances	Financial assets at amortized cost	Total maximum exposure	% of allocation	Total net exposure
Risk exposure - Company							
Corporate debt securities	-	-		2,000,519,408	2,000,519,408	97%	2,000,519,408
Deposits with bank	-	-		5,411,418	5,411,418	0%	5,411,418
Amounts due from related companies	-	-		46,929,843	46,929,843	2%	46,929,843
Cash in hand and at bank	2,966,681	-		-	2,966,681	0%	2,966,681
Total credit risk exposure	**2,966,681**	**-**	**-**	**2,052,860,669**	**2,055,827,350**	**100%**	**2,055,827,350**
Equity securities - Quoted	-	109,746,321		-	109,746,321	60%	109,746,321
Equity securities - Unquoted	-	74,222,000		-	74,222,000	40%	74,222,000
Total equity risk exposure	**-**	**183,968,321**	**-**	**-**	**183,968,321**	**100%**	**183,968,321**
Total	**2,966,681**	**183,968,321**	**-**	**2,052,860,669**	**2,239,795,671**		**2,239,795,671**

Notes to the Financial Statements

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

4.3.4 Government securities

As at 31 March 2023 as shown in the table above, 45% (2022 - 37%) of debt securities comprise investments in government securities which consist of treasury bonds, bills and reverse repo investments for the Group and Company respectively. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

4.3.5 Corporate debt securities

As at 31 March 2023, corporate debt securities comprise 17% (2022 - 18%) of the total investments in debt securities, out of which 40% (2022 – 96%) were rated “A-” or better, or guaranteed by a banking institution with a rating of “A-” or better.

As at 31 March	Group				Company			
	2023		2022		2023		2022	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
AA	800,164,056	7%	-	0%	-	0%	-	0%
AA-	25,825,419	0%	3,584,135,960	34%	-	0%	-	0%
A+	369,138,686	3%	1,625,054,178	16%	-	0%	-	0%
A	2,880,110,764	26%	4,763,250,268	46%	-	0%	-	0%
A-	488,365,997	4%	-	0%	-	0%	-	0%
BBB+	2,069,055,648	19%	-	0%	-	0%	-	0%
BBB	2,259,474,845	21%	401,007,037	4%	-	0%	-	0%
CC	24,077,123	0%	35,605,974	0%	-	0%	-	0%
Not rated	1,997,587,611	18%	-	0%	2,486,984,064	100%	2,000,519,408	100%
Total	**10,913,800,149**	**100%**	**10,409,053,417**	**100%**	**10,913,800,149**	**100%**	**10,409,053,417**	**100%**

4.3.6 Deposits with banks

Deposits with banks mainly consist of fixed and call deposits. As at 31 March 2023, 99.2% (2022- 99.6%) of the fixed and call deposits were rated “A-” or better for the Group.

As at 31 March	Group				Company			
	2023		2022		2023		2022	
	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total
AA-	-	0%	25,750	0%	-	0%	-	0%
A+	-	0%	371,676,764	30%	-	0%	-	0%
A	653,801,645	85%	863,205,147	70%	-	0%	-	0%
A-	108,072,541	14%	-	0%	-	0%	-	0%
BBB-	5,965,147	0.8%	5,411,418	0.4%	5,965,147	100%	5,411,418	100%
Total	**767,839,333**	**100%**	**1,240,319,079**	**100%**	**5,965,147**	**100%**	**5,411,418**	**100%**

4.3.7 Loans and Receivables

As a part of the overall risk management strategy, the Boards of Directors of the respective companies in the Non Banking Financial Institution Segment, have delegated responsibility for the oversight of credit risk to their 'Credit Committee' and 'Integrated Risk Management Committee'. Their 'Credit Risk Monitoring Unit' reports to the 'Risk Committee' through the 'Chief Risk Officer' who is responsible for managing the company's credit risk. Steps taken to manage credit risk include:

- introduction of a comprehensive credit policy as the guideline in lending, which has strengthened the credit evaluation process.
- regular evaluation of the concentration risk of credit, with the credit policy amended appropriately to ensure the credit granting process responds.
- implementation of delegated authority levels, to strengthen credit screening and evaluation.
- implementation of a customer rating system as a way of building a data base within the company for efficient and effective credit evaluation.
- regular discussions by both 'Credit Committee' and 'Integrated Risk Management Committee' in relation to credit risk and actions to be implemented.

4.3.8 Lease and hirepurchase receivables

As a part of overall risk management strategy, the Board of Directors of the company concerned has delegated responsibility for the oversight of credit risk to its 'Board Credit Committee'. Its 'Independent Credit Risk Monitoring Unit' reports to the 'Risk Committee' through the 'Head of Credit Risk' who is responsible for managing the company's credit risk. Following are the steps taken to manage credit risk:

- introduction of a comprehensive credit policy as the guideline in lending, which has strengthened the credit evaluation process
- formulation of policy considering current market conditions and evaluating it quarterly to keep it in line with the market conditions
- determining the levels of service and quality of the evaluators involved in the credit evaluation process
- regular discussion in both the Credit Committee and Integrated Risk Management Committee on credit risk, with necessary actions being implemented

The Group monitors concentrations of credit risk by sector and by geographic location for Loans and receivables and Lease and hirepurchase receivables. An analysis of concentrations of credit risk from loans and advances as the reporting date is shown below.

Credit risk concentration of Loans and Receivables and Lease and hirepurchase receivables by sector (Gross)

	Group	
	2023	2022
Agriculture	1,367,826,881	2,439,290,850
Manufacturing	1,565,001,137	2,229,309,289
Tourism	429,565,373	756,205,268
Transport	620,954,688	821,981,462
Construction	755,540,441	986,233,458
Trading	4,656,433,400	5,850,993,826
Services	2,295,229,581	3,324,006,725
Other	9,064,010,471	7,210,292,190
Total	**20,754,561,972**	**23,618,313,068**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

Credit risk concentration of Loans and Receivables and Lease and hirepurchase receivables by geographical location (Gross)

	Group	
	2023	2022
Central Province	3,636,457,581	3,914,199,742
North Central	1,113,338,623	1,292,112,231
North Western Province	1,656,543,014	1,820,020,733
Northern	483,060,283	522,667,745
Sabaragamuwa Province	1,494,063,934	1,634,904,235
Southern	2,333,840,718	2,843,295,625
Uva Province	444,718,030	385,228,724
Western	9,592,539,788	11,205,884,033
Eastern	-	-
Total	**20,754,561,972**	**23,618,313,068**

4.3.9 Policy holder loans

Softlogic Life Insurance PLC issued loans to life policyholders of the company considering the surrender value of their life policies as collateral. As at the reporting date, the value of policy loans granted amounted to Rs.274.51 Mn (2022 – Rs.224.19 Mn) and their related surrender value is more than carrying value.

4.3.10 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any consignments to major customers are generally covered by bank guarantees or other forms of credit insurance.

4.3.11 Reinsurance receivable

According to the overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes the company to credit risk. Following are the few steps to manage reinsurance risk in addition to explained above;

* Placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka.
* Counterparties' limits that are set each year and are subject to regular reviews. On a regular basis management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.
* Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables.
* Maintain close and professional relationship with reinsurers
* No cover is issue without confirmation from reinsurance unless non reinsurance business.

4.3.12 Cash in hand and at bank

Deposits with banks mainly consist of fixed and call deposits. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed in an annual basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

4.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will 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 Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts that will always have sufficient liquidity to meet its liabilities when its due, under normal and stressed conditions. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Liquidity risk management

An optional combination of positive and negative cash flows along with investment returns and contractual obligation maturing is collated through an intra-day cash reporting system for all business segments. High value contractual outflows are processed through various control filters to review and identification of debt maturities relating to net liquidity position on daily basis and thus enable proactively mobile necessary funding mobilization or reinvest of cash surplus if any. Closely monitoring and working to reschedule maturity profile is any to de-stress cash flows and re-align them with actual investment tenor. This would engender optimal liquidity positioning and this would reduce borrowing cost and enhance reinvestment income.

4.4.1 Maturity analysis

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdrafts	793,848,377	-	-	-	793,848,377
Trade and other payables	-	5,643,944,500	-	-	5,643,944,500
Amounts due to related companies	-	48,082,982	-	-	48,082,982
Lease liabilities	-	460,675,051	515,446,202	-	976,121,253
Interest-bearing loans and borrowings	-	14,417,091,971	3,237,560,640	5,290,913,543	22,945,566,154
Public deposits	-	10,559,716,420	2,362,776,075	1,776,000,640	14,698,493,135
Total	**793,848,377**	**31,129,510,924**	**6,115,782,917**	**7,066,914,183**	**45,106,056,401**

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

	On demand	Less than 12 months	1 to 3 years	> 3 years	Total
Bank overdrafts	479,458,875	-	-	-	479,458,875
Trade and other payables	-	4,672,566,916	-	-	4,672,566,916
Amount due to related companies	-	4,731,804	-	-	4,731,804
Put option liability	-	-	-	-	-
Lease liabilities	-	259,332,598	411,553,220	73,796,087	744,681,905
Interest-bearing loans and borrowings	-	7,519,281,899	3,941,854,766	6,111,939,652	17,573,076,317
Public deposits	-	13,793,948,885	2,552,380,663	391,903,780	16,738,233,328
	479,458,875	**26,249,862,102**	**6,905,788,649**	**6,577,639,519**	**40,212,749,145**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

	On demand	1-12 Months	1 to 3 years	> 3 years	Total
Bank overdrafts	322,060,550	-	-	-	322,060,550
Trade and other payables	-	36,603,791	-	-	36,603,791
Amounts due to related companies	-	58,215,949	-	-	58,215,949
Lease liabilities	-	164,150,111	73,213,105	-	237,363,216
Interest-bearing loans and borrowings	-	7,248,999,970	3,050,180,640	337,296,986	10,636,477,596
	322,060,550	**7,507,969,821**	**3,123,393,745**	**337,296,986**	**11,290,721,102**

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

	On demand	1-12 Months	1 to 3 years	> 3 years	Total
Bank overdrafts	90,887,124	-	-	-	90,887,124
Trade and other payables	-	38,367,426	-	-	38,367,426
Amounts due to related companies	-	-	-	-	-
Lease liabilities	-	96,510,040	207,632,659	-	304,142,699
Interest-bearing loans and borrowings	-	3,445,820,098	3,535,590,000	661,430,000	7,642,840,098
	90,887,124	**3,580,697,564**	**3,743,222,659**	**661,430,000**	**8,076,237,347**

4.4.2 Sensitivity of impairment provision on loans and advances to other customers

The Group has estimated the impairment provision on loans and advances to other customers as at 31st March 2023, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The following table demonstrates the sensitivity of the impairment provision of the company as at 31st March 2023 to a feasible change in PDs, LGDs and all other information. The loss rate is calculated as follows,

Loss rate = EAD x PD x LGD x DCF x EFA

EAD - Exposure at Default   LGD - Loss given Default   EFA - Economic Factor adjustment

PD - Probability of Default   DCF - Discount factor

Sensitivity on ECL	Sensitivity effect on Statement of Financial Position [Increase/ (Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
Loss rate 1% increase across all age buckets	64,672,509	31,115,935	68,108,820	163,897,264	**163,897,264**
Loss rate 1% decrease across all age buckets	(28,709,661)	(25,560,947)	(67,740,411)	(122,011,019)	**(122,011,019)**

Sensitivity analysis of the expected credit loss model

The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL (Rs)	Impact (Rs)
100% Best Case (Upside) scenario	2,157,184,412	(26,439,422)
100% Base Case scenario	2,164,939,407	(18,684,427)
100% Worst Case (Downside) scenario	2,197,117,607	13,493,773

5. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Softlogic Finance PLC

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. During the year company issued further 116,483,901 new shares by way of Rights issue (100 new Ordinary Shares for every 423 Ordinary Shares held by shareholder) at a price of Rs.7.31 per share on 08 December 2022, and raised Rs.851,497,316.00 in order to comply with the Finance Business Act Direction No 03 of 2018 of the Central Bank of Sri Lanka.

	2023	2022
SLFRS 9 based impairment provisions recorded in the Financial Statements	4,095,311,613	3,025,472,742
Regulatory provisions reported to Central Bank without Interest in Suspense	4,958,631,323	4,089,176,719
Interest in Suspense reported to Central Bank *	885,654,534	924,417,336
Total Regulatory provisions	5,844,285,857	5,013,594,055
Impairment Provision Gap	1,748,974,244	1,988,121,313
Profit / (Loss) as reported in accordance with the Central Bank provisioning method	(2,762,618,604)	(29,158,480)
Capital Adequacy Ratios (As per Central Bank Direction 03 of 2018 Capital Adequacy Requirements)		
Tier 1 Ratio - (Minimum Requirement - 8.5%, 7% in FY 2021.22)	-1.1%	7.1%
Total Capital ratio - (Minimum Requirement - 12.5%, 11% in FY 2021.22)	0.6%	12.1%

* IFRS Interest in suspense of Rs.466,257,910.01 was considered and netted from CBSL Interest in suspense amount during the year

The Company's net assets have fallen below the 50% of the stated capital as of 31st March 2023 representing 43% of stated capital which is a serious loss of capital as per section 220 of the Company's Act No 7 of 2007. Accordingly, the Board of Directors has called for an EGM to inform the Shareholders of the nature and extent of losses incurred by the Company, the causes of such losses and the remidial actions that would be taken by the Company. The EGM was held on 12th July 2023.

The Group monitors capital using a gearing ratio for company and subsidiary level, which is net debt divided by total capital plus net debt which is monitored very closely by the senior management officials. Net debt of the Group includes, interest bearing loans and borrowings less cash and cash equivalents.

	Group		Company	
As at 31 March	2023	2022	2023	2022
Interest-bearing loans and borrowings	21,685,942,810	15,522,839,661	9,978,144,804	7,219,863,187
Less: cash and cash equivalents	(740,186,569)	(725,137,973)	321,979,934	87,920,443
Net debt	20,945,756,241	14,797,701,688	10,300,124,738	7,307,783,630
Equity	7,538,841,571	11,185,595,854	3,004,463,173	4,135,259,532
Equity and net debt	28,484,597,812	25,983,297,542	13,304,587,911	11,443,043,162
Gearing ratio-(%)	74%	57%	77%	64%

6. FINANCIAL INSTRUMENTS

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

6.1 Financial assets by categories - Group

As at 31 March	Financial Assets at amortized cost		Financial assets recognized through profit or loss		Financial assets measured at fair value through other comprehensive income		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Cash and cash equivalents	1,534,034,946	1,204,596,848	-	-	-	-	1,534,034,946	1,204,596,848
Amount due from related companies	6,588,308	9,177,484	-	-	-	-	6,588,308	9,177,484
Financial assets recognized through profit or loss	-	-	4,057,009,201	4,099,833,043	-	-	4,057,009,201	4,099,833,043
Financial assets measured at fair value through other comprehensive income	-	-	-	-	2,324,850,123	2,918,294,800	2,324,850,123	2,918,294,800
Financial Assets at amortized cost	42,753,554,869	34,112,932,668	-	-	-	-	42,753,554,869	34,112,932,668
Loans and advances	8,842,788,482	9,323,826,328					8,842,788,482	9,323,826,328
Lease and hire purchase receivables	7,816,461,877	11,262,883,980	-	-	-	-	7,816,461,877	11,262,883,980
Total	**60,953,428,482**	**55,913,417,308**	**4,057,009,201**	**4,099,833,043**	**2,324,850,123**	**2,918,294,800**	**67,335,287,806**	**62,931,545,151**

6.2 Financial liabilities by categories - Group

As at 31 March	Financial liabilities measured at amortized cost		Financial liabilities at fair value through profit or loss		Total	
	2023	2022	2023	2022	2023	2022
Bank overdrafts	793,848,377	479,458,875	-	-	793,848,377	479,458,875
Trade and other payables	5,643,944,500	4,672,566,916	-	-	5,643,944,500	4,672,566,916
Amounts due to related companies	48,082,982	4,731,804	-	-	48,082,982	4,731,804
Interest bearing borrowings	21,685,942,810	15,522,839,661	-	-	21,685,942,810	15,522,839,661
Public deposits	12,430,946,956	15,582,314,099	-	-	12,430,946,956	15,582,314,099
Total	**40,602,765,625**	**36,261,911,355**	**-**	**-**	**40,602,765,625**	**36,261,911,355**

6.3 Financial assets by categories - Company

As at 31 March	Financial assets at amortized cost		Financial assets measured at fair value through other comprehensive income		Total	
	2023	2022	2023	2022	2023	2022
Cash in hand and at bank	80,616	2,966,681	-	-	80,616	2,966,681
Amounts due from related companies	23,574,854	46,929,843	-	-	23,574,854	46,929,843
Financial assets measured at fair value through other comprehensive income	-	-	171,603,171	183,968,321	171,603,171	183,968,321
Financial Assets at amortized cost	3,345,220,361	2,005,930,826	-	-	3,345,220,361	2,005,930,826
Total	**3,368,875,831**	**2,055,827,350**	**171,603,171**	**183,968,321**	**3,540,479,002**	**2,239,795,671**

6.4 Financial liabilities by categories - Company

As at 31 March	Financial liabilities measured at amortized cost		Financial liabilities at fair value through profit or loss		Total	
	2023	2022	2023	2022	2023	2022
Bank overdrafts	322,060,550	90,887,124	-	-	322,060,550	90,887,124
Trade and other payables	36,603,791	38,367,426	-	-	38,367,426	38,367,426
Amounts due to related companies	58,215,949	-	-	-	58,215,949	-
Interest bearing borrowings	9,978,144,804	7,219,863,187	-	-	9,978,144,804	7,219,863,187
Total	**10,395,025,094**	**7,349,117,737**	**-**	**-**	**10,396,788,729**	**7,349,117,737**

7. FAIR VALUE MEASUREMENT

The determination of fair value for financial assets and financial liabilities for which there is no observable market or market factors, pricing assumptions and other risks affecting the specific instrument price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like government securities, interest rate and currency swaps that use mostly observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, government securities and simple over the counter derivatives like forward exchange contracts and interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

7. FAIR VALUE MEASUREMENT (Contd.)

Management judgements and estimations are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Following table represents the fair value measurement of the Group according to fair value hierarchy.

Instrument category	Fair value basis	Fair Value Hierarchy
Government securities		
Treasury bonds	Valued using the market yield	Level 1
Treasury bills	Valued using the market yield	Level 1
International Sovereign bonds	Valued using the market yield	Level 1
Investment in shares		
Investment in quoted shares	Market price as at 31st March 2022	Level 1
Investment in unquoted shares	Adjusted net assets for liquidity	Level 3
Investment in units		
Investment in listed units	Published market prices (VWA)	Level 1
Investment in unlisted redeemable units	Published net assets values (NAV)	Level 2
Corporate debt		
Listed	Published market prices	Level 2*
Unlisted perpetual debentures	Adjusted interest rate for Illiquidity	Level 3
Land and Building	Market Comparable Method and Investment Method	Level 3

* Listed Corporate Debt have been classified under level two in fair value Hierarchy since there is no active market for these instruments even though such instruments are listed.

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short- term in nature or re-price to current market rates frequently :

Assets	Liabilities
Sri Lanka development bond	Reinsurance creditors
Fixed Deposits	Other liabilities (Excluding government levies and accruals)
Commercial papers	
Securitised papers	
Reverse repo	
Cash and cash equivalents	
Loans to life policyholders	
Reinsurance receivables	
Premium receivables	

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

As at 31 March	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group								
Financial assets								
Fair value through profit or loss								
Quoted shares	-	-	-	-	90,317,329	-	-	90,317,329
Treasury bonds	158,749,543	-	-	158,749,543	143,311,732	-	-	143,311,732
Perpetual debentures	800,164,056	-	-	800,164,056	-	-	764,109,299	764,109,299
Unit trusts	-	3,064,599,556	-	3,064,599,556	-	3,102,094,683	-	3,102,094,683
Derivative Asset	33,496,046	-	-	33,496,046				
	992,409,645	**3,064,599,556**	**-**	**4,057,009,201**	**233,629,061**	**3,102,094,683**	**764,109,299**	**4,099,833,043**
Fair value through other comprehensive income								
Quoted shares	1,322,069,953	-	-	1,322,069,953	1,667,703,545	-	-	1,667,703,545
Unquoted shares	-	-	355,670,600	355,670,600	-	-	341,050,600	341,050,600
Treasury bonds	647,109,570	-	-	647,109,570	909,540,655	-	-	909,540,655
	1,969,179,523	**-**	**355,670,600**	**2,324,850,123**	**2,577,244,200**	**-**	**341,050,600**	**2,918,294,800**
Non financial assets								
Property, plant and equipment								
Land and building	-	-	625,595,313	625,595,313	-	-	623,153,314	623,153,314
	-	**-**	**625,595,313**	**625,595,313**	**-**	**-**	**623,153,314**	**623,153,314**

As at 31 March	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Company								
Financial assets								
Fair value through other comprehensive income								
Quoted shares	94,199,171	-	-	94,199,171	109,746,321	-	-	109,746,321
Unquoted shares	-	-	77,404,000	77,404,000	-	-	74,222,000	74,222,000
	94,199,171	**-**	**77,404,000**	**171,603,171**	**109,746,321**	**-**	**74,222,000**	**183,968,321**

There were no transfers between Level 1, Level 2 and Level 3 during 2023 and 2022 other than the transfer of Quoted Shares from Level 2 to Level 1.

7. FAIR VALUE MEASUREMENT (Contd.)

7.1 Level 3 - Fair value measurement

Property, plant & equipment (PPE)

Property, plant & equipment (PPE)Reconciliation from the opening balance to the ending balance for the Land and Buildings in the Level 3 of the fair value hierarchy is available in Note 31.1.

Note 31.14 provides information on significant unobservable inputs used as at 31st March 2023 in measuring fair value of Land and Buildings categorized as Level 3 in the fair value hierarchy.

Note 31.14 on page 138 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Equity securities

Value of Unquoted shares of Rs.355.67 Mn as at end of the year 2022/23 (2021/22 - Rs.341 Mn) categorized under Financial investments – FVOCI. Internal model of adjusted net asset for illiquidity has been used to measure the Fair Value of Unquoted shares.

When deciding illiquidity premium the company has considered following factors,

- The recent acquisition of Finance Companies had taken place at more than The net asset value of target investee.

- The Bank is in the possession of regulatory license.

Sensitivity analysis of equity securities classified at Level 3

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in fair value of level 3 financial instruments measurement and significant unobservable input.

		2022/23		2021/22	
		Impact on OCI Rs.000	Impact on Equity Rs.000	Impact on OCI Rs.000	Impact on equity Rs.000
Change in variable	**Significant unobservable input**				
1% Increase in adjustment for illiquidity	Illiquidity premium	(3,400)	(3,400)	(3,400)	(3,400)
1% Decrease in adjustment for illiquidity	Illiquidity premium	3,740	3,740	3,740	3,740

Reconciliation from the opening balance to the ending balance for the un-quoted equity invcestments classified in the Level 3 of the fair value hierarchy is available in Note 25.2.2.

7.2 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial investments - Government securities

The fair value of fixed rate government securities financial assets carried at amortized cost are estimated by using weekly market rate published by Central Bank of Sri Lanka.

Fixed rate financial investments - Unquoted and quoted debt securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

7.3 Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

7.4 Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The table below shows a comparison of the carrying amounts, as reported on the statement of financial position, and fair values of the financial assets and liabilities carried at amortized cost.

As at 31 March	2023					2022				
In LKR	Level 1	Level 2	Level 3	Fair value	Carrying value	Level 1	Level 2	Level 3	Fair value	Carrying value
Group										
Financial assets										
Loans and receivables										
Loan receivables	-	-	4,892,064,969	4,892,064,969	4,181,144,328	-	-	5,662,886,967	5,662,886,967	5,721,832,163
Gold loans receivables	-		-	4,549,369,028	4,549,369,028	-		-	2,891,741,116	2,891,741,116
Factoring receivables	-	-	-	112,275,125	112,275,125	-	-	-	710,253,049	710,253,049
Trade debtors	-	-	-	591,932,687	591,932,687	-	-	-	1,043,605,539	1,043,605,539
Policyholder loans	-	-	-	274,513,772	274,513,772	-	-	-	224,190,976	224,190,976
Reinsurance receivables	-	-	-	712,689,225	712,689,225	-	-	-	412,528,498	412,528,498
Premium receivables	-	-	-	1,560,313,193	1,560,313,193	-	-	-	1,181,972,278	1,181,972,278
Debentures	-	6,853,970,102	-	6,853,970,102	7,059,746,927	-	7,627,152,194	-	7,627,152,194	7,591,004,370
Sri Lanka Development Bonds	-	-	-	2,259,142,983	2,136,572,167	-	-	-	4,998,354,991	4,771,541,708
Commercial papers	-	-	-	3,053,969,496	3,053,889,165	-	-	-	2,027,890,446	1,321,797,104
Placements with banks	-	-	-	767,839,317	767,839,317	-	-	-	1,240,328,613	1,240,319,079
Treasury bonds	14,434,801,065	-	-	14,434,801,065	16,964,240,160	5,048,210,585	-	-	5,048,210,585	6,349,811,929
Repos	-	-	-	3,908,917,235	3,908,917,235	-	-	-	4,874,234,234	4,874,234,234
Deposits with regulator - CSE	-	-	-	1,000,000	1,000,000	-	-	-	1,000,000	1,000,000
	14,434,801,065	**6,853,970,102**	**4,892,064,969**	**43,972,798,196**	**45,874,442,329**	**5,048,210,585**	**7,627,152,194**	**5,662,886,967**	**37,944,349,486**	**38,335,832,043**
Lease and hire purchase	-	-	8,332,512,530	8,332,512,530	7,816,461,877	-	-	10,215,642,862	10,215,642,862	11,262,883,980
Bank and cash balances	-	-	-	1,534,034,946	1,534,034,946	-	-	-	1,204,596,848	1,204,596,848
Total financial assets not at fair value	**14,434,801,065**	**6,853,970,102**	**13,224,577,499**	**53,839,345,672**	**55,224,939,152**	**5,048,210,585**	**7,627,152,194**	**15,878,529,829**	**49,364,589,196**	**50,803,312,871**
Liabilities										
Interest bearing borrowings	-	-	-	21,685,942,810	21,685,942,810	-	-	-	15,522,839,661	15,522,839,661
Public deposits	-	-	11,122,594,824	11,122,594,824	12,430,946,956	-	-	15,164,560,790	15,582,314,099	15,582,314,099
Bank overdraft	-	-	-	793,848,377	793,848,377	-	-	-	479,458,875	479,458,875
Total Financial liabilities not at fair value	**-**	**-**	**11,122,594,824**	**33,602,386,011**	**34,910,738,143**	**-**	**-**	**15,164,560,790**	**31,584,612,635**	**31,584,612,635**

Notes to the Financial Statements

7. FAIR VALUE MEASUREMENT (Contd.)

As at 31 March	2023					2022				
In LKR	Level 1	Level 2	Level 3	Fair value	Carrying value	Level 1	Level 2	Level 3	Fair value	Carrying value
Company										
Financial assets										
Loans and receivables										
Placements with banks	-	-	-	5,965,147	5,965,147	-	-	-	5,411,418	5,411,418
Commercial papers	-	-	-	1,586,984,064	1,586,984,064	-	-	-	1,100,519,408	1,100,519,408
Bank and cash balances	-	-	-	80,616	80,616	-	-	-	2,966,681	2,966,681
Total financial assets not at fair value	**-**	**-**	**-**	**1,593,029,827**	**1,593,029,827**	**-**	**-**	**-**	**1,108,897,507**	**1,108,897,507**
Liabilities										
Interest bearing borrowings	-	-	-	9,978,144,804	9,978,144,804	-	-	-	7,219,863,187	7,219,863,187
Bank overdraft	-	-	-	322,060,550	322,060,550	-	-	-	90,887,124	90,887,124
Total financial liabilities not at fair value	**-**	**-**	**-**	**10,300,205,354**	**10,300,205,354**	**-**	**-**	**-**	**7,310,750,311**	**7,310,750,311**

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortized Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

8. LIFE INSURANCE BUSINESS RISK

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behaviour, and fluctuations in new business volumes.

8.1. Risk response

Life insurance business risk exposure is mitigated by;
Careful selection and implementation of underwriting strategy guidelines

- External reinsurance
- Robust reserving processes
- Diversification of insurance contracts across the geographical areas

8.2 Concentration of insurance risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk on insurance contract liabilities may arise with respect to business written within a geographical or a type of policies issued by the company.

Observing best estimate assumptions on cash flows related to benefits of insurance contracts gives some indication of the size of the exposure to risks and the extent of risk concentration.

Concentration of risk within the life business is based on reserves for life insurance as explained in below table.

Mix of the insurance contract liabilities

	31st March 2023		31st March 2022	
	Insurance Contract Liabilities Rs.'000	%	Insurance Contract Liabilities Rs.'000	%
Paricipating	10,608,893,040	43.37%	8,842,493,729	39.20%
Non Participating	10,348,999,737	42.31%	11,867,344,744	52.61%
Universal Life	3,432,851,529	14.03%	1,849,284,840	8.20%
Non Unit Fund	1,656,380	0.01%	-	0.00%
Unit Fund	69,692,360	0.28%	-	0.00%
	24,462,093,046	100.00%	22,559,123,313	100.00%

8.3 Risk response to life insurance concentration risk

The Company has adopted following strategies to manage concentration of life insurance risk.

Product development
Market segmentation
Ensure compliance (solvency margin RBC) requirements imposed by the regulator (IRCSL)
Continuously monitor maturity analysis of assets and liabilities in order to meet future cash flows requirements.

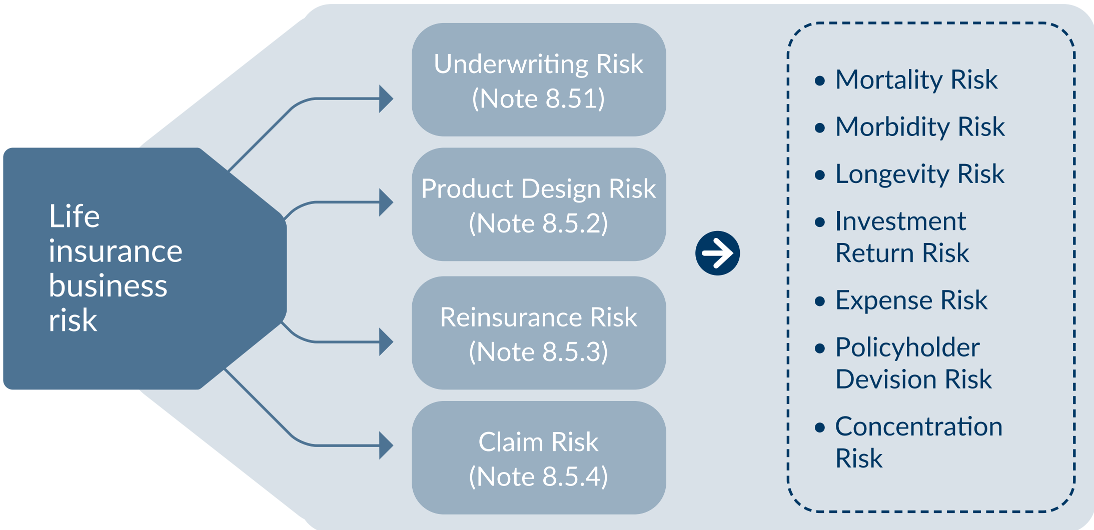
8. LIFE INSURANCE BUSINESS RISK (Contd.)

8.4 Sensitivity to the assumption change of the life insurance contract liabilities

The following analysis is performed for reasonably possible movements in key assumptions with all other variables held constant, showing the impact on insurance contract liabilities. The method used for deriving sensitivity information and significant assumptions made has not change from the previous period.

	Change in assumptions	31st March 2023 Impact on liabilities Rs.'000	31st March 2022 Impact on liabilities Rs.'000
Mortality	+10%	569,755	685,573
	-10%	(567,437)	(551,914)
Morbidity	10%	247,125	249,567
	-10%	(180,811)	(136,075)
Discount rate (Risk free rate)	+50 basis points	(1,362,824)	(1,352,638)
	-50 basis points	1,498,763	1,497,602
Expense ratio	1%	859,751	610,523
	-1%	(852,135)	(651,360)

8.5 The main risks exposed in life insurance business are summarised in the following diagram.



8.5.1 Underwriting risk

Underwriting risk arising from an inaccurate assessment of the risk entailed in underwriting the policy. As a result, the policy may cost the Insurers much more than it as earned in premiums.

Risk response / Mitigation strategy

- Continuous training for underwriting staff
- Adherence to the social and environmental policy at the time of underwriting
- Establishing a clearly defined pricing policy
- Establishing limits for underwriting authority
- Motivation of underwriting staff on insurance academic studies by providing scholarship to staff.
- Use of systematic underwriting limits
- Comply with the money laundering policies

Management of underwriting risk

The Board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by Chief Technical Officer (CTO). The Board continuously reviews its underwriting strategy in light of evolving market pricing and loss conditions and as opportunities present themselves.

Prices charged for the cost of insurance risk are set through a process of financial analysis, including comparisons of the Company's experience with industry experience and benchmarking of prices against other product providers in the same markets. Individual contracts are examined and reviewed by underwriting staff with the aim of ensuring that the premiums charged and the annuitisation rates applied reflect evidence of the current health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Company allows senior management to select reinsurers from a list of reinsurers approved by the Company. The aggregation of risk ceded to individual reinsurers is monitored at Company level.

8.5.2 Product design risk

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments.

The fundamental assumptions used in product development are explained below.

Risk	Description	Asumptions used / risk response
Mortality risk	Risk of loss arising dur to policyholders' death experience being different from expected.	Use standard table A67/70 mortality rates with adjustments fo reflect the Company's mortality experience.
Morbidity risk	Risk of loss arising due to policyholders' accident/sickness experience condition being different from expected.	Assumptions are based on the Company's own experience
Longevity risk	Risk that annuitants (a person who receives and annuity payment) live longer than expected.	The policy terms and conditions and the disclosure reguirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks.
Investment return risk	Risk of loss arising from the actual returns being different from expected.	Investment decisions are being made to comply with RBC framework and Determination rules issued by IRCSL
Expense risk	Risk of loss arising from the actual expense experience being different from expected.	The best estimate expense assumptions have been set based on the expense investiagation carried out as a 31 December 2022 based on the expenses incurred during 2022
Policyholder discontinuance risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected.	Lapses and surrender rates are projected according to the Company's past experience.
		Introduction of convenient premium payment methods and option to active lapsed policies less medical reguirements.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio/mix.	The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in to different classes. Developing a proper product mix in line with the Company stratery.

8. LIFE INSURANCE BUSINESS RISK (Contd.)

Key risks arising from contracts issued

The Company issues Participating, Non Participating and Universal Life insurance contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

Overall risk mitigation approach in traditional life insurance

Product	Key Risk	Risk Mitigation
Traditional participating	**Market risk :** Investment return on underiying items failing below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limites)
Non participating	**Market risk :** Insufficient fees to cover cost of guarantees and expenses	Derivative hedging programme
		Surrender penalties
Universal life	**Interest rate risk :** Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows.
	Investment credit risk	Investing in investment grade assets

8.5.3 Reinsurance risk

Notwithstanding the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;
- Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.
- Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.

Risk response to reinsurance risk

Reviewing the Company's reinsurance strategy and arrangements on an annual basis. The strategy is presented to and approved by the Board Risk Committee Annually.
Conducting detail studies on the adequacy of reinsurance arrangements for catastrophic events.
Ensuring that reinsurance transactions are conducted with parties which meet IRCSL rating requirements.
Ensuring minimum concentration amongst reinsurance parties.
Review of reinsurance credit worthiness regularly.
The Company's premium ceded to reinsurers is approximately 9% - 11% of gross written premium.

Analysis of credit risk relating to reinsurance receivables.

Name of the reinsurer	Credit rating	Name of rating agency	Reinsurance receivable	
			31st March 2023	31st March 2022
Munich Re	AA	Fitch	303,365,348	218,538,564
SCOR	A+	S&P Global	30,523,456	22,227,129
Toa Re	A	S&P Global	106,152,042	76,886,028
Assicurazioni Generali S.P.A.	A	Fitch	20,152,792	13,029,011
AXA PPP Healthcare Ltd	AA-	S&P Global	252,495,587	81,847,766
			712,689,225	412,528,498

Management of reinsurance receivables

Counterparty limits which are set annually are subject to regular reviews. Management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables.

8.5.4 Claim risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk response to claims risk
Obtaining adequate reinsurance cover
Adequate information is gathered to confirm the event occurred prior to processing the claim.
CTO closely monitors claim reserves.

9. INTEREST INCOME

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Finance leasing	1,556,327,365	1,538,029,476	-	-
Hire purchase	168,954	284,843	-	-
Term loans	2,032,211,348	1,315,100,468	-	-
Investment in treasury bills, bonds, fixed deposits & debentures	6,543,832,358	2,593,588,760	763,784,349	96,964,552
	10,132,540,025	**5,447,003,547**	**763,784,349**	**96,964,552**

10. NET EARNED PREMIUM

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Gross Written Premium	23,264,446,589	21,095,653,612	-	-
Premiums ceded to Reinsurers	(2,805,888,907)	(1,929,929,574)	-	-
	20,458,557,682	**19,165,724,038**	**-**	**-**

11. FEE AND TRADING INCOME

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Documentation and processing fee	63,590,919	106,302,606	-	-
Stockbroker income	213,652,145	489,155,581	-	-
Professional fee income	12,776,360	27,898,564	129,485,084	126,565,163
Other Fees & Commission	35,469,245	43,346,466	-	-
	325,488,669	**666,703,217**	**129,485,084**	**126,565,163**

12. OTHER INCOME & GAINS

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Profit on disposal property plant and equipment	29,313,802	14,124,116	-	-
Bad debt recoveries	41,876,565	28,733,736	-	-
Maturity of put option liability	-	154,609,367	-	154,609,367
Net Exchange Gain	880,309,225	1,599,534,840	-	-
Other income	219,985,584	150,323,889	10,929,981	12,020,663
	1,171,485,176	**1,947,325,948**	**10,929,981**	**166,630,030**

13. NET REALIZED GAINS/(LOSSES)

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Net realized gains from financial assets measured at fair value through other comprehensive income				
Equity securities	-	(17,308,901)	-	-
Unit Trust	289,077,768	-	-	-
Net realized gains from financial assets measured at fair value through profit or loss				
Equity securities	(92,334,345)	(58,711,379)	-	-
Treasury bonds	-	(105,382)	-	-
Unit trusts	-	360,490,034	-	-
	196,743,423	**284,364,372**	**-**	**-**

14. NET FAIR VALUE GAINS/(LOSSES)

14.1 Net fair value gains from financial assets measured at fair value through profit or loss

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Equity securities	74,939,372	(17,652,899)	-	-
Treasury bonds	(51,263,206)	(87,184,625)	-	-
Treasury bills	-	199,416	-	-
Unit trusts	225,775,210	(3,645,146)	-	-
Debt Securities	871,222	-	-	-
Gain on Derivative Financial Instrument	33,497,160	-	-	-
	283,819,758	**(108,283,254)**	**-**	**-**

15. DIVIDEND INCOME

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Dividends from investments in subsidiaries	-	-	583,028,821	593,086,128
Dividends from other quoted investments	118,597,711	29,893,003	1,955,081	49,451
	118,597,711	**29,893,003**	**584,983,902**	**593,135,579**

16. INTEREST EXPENSE

For the year ended 31 March In LKR	Group 2023	Group 2022	Company 2023	Company 2022
Interest on public deposits	2,610,143,941	1,323,243,160	-	-
Interest on borrowings	2,112,597,565	930,484,112	1,665,841,500	560,632,952
Interest on securitization	1,457,140,203	146,353,102	446,292,168	-
Interest on Right of Use Assets	85,020,722	87,001,927	35,246,071	26,708,792
	6,264,902,431	**2,487,082,301**	**2,147,379,739**	**587,341,744**

17. NET CLAIMS AND NET ACQUISITION COST

For the year ended 31 March In LKR	Group 2023	Group 2022	Company 2023	Company 2022
Net insurance benefits and claims paid	9,790,864,507	6,457,576,598	-	-
Underwriting and net acquisition cost	4,997,551,901	4,323,631,568	-	-
	14,788,416,408	**10,781,208,166**	**-**	**-**

18 OTHER DIRECT EXPENSES

For the year ended 31 March In LKR	Group 2023	Group 2022	Company 2023	Company 2022
Service fee on asset management	-	43,402	-	43,402
Direct expenses on research services	18,010,466	9,710,220	18,010,466	9,710,220
Direct expenses on stockbroking	107,275,680	159,865,637	-	-
	125,286,146	**169,619,259**	**18,010,466**	**9,753,622**

19 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

19.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2023 recorded in the income statement.

For the year ended 31 March In LKR	2023 Stage 1 Rs	 Stage 2 Rs	 Stage 3 Rs	 Total Rs
Lease & hire purchase receivables	(17,476,409)	(56,117,941)	362,744,219	289,149,869
Gold loans	3,743,520	2,294,887	(1,444,365)	4,594,042
Factoring	(7,821,277)	(4,994,915)	25,879,766	13,063,574
Loan receivables	(14,115,341)	(51,351,193)	822,367,901	756,901,367
Other receivable	-	-	147,207,893	147,207,893
Sri Lanka Development Bonds	(104,242,468)	-	-	(104,242,468)
International Sovereign Bonds	-	1,712,138,081	-	1,712,138,081
Other Financial Assets	5,446,025	870,656	-	6,316,681
Write-offs	-	-	598,858,142	598,858,142
	(134,465,950)	**1,602,839,575**	**1,955,613,556**	**3,423,987,181**

19 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES (Contd.)

19.2 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2022 recorded in the income statement.

For the year ended 31 March In LKR	2022			
	Stage 1 Rs	Stage 2 Rs	Stage 3 Rs	Total Rs
Lease & hire purchase receivables	13,412,787	95,545,212	35,801,735	144,759,734
Gold loans	1,244,144	667,079	(5,634,286)	(3,723,063)
Factoring	2,486,702	5,328,204	(1,684,887)	6,130,019
Loan receivables	(11,190,636)	(34,267,981)	947,904,358	902,445,741
Other receivables	-	-	(118,419,651)	(118,419,651)
Sri Lanka Development Bonds	207,939,463	-	-	207,939,463
International Sovereign Bonds	-	-	513,986,525	513,986,525
Other Financial Assets	(5,751,808)	(6,883,207)	-	(12,635,015)
Write-offs	-	-	279,067,917	279,067,917
	208,140,652	**60,389,307**	**1,651,021,711**	**1,919,551,670**

20. PROFIT/(LOSS) BEFORE TAX

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Profit before tax is stated after charging all expenses including the following;				
Directors' remuneration	50,024,329	59,310,974	30,590,000	36,515,000
Audit fees	15,781,954	11,435,788	1,288,500	1,140,000
Audit related and non audit fee including expenses	13,435,245	17,007,807	-	-
Personnel costs				
- Defined contribution plan costs - EPF & ETF	211,440,400	195,472,875	1,020,821	1,070,285
- Defined benefit plan costs	70,377,315	55,134,368	89,227	22,101
- Other staff costs	1,704,852,468	1,772,185,181	31,809,573	8,229,935
Depreciation on property, plant & equipment	170,913,665	187,428,441	1,472,853	1,371,047
Amortization of intangible assets	157,685,690	157,454,922	138,899	-
Amortisation of right of use assets	349,331,615	310,716,841	117,542,312	95,058,811
Profit on disposal of Property,plant & equipment	29,313,802	14,124,116	-	-

21. TAX EXPENSE

For the year ended 31 March In LKR	Note	Group		Company	
		2023	2022	2023	2022
Current income tax					
Current tax charge	21.1	1,011,978,702	60,178,570	-	-
Advance income tax on inter company dividends		95,781,339	-	-	-
Under/(Over) Provision of prior year		(318,931)	-	-	-
Deferred tax charge					
Relating to origination and reversal of temporary differences	21.2	657,157,606	681,945,445	219,204,751	4,773,196
Income tax expense		**1,764,598,716**	**742,124,015**	**219,204,751**	**4,773,196**

21.1 The tax on the Company and Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company and the Group as follows:

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Reconciliation between current tax charge & accounting profit				
Profit before tax	(626,032,252)	1,767,400,026	(899,196,999)	211,673,017
Less :				
Exempt profits	(1,688,127,637)	(846,536,623)	(584,983,902)	(175,767,042)
Investment income - Under Sec. 07 of IRD Act	(807,956,560)	(320,887,371)	(763,784,349)	(306,260,647)
Profits not liable for income tax	-	(7,882,946)	-	-
Resident dividend	-	-	-	-
Other Consolidation Adjustments	869,153,527	637,987,588	-	-
Adjusted accounting profit chargeable to income taxes	(2,252,962,920)	1,230,080,674	(2,247,965,250)	(270,354,672)
Aggregate Allowable Items	(1,641,428,813)	(553,802,808)	(78,383,556)	(127,073,596)
Aggregate Disallowed items	3,945,504,526	2,041,354,971	154,489,361	135,688,053
Investment income - Under Sec. 07 of IRD Act	807,956,560	320,887,371	763,784,349	306,260,647
Set off against tax losses	(2,180,429,925)	(3,174,608,403)	(763,784,349)	(306,260,647)
Effect of Tax Loss Companies	4,813,615,912	386,832,236	2,171,859,445	261,740,215
Taxable income	**3,492,255,340**	**250,744,040**	**-**	**-**
Income tax charged at,				
Standard rate of 24%	142,791,598	60,178,570	-	-
Standard rate of 30%	869,187,104	-	-	-
Current tax charge	**1,011,978,702**	**60,178,570**	**-**	**-**

Impact of change in applicable income tax rate

As per the Inland Revenue (Amendment) Act, No. 45 of 2022, the Income tax rate of a company and the Group has changed from 24% to 30% with effect from 1 October 2022. Accordingly, the income tax rate of 24% was applied up to 30/09/2022. Applicability of this rate revision come into effect at mid year and therefore the Company and the Group applied two tax rates basis for the Year of Assessment 2022/23.

The tax rate of 30% was applied for the year ended 31 March 2023 for both income tax and differed tax (2021/22 - 24%).

21. TAX EXPENSE (Contd.)

21.2 Deferred tax charge / (release)

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	(90,622)	(83,826,158)	-	79,941
Employee benefit liabilities	(941,222)	(416,084)	-	6,207
Benefit arising from tax losses	657,829,893	650,661,164	219,204,751	3,631,843
Disallowed impairment provision	-	119,156,220	-	-
Fair value adjustment of Unit Trust	(403,610)	496,175	-	-
Impact of tax rate change	763,167	-	-	-
Others	-	(4,125,872)	-	1,055,205
	657,157,606	**681,945,445**	**219,204,751**	**4,773,196**
Other comprehensive income				
Deferred tax expense arising from;				
Revaluation of land and building to fair value	(2,285,648)	(6,832,800)	-	-
Actuarial gains/ (loss) on retirement benefits	(5,544,485)	(2,686,580)	-	-
Losses arising from changes in assumptions or due to (over) / under provision in the previous year	(463,686)	-	-	-
	(8,293,818)	**(9,519,380)**	**-**	**-**

21.3 Tax losses carried forward

For the year ended 31 March In LKR	Group		Company	
	2023	2022	2023	2022
Tax losses brought forward	7,696,512,191	10,994,132,642	1,527,058,080	1,552,999,815
Adjustments on finalization of liability	274,098,121	(19,461,433)	-	18,578,697
Tax losses arising during the year	4,813,615,912	386,832,236	2,171,859,445	261,740,215
Utilization of tax losses	(2,598,335,014)	(3,664,991,255)	(763,784,349)	(306,260,647)
	10,185,891,210	**7,696,512,191**	**2,935,133,176**	**1,527,058,080**

22. EARNINGS/ (LOSS) PER SHARE

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31 March In LKR	Note	Group 2023	Group 2022	Company 2023	Company 2022
Basic / diluted earnings per share					
Profit attributable to equity holders of the parent (LKR)		(3,443,125,870)	99,004,678	(1,118,401,750)	206,899,821
Weighted average number of ordinary shares	22.1	977,187,200	977,187,200	977,187,200	977,187,200
Basic/Diluted earnings per share (LKR)		(3.52)	0.10	(1.14)	0.21

22.1 Weighted average number of ordinary shares

For the year ended 31 March In LKR	Group 2023	Group 2022	Company 2023	Company 2022
Issued ordinary shares at 1 April	977,187,200	977,187,200	977,187,200	977,187,200
Weighted-average number of ordinary shares at 31 March	**977,187,200**	**977,187,200**	**977,187,200**	**977,187,200**

23. CASH AND CASH EQUIVALENTS

For the year ended 31 March In LKR	Group 2023	Group 2022	Company 2023	Company 2022
Cash in hand and at Bank Balances	1,534,034,946	1,204,596,848	80,616	2,966,681
Bank Overdrafts	(793,848,377)	(479,458,875)	(322,060,550)	(90,887,124)
Cash and cash equivalents reported in the statement of cash flows	740,186,569	725,137,973	(321,979,934)	(87,920,443)

Cash and Cash equivalents include Cash in Hand, Bank Deposits & Investments with the maturity of less than 3 months. Bank Overdrafts include all temporary & permanent overdrafts.

24. OTHER ASSETS

For the year ended 31 March In LKR	Group 2023	Group 2022	Company 2023	Company 2022
Real Estate stock	836,638,162	812,599,636	-	-
Other stock	11,618,174	13,168,769	-	-
Vehicle Stocks	21,688,496	-	-	-
Advance, deposits & prepayments	1,212,550,229	990,567,975	39,923,148	2,778,808
Taxes receivable	322,312,671	187,908,811	9,040,969	5,036,439
Receivable from Fairfax	2,700,000	900,000	-	-
Other receivables	306,703,475	599,787,610	9,761,510	7,909,110
	2,714,211,207	**2,604,932,801**	**58,725,627**	**15,724,357**

25. FINANCIAL ASSETS

25.1 Financial assets recognized through profit or loss

For the year ended 31 March In LKR	Note	Group 2023	 2022
Quoted shares	25.1.1	-	90,317,329
Treasury bonds	25.1.2	158,749,543	143,311,732
Perpetual Debenture	25.1.3	800,164,056	764,109,299
Unit trusts	25.1.4	3,064,599,556	3,102,094,683
Derivative Asset		33,496,046	-
		4,057,009,201	**4,099,833,043**

25.1.1 Quoted shares investments

As at 31 March	Group 2023 Market price (Rs.)	 No of shares	 Market value (Rs.)	 2022 Market price (Rs.)	 No of shares	 Market value (Rs.)
Capital goods						
Royal Ceramics Lanka PLC						
Aitken Spence PLC	-	-	-	74	73,228	5,396,904
John Keels Holdings PLC	-	-	-	145	76,572	11,102,940
			-			16,499,844
Diversified financials						
LOLC Holdings PLC	-	-	-	597.50	37,698	22,524,555
			-			22,524,555
Power & energy						
Lanka IOC	-	-	-	30.80	105,500	3,249,400
			-			3,249,400
Transportation						
Expolanka Lanka PLC	-	-	-	208	193,109	40,118,395
			-			40,118,395
Consumer durables and apparel						
Teejay Lanka PLC	-	-	-	39.80	199,124	7,925,135
			-			7,925,135
Total investment in listed equity shares			-			90,317,329

25.1.2 Treasury bonds

As at 31 March	Group				
				2023	2022
	Maturity date	Interest rate %	Face value	Market value	Market value
ISIN					
LKB01534I155	15-Sep-34	10.25%	50,000,000	22,744,507	35,827,933
LKB01534I155	15-Sep-34	10.25%	50,000,000	22,744,507	35,827,933
LKB01534I155	15-Sep-34	10.25%	50,000,000	22,744,507	35,827,933
LKB01534I155	15-Sep-34	10.25%	50,000,000	22,744,507	35,827,933
LKB00325G013	1-Jul-25	18.00%	75,000,000	63,535,795	-
LKB00325G013	1-Jul-25	18.00%	5,000,000	4,235,720	-
				158,749,543	**143,311,732**

25.1.3 Perpetual Debenture

As at 31 March			Group				
				2023		2022	
Counterparty	Maturity date	Purchased yield %	Face value	Carrying value	Fair value	Carrying value	Fair value
Bank of Ceylon	Perpetual	30.96%	200,000,000	232,583,227	232,583,227	218,492,026	218,492,026
People's Bank	Perpetual	25.81%	100,000,000	109,352,994	109,352,994	327,738,040	327,738,040
Bank of Ceylon	Perpetual	30.96%	300,000,000	348,874,841	348,874,841	108,939,617	108,939,617
People's Bank	Perpetual	25.81%	50,000,000	54,676,497	54,676,497	54,469,808	54,469,808
People's Bank	Perpetual	25.81%	50,000,000	54,676,497	54,676,497	54,469,808	54,469,808
				800,164,056	**800,164,056**	**764,109,299**	**764,109,299**

25.1.4 Unit trusts

As at 31 March	Group					
	2023			2022		
	Market price	No of units	Market value	Market price	No of units	Market value
Namal - High Yield Fund	32.66	4,249,200	138,758,060	-	-	-
Capital Alliance - Investment Grade Fund	26.73	36,975,883	988,228,532	21.59	42,699,205	921,786,165
Capital Alliance - Income Fund	27.28	29,634,664	808,578,840	-	-	-
Capital Alliance Fixed Income Opportunities Fund	28.05	11,100,948	311,369,368	-	-	-
First Capital - Money Market Fund	-	-	-	2,081.91	192,699	401,181,684
JB Vantage Money Market Fund	-	-	-	-	-	-
Softlogic Money Market Fund	130.80	3,816,448	499,203,608	113.30	15,173,262	1,719,141,231
Softlogic Equity Fund	-	-	-	120.08	499,547	59,985,603
NDB Wealth Money Market Fund	27.22	11,701,118	318,461,148	-	-	-
			3,064,599,556			**3,102,094,683**

25. FINANCIAL ASSETS (Contd.)

25.2. Financial assets measured at fair value through other comprehensive income

For the year ended 31 March In LKR	Note	Group		Company	
		2023	2022	2023	2022
Quoted shares	25.2.1	1,322,069,953	1,667,703,545	94,199,171	109,746,321
Unquoted shares	25.2.2	355,670,600	341,050,600	77,404,000	74,222,000
Treasury bonds	25.2.3	647,109,570	909,540,655	-	-
		2,324,850,123	**2,918,294,800**	**171,603,171**	**183,968,321**

25.2.1 Quoted shares

As at 31 March	Group					
	2023			2022		
	Market price	No of shares	Fair value	Market price	No of shares	Fair value
Healthcare						
Asiri Hospital Holdings PLC	24.90	14,956,877	372,426,238	37.50	14,956,877	560,882,888
			372,426,238			**560,882,888**
Banks, finance and insurance						
National Development Bank	44.90	21,133,053	948,874,081	55.70	19,855,877	1,105,972,348
Seylan Bank PLC (Non Voting)	22.50	34,206	769,635	24.80	34,206	848,309
			949,643,715			**1,106,820,657**
			1,322,069,953			**1,667,703,545**

As at 31 March	Company					
	2023			2022		
	Market price	No of shares	Fair value	Market price	No of shares	Fair value
Nations Development Bank	44.90	2,080,836	93,429,536	55.70	1,955,081	108,898,012
Seylan Bank PLC (Non Voting)	22.50	34,206	769,635	24.80	34,206	848,309
			94,199,171			**109,746,321**

25.2.2 Un-quoted shares investments

As at 31 March	Group					
	2023			2022		
	No of shares	Carrying value	Fair value	No of shares	Carrying value	Fair value
Cargills Bank Limited	34,000,000	355,640,000	355,640,000	34,000,000	341,020,000	341,020,000
Credit Information Bureau	100	30,600	30,600	100	30,600	30,600
		355,670,600	**355,670,600**		**341,050,600**	**341,050,600**

As at 31 March	Company					
	2023			2022		
	No of shares	Carrying value	Fair value	No of shares	Carrying value	Fair value
Cargills Bank Limited	7,400,000	77,404,000	77,404,000	7,400,000	74,222,000	74,222,000
		77,404,000	**77,404,000**		**74,222,000**	**74,222,000**

Movement of un-quoted share investment is as follows;

	Group		Company	
	2023	2022	2023	2022
As at 01st April	341,050,600	356,010,600	74,222,000	77,478,000
Additions	-	-	-	-
Remeasuremenr recognised in OCI	14,620,000	(14,960,000)	3,182,000	(3,256,000)
As at 31st March	**355,670,600**	**341,050,600**	**77,404,000**	**74,222,000**

As per SLFRS 09 all the equity instruments including unlisted investments need to be measured at fair value. Accordingly, fair value of Cargills Bank investment was assessed as at the reporting date based on net assets per share adjusted for illiquidity. Total fair value of Cargills Bank investment s at 31st March 2023 is Rs.355.67 Mn. (2022 - Rs.341 Mn)

Please Refer Note 7.2 on page 104 for valuation method and technique followed by the Group in determining the fair value unlisted financial instruments as at reporting date.

25.2.3 Treasury bonds

	Group				
	Maturity date	Interest rate %	Face value	2023 Fair value	2022 Fair value
ISIN					
LKB01529E014	1-May-29	13.00%	150,000,000	101,352,303	131,241,384
LKB02032A016	1-Jan-32	8.00%	100,000,000	43,053,466	87,149,254
LKB02035C155	15-Mar-35	11.50%	100,000,000	50,492,104	87,149,254
LKB02035C155	15-Mar-35	11.50%	50,000,000	25,246,052	87,149,254
LKB02035C155	15-Mar-35	11.50%	150,000,000	75,738,156	87,149,254
LKB03044A010	1-Jan-44	13.50%	100,000,000	63,571,965	65,136,932
LKB03044A010	1-Jan-44	13.50%	100,000,000	63,571,965	140,494,531
LKB03044A010	1-Jan-44	13.50%	100,000,000	63,571,965	74,690,263
LKB03044A010	1-Jan-44	13.50%	100,000,000	63,571,965	37,345,132
LKB03044F019	1-Jun-44	13.50%	150,000,000	96,939,628	112,035,397
				647,109,570	**909,540,655**

25.3. Other financial assets at amortized cost

As at 31 March In LKR	Note	Group 2023	Group 2022	Company 2023	Company 2022
Trade debtors		591,932,687	1,043,605,539	-	-
Policyholder loans		274,513,772	224,190,976	-	-
Reinsurance receivables		712,689,225	412,528,498	-	-
Premium receivables		1,560,313,193	1,181,972,278	-	-
Debentures	25.3.1	7,059,746,928	7,591,004,370	-	-
Commercial papers	25.3.2	3,053,889,166	1,321,797,104	1,586,984,064	1,100,519,408
Placements with banks	25.3.3	767,839,333	1,240,319,079	5,965,147	5,411,418
Treasury bonds	25.3.4	16,964,240,160	6,349,811,929	-	-
Sri Lanka Development Bonds	25.3.5	2,136,572,167	4,771,541,708	-	-
International Soverign Bonds	25.3.6	4,168,886,401	4,368,784,309	-	-
Securitised Papers		810,473,255	732,142,644	-	-
Repos		3,908,917,235	4,874,234,234	-	-
Deposits with regulator - CSE		1,000,000	1,000,000	-	-
Subordinated Loan		-	-	900,000,000	900,000,000
Other Loans		742,541,347	-	852,271,150	-
		42,753,554,869	**34,112,932,668**	**3,345,220,361**	**2,005,930,826**

25.3.1 Debentures

Issuer	Maturity date	Interest rate %	No of debentures	Group 2023 Carrying value	Group 2023 Fair value	Group 2022 Carrying value	Group 2022 Fair value
Abans PLC	19-Dec-24	12.50%	250,000	25,825,419	25,873,288	25,836,226	25,873,288
Commercial Bank of Ceylon PLC	11-Dec-29	27.00%	44,300	4,774,782	4,790,468	-	-
Commercial Bank of Ceylon PLC	22-Jul-28	12.50%	1,267,000	129,501,047	129,650,548	129,593,423	129,650,548
Commercial Bank of Ceylon PLC	11-Dec-29	27.00%	44,300.00	4,774,782	4,790,468	-	-
DFCC Bank PLC	29-Mar-25	13.00%	1,000,000	99,993,496	100,071,233	100,063,644	100,071,233
DFCC Bank PLC	23-Oct-25	9.00%	4,000,000	414,946,466	415,682,192	415,261,244	415,682,192
DFCC Bank PLC	9-Nov-23	12.75%	500,000	52,245,241	52,230,137	52,091,715	52,230,137
DFCC Bank PLC	23-Oct-25	9.00%	1,500,000	155,622,313	155,880,822	155,732,749	155,880,822
DFCC Bank PLC	29-Mar-23	12.60%	500,000	-	-	50,041,259	49,899,521
DFCC Bank PLC	29-Mar-25	13.00%	1,000,000	99,993,496	100,071,233	100,063,644	100,071,233
DFCC Bank PLC	28-Mar-29	13.90%	1,564,100	156,463,770	156,588,693	156,573,258	156,588,693
First Capital Holdings PLC	7-Feb-26	10.86%	872,500	89,508,687	88,599,913	89,710,270	88,599,913
First Capital Holdings PLC	7-Feb-26	10.86%	872,500	89,509,224	88,599,913	89,710,270	88,599,913
First Capital Holdings PLC	7-Feb-26	10.86%	443,300	45,477,594	45,015,864	45,580,015	45,015,864
First Capital Treasuries PLC	30-Jan-25	12.75%	500,000	50,989,143	51,047,945	51,024,830	51,047,945
Hatton National Bank PLC	29-Aug-23	8.00%	185,256	18,667,569	19,033,278	17,204,029	19,033,278
Hatton National Bank PLC	23-Sep-26	12.80%	663,900	70,611,203	70,790,293	70,661,760	70,790,293
Hatton National Bank PLC	28-Jul-31	9.50%	4,827,300	512,788,914	513,637,945	513,159,136	513,637,945
Hatton National Bank PLC	1-Nov-23	13.00%	370,200	38,822,886	41,681,731	38,669,287	41,681,731
Hatton National Bank PLC	14-Dec-24	8.33%	500,000	50,977,932	38,720,973	51,012,748	38,720,973
Hatton National Bank PLC	23-Sep-26	12.80%	413,300	43,957,840	44,069,330	43,989,314	44,069,330

Issuer	Maturity date	Interest rate %	No of debentures	Group			
				2023		2022	
				Carrying value	Fair value	Carrying value	Fair value
Hatton National Bank PLC	28-Jul-31	9.50%	703,000	74,675,022	74,801,126	74,731,397	74,801,126
Hatton National Bank PLC	28-Jul-31	9.50%	4,827,300	512,772,026	513,637,945	513,159,136	513,637,945
Hayleys PLC	26-Aug-24	13.00%	2,000,000	202,206,834	185,690,685	202,290,602	185,690,685
Hayleys PLC	26-Aug-24	13.00%	1,001,100	101,214,631	92,947,472	101,256,561	92,947,472
Hayleys PLC	26-Aug-24	13.00%	650,000	65,717,221	60,349,473	65,744,446	60,349,473
HNB Finance Limited	30-Dec-24	13.20%	1,000,000	103,002,053	103,290,959	103,136,653	103,290,959
Kotagala Plantation PLC	31-Aug-22	7.50%	92,750	-	-	9,397,834	9,679,034
Kotagala Plantation PLC	31-Aug-23	7.50%	92,750	9,117,244	9,679,034	8,750,811	9,679,034
Kotagala Plantation PLC	31-Aug-24	7.50%	92,750	7,996,637	9,679,034	8,739,586	9,679,034
Kotagala Plantation PLC	31-Aug-25	7.50%	92,750	7,948,571	9,679,034	8,717,743	9,679,034
Lanka Orix Leasing Company PLC	27-Sep-24	15.00%	2,000,000	200,167,947	80,328,767	200,307,075	230,068,767
Lanka Orix Leasing Company PLC	24-Feb-31	12.00%	5,000,000	505,091,026	511,903,425	505,445,536	511,903,425
Lanka Orix Leasing Company PLC	27-Sep-24	15.00%	500,000	50,041,987	20,082,192	50,076,769	57,517,192
Lanka Orix Leasing Company PLC	24-Feb-31	12.00%	2,000,000	202,036,411	204,761,370	202,178,214	204,761,370
Lanka Orix Leasing Company PLC	31-Jul-22	13.00%	1,000,000	-	-	102,057,771	102,481,370
Lanka Orix Leasing Company PLC	27-Sep-24	15.00%	500,000	50,041,987	20,082,192	50,076,769	57,517,192
Lanka Orix Leasing Company PLC	24-Feb-31	12.00%	1,000,000	101,018,205	102,380,685	101,089,107	102,380,685
National Development Bank	24-Sep-25	9.50%	3,000,000	314,083,182	314,679,452	314,321,239	314,679,452
Nations Trust Bank PLC	20-Apr-23	13.00%	750,000	84,177,906	84,215,753	84,182,075	84,215,753
Nations Trust Bank PLC	23-Dec-26	12.90%	1,500,000	154,854,883	155,195,342	154,963,433	155,195,342
Nations Trust Bank PLC	9-Jul-26	9.15%	321,300	34,213,284	34,264,444	34,237,549	34,264,444
Nations Trust Bank PLC	20-Apr-23	13.00%	750,000	84,177,906	84,215,753	84,182,075	84,215,753
Nations Trust Bank PLC	23-Dec-24	12.80%	1,000,000	103,211,316	103,436,712	103,283,925	103,436,712
Nations Trust Bank PLC	23-Dec-24	12.80%	500,000	51,605,658	51,718,356	51,641,962	51,718,356
Nations Trust Bank PLC	9-Jul-26	9.15%	2,570,300	273,695,621	274,104,890	273,889,733	274,104,890
People's Leasing & Finance PLC	18-Apr-23	12.80%	1,252,600	140,456,542	137,997,398	140,452,713	140,502,598
People's Leasing & Finance PLC	18-Apr-23	12.80%	1,252,600	140,456,542	137,997,398	140,452,713	140,502,598
Sampath Bank PLC	21-Dec-22	12.50%	650,000	-	-	69,124,823	68,337,527
Sampath Bank PLC	28-Feb-24	13.90%	1,000,000	101,045,807	101,180,548	101,110,790	101,680,548
Sampath Bank PLC	28-Feb-24	13.90%	1,000,000	101,045,807	101,180,548	101,110,790	101,680,548
Sampath Bank PLC	20-Mar-23	12.50%	450,000	-	-	45,131,033	45,853,521
Sampath Bank PLC	21-Dec-22	12.50%	2,270,000	-	-	234,658,159	238,655,673
Seylan Bank PLC	18-Apr-24	15.00%	500,000	57,063,269	59,630,137	57,103,189	59,630,137
Seylan Bank PLC	29-Mar-25	13.20%	500,000	50,008,214	50,036,164	50,047,101	50,036,164
Seylan Bank PLC	18-Apr-24	15.00%	500,000	58,025,550	59,630,137	58,871,071	59,630,137
Seylan Bank PLC	15-Jul-23	13.75%	626,000	64,485,561	58,985,064	65,015,672	64,368,664
Seylan Bank PLC	29-Mar-23	12.85%	500,000	-	-	50,041,121	49,940,205
Seylan Bank PLC	29-Mar-25	13.20%	500,000	50,008,214	50,036,164	50,047,101	50,036,164
Seylan Bank PLC	18-Apr-24	15.00%	500,000	57,063,269	59,630,137	57,103,189	59,630,137
Singer Finance PLC	25-Jun-26	8.96%	2,000,000	238,627,573	235,277,041	213,543,890	213,697,753
Siyapatha Finance PLC	8-Aug-24	13.33%	500,000	54,122,669	58,666,164	54,193,363	58,666,164
Siyapatha Finance PLC	7-Jul-23	11.25%	717,600	77,547,906	74,077,455	77,577,832	77,557,815
Sri Lanka Telecome PLC	19-Apr-28	12.75%	1,000,000	111,965,654	112,086,301	112,045,839	112,086,301

25. FINANCIAL ASSETS (Contd.)

25.3.1 Debentures

Issuer	Maturity date	Interest rate %	No of debentures	Group 2023 Carrying value	Group 2023 Fair value	Group 2022 Carrying value	Group 2022 Fair value
Sri Lanka Telecome PLC	19-Apr-28	12.75%	714,400	75,439,393	75,507,676	75,493,220	75,507,676
Sri Lanka Telecome PLC	19-Apr-28	12.75%	1,250,000	139,957,067	140,107,877	140,057,298	140,107,877
Sri Lanka Telecome PLC	19-Apr-28	12.75%	889,300	93,908,528	93,993,528	93,986,641	94,004,636
				7,059,746,928	**6,853,970,102**	**7,591,004,370**	**7,627,152,194**

25.3.2 Commercial papers

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Group				
First Capital Holdings PLC	1,056,301,555	1,056,381,885	920,790,067	920,790,067
Softlogic Holdings PLC	1,997,587,611	1,997,587,611	401,007,037	401,007,037
	3,053,889,166	**3,053,969,496**	**1,321,797,104**	**1,321,797,104**

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Company				
Softlogic Holdings PLC	1,586,984,064	1,586,984,064	-	-
Softlogic Finance PLC	-	-	500,000,000	500,000,000
Softlogic Stockbrokers (Private) Limited	-	-	600,519,408	600,519,408
	1,586,984,064	**1,586,984,064**	**1,100,519,408**	**1,100,519,408**

25.3.3 Placements with banks

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Group				
Licensed Commercial Banks	767,839,333	767,839,333	377,113,931	377,113,931
Licensed Finance Companies	-	-	863,205,148	863,214,682
	767,839,333	**767,839,333**	**1,240,319,079**	**1,240,328,613**

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Company				
Licensed Commercial Banks	5,965,147	5,965,147	5,411,418	5,411,418
	5,965,147	**5,965,147**	**5,411,418**	**5,411,418**

25.3.4 Treasury bonds

ISIN	Maturity date	Interest rate %	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
LKB00322K152	15-Nov-22	5.75%	-	-	204,388,829	196,979,413
LKB00425F013	01-Jun-25	17.00%	258,431,129	258,939,321	-	-
LKB01326B011	1-Feb-26	9.00%	107,049,224	67,421,494	108,798,684	84,342,586
LKB00527E01	01-May-27	18.00%	4,024,360,934	4,133,580,539	-	-
LKB01027F156	15-Jun-27	11.75%	241,528,803	132,141,819	248,428,743	180,875,008
LKB00527I150	15-Sep-27	20.00%	231,624,228	243,685,689	-	-
LKB00628A153	15-Jan-28	18.00%	1,697,905,011	1,452,522,921	-	-
LKB01628G019	1-Jul-28	9.00%	110,100,951	55,458,556	111,307,185	78,028,456
LKB01528I017	1-Sep-28	11.50%	477,207,980	242,114,013	487,974,906	335,441,117
LKB01529E014	1-May-29	13.00%	192,561,804	101,352,303	196,809,248	140,494,531
LKB00729G156	15-Jul-29	20.00%	2,926,626,186	3,208,389,274	-	-
LKB01530E152	15-May-30	11.00%	243,985,110	116,718,968	247,648,356	163,209,455
LKB00931E153	15-May-31	18.00%	1,152,010,095	1,057,060,194	-	-
LKB01031L016	01-Dec-31	12.00%	961,795,268	644,592,480	952,438,813	917,627,300
LKB01032G014	01-Jul-32	18.00%	535,124,192	642,354,943	-	-
LKB01533A154	15-Jan-33	11.20%	3,100,143,010	1,790,618,675	3,084,658,808	2,542,065,383
LKB02033F013	01-Jun-33	9.00%	164,970,588	68,832,782	165,633,366	99,153,427
LKB02033K013	01-Nov-33	9.00%	55,423,666	22,443,718	55,635,815	33,104,133
LKB01534I155	15-Sep-34	10.25%	117,183,126	45,489,013	118,059,924	71,655,866
LKB03043F011	01-Jun-43	9.00%	55,899,919	21,831,524	55,988,319	30,245,389
LKB03044F019	01-Jun-44	13.50%	310,308,936	129,252,838	312,040,932	174,988,512
			16,964,240,160	**14,434,801,065**	**6,349,811,929**	**5,048,210,577**

25.3.5 Sri Lanka Development Bonds

	Note	Group 2023	Group 2022
Gross Carrying Value		2,259,142,983	4,998,354,991
Impairementt		(122,570,816)	(226,813,285)
Net Carrying Value	**25.3.5.1**	**2,136,572,167**	**4,771,541,706**

25. FINANCIAL ASSETS (Contd.)

25.3.5.1 Details of Sri Lanka Development Bonds

Year ended 31st March	Maturity date	Interest rate %	Face value	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
SLDB2023A	22-Jan-23	LIBOR+4.12%	10,000,000	-	-	2,832,385,205	2,967,520,585
SLDB2026A	30-Jul-26	7.60%	5,290,000	1,661,893,502	1,757,274,532	1,508,355,337	1,579,696,957
SLDB2026A	30-Jul-26	8.00%	1,510,000	474,678,665	501,868,451	430,801,166	451,137,449
				2,136,572,167	**2,259,142,983**	**4,771,541,708**	**4,998,354,991**

25.3.6 International Soverign Bonds

	Group 2023	Group 2022
Gross Carrying Value	6,413,671,387	4,901,431,213
Impairemennt	(2,244,784,985)	(532,646,904)
Net Carrying Value	**4,168,886,401**	**4,368,784,309**

25.3.6.1 Details of International Soverign Bonds

Year ended 31st March	Maturity date	Interest rate %	Face value	2023 Carrying value	2023 Fair value	2022 Carrying value	2022 Fair value
USY8137FAC24	3-Jun-25	6.13%	2,000,000	385,445,105	363,314,285	408,294,254	304,570,820
USY8137FAC24	3-Jun-25	6.13%	2,000,000	384,444,827	363,314,285	406,729,081	304,570,820
USY8137FAC24	3-Jun-25	6.13%	2,000,000	383,116,714	363,314,285	404,653,829	304,570,820
USY8137FAC24	3-Jun-25	6.13%	2,000,000	381,795,410	363,314,285	402,592,485	304,570,820
USY8137FAC24	3-Jun-25	6.13%	1,000,000	186,361,436	181,657,133	194,264,151	152,285,410
USY8137FAC24	3-Jun-25	6.13%	2,000,000	379,172,470	363,314,285	398,510,416	304,570,820
USY8137FAC24	3-Jun-25	6.13%	1,000,000	184,780,426	181,657,133	191,832,016	152,285,410
USY8137FAC24	3-Jun-25	6.13%	1,000,000	182,441,275	181,657,133	188,250,919	152,285,410
USY8137FAC24	3-Jun-25	6.13%	1,000,000	180,905,165	181,657,133	185,910,909	152,285,410
USY8137FAC24	3-Jun-25	6.13%	1,000,000	178,634,873	181,657,133	182,469,371	152,285,410
USY8137FAC24	3-Jun-25	6.13%	500,000	94,781,172	90,828,558	99,607,895	76,142,705
USY8137FAC24	3-Jun-25	6.13%	500,000	94,781,172	90,828,558	99,607,895	76,142,705
USY8137FAC24	3-Jun-25	6.13%	1,000,000	189,564,618	181,657,133	199,219,673	152,285,410
USY8137FAC24	3-Jun-25	6.13%	1,000,000	189,566,479	181,657,133	199,222,657	152,285,410
USY8137FAC24	3-Jun-25	6.13%	1,500,000	280,711,725	272,485,710	293,198,251	228,428,115
USY8137FAC24	3-Jun-25	6.13%	1,300,000	240,187,156	236,154,269	249,337,050	197,971,033
USY8137FAC24	3-Jun-25	6.13%	1,000,000	189,091,917	181,657,133	198,487,017	152,285,410
USY8137FAC24	3-Jun-25	6.13%	330,000	63,104,461	59,946,857	66,596,440	50,254,185
				4,168,886,401	**4,020,072,437**	**4,368,784,309**	**3,370,076,126**

26. LOANS AND ADVANCES

Year ended 31st March In LKR	Note	Group		Company	
		2023	2022	2023	2022
Loan receivables	26.1	4,181,144,329	5,721,832,163	-	-
Gold loans receivables	26.2	4,549,369,028	2,891,741,116	-	-
Factoring receivables	26.3	112,275,125	710,253,049	-	-
		8,842,788,482	**9,323,826,328**	**-**	**-**

26.1 Loan receivables

Year ended 31st March In LKR	Note	Group	
		2023	2022
Revolving loan receivables		698,773,244	654,423,234
Vehicle loan receivables		267,376,124	679,110,404
Personal/Business loan receivables		6,613,610,038	7,030,012,235
Gross loan receivables		7,579,759,406	8,363,545,873
Less : Allowance for expected credit losses/ individual impairment	26.1.2	(1,650,704,318)	(1,273,207,116)
Less : Allowance for expected credit losses/ collective impairment	26.1.3	(1,747,910,759)	(1,368,506,595)
		4,181,144,329	**5,721,832,163**

26.1.1 Analysis of loan receivables on maximum exposure to credit risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables- subject to collective impairment	1,197,064,411	62,300,664	6,320,394,331	7,579,759,406
Allowance for expected credit losses (ECL)	(6,384,453)	(11,891,615)	(3,380,339,009)	(3,398,615,077)
	1,190,679,958	**50,409,049**	**2,940,055,322**	**4,181,144,329**

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables- subject to collective impairment	1,128,393,857	534,615,313	6,700,536,703	8,363,545,873
Allowance for expected credit losses (ECL)	(20,499,793)	(63,242,808)	(2,557,971,109)	(2,641,713,710)
	1,107,894,064	**471,372,505**	**4,142,565,594**	**5,721,832,163**

26.1.2 Allowance for expected credit losses/Impairment

	Group	
	2023	2022
Individually impaired loans		
Balance as at 01st April	1,273,207,116	532,593,003
Charge to income statement	954,179,701	972,747,671
Write off during the year	(576,682,499)	(144,636,318)
Transfers / Movements	-	(87,497,240)
Balance as at 31st March	**1,650,704,318**	**1,273,207,116**

26. LOANS AND ADVANCES (Contd.)

26.1.3 Allowance for expected credit losses/Impairment

	Group	
	2023	2022
Loans subject to collective impairment		
Balance as at 01st April	1,368,506,595	1,294,172,207
Charge to income statement	379,404,164	74,334,388
Balance as at 31st March	**1,747,910,759**	**1,368,506,595**

26.1.3.1 Movement in allowance for expected credit losses

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	20,499,793	63,242,808	2,557,971,109	2,641,713,710
Charge/ (Reversal) to income statement	(14,115,341)	(51,351,193)	822,367,901	756,901,367
Transfers/Movements	-	-	-	-
Balance as at 31st March 2023	**6,384,452**	**11,891,615**	**3,380,339,010**	**3,398,615,077**

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	31,690,430	97,510,789	1,697,563,991	1,826,765,210
Charge/ (Reversal) to income statement	(11,190,636)	(34,267,981)	947,904,357	902,445,740
Transfers/Movements	-	-	(87,497,240)	(87,497,240)
Balance as at 31st March 2022	**20,499,794**	**63,242,808**	**2,557,971,108**	**2,641,713,710**

26.2 Gold loans receivables

		Group	
	Note	2023	2022
Gold loan receivables		4,565,628,450	2,903,406,495
Less : Allowance for expected credit losses/ collective impairment	26.2.2	(16,259,422)	(11,665,379)
		4,549,369,028	**2,891,741,116**

26.2.1 Analysis of gold loan receivables on maximum exposure to credit risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold Loan Receivables- subject to collective impairment	2,981,733,255	952,691,998	631,203,197	4,565,628,450
Allowance for expected credit losses(ECL)	(6,343,867)	(3,971,932)	(5,943,623)	(16,259,422)
	2,975,389,388	**948,720,066**	**625,259,574**	**4,549,369,028**

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold Loan Receivables- subject to collective impairment	1,653,000,689	623,405,302	627,000,503	2,903,406,494
Allowance for expected credit losses (ECL)	(2,600,347)	(1,677,044)	(7,387,987)	(11,665,378)
	1,650,400,342	**621,728,258**	**619,612,516**	**2,891,741,116**

26.2.2 Allowance for expected credit losses/Impairment

	Note	Group 2023	Group 2022
Loans subject to collective impairment			
Balance as at 01st March		11,665,379	15,388,441
Charge to income statement	26.2.3	4,594,043	(3,723,062)
Balance as at 31st March		**16,259,422**	**11,665,379**

26.2.3 Movement in allowance for expected credit losses as at 31st March 2023

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	2,600,347	1,677,044	7,387,988	11,665,379
Charge/ (Reversal) to income statement	3,743,520	2,294,887	(1,444,365)	4,594,042
Balance as at 31st March 2023	**6,343,867**	**3,971,931**	**5,943,623**	**16,259,422**

26.2.4 Movement in allowance for expected credit losses as at 31st March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	755,891	1,610,277	13,022,273	15,388,441
Charge to income statement	1,244,144	667,079	(5,634,285)	(3,723,062)
Balance as at 31st March 2022	**2,000,035**	**2,277,356**	**7,387,988**	**11,665,378**

26.3 Factoring receivables

	Group 2023	Group 2022
Gross factoring receivable	149,004,295	733,918,644
Less : Allowance for expected credit losses	(36,729,169)	(23,665,595)
	112,275,126	**710,253,049**

26.3.1 Analysis of factoring receivables on maximum exposure to credit risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Factoring Receivables- subject to collective impairment	84,649,725	11,657,073	52,697,497	149,004,295
Allowance for expected credit losses (ECL)	(2,756,796)	(3,818,300)	(30,154,073)	(36,729,169)
	81,892,929	**7,838,773**	**22,543,424**	**112,275,126**

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Factoring Receivables- subject to collective impairment	504,055,664	69,881,140	159,981,840	733,918,644
Allowance for expected credit losses (ECL)	(10,578,073)	(8,813,216)	(4,274,306)	(23,665,595)
	493,477,591	**61,067,924**	**155,707,534**	**710,253,049**

27. LEASE & HIRE PURCHASE RECEIVABLES

	Note	Group	
		2023	2022
At Amortized cost			
Total lease & hire purchase rentals receivable		10,939,448,031	15,705,438,095
Less: Unearned interest income		(2,479,278,210)	(4,087,996,040)
Gross lease & hire purchase receivable		**8,460,169,821**	**11,617,442,055**
Less: Allowance for expected credit losses/ collective impairment	27.6	(643,707,944)	(354,558,075)
Net lease receivable	**27.1**	**7,816,461,877**	**11,262,883,980**

27.1 Maturity analysis of net lease & hire purchase receivable as at 31 March 2023

	1 year Rs.	1-5 years Rs.	Over 5 years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	922,688,404	10,006,405,329	10,354,298	10,939,448,031
Less: Unearned lease interest income	(34,298,750)	(2,440,626,131)	(4,353,329)	(2,479,278,210)
Gross lease receivable	**888,389,654**	**7,565,779,198**	**6,000,969**	**8,460,169,821**
Less: Allowance for expected credit losses				(643,707,944)
Net lease receivable				**7,816,461,877**

27.2 Maturity analysis of net lease & hire purchase receivable as at 31 March 2022

	1 year Rs.	1-5 years Rs.	Over 5 years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	1,272,722,459	14,297,115,903	135,599,733	15,705,438,095
Less: Unearned lease interest income	(80,232,038)	(3,957,154,449)	(50,609,553)	(4,087,996,040)
Gross lease receivable	**1,192,490,421**	**10,339,961,454**	**84,990,180**	**11,617,442,055**
Less: Allowance for expected credit losses				(354,558,075)
Net lease receivable				**11,262,883,980**

27.3 Analysis of lease & hire purchase receivables on maximum exposure to credit risk

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables- subject to collective impairment	3,013,038,360	2,078,716,914	3,368,414,548	8,460,169,822
Allowance for expected credit losses (ECL)	(19,568,513)	(75,555,152)	(548,584,280)	(643,707,945)
	2,993,469,847	**2,003,161,762**	**2,819,830,268**	**7,816,461,877**

27.4 Analysis of lease & hire purchase receivables on maximum exposure to credit risk

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables- subject to collective impairment	6,487,353,697	3,762,231,523	1,367,856,835	11,617,442,055
Allowance for expected credit losses (ECL)	(37,044,922)	(131,673,093)	(185,840,060)	(354,558,075)
	6,450,308,775	**3,630,558,430**	**1,182,016,775**	**11,262,883,980**

27.5 Allowance for expected credit losses / Impairment

Loans subject to collective impairment

	Group	
	2023	2022
Collective impairment		
Balance as at 01st April	256,299,836	156,521,582
Charge to income statement	154,097,132	99,778,254
Balance as at 31st March	**410,396,968**	**256,299,836**
Individual impairment		
Balance as at 01st April	98,258,239	49,079,698
Charge to income statement	157,228,381	65,107,793
Write off during the year	(22,175,643)	(20,126,314)
Transfers / Movements	-	4,197,062
Balance as at 31st March	**233,310,977**	**98,258,239**

27.6 Movement in allowance for expected credit losses for the year ended 31st March 2023

Year ended 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	37,044,922	131,673,093	185,840,060	354,558,075
Charge to income statement	(17,476,409)	(56,117,941)	362,744,219	289,149,869
Transfers / Movements	-	-	-	-
Balance as at 31st March 2023	**19,568,513**	**75,555,152**	**548,584,279**	**643,707,945**

Year ended 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	23,632,135	36,127,882	145,841,263	205,601,280
Charge to income statement	13,412,787	95,545,212	35,801,734	144,759,733
Transfers / Movements			4,197,062	4,197,062
Balance as at 31st March 2022	**37,044,922**	**131,673,094**	**185,840,059**	**354,558,075**

28. INVESTMENTS IN SUBSIDIARIES

Carrying value

	Company					
	Effective holding %	No of shares	2023	Effective holding %	No of shares	2022
Softlogic Finance PLC	92.80%	565,354,947	6,886,148,497	91.17%	449,195,807	6,037,025,183
Softlogic Life Insurance PLC	51.72%	193,945,760	2,352,474,852	51.72%	193,945,760	2,352,474,852
Softlogic Stockbrokers (Pvt) Ltd	100.00%	19,700,000	316,929,500	100.00%	19,700,000	316,929,500
Softlogic Asset Management (Pvt) Ltd	100.00%	5,000,002	50,000,020	100.00%	5,000,002	50,000,020
			9,605,552,869			**8,756,429,555**

Market value of group quoted investments in subsidiaries

Softlogic Finance PLC	4,409,768,587	4,222,440,586
Softlogic Life Insurance PLC	16,369,022,144	8,339,667,680
	20,778,790,731	**12,562,108,266**

29. RIGHT OF USE ASSETS

Group

	Leasehold properties	Furniture and fittings	Office equipment	Motor vehicles	Total 2023	Total 2022
Cost						
As at 01st April 2022	1,514,432,305	3,590,487	707,000	18,288,165	1,537,017,957	1,338,770,913
Additions	331,569,471	-	-	-	331,569,471	213,870,784
Derecognition	(33,554,675)	-	-	-	(33,554,675)	(15,623,740)
As at 31st March 2023	**1,812,447,101**	**3,590,487**	**707,000**	**18,288,165**	**1,835,032,753**	**1,537,017,957**
Accumulated depreciation						
As at 01st April 2022	810,045,052	3,590,487	707,000	18,288,165	832,630,704	529,383,162
Charge for the year	349,331,615	-	-	-	349,331,615	310,716,841
Derecognition	-	-	-	-	-	(7,469,299)
As at 31st March 2023	**1,159,376,667**	**3,590,487**	**707,000**	**18,288,165**	**1,181,962,319**	**832,630,704**
Net book value as at 31 March 2023	**653,070,434**	**-**	**-**	**-**	**653,070,434**	
Net book value as at 31 March 2022	704,387,253	-	-	-		704,387,253

Company

	Leasehold Properties	Total 2023	Total 2022
Cost			
As at 01st April 2022	475,554,490	475,554,490	475,554,490
Additions	59,536,120	59,536,120	-
Derecognition	-	-	-
As at 31st March 2023	**535,090,610**	**535,090,610**	**475,554,490**
Accumulated Amortisation			
As at 01st April 2022	226,057,666	226,057,666	130,998,855
Charge for the year	117,542,312	117,542,312	95,058,811
Derecognition	-	-	-
As at 31st March 2023	**343,599,978**	**343,599,978**	**226,057,666**
Net book value as at 31 March 2023	**191,490,632**	**191,490,632**	**-**
Net book value as at 31 March 2022	249,496,824	-	249,496,824

The Information relating to the movement of lease liabilities are disclosed in Note 37.2

30. INVESTMENT PROPERTY

	2023	2022
Balance as at the Beginning of the Year	103,237,000	103,237,000
Additions Resulting from Acquisitions	-	-
Balance as at the End of the Year	103,237,000	103,237,000
Following are the amounts recognised in income statement for the year ended 31 March		
Rental income earned	2,000,000	2,000,000
	2,000,000	**2,000,000**

30.1 The details of Investment Property are as follows;

Subsidiary	Location	No of Buildings	Extent	Building SQFT	Fair Value of the Investment Property
Softlogic Finance PLC	Udawela Village within the Rambukwella East Grama Niladari Division in Palispattuwa East of Madadumbara Koarale in Kandy District Central Province	8	22A, 1R, 25.4 P	23,765	129,000,000

31. PROPERTY, PLANT AND EQUIPMENT

31.1 Group

	Land and building	Furniture and fittings	Computers and printers	Office equipment	Motor vehicles	Total 2023	Total 2022
Freehold assets							
Cost or valuation							
At the beginning of the year	629,931,999	1,021,592,218	224,739,488	585,037,713	133,286,201	2,594,587,619	2,456,313,548
Additions	-	84,156,111	31,629,775	43,232,020	-	159,017,906	98,454,618
Disposals	-	(1,901,943)	(6,816,195)	(1,204,531)	(78,652,716)	(88,575,385)	(4,131,737)
Disposal of Subsidiary	-	-	-	-	-	-	-
Transfers	(9,365,000)	-	-	-	-	(9,365,000)	(19,162,562)
Impairment/ Derecognition	-	-	-	-	(35,750,000)	(35,750,000)	(2,380,810)
Revaluations	18,065,000	-	-	-	-	18,065,000	65,494,562
At the end of the year	**638,631,999**	**1,103,846,386**	**249,553,068**	**627,065,202**	**18,883,485**	**2,637,980,140**	**2,594,587,619**
Freehold assets							
Accumulated depreciation							
At the beginning of the year	6,778,685	761,343,479	164,478,425	494,274,540	60,239,709	1,487,114,838	1,321,765,866
Charge for the year	15,623,001	90,921,722	22,566,944	40,903,998	898,000	170,913,665	187,428,441
Disposals	-	(1,642,371)	(6,603,791)	(1,204,186)	(45,762,718)	(55,213,066)	(2,916,907)
Transfers	(9,365,000)	-	-	-	-	(9,365,000)	(19,162,562)
At the end of the year	**13,036,686**	**850,622,830**	**180,441,578**	**533,974,352**	**15,374,991**	**1,593,450,437**	**1,487,114,838**
As At 31 March 2023	**625,595,313**	**253,223,556**	**69,111,490**	**93,090,850**	**3,508,494**	**1,044,529,703**	
As At 31 March 2022	623,153,314	260,248,739	60,261,063	90,763,173	73,046,492		1,107,472,781

31. PROPERTY, PLANT AND EQUIPMENT (Contd.)

31.2 Company

	Furniture and fittings	Computers and printers	Office equipment	Motor vehicles	Total 2023	Total 2022
Cost						
At the beginning of the year						
Additions	366,924	2,260,690	415,875	4,392,580	7,436,069	6,470,669
Transfers/Write-offs	-	390,000	-	-	390,000	965,400
At the end of the year					-	
At the end of the year	**366,924**	**2,650,690**	**415,875**	**4,392,580**	**7,826,069**	**7,436,069**
Accumulated depreciation						
At the beginning of the year	87,257	744,149	197,797	2,089,183	3,118,386	1,747,339
Charge for the year	36,692	474,470	83,175	878,516	1,472,853	1,371,047
Transfers/Write-offs					-	
At the end of the year	**123,949**	**1,218,619**	**280,972**	**2,967,699**	**4,591,239**	**3,118,386**
Balance As At 31 March 2023	**242,975**	**1,432,071**	**134,903**	**1,424,881**	**3,234,830**	
Balance As At 31 March 2022	279,667	1,516,541	218,078	2,303,397		4,317,683

31.3 Acquisition of PPE during the year

During the financial year, the Company and Group acquired PPE to the aggregate value of Rs.390,000/- (2022 - Rs.965,400/-) and Rs.159,017,956/- (2022 - Rs.98,454,617/-) respectively.

31.4 Fully depreciated property plant and equipment in use

	Group	
As at 31 March	**2023**	**2022**
Property, Plant and Equipment	1,251,672,361	1,200,083,909

31.5 Property plant & equipment pledged as security

None of the PPE have been pledged as securities as at the reporting date.

31.6 Permanent fall in value of property, plant and equipment

There has been no permanent fall in the value of PPE which require an impairment provision in the Financial Statements.

31.7 Title restriction on property plant & equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

31.8 Assessment of Impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31st March 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE.

31.9 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

31.10 Compensation from third parties for items of property, plant and equipment

There was no compensation received/ receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

31.11 Capitalization of Borrowing Cost

There were no capitalized borrowing costs relating to the acquisition of Property Plant and Equipment during the year.

31.12 The details of freehold land and buildings which are stated at valuation are as follows;

Freehold land - Group

Subsidiary	Location	Land extend	Method of valuation	Date of the valuation	Valuer	Revalued amount (LKR)
Softlogic Finance PLC	No. 13, De Fonseka place, Colombo 4.	0A-0R-12.0P	Market Comparable Method	31st March 2023	Mr. G. W. G. Abeygunawardena (Chartered Valuation Surveyor)	240,000,000
Softlogic Life Insurance PLC	No. 283, R A De Mal Mawatha, Colombo 3.	0A-0R-12.0P (04 Perch for Street line)	Open market value	31st December 2021	Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor)	160,000,000

Freehold buildings - Group

Subsidiary	Location	Number of buildings	Sqaure feet	Method of valuation	Date of the valuation	Valuer	Revalued amount (LKR)
Softlogic Finance PLC	No. 13, De Fonseka Place, Colombo 4.	1	10,794	Market Comparable Method	31st March 2023	Mr. G. W. G. Abeygunawardena (Chartered Valuation Surveyor)	110,500,000
Softlogic Life Insurance PLC	No. 283, R A De Mal Mawatha, Colombo 3.	1	11,824	Investment Method	31st December 2021	Mr. P.B. Kalugalgedara (Chartered Valuation Surveyor)	128,132,000

31.13 If land and buildings were stated at historical cost, the amounts would have been as follows

31 March	Group 2023		Group 2022	
	Land	Building	Land	Building
Cost	147,801,424	217,927,006	147,801,424	217,927,006
Accumulated depreciation	-	(90,471,456)	-	(79,575,106)
Carrying value	147,801,424	127,455,550	147,801,424	138,351,900

31. PROPERTY, PLANT AND EQUIPMENT (Contd.)

31.14 Fair value hierarchy

The fair value of the Land & Buildings was determined by an external independent property valuer, having appropriate recognized professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Fair value measurements of the property has been categorized as a Level 3 fair value based on the valuation techniques used.

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs.

Description	Effective date of valuation	Valuation technique	Significant unobservable inputs				Interrelationship between key unobservable inputs and Fair value measurements
			Per perch value (Rs.Mn)		Per square foot value (Rs.)		
			2023	2022	2023	2022	
Freehold land - Group							
No. 13, De Fonseka Place, Colombo 4.	31st March 2023	Market Comparable Method	18-25	18 - 30	-	-	Positive correlated sensitivity
No. 283, R A De Mal Mawatha, Colombo 3.	31st December 2021	Open market value	-	20	-	-	Positive correlated sensitivity
Freehold buildings - Group							
No. 13, De Fonseka Place, Colombo 4.	31st March 2023	Market Comparable Method	-	-	7500-13750	7250-8000	Positive correlated sensitivity
No. 283, R A De Mal Mawatha, Colombo 3.	31st December 2021	Investment Method	-	-	-	120-300	Positive correlated sensitivity

32. INTANGIBLE ASSETS

In LKR	PVIB	Goodwill	Other	Group 2023	Group 2022	Company 2023	Company 2022
Cost							
At the beginning of the year	1,980,596,000	924,934,106	419,564,468	3,325,094,574	3,315,486,073	-	-
Additions	-	-	5,858,983	5,858,983	9,608,500	4,058,983	-
	1,980,596,000	924,934,106	425,423,451	3,330,953,557	3,325,094,573	4,058,983	-
Accumulated amortization							
At the beginning of the year	1,370,800,230	-	265,438,652	1,636,238,882	1,478,783,959	-	-
Amortization	121,959,155	-	35,726,536	157,685,691	157,454,922	138,899	-
At the end of the year	1,492,759,385	-	301,165,188	1,793,924,573	1,636,238,881	138,899	-
Carrying value							
As at 31 March 2023	487,836,615	924,934,106	124,258,263	1,537,028,984	-	3,920,084	-
As at 31 March 2022	609,795,770	924,934,106	154,125,816	-	1,688,855,692	-	-

32.1 Present value of acquired in-force long-term Insurance business (PVIB)

On acquiring a controlling stake in Softlogic Life Insurance PLC, the group has recognized in the consolidated financial statements an intangible asset representing the present value of future profits on Softlogic Life's portfolio of long term life insurance contracts, known as the present value of acquired in-force Long-term Insurance business (PVIB) at the acquisition date. Further, PVIB recognized at the acquisition date will be amortized over the life of the business acquired and reviewed annually for any impairment in value.

32.2 Goodwill

Goodwill acquired through business combinations have been allocated to three cash generating units (CGU's) for impairment testing as follows:

As at 31 March	Goodwill 2023	Goodwill 2022
Non Banking Financial Institutions	24,400,306	24,400,306
Insurance	778,868,391	778,868,391
Stockbroking	121,665,409	121,665,409
	924,934,106	**924,934,106**

32. INTANGIBLE ASSETS (Contd.)

32.3 Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market in an arm's length transaction of similar assets, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine recoverable amounts for the different cash generating units are as follows.

The recoverable amount of all CGUs have been determined based on the higher of fair value less costs to sell and its Value in Use (VIU) calculation. VIU is determined by discounting the future cash flows generated from continuing use of the unit. The key assumptions used are given below:

Business growth	Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year, based on industry growth rates. Cash flows beyond a five year period are extrapolated using zero growth rate.
Inflation	Budgeted cost inflation is the inflation rate, based on projected economic conditions.
Discount Rate	The discounting rate used is the risk free rate increased by an appropriate risk premium.
Margin	Budgeted gross margins are the gross margins achieved in the year preceding, adjusted for projected market conditions and business plans.

Each business unit currently operating under the business continuity plans as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. Other business units where it is not feasible to operate in full or partial capacity in the immediate short term under the current environment, the management has taken necessary steps to safeguard the assets.

33. STATED CAPITAL

	2023		2022	
	Number of shares	Value of shares	Number of shares	Value of shares
Issued and fully paid				
At the beginning of the year	977,187,200	3,891,595,200	977,187,200	3,891,595,200
At the end of the year	977,187,200	3,891,595,200	977,187,200	3,891,595,200

34. RESERVES

34.1 Reserve fund

As at 31 March In LKR	Group	
	2023	2022
At the beginning of the year	260,448,732	260,448,732
Transferred during the year	-	-
At the end of the year	260,448,732	260,448,732

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 20% of the net profit for the year transferred to Reserve Fund as long as the capital funds are not less than 10% of total deposit liabilities.

34.2 Fair value reserve

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	(1,467,228,125)	(993,743,319)	(70,702,177)	(21,442,293)
Net unrealized gain/ (loss) on financial instruments	(338,975,695)	(473,484,806)	(12,365,149)	(49,259,884)
At the end of the year	(1,806,203,820)	(1,467,228,125)	(83,067,326)	(70,702,177)

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognized or impaired.

34.3 Restricted Regulatory Reserve

As at 31 March In LKR	Group	
	2023	2022
At the beginning of the year	798,004,000	798,004,000
Transfer of one-off surplus from Policy Holder Fund	-	-
At the end of the year	798,004,000	798,004,000

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on “Identification and Treatment of One-off Surplus” and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guideline Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate reserve in the Statement of Financial Position as “Restricted Regulatory Reserve” under Equity in accordance with the direction above. The distribution of One-off Surplus to shareholders as dividend shall remain restricted until the requirements disclosed in Note 38.7.2 are met. As required by the said Direction, the Group received the approval for this transfer on 29th March 2018.

34.4 Non-Distributable Regulatory Loss Allowance Reserve

	2023	2022
At the beginning of the year	-	-
Charged / Transferred in during the year	1,748,974,244	-
At the end of the year	1,748,974,244	-

35. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
Trade payable	226,791,692	307,297,559	2,202,666	2,181,681
Claims payable	1,047,097,348	616,393,035	-	-
Reinsurance creditors	2,461,440,346	1,729,782,865	-	-
Commission payable	816,945,900	787,484,021	-	-
Premium deposit	275,039,816	219,188,890	-	-
Accrued expenses	816,629,398	1,012,420,546	34,401,124	36,185,745
	5,643,944,500	**4,672,566,916**	**36,603,790**	**38,367,426**

36. OTHER NON FINANCIAL LIABILITIES

	Group		Company	
	2023	2022	2023	2022
Tax and other statutory payables	145,989,888	117,676,011	3,747,955	(1,023)
Other payables	111,412,240	48,819,178	-	566,786
	257,402,128	**166,495,189**	**3,747,955**	**565,763**

37. INCOME TAX PAYABLE/(RECEIVABLE)

37.1 Income tax receivable

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	(254,134,779)	(254,134,779)	-	-
Impact on reclassification	(4,138,629)	-	-	-
Payments and set off against refunds	82,643	-	-	-
At the end of the year	(258,190,765)	(254,134,779)	**-**	**-**

37.2 Income tax liability

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	50,766,916	15,830,486	-	-
Provision for the year	1,129,450,072	60,178,569	-	-
Reversal of income tax over charge in previous years	(5,890,301)	-	-	-
Impact on reclassification	4,138,629	-	-	-
Payments and set off against refunds	(243,199,802)	(25,242,139)	-	-
At the end of the year	935,265,514	50,766,916	-	-

38. INTEREST BEARING BORROWINGS

		Group		Company	
	Note	2023	2022	2023	2022
Bank loans	38.1	2,526,938,860	2,923,761,866	2,376,987,202	2,368,070,820
Lease creditors	38.2	696,049,965	744,681,906	237,363,216	304,142,698
Securitization	38.3	2,620,042,989	1,376,938,838	2,427,017,472	-
Debentures	38.4	1,436,006,987	1,433,588,131	1,539,994,372	1,537,695,391
Subordinated Debt	38.5	5,190,803,686	4,573,115,561	-	-
Other Loans		318,608,905	-	-	-
Commercial papers		8,897,491,418	4,470,753,359	3,396,782,542	3,009,954,278
		21,685,942,810	**15,522,839,661**	**9,978,144,804**	**7,219,863,187**

38.1 Bank loans

38.1.1 Movement of bank loans

As at 31 March In LKR	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	2,923,761,866	2,058,644,428	2,368,070,820	1,395,695,517
Additions	1,400,000,000	4,012,725,000	750,000,000	2,462,725,000
Repayments	(1,970,691,046)	(3,153,631,708)	(915,000,000)	(1,493,420,517)
Accrued interest	173,868,040	6,024,146	173,916,382	3,070,820
At the end of the year	2,526,938,860	2,923,761,866	2,376,987,202	2,368,070,820

38.1.2 Bank loan information

Institution	Type of loan	Amortized cost 2023	Amortized cost 2022	Interest rate	Securities pledged	Security value
Softlogic Capital PLC						
National Development Bank PLC	Term loan	876,017,096	800,000,000	AWPLR+ 1.00%	60,000,000 shares of Softlogic Life Insurance PLC	5,064,000,000
	Term loan	272,771,164	250,000,000	AWPLR+ 0.50%		
DFCC Bank PLC	Term loan	1,177,900,749	1,100,000,000	AWPLR+ 0.50%	70,000,000 shares of Softlogic Life Insurance PLC	5,908,000,000
DFCC Bank PLC	Revolving Loan	50,298,193	218,070,820	AWPLR+ 1.00%		
Total Bank Borrowings - Company		**2,376,987,202**	**2,368,070,820**			
Softlogic Finance PLC						
Commercial Bank of Ceylon PLC	Revolving loan	-	251,830,548	AWPLR+3.00%	Nil	-
Seylan Bank PLC	Revolving loan	149,951,658	200,373,479	AWPLR+2.50%	Mortgage over Lease and Hire purchase receivables for Rs. 375 Mn	375,000,000
Hatton National Bank PLC	Term loan	-	100,709,299	AWPLR+2.00%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	-
		149,951,658	552,913,326			
Softlogic Stockbrokers (Pvt) Ltd						
People's Bank	Term loan	-	2,777,720	4%	Mortgage over trade receivables	-
		-	2,777,720			
Total Bank Borrowings - Group		**2,526,938,860**	**2,923,761,866**			

38. INTEREST BEARING BORROWINGS (Contd.)

38.2 Lease creditors

38.2.1 Movement of Operating Lease Liability

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	744,681,906	857,247,357	304,142,698	391,664,330
Additions/Modifications	245,682,709	159,306,812	59,536,120	-
Finance charges	112,617,894	89,275,741	35,246,071	26,708,792
Repayments	(406,932,544)	(362,955,883)	(161,561,673)	(125,562,884)
De-recognition	-	(7,870,646)	-	-
Exchange differences	-	9,678,525	-	11,332,460
At the end of the year	**696,049,965**	**744,681,906**	**237,363,216**	**304,142,698**

38.3 Securitizations

38.3.1 Movement

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	1,376,938,838	1,724,604,120	-	-
Additions	1,980,725,304	695,514,789	1,980,725,304	-
Repayments	(1,208,143,746)	(1,073,654,313)	-	-
Accrued interest	470,522,593	30,474,242	446,292,168	-
At the end of the year	2,620,042,989	1,376,938,838	2,427,017,472	-

38.3.2 Securitization information

Softlogic Capital PLC

Institution	Type of loan	Amortized cost		Interest rate	Securities pledged	Security value
		2023	2022			
HNB Trust 1	Securitization	1,235,781,558	-	29.46%	Mortgage over Intercompany Receivables of Softlogic Capital PLC	1,714,243,160
HNB Trust 2	Securitization	843,190,734	-	29.00%	Mortgage over Intercompany Receivables of Softlogic Capital PLC	1,220,363,884
NDB Trust 1	Securitization	348,045,180	-	34.5%	Mortgage over Intercompany Receivables of Softlogic Capital PLC	595,085,026
Total Securitization Borrowings - Company		2,427,017,472	-			

Institution	Type of loan	Amortized cost		Interest rate	Securities pledged	Security value
		2023	2022			
HNB Trust 6	Securitization	-	179,753,419	10.25%	Mortgage over Gold Loan receivables of Softlogic Finance PLC	-
HNB Trust 7	Securitization	-	486,005,451	10.00%	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC	-
HNB Trust 8	Securitization	23,359,315	143,486,781	10.48%		33
HNB Trust 9	Securitisation	46,255,628	208,420,917	10.09%	Mortgage over Lease receivables of Softlogic Finance PLC	60
HNB Trust 10	Securitisation	59,229,965	207,378,352	10.78%	Mortgage over Lease receivables of Softlogic Finance PLC	80
HNB Trust 11	Securitisation	64,180,639	151,893,918	14.94%	Mortgage over Lease receivables of Softlogic Finance PLC	83
		193,025,547	1,376,938,838			
Total Securitization Borrowings - Group		**2,620,042,989**	**1,376,938,838**			

38.4 Debentures

	Group		Company	
	2023	2022	2023	2022
Balance as at April 01	1,433,588,131	1,431,637,919	1,537,695,391	1,535,793,448
Debentures issued	-	-	-	-
Debentures redeemed	-	-	-	-
	1,433,588,131	1,431,637,919	1,537,695,391	1,535,793,448
Interest accrued during the year	209,282,563	298,100,393	224,282,563	313,115,581
Interest paid	(206,863,707)	(296,150,181)	(221,983,582)	(311,213,638)
Balance as at March 31	1,436,006,987	1,433,588,131	1,539,994,372	1,537,695,391

Details of debentures issued

Company

Rated, Senior, Unsecured, Redeemable Debentures

Debenture Type	No of Debentures	Issue Date	Maturity Date	Rate of Interest	Face Value Rs	Amortized Cost 2023 Rs	Amortized Cost 2022 Rs
Type A	2,500,600	19-Dec-19	19-Dec-23	14.75%	250,060,000	259,792,416	259,289,420
Type B	4,598,800	19-Dec-19	19-Dec-24	14.50%	459,880,000	460,545,204	459,827,716
Type C	7,900,500	19-Dec-19	19-Dec-24	15.00%	790,050,000	819,646,841	818,568,203
Type D	100	19-Dec-19	19-Dec-24	13.50%	10,000	9,910	10,052
					1,500,000,000	1,539,994,372	1,537,695,391

38. INTEREST BEARING BORROWINGS (Contd.)

38.4 Debentures (Contd.)

Debenture issue proceed utilization as at 31st March 2023

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as Per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related party/s etc.)
1	To fund SCAP's subscription (i.e. entitlement plus the undersubscribed shares) of Rights Issue carried out by Softlogic Finance PLC.	600,000,000	December 2019'	600,000,000	100%	600,000,000	100%	N/A
2	SCAP wishes to reserve LKR 500Mn for future acquisitions/investments, and up to LKR 400Mn will be utilized to settle short term debt. However, the company wishes to re-allocate up to LKR 400Mn which was originally identified for settlement of short term debt for investments/acquisitions, if the value of the identified investment exceeds the aforesaid LKR 500Mn originally allocated for future acquisitions/ investment.	500,000,000	December 2019 - December 2020	500,000,000	100%	500,000,000	100%	N/A
		400,000,000	December 2019 - December 2020	400,000,000	100%	400,000,000	100%	N/A

38.5 Subordinated Debt

	Group	
	2023	2022
At the beginning of the year	4,573,115,561	3,112,386,261
Additions	-	-
Repayments	(252,879,020)	(228,995,702)
Accrued interest	548,187,129	279,123,683
Exchange translation difference	322,380,016	1,410,601,319
At the end of the year	5,190,803,686	4,573,115,561

38.5.1 Nature and purpose the borrowing

Softlogic Life Insurance PLC entered into a long-term financing agreement with the Finnish Fund for Industrial Cooperation Ltd (Finnfund) and the Norwegian Investment Fund for Developing Countries for USD 15 Mn Tier II Subordinated debt transaction to provide funding to future development of business objectives of the Company. The facility was signed on 24 August 2020.

38.5.2 Security and repayment terms

Nominal Interest Rate	Repayment Terms	Collateral	Interest Payable Frequency	Allotment Date	Maturity Date	Interest rate of comparable Government Security
6 month LIBOR base plus margin	In full at maturity	None	Biannually	10/2/20	10/2/25	28.11%

38.6 Defaults and breaches

The Group did not have any defaults of principal or interest or other breaches with respect to its loans and borrowings during the year ended 31 March 2023.

39. PUBLIC DEPOSITS

	Group	
	2023	2022
Time deposits	12,345,052,709	15,455,122,914
Savings deposits	85,894,247	127,191,185
	12,430,946,956	**15,582,314,099**
Payable after one year	3,094,920,991	2,568,632,781
Payable within one year	9,336,025,965	13,013,681,318
	12,430,946,956	**15,582,314,099**

40. INSURANCE CONTRACT LIABILITIES

	Group	
	2023	2022
At the beginning of the year	22,559,123,313	17,947,993,820
Increase in life fund	6,211,266,096	7,240,849,494
Transfer to shareholders	(4,263,000,000)	(2,527,000,000)
Change in insurance contract liabilities	1,948,266,096	4,713,849,494
Tax on policyholder bonus and Unit Linked seed capital	(45,296,363)	(102,720,001)
At the end of the year	24,462,093,046	22,559,123,313

Change in life insurance contract liabilities

The results of Softlogic Life Insurance PLC life business segment is consolidated line by line into the Group's consolidated income statement.

The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policyholders during the year.

	Group	
	2023	2022
Income and expenditure attributable to life policyholders		
Revenue	24,744,769,278	20,972,237,669
Direct expenses	(14,788,416,408)	(10,781,208,166)
Operating Profit	9,956,352,871	10,191,029,502
Operating expenses including distribution and administration expenses	(3,745,086,774)	(2,950,180,009)
Transfer to shareholders	(4,263,000,000)	(2,527,000,000)
Change in insurance contract liabilities	1,948,266,096	4,713,849,494

40.1 Valuation of Life Insurance Fund

Long duration contract liabilities included in the Life insurance fund, primarily consist of traditional participating and non-participating life insurance products. The actuarial reserves have been established by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, Messrs. Towers Watson India Private Limited as at 31st March 2023.

40.1.1 Methodology used in determination of market value of liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31 March 2023. In determining the policy liabilities, provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

Negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a product level on accounting standards purpose in arriving to surplus calculation.

No implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC)

Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Discounting "Net Cash Flows" using a discount rate Max (account value, discounted cash flow liability)	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Term (Life) and per day Insurance	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-)Death benefit Outgo (+) Rider benefit Outgo (+)Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products - Group Hospitalization Cover	Policy liability has been set equal to UPR.	Not Applicable

40.2 Key assumptions used in determinations of Best Estimate Liability (BEL)

Details of key assumption used and basis of arriving for the same are summarized in following table;

Assumption	Basis of estimation
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 40.2.1
Mortality Rates	A67/70 Standard Mortality Rates were used.
Morbidity Rates	The morbidity rates have been set based on loss ratios whereby loss ratio is calculated as the ratio of settled and pending claims to earned premiums.
Expenses	Based on the Expense investigation carried out as at 31st March 2022 based on the expenses incurred during 2021/22. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been done on the basis of inputs from various department heads of each cost center to determine a reasonable activity based split of expense. These have been further identified as either being premium or policy-count driven based on the nature of expenses to determine a unit cost loading for use in the valuation.
Expense inflation	The best estimate expense inflation has been assumed to be 5% p.a. The expense inflation assumption has remained unchanged since previous valuation. The assumption is also in line with the long term inflation target of Central Bank of Sri Lanka which is in the range of 4 % to 6%.
Persistency Ratio	Discontinuance assumptions have been set on the basis of experience investigation. The discontinuance assumptions have been set with reference to actual experience and vary by policy duration.
Bonus Rate	Bonus rate scale assumed has been arrived based on bonus declared as at 31st December 2022, based on the Company management's views on policyholder reasonable expectations. This assumes that company is expecting to maintain the current bonus levels into the future and is unchanged from the previous valuation.
Participating fund yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.

40. INSURANCE CONTRACT LIABILITIES (Contd.)

40.2.1 Discount rate

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts

Assumption	Basis of estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity – the spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re)investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

40.3 Sensitivity analysis

Sensitivity Analysis of Life Insurance Fund Liability is provided in Note 8.4 Insurance risk.

40.4 Recommendation of surplus transfer

The valuation of life insurance fund as at 31st March 2023 was made by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited, who recommended;

- there is no transfer to shareholders from the Participating life fund

- transfer of a sum of Rs.4,263 Mn to non-participating life insurance fund / insurance contract liabilities to the shareholders' fund (2022 - Rs.2,527 Mn)

Subsequent to the transfer the surplus of Rs.4,263 Mn, life fund stands as Rs.24,462 Mn as at 31st March 2023, including the liability in respect of bonuses and dividends declared up to and including for the year 2022/23 as well as Surplus created due to Change on Valuation method of policy liabilities from NPV to GPV in the participating fund.

40.4.1 Taxation on surplus distributed to the life insurance policyholder who shares the profits

According to the Section 67 (2) of Inland Revenue Act No. 24 of 2017, the surplus distributed to the life insurance policyholder who shares the profits of a person engaged in the business of life insurance in a given year, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of that person from the business and subject to tax at 24% from 01st April 2022 to 30th September 2022. IRD has issued new Inland Revenue (Amendment) Act, No. 45 of 2022 which is effective from 1st October 2022 and applicable tax rate is 30%.

As recommended by the Appointed Actuary Mr. Kunj Behari Maheshwari. FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs.436 Mn (Please refer point (f) of the Actuarial report provided in page 250) to life insurance policyholders who participating in the profit of life insurance business. Accordingly the Company has adjusted the tax liability in to the life insurance fund.

40.5 Solvency margin

The Company maintains a Capital Adequacy Ratio (CAR) 287% on regulatory basis and Total Available Capital (TAC) of Rs.32,302 Mn as at 31 December 2022, which exceed the minimum requirement of 120% and Rs.500 Mn respectively as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000.

401.6 Liability Adequacy Test (LAT)

A Liability Adequacy Test for Life Insurance contract Liability was carried out by Appointed Actuary Mr. Kunj Behari Maheshwari, FIA, FIAI, of Messrs. Towers Watson India Private Limited as at 31st December 2022. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability.

According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st March 2023. No additional provision was required against the LAT as at 31st March 2023.

40.7 Surplus created due to change in valuation Method - one-off surplus zeroed at product level

Valuation

Details of one off results as at 01st January 2016 is provided as follows;

Description

	Participating Fund Rs.'000	Non- Participating Fund Rs.'000	Total Rs.'000
Value of Insurance contract liability based on Independent Actuary - NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One off Surplus as at 01st January 2016	1,056,535	798,004	1,854,539

40. INSURANCE CONTRACT LIABILITIES (Contd.)

40.7.1 Transfer of one-off surplus from Policy Holder Fund to Shareholder fund (Non Participating Fund)

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued a Direction No 16 on 20th March 2018 on "Guidelines/Directions for Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the new direction. Based on the new guidelines Life Insurance Companies are directed to transfer One-off surplus attributable to Policyholder Non-Participating Fund to Share Holder Fund as at the reporting year ended 31st December 2017. The transfer has been presented as a separate line item in the Income Statement as "Change in contract liability due to transfer of One-off surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with above Direction. As required by the said Direction, the Company received the approval for this transfer on 29th March 2018.

"Further distribution of One-off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-off Surplus in the Share Holder Fund will remain invested in government debt securities and deposits as disclosed in Note 40.7.3 as per the directions of the IRCSL."

The financial ratios have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact.

One-off surplus in respect of participating business is held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Share Holder Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000". Please refer Note 40.7.3 for details of assets supporting the restricted regulatory reserve as at 31st March 2023.

Movement of one-off surplus after transfer

	Participating fund Rs.'000	Non-participating fund Rs.'000	Total Rs.'000
Value of Insurance contract liability based on Independent Actuary -NPV as at 31st December 2015	3,866,780	2,472,575	6,339,355
Value of Insurance contract liability based on Independent Actuary - GPV 31st December 2015	2,810,245	1,674,571	4,484,816
Surplus created due to Change in Valuation Method - One-off Surplus as at 01st January 2016	1,056,535	798,004	1,854,539
Transfer of One-off Surplus from long term fund to Restricted Regulatory Reserve	-	(798,004)	(798,004)
Remain One-off Surplus in insurance contract liabilities as at 31 March 2023	1,056,535	-	1,056,535

40.7.2 Distribution of one-off surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below.

Expense allocation policy setting out basis of allocation of expenses between the Share Holder Fund and the Policy Holder Fund as well as between different lines of business within the Policy Holder Fund, particularly participating and non-participating.

- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset-liability management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policy Holder Fund to Shareholder Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further IRCSL will reconsider the distribution of One-off Surplus when the RBC rules are revised.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

40.7.3 Composition of investments supporting the restricted regulatory reserve as at 31st March 2023

Asset category	ISIN No	Face value	Market value Rs.'000
Government securities			
Treasury bonds	LKB00628A153	100,000,000	82,063
	LKB00628A153	110,000,000	90,270
	LKB00628A153	100,000,000	82,063
	LKB00628A153	100,000,000	82,063
	LKB00931E153	100,000,000	81,530
	LKB00931E153	100,000,000	81,530
	LKB00931E153	120,000,000	97,836
	LKB00931E153	100,000,000	81,530
	LKB00931E153	100,000,000	81,530
	LKB00931E153	100,000,000	81,530
	LKB01528I017	100,000,000	60,529
Total market value of the assets			**902,474**
Restricted Regulatory Reserve			**798,004**

41. EMPLOYEE BENEFIT LIABILITIES

	Note	Group		Company	
		2023	**2022**	**2023**	**2022**
At the beginning of the year		263,082,607	262,697,781	25,808	70,145
Transfer of liability from / (to) group companies		342,799	-	22,328	-
Expenses recognized in income statement	41.1	70,377,315	55,134,368	89,227	22,101
Actuarial (gain) / loss recognized in other comprehensive income	41.2	(35,766,925)	(1,157,705)	29,460	(66,438)
Gratuity payments during the year		(21,889,428)	(53,591,837)	-	-
At the end of the year		276,146,368	263,082,607	166,823	25,808
41.1 Expenses recognized in income statement					
Current service cost		41,638,156	36,290,885	85,356	22,101
Interest cost		28,739,159	18,843,483	3,871	-
Total expenses recognize in income statement		**70,377,315**	**55,134,368**	**89,227**	**22,101**
41.2 Actuarial losses/(gains) recognized in other comprehensive income					
Actuarial loss / (gain) during the year		(35,766,924)	(1,157,705)	29,460	(66,438)
		(35,766,925)	**(1,157,705)**	**29,460**	**(66,438)**
41.3 The principal assumptions used for this purpose are as follows;					
Discount rate per annum		17% to 23%	10.50% to 15.00%	20.00%	15.00%
Annual salary increments rate		13% to 15%	9.00% to 10.00%	15%	10%
Retirement age		60 years	60 Years	60 Years	60 Years

Legislated revision of minimum retirement age of private sector employees by Minimum Retirement Age of Workers Act No. 28 of 2021 was considered in determining employee benefit liability of the Group.

41. EMPLOYEE BENEFIT LIABILITIES (Contd.)

41.4 Sensitivity of assumptions used

The following table demonstrates the sensitivity to a reasonably possible change in the discount rate and salary Increment rates with all other variables held constant in the employment benefit liability measurement.

	Group		Company	
	2023	2022	2023	2022
Effect on the defined benefit obligation liability;				
Increase by one percentage point in discount rate	(7,745,179)	(9,332,450)	(8,453)	(1,526)
Decrease by one percentage point in discount rate	8,271,847	10,138,563	9,196	1,674
Effect on the defined benefit obligation liability;				
Increase by one percentage point in salary increment rate	7,280,053	11,343,936	10,375	1,853
Decrease by one percentage point in salary increment rate	(6,864,952)	(10,621,248)	(9,641)	(1,708)

The above sensitivity analyses are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method "Projected Unit Credit method (PUC)" has been applied as when calculating the defined benefit liability recognised in the balance sheet as at the reporting date.

The methods and types of assumptions used in preparing the sensitivity analysis has not changed compared to the prior period.

41.5 Maturity analysis of the payments

The following payments are expected on employees benefit liabilities in future years.

	Group		Company	
	2023	2022	2023	2022
- Within the next 12 months	74,046,895	63,720,299	-	-
- Between 1 and 2 years	75,302,918	70,099,490	32,396	1,208
- Between 3 and 5 years	76,748,518	61,915,361	67,060	12,153
- Between 6 and 10 years	38,243,391	50,482,539	47,303	8,773
- Beyond 10 years	11,804,647	16,864,918	20,064	3,675
Total expected payments	**276,146,369**	**263,082,607**	**166,824**	**25,809**
Weighted average duration of defined benefit obligation (years)	5.94	5.88	6.34	7.11

42. DEFERRED TAX LIABILITIES / ASSETS

42.1 Deferred tax assets

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	1,095,871,780	1,889,693,055	219,204,750	223,977,946
Charge/release - income statement	(667,202,058)	(682,132,969)	(219,204,750)	(4,773,196)
Charge/release - other comprehensive income	-	(8,968,305)	-	-
Utilised against tax on bonus declatred to Participating policyholders*	-	(102,720,001)	-	-
At the end of the year	428,669,722	1,095,871,780	-	219,204,750
The closing deferred tax asset balance relates to the following;				
Accelerated depreciation for tax purposes	(34,050,527)	(53,368,147)	-	(127,006)
Capital gain on land revaluation	(5,419,500)	(6,832,800)	-	-
Disallowed impairment provision	136,894,104	285,124,571	-	-
Employee benefit liabilities	12,549,855	11,153,837	-	3,613
Losses available for offset against future taxable income	323,460,211	851,317,050	-	213,788,131
Lease capital balance	(4,764,421)	-	-	-
Others	-	8,477,271	-	5,540,012
	428,669,722	**1,095,871,782**	**-**	**219,204,750**

42.2 Deferred tax liabilities

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	3,462,003	3,098,450	-	-
Charge/release - income statement	(2,339,305)	(187,524)	-	-
Charge/release - other comprehensive income	588,671	551,077	-	-
At the end of the year	1,711,369	3,462,003	-	-
The closing deferred tax liability balance relates to the following;				
Accelerated depreciation for tax purposes	7,781,166	6,550,266	-	-
Employee benefit liabilities	(4,495,343)	(3,088,263)	-	-
Losses available for offset against future taxable income	(1,574,454)	-	-	-
	1,711,369	**3,462,003**	**-**	**-**

43. COMMITMENTS AND CONTINGENCIES

43.1 Capital Commitments

	Group	
	2023	2022
As at 31st March		
Capital Commitment	31,040,000	7,060,000

43. COMMITMENTS AND CONTINGENCIES (Contd.)

43.2 Guarantees issued and in-force, and commitments for unutilized facilities

	Group		Company	
	2023	2022	2023	2022
As at 31st March				
Guarantees issued and in force	2,781,002,210	1,781,002,210	2,781,002,210	1,781,002,210
Commitment for unutilized facilities	388,741,450	759,541,937	-	-

Analysis of commitment and contingencies by remaining contractual maturities - Group

As at 31st March 2023	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Capital Commitments					
Capital Commitment for Software	-	31,040,000	-	-	31,040,000
Guarantees issued and in-force, and commitments for unutilized facilities - Group					
Guarantees issued and in force	1,150,000,000	1,631,002,210	-	-	2,781,002,210
Commitment for unutilized facilities	380,741,350	-	-	8,000,100.00	388,741,450

Analysis of commitment and contingencies by remaining contractual maturities

As at 31st March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Capital Commitments					
Capital Commitment for Software	-	7,060,000	-	-	7,060,000
Guarantees issued and in-force, and commitments for unutilized facilities					
Guarantees issued and in force	150,000,000	1,631,002,210	-	-	1,781,002,210
Commitment for unutilized facilities	730,935,061	20,606,776	-	8,000,100	759,541,937

Analysis of commitment and contingencies by remaining contractual maturities - Company

As at 31st March 2023	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Guarantees issued and in-force, and commitments for unutilized facilities					
Guarantees issued and in force	150,000,000	-	-	-	150,000,000

As at 31st March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Guarantees issued and in-force, and commitments for unutilized facilities					
Guarantees issued and in force	150,000,000	-	-	-	150,000,000

43.3 Contingent Liabilities

Softlogic Life Insurance PLC (SLI)

a) Assessment in Respect of Value Added Tax (VAT)

The Company has been issued with VAT assessments by the Department of Inland Revenue for the taxable period 2010 and was determined by the Tax Appeal Commissions on 22nd August 2019. Out of total 11 assessments, 08 assessments were determined in favor of Commissioner General of Inland Revenue amounting to Rs.46.5 Mn including the penalty and 03 assessments were determined in favor of Softlogic Life Insurance PLC amounting to Rs.24.8 Mn including the penalty.

The Company transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favor of the Commissioner General of Inland Revenue and case is stated for the opinion of the Honorable Court of Appeal. The Total tax exposure of this appeal is Rs.46.5 Mn including the penalty.

The Commissioner General of Inland Revenue, transmitted the case to the Court of Appeal being dissatisfied with the determination which determined in favor of Softlogic Life Insurance PLC and case is stated for the opinion of the Honorable Court of Appeal. The Total tax exposure of this appeal is Rs.24.8 Mn including the penalty.

b) Assessment in Respect of Value Added Tax on Financial Services (VAT on FS)

i The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for Y/A 2014/15, 2016/17 and 2017/18 under the Value Added Tax Act amounting to Rs.68.7 Mn, Rs.28.0 Mn and Rs.102.4 Mn respectively, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the VAT Act.

ii The Company has been issued with an assessment by the Department of Inland Revenue under the Value Added Tax Act, in relation to the Y/A 2018/19 and 2019 /20 amounting to Rs.72.6 Mn and 147.7 Mn respectively. The Company has filed an appeal in relation to 2018/19 to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of the VAT Act and filled an objection letter and the Company is awaiting the CGIR determination.The company has requsted adminstration review for the assessment issued for the Y/A 2019/20

c) Assessment in Respect of Nation Building Tax on Financial Services (NBT on FS)

i The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2017/18 under the Nation Building Tax Act amounting to Rs.13.7 Mn, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission, on the basis that the underlying computation includes items which are out of scope of the NBT Act.

ii The Company has been issued with an assessment by the Department of Inland Revenue under the Nation Building Tax Act, in relation to the Y/A 2018/19 amounting to Rs.9.7 Mn. The Company has filed an appeal to the Commissioner General of Inland Revenue on the basis that the underlying computation includes items which are out of scope of the NBT Act and preferance notice to appealling to TAC was made. The Company is awaiting the CGIR reason for determination.

d) Assessment in Respect of Economic Service Charge (ESC)

SLI has been issued with an assessment by the Department of Inland Revenue on 27 August 2020 under the Economic Service Charge Act, in relation to the taxable period ending 31 December 2017 amounting to Rs.7.3 Mn.

The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment in favour of the the commissioner General of Inland Revenue. The company is in the process of hearing the appeals with Tax Apeals Commission, on the basis that the underlying computation includes items which are out of scope of the ESC Act and CGIR shall write off the ESC assessed.

e) Assessment in Respect of Life Insurance Taxation

i The Tax Appeals Commission issued it's determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2010/11 amounting to Rs.679,000/- , in favor of the Softlogic Life Insurance PLC and The Commissioner General of Inland Revenue has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honorable Court of Appeal. The Company is awaiting the decision of the Court of appeal.

ii The Tax Appeals Commission issued it's determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2011/12 and 2012/13 amounting to Rs.10.1 Mn and Rs.12.4 Mn respectively, in favor of CGIR and The Company has transmitted this case to the Court of Appeal being dissatisfied with the said determination of Tax Appeals Commission and case is stated for the opinion of the Honorable Court of Appeal. The Company is awaiting the decision of the Court of appeal.

43. COMMITMENTS AND CONTINGENCIES (Contd.)

43.3 Contingent Liabilities (Contd.)

iii The Commissioner General of Inland Revenue issued it's determination on the appeal filed by the Company relating to the assessment raised for the Y/A 2014/15, 2015/16, 2016/17 and 2017/18 amounting to Rs.681.7 Mn along with penalty, in favor of the Commissioner General of Inland Revenue. The Company is in the process of hearing the appeals with Tax Appeals Commission.

iv The Company has been issued with an assessment under the Income Tax act by the Department of Inland Revenue in relation to the year of assessment 2018, amounting to Rs.533.4 Mn including penalty and interest. The Company has filed an appeal to the Commissioner General of Inland Revenue and awaiting the CGIR determination.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submission and therefore, the the probability of company having to settle any of this tax assessments are very low.

43.4 Pending Litigation

Company

There are no pending litigations against and by the Company.

Softlogic Finance PLC

i) Case filed against Softlogic Finance PLC at the District Courts of Colombo under case No. DMR 3743/19, by one of our customers, namely Ms. Ketagodage Dona Vijitha Mallika, claiming damages of Rs.100 Mn for the reputational loss and mental distress she suffered.

When this matter was called on 7th June 2023, the plaintiff withdrawn the case.

ii) Case filed against Softlogic Finance PLC at the District Court of Colombo under case No. DMR 3689 /21 by one of our customers, claiming that the Deed of Transfer executed over his property in favour of Softlogic Finance is invalid and claims damages of Rs.70 M.

The company has filed the Answer on the 20.06.2023 and will take appropriate action to defend to preserve its rights.

43.5 Compliance with Solvency Regulation

Softlogic Life Insurance PLC is also subject to insurance solvency regulations and has complied with all solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

44. POST BALANCE SHEET EVENTS

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.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements other than the items disclosed below.

Softlogic Capital PLC - Potential Sale of Softlogic Life Insurance PLC

The Company has made a public announcement to CSE on 15 February 2023 on the potential sale of Softlogic Life Insurance PLC.

As at the reporting date there has not been a binding commitment reached in this regard.

Softlogic Finance PLC - Caps Imposed by CBSL

As per the latest letter received from CBSL dated 10 April 2023, the caps inposed on Total Deposits and Total Lending Portfolio have been downsized to Rs.10.5Bn and Rs.13.5Bn respectively by 30 June 2023. Further, Rs.5.6Bn cap has been imposed on borrowings through Commercial papers (with Accrued Interest payable) with Immediate effect.

45. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its services and has three reportable segments, as follows:

- Non-banking Financial Institutions segment comprise of Softlogic Finance PLC which provides specialized business loans, regular business loans, vehicle and machinery loans, personal financing, leasing and hire purchase and fund mobilization.

- Insurance segment comprise of Softlogic Life Insurance PLC which provides life insurance solutions.

- Others sector consists of Softlogic Capital PLC, which provides investment management, consultancy and advisory services and Softlogic Stockbrokers (Pvt) Ltd and Softlogic Asset Management (Private) Limited which provides stockbroking services and Asset Management Services for Unit Trust Funds respectively.

For the year ended 31 March,	Non-banking Financial Institutions		Insurance		Others		Total segments		Adjustments and eliminations		Group total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total external revenue	4,199,168,041	3,204,277,461	27,815,577,997	23,479,242,853	672,486,405	749,210,556	32,687,232,443	27,432,730,870	-	-	32,687,232,443	27,432,730,870
Inter-segment revenue		-		-	1,334,501,410	947,503,076	1,334,501,410	947,503,076	(1,334,501,410)	(947,503,076)	-	-
Total revenue	4,199,168,041	3,204,277,461	27,815,577,997	23,479,242,853	2,006,987,815	1,696,713,632	34,021,733,853	28,380,233,946	(1,334,501,409)	(947,503,076)	32,687,232,443	27,432,730,871
Interest income	3,925,424,279	2,945,415,506	5,870,008,013	2,488,584,466	807,956,560	111,591,274	10,603,388,852	5,545,591,247	(470,848,827)	(98,587,700)	10,132,540,025	5,447,003,547
Interest expense	(3,891,334,065)	(1,611,407,128)	(672,271,241)	(304,339,127)	(2,237,935,391)	(644,263,530)	(6,801,540,697)	(2,560,009,785)	536,638,266	72,927,484	(6,264,902,431)	(2,487,082,301)
Impairment of loans and receivables	(1,809,774,887)	(1,210,260,697)	(1,614,212,294)	(709,290,973)	-	-	(3,423,987,181)	(1,919,551,670)	-	-	(3,423,987,181)	(1,919,551,670)
Change in insurance contract liabilities	-	-	(1,948,266,096)	(4,713,849,494)	-	-	(1,948,266,096)	(4,713,849,494)	-	-	(1,948,266,096)	(4,713,849,494)
Depreciation	(33,975,760)	(44,777,787)	(130,889,014)	(137,890,230)	(6,038,891)	(4,760,422)	(170,913,665)	(187,428,440)	-	-	(170,913,665)	(187,428,440)
Amortization of intangible assets	(33,237,142)	(33,237,142)	(668,794)	(307,759)	(1,820,601)	(1,950,866)	(35,726,537)	(35,495,767)	(121,959,155)	(121,959,155)	(157,685,691)	(157,454,922)
Employee benefits expenses	(13,710,058)	(9,987,776)	(52,497,217)	(42,053,196)	(4,170,040)	(3,093,396)	(70,377,315)	(55,134,368)	-	-	(70,377,315)	(55,134,368)
Tax expense	-	-	(1,448,545,332)	(677,359,773)	(220,272,045)	(64,764,242)	(1,668,817,377)	(742,124,015)	(95,781,339)	-	(1,764,598,716)	(742,124,015)
Profit after tax for the year	(2,995,203,435)	(935,745,573)	2,682,744,983	2,190,431,561	(1,113,237,648)	408,577,611	(1,425,696,100)	1,663,263,599	(964,934,866)	(637,987,589)	(2,390,630,968)	1,025,276,011
Total assets	**22,181,673,051**	**25,378,801,254**	**47,368,673,697**	**42,043,717,934**	**14,420,357,119**	**12,978,185,647**	**83,970,703,867**	**80,400,704,835**	**(9,896,478,245)**	**(9,910,267,600)**	**74,074,225,621**	**70,490,437,237**
Total liabilities	**19,945,625,968**	**21,015,380,327**	**37,097,431,889**	**32,488,453,225**	**11,018,636,285**	**8,452,206,122**	**68,061,694,142**	**61,956,039,674**	**(1,526,310,093)**	**(2,651,198,291)**	**66,535,384,050**	**59,304,841,383**
Other disclosures												
Additions to property, plant and equipment	18,818,997	32,107,161	136,193,405	61,718,365	4,005,504	4,629,091						
Additions to intangible assets	-	-	1,800,000	1,200,000	4,058,983	8,408,500						

46. RELATED PARTY TRANSACTIONS

The Companies within the Group disclosed under the Corporate Directory engage in trading transactions under relevant commercial terms and conditions. Outstanding current account balances at year end are unsecured an interest free and settlement occurs in cash. Interest bearing borrowings are on pre-determined interest rates and terms.

46.1 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company and the Group

Accordingly, the Directors (including Executive and Non-Executive Directors) and the Members of the Executive Committees of the Company and its' subsidiaries have been classified as Key Management Personnel.

Compensation with KMP

	Group		Company	
	2023	2022	2023	2022
Short-term Employment benefits	50,024,329	173,593,094	36,515,000	36,572,500

46.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependents of the KMP or the KMP domestic partner. CFM are related parties to the Company and the Group.

	Group		Company	
	2023	2022	2023	2022
Income Statement				
Interest expense on Public Deposits	2,729,198	961,354	-	-
Interest income on lease & loan receivables	490,567	617,575	-	-
Professional Charges	5,119,862	5,882,121	-	-
Statement of Financial Position				
Public Deposits from KMPs	9,469,521	21,196,959	-	-
Personal Loan and Lease Receivable from KMPs	-	2,559,591	-	-

46.3 Outstanding balances arising from the related party transactions are as follows:

	Group		Company	
	2023	2022	2023	2022
Amount due from Related Companies				
Softlogic Life Insurance PLC	-	-	12,316,044	24,245,789
Softlogic Finance PLC	-	-	-	2,398,691
Softlogic Stockbrokers (Pvt) Ltd	-	-	-	5,783,851
Softlogic Retail (Pvt) Ltd	-	9,177,484	-	8,580,000
Softlogic Asset Management (Pvt) Ltd	-	-	4,670,502	5,921,512
Asiri Hospital Holdings PLC	5,088,308	-	5,088,308	-
Softlogic Supermarket (Pvt) Ltd	1,500,000	-	1,500,000	-
	6,588,308	**9,177,484**	**23,574,854**	**46,929,843**
Amount due to Related Companies				
Softlogic Holdings PLC	41,461,368	1,958,414	41,461,368	-
Softlogic Retail (Pvt) Ltd	860,711	-	-	-
Softlogic BPO Services (Pvt) Ltd	-	2,344,140	-	-
Softlogic Stockbrokers (Pvt) Ltd	-	-	193,678	-
Softlogic Asset Management (Pvt) Ltd	-	-	10,800,000	-
Future Automobiles Pvt Ltd	-	429,250	-	-
Asiri Hospital Holdings PLC	5,760,903		5,760,903	-
	48,082,982	**4,731,804**	**58,215,949**	**-**

46.4 Transactions with Group Companies

Nature of the Transaction	Company	Relationship	2023	2022
Interest Income	Softlogic Holdings PLC	Parent Company	315,648,831	10,166,887
	Softlogic Finance PLC	Subsidiary	389,948,756	46,690,411
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	53,943,150	38,135,354
Consultancy and Professional Fees Income	Softlogic Finance PLC	Subsidiary	1,565,000	2,900,000
	Softlogic Life Insurance PLC	Subsidiary	46,844,210	42,517,464
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	38,200,873	27,829,366
	Softlogic Retail (Pvt) Ltd	Group Company	1,100,000	4,680,000
	Softlogic Asset Management (Pvt) Ltd	Subsidiary	42,875,000	42,875,000
Corporate Guarantee Fees From	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	1,500,000	1,500,000
Dividend Income	Softlogic Life Insurance PLC	Subsidiary	583,028,821	543,048,128
	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	-	50,038,000
Consultancy and Professional Fees Expense	Softlogic Holdings PLC	Parent Company	89,353,846	85,536,000
Secretarial Fee	Softlogic Corporate Services (Pvt) Ltd.	Group Company	3,072,000	2,883,600
Insurance Premium Expense	Softlogic Life Insurance PLC	Subsidiary	1,111,823	646,393
Brokerage Fee and Placement Fee Expense	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	-	23,997
Network Support Charges	Softlogic BPO Services (Pvt) Ltd.	Group Company	3,790,955	3,353,399
Brand Development Expenses	Softlogic Retail (Pvt) Ltd	Group Company	9,716,443	-
Purchase of Mobile Vouchers	Softlogic Retail (Pvt) Ltd	Group Company	-	30,000
Investment in Commercial Papers	Softlogic Holdings PLC	Parent Company	1,586,984,064	-
	Softlogic Finance PLC	Subsidiary	-	500,000,000
	Softlogic Stockbrokers (Private) Limited	Subsidiary	-	600,519,408

46. RELATED PARTY TRANSACTIONS (Contd.)
46.4 Transactions with Group Companies (Contd.)

Nature of the Transaction	Company	Relationship	2023	2022
Subordinated Loan given to	Softlogic Finance PLC	Subsidiary	900,000,000	900,000,000
Term Loans given to	Softlogic Holdings PLC	Parent Company	742,541,347	-
	Softlogic Finance PLC	Subsidiary	109,729,803	-
Corporate Debenture Borrowing	Softlogic Life Insurance PLC	Subsidiary	103,987,384	104,192,644
Commercial Paper Borrowings	Softlogic Asset Management (Pvt) Ltd	Subsidiary	62,763,436	-
Corporate Guarantees given to	Softlogic Stockbrokers (Pvt) Ltd.	Subsidiary	150,000,000	150,000,000
	Sofftlogic Holdings PLC	Parent Company	2,631,002,210	1,631,002,210

46.5 Transactions with Group Entities

(a) Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission except for the following;

Name of the Related Party	Relationship	Value of the Transaction (Rs.)	Value of Related Party Transactions as a % of Total Assets	Value of Related Party Transactions as a % of Equity	Terms and Conditions	The Rationale for entering into the transactions
Softlogic Finance PLC	Parent company	1,278,534,430	2%	21%	Commercial Paper Investment at the prevailing market rates	To establish investments and take advantage on current market interest rates
Softlogic Holdings PLC	Parent company	1,000,000,000	1%	16%	Issue of Corporate Guarantee	To meet the additional security to be provided by the Company supporting Softlogic Holdings PLC in obtaining the facility

(b) Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2022 audited financial Statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

47. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non controlling interest (NCI) is given below.

47.1 Summarized Income Statement

	Softlogic Finance PLC		Softlogic Life Insurance PLC	
	2023	2022	2023	2022
Total operating income	4,199,168,041	3,095,064,578	27,815,577,997	19,165,724,038
Direct expenses	(5,701,108,953)	(2,821,667,825)	(17,074,899,943)	(11,085,547,293)
Net operating income/(loss)	(1,501,940,912)	273,396,753	10,740,678,054	8,080,176,745
Admin, Selling and Other Operating Expenses	(1,493,262,523)	(1,209,142,326)	(4,661,121,642)	(3,742,820,315)
Change in insurance contract liabilities	-	-	(1,948,266,096)	(4,111,060,578)
Profit before tax for the year	(2,995,203,435)	(935,745,573)	4,131,290,316	2,867,791,334
Tax expense	-	-	(1,448,545,332)	(677,359,773)
Profit after tax for the year	(2,995,203,435)	(935,745,573)	2,682,744,984	2,190,431,561
Other Comprehensive Income	17,978,678	31,608,896	(654,267,884)	(830,504,479)
Total Comprehensive Income	**(2,977,224,757)**	**(904,136,677)**	**2,028,477,100**	**1,359,927,082**
Profit / (loss) attributable to material NCI	(184,775,699)	(73,113,574)	1,296,153,859	1,058,295,268
Dividend paid to NCI	-	-	633,689,840	506,951,872

47.2 Summarized Statement of Financial Position

Total Assets	**22,181,673,051**	**25,378,801,254**	**47,368,673,697**	**42,043,717,934**
Total Liabilities	**19,945,625,968**	**21,015,380,327**	**37,097,431,889**	**32,488,453,225**
Accumulated balance of material NCI	131,187,441	313,729,965	5,198,191,071	4,970,118,397

47.3 Summarized cash flow information

Net cash generated from / (used in) operations	(2,903,941,928)	(4,534,442,292)	1,355,092,476	644,538,300
Net cash (used in) / generated from investing activities	78,965,735	(130,720,770)	465,441,580	(503,230,000)
Net cash (used in) /generated from financing activities	2,897,285,919	4,359,471,747	(1,347,626,236)	(133,257,500)
	72,309,726	**(305,691,315)**	**472,907,820**	**8,050,800**

47.4 The above information is based on amounts before inter-company eliminations and consolidated adjustments .

48. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

48.1 Group

As at	31 March 2023			31 March 2022		
In LKR	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Cash and cash equivalents	1,534,034,946	-	1,534,034,946	1,204,596,848	-	1,204,596,848
Amounts due from related companies	6,588,308	-	6,588,308	9,177,484	-	9,177,484
Other assets	2,714,211,207	-	2,714,211,207	2,604,932,801	-	2,604,932,801
Income tax receivable	258,190,765	-	258,190,765	254,134,779	-	254,134,779
Financial assets recognized through profit or loss	3,098,095,602	958,913,599	4,057,009,201	3,956,521,311	143,311,732	4,099,833,043
Financial assets measured at fair value through other comprehensive income	-	2,324,850,123	2,324,850,123	-	2,918,294,800	2,918,294,800
Financial Assets at amortized cost	12,352,453,969	30,401,100,900	42,753,554,869	10,298,647,708	23,814,284,960	34,112,932,668
Loans and advances	7,680,356,257	1,162,432,225	8,842,788,482	9,323,826,327	-	9,323,826,327
Lease and hirepurchase receivables	244,681,710	7,571,780,167	7,816,461,877	837,932,346	10,424,951,634	11,262,883,980
Deferred tax asset	-	428,669,722	428,669,722	-	1,095,871,780	1,095,871,780
Right of use assets	-	653,070,434	653,070,434	-	704,387,253	704,387,253
Investment Property		103,237,000	103,237,000		103,237,000	103,237,000
Property, plant and equipment	-	1,044,529,703	1,044,529,703	-	1,107,472,781	1,107,472,781
Intangible assets	-	1,537,028,984	1,537,028,984	-	1,688,855,692	1,688,855,692
Total Assets	**27,888,612,764**	**46,185,612,857**	**74,074,225,621**	**28,489,769,604**	**42,000,667,632**	**70,490,437,236**
Liabilities						
Bank overdraft	793,848,377	-	793,848,377	479,458,875	-	479,458,875
Trade and other payables	5,643,944,500	-	5,643,944,500	4,672,566,916	-	4,672,566,916
Amounts due to related companies	48,082,982	-	48,082,982	4,731,804	-	4,731,804
Other non financial liabilities	257,402,128	-	257,402,128	166,495,189	-	166,495,189
Income tax liability	935,265,514	-	935,265,514	50,766,916	-	50,766,916
Interest bearing borrowings	12,847,361,918	8,838,580,889	21,685,942,807	6,481,294,856	9,041,544,805	15,522,839,661
Public deposits	9,336,025,965	3,094,920,991	12,430,946,956	13,013,681,318	2,568,632,781	15,582,314,099
Insurance contract liability	-	24,462,093,046	24,462,093,046	-	22,559,123,313	22,559,123,313
Employee benefit liabilities	-	276,146,368	276,146,368	-	263,082,607	263,082,607
Deferred tax liabilities	-	1,711,369	1,711,369	-	3,462,003	3,462,003
Total Liabilities	**29,861,931,384**	**36,673,452,663**	**66,535,384,047**	**24,868,995,874**	**34,435,845,509**	**59,304,841,383**

48.2 Company

As at In LKR	31 March 2023 Within 12 months	31 March 2023 After 12 months	31 March 2023 Total	31 March 2022 Within 12 months	31 March 2022 After 12 months	31 March 2022 Total
Assets						
Cash and cash equivalents	80,616	-	80,616	2,966,681	-	2,966,681
Amounts due from related companies	23,574,854	-	23,574,854	46,929,843	-	46,929,843
Other assets	58,725,627	-	58,725,627	15,724,357	-	15,724,357
Financial assets measured at fair value through other comprehensive income	-	171,603,171	171,603,171	-	183,968,321	183,968,321
Financial assets measured at amortized cost	2,445,220,362	900,000,000	3,345,220,362	2,005,930,826	-	2,005,930,826
Investment in subsidiaries	-	9,605,552,869	9,605,552,869	-	8,756,429,555	8,756,429,555
Deferred tax asset	-	-	-	-	219,204,750	219,204,750
Right of use assets	-	191,490,632	191,490,632	-	249,496,824	249,496,824
Property, plant and equipment	-	3,234,830	3,234,830	-	4,317,683	4,317,683
Intangible Assets	-	3,920,084	3,920,084			
Total Assets	**2,527,601,459**	**10,875,801,586**	**13,403,403,045**	**2,071,551,707**	**9,413,417,133**	**11,484,968,840**
Liabilities						
Bank overdraft	322,060,550	-	322,060,550	90,887,124	-	90,887,124
Trade and Other Payables	36,603,791	-	36,603,791	38,367,426	-	38,367,426
Amounts due to related companies	58,215,949	-	58,215,949	-	-	-
Other non financial liabilities	3,747,955	-	3,747,955	565,763	-	565,763
Interest bearing borrowings	5,977,736,704	4,000,408,099	9,978,144,803	3,371,822,600	3,848,040,587	7,219,863,187
Employee benefit obligations	-	166,823	166,823	-	25,808	25,808
Total Liabilities	**6,398,364,949**	**4,000,574,922**	**10,398,939,871**	**3,501,642,913**	**3,848,066,395**	**7,349,709,308**

Investor Relations

Softlogic Capital PLC (SCAP) is a public quoted company which has listed ordinary shares in Colombo Stock Exchange (CSE). SCAP ordinary shares are effectively traded in "Diri Savi Board" of the Colombo Stock Exchange under the symbol of SCAP.N0000.

Performance of shares

a) Market value

	2022/2023		2021/2022	
	Price (Rs.)	Date	Price (Rs.)	Date
Highest during the period	18.20	12-Jan-23	25.20	2-Jan-22
Lowest during the period	3.40	18-May-22	3.00	9-Apr-21
Last traded price	11.10		6.20	

b) Trading statistics

	2022/2023	2021/2022
Days Traded	237	240
Share volume	1,146,189,420	1,063,738,077
Turnover (Rs.)	13,240,339,136	11,101,326,627
Market Capitalization (Rs.)	10,846,777,920	6,058,560,640
Percentage of total market capitalization	0.28%	0.16%

c) Ratios and market price information

	Group		Company	
	2022/2023	2021/2022	2022/2023	2021/2022
Number of shares as at 31st March	977,187,200	977,187,200	977,187,200	977,187,200
Basic earnings per share (Rs)	(3.56)	0.10	(1.18)	0.21
Net Assets per share (Rs.)	2.44	6.28	3.07	6.01
Dividend per share (Rs.)	-	-	-	-
Dividend payout ratio (%)	-	-	-	-

Distribution of shareholders

No of shares	As at 31 March 2023			As at 31 March 2022		
	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
1 – 1,000	2,697	859,353	0.09	2,472	912,370	0.09
1001 – 10,000	1,988	8,562,151	0.88	2,419	10,715,557	1.10
10,001 – 100,000	1,239	44,421,414	4.55	1,355	45,152,179	4.62
100,001 – 1,000,000	321	94,621,705	9.68	276	76,216,521	7.80
Over 1,000,000	40	828,722,577	84.81	22	844,190,573	86.39
Total	**6,285**	**977,187,200**	**100**	**6,544**	**977,187,200**	**100**

Shareholders' Categorized Summary Report (Resident & Non-Resident)

No of shares	Resident			Non-resident		
	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
1 – 1,000	2,694	857,927	0.09	3	1,426	0.00
1001 – 10,000	1,982	8,533,401	0.87	6	28,750	0.00
10,001 – 100,000	1,231	43,969,497	4.50	8	451,917	0.05
100,001 – 1,000,000	318	93,798,605	9.60	3	823,100	0.08
Over 1,000,000	40	828,722,577	84.81	-	-	0.00
Total	**6,265**	**975,882,007**	**99.87**	**20**	**1,305,193**	**0.13**

Composition of shareholders

a) Resident/non-resident distribution

No of shares	As at 31 March 2023			As at 31 March 2022		
	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
Resident	6,265	975,882,007	99.87	6,522	975,863,151	99.86
Non-resident	20	1,305,193	0.13	22	1,324,049	0.14
Total	**6,285**	**977,187,200**	**100**	**6,544**	**977,187,200**	**100**

b) Individual/institutional distribution

No of shares	As at 31 March 2023			As at 31 March 2022		
	No of shareholders	No of shares	% of total	No of shareholders	No of shares	% of total
Individual	5,952	154,136,439	15.77	6,218	111,607,749	11.42
Institutional	333	823,050,761	84.23	326	865,579,451	88.58
Total	**6,285**	**977,187,200**	**100**	**6,544**	**977,187,200**	**100**

c) Public shareholding

No of shares	As at 31 March 2023		As at 31 March 2022	
	No of shareholders	%	No of shareholders	%
Public holding	6,279	22.32%	6,539	22.32%

According to the Section 7.6.iv in Listing Rules, the SCAP Public float is 22.32% (2021/22 – 22.32%).

As at 31 March 2023 the Float Adjusted Market Capitalization of SCAP is Rs.2,421,000,832/-

The Company has complied with minimum public holding requirement as at the reporting date based on the "Option 1" of Rule 7.14.1.b.

d) Directors' shareholding

Name of the Diretors	As at 31 March 2023		As at 31 March 2022	
	No of shareholders	%	No of shareholders	%
Mr. A.K. Pathirage	2,847,872	0.29	2,847,872	0.29
Mr. T.M.I. Ahamed	-	-	-	-
Mr. R.J. Perera	-	-	-	-
Mr. L. Wijewardena	242,000	0.02	242,000	0.02
Mr. A. Pasqual	14,200	0.001	14,200	0.00001
Mr. A. Russell-Davison	-	-	-	-
Mr. S. Somasunderam	-	-	-	-
Mr. A.C.M. Lafir	-	-	-	-

e) Top twenty shareholders

Name	As at 31 March 2023	
	No. of shares	%
Softlogic Holdings PLC	755,960,543	77.36
Mr. Gonalagodage Buwaneka Dinuwan Tilakarathne	4,999,368	0.51
DFCC Bank PLC/P.S.R.Casie Chitty	4,739,819	0.38
Mr. Hennasy Geeth Balasuriya	4,674,497	0.32
Mr. Nihal Samarasuriya	3,000,000	0.29
Mr. Gihan Wickremasinghe	2,950,000	0.29
Peoples Bank/Asoka Kariyawasam Pathirage	2,847,872	0.26
Seylan Bank Plc/Karagoda Loku Gamage Udayananda	2,560,000	0.26
Mr. E.M.G.S.B.Ekanayaka	2,425,000	0.25
Mr. Thamarapathi Chatura Bandara Maranthota	2,400,000	0.25
Mr. Gangatharan Suthaharan	2,250,000	0.23
Mr. Muhandiramlage Lasantha Kumara Somaratne	2,089,988	0.21
Mr. Darshana Shasthri Nakandala	2,070,000	0.21
Mr. Bingum Sawan Anantha Lanerolle	2,000,000	0.20
Bansei Securities Capital (Pvt) Ltd/K.A.R. Chandranath	2,000,000	0.20
Mr. Don John Thivanka Kodikara	2,000,000	0.20
Mr. Ekanayake Mudiyanselage Gayan Shyamika Bandara Ekanayake	1,996,000	0.20
Hatton National Bank Plc/Anuja Chamila Jayasinghe	1,876,567	0.19
Mr. Ashan Nissanka Wijewardane	1,788,771	0.18
Seylan Bank Plc/K.S. Balasuriya	1,774,520	0.18
	806,402,945	**82.52**
Other Shareholders	170,784,255	17.48
	977,187,200	**100**

Name	As at 31 March 2022 No. of shares	%
Softlogic Holdings PLC	755,960,543	77.36
Seylan Bank PLC/ARCC Capital(PVT) Limited	32,450,609	3.32
Melstacorp PLC	27,335,659	2.80
Hatton National Bank PLC/Anuja Chamila Jayasinghe	2,939,982	0.30
Peoples Bank/Asoka Kariyawasam Pathirage	2,847,872	0.29
Ranfer Teas Private Limited	2,509,998	0.26
Seylan Bank PLC/Karagoda Loku Gamage Udayananda	2,128,568	0.22
Merchant Bank of Sri Lanka & Finance PLC/E.M.G.S.B.Ekanayaka	2,000,000	0.20
Bansei Securities Capital (PVT) LTD/K.A.R. chandranath	1,607,893	0.16
Rosewood (PVT) Limited-Account NO.1	1,510,183	0.15
Mr. Kulappu Arachchige Don Anurada Perera	1,484,393	0.15
Mrs. Sumanaseeli Anandagoda Gamage	1,348,591	0.14
Mr. Lokukankawange Rehanyadesh Waidyaratne	1,300,000	0.13
Mr. Ashan Nissanka Wijewardane	1,204,434	0.12
DFCC Bank PLC/W.H.M. Fernando	1,200,000	0.12
Ranfer International (Pvt) Ltd	1,200,000	0.12
Mr. Wannakawaththa Waduge Don Dammika Susiri Perera	1,051,229	0.11
Vanik Incorporation Limited	1,050,000	0.11
People's Leasing & Finance PLC/MR.D.M.P.Disanayake	1,049,366	0.11
Mr. Gihan Wickremasinghe	1,011,111	0.10
Hatton National Bank PLC/Dinesh Nagendra Sellamuttu	1,000,142	0.10
	755,960,543	**77.36**
Other Shareholders	221,226,657	22.64
	977,187,200	**100**

The details relating to the performance of debentures are given below.

Rated, Senior, Unsecured, Redeemable Debentures of the Company are listed in the Colombo Stock Exchange.

Debenture categories	CSE listing	Interest payable frequency	Market Values for the year ended 31.03.2023			Interest rates		Interest rate of comparable government security
			Highest	Lowest	Period end	Coupon rate %	Effective annual yield %	
Fixed Rate	SCAP-BD-19/12/23-C2437-14.75	Semi Annually	Not traded during the current period		100.00	14.75%	14.47%	31.45%
Fixed Rate	SCAP-BD-19/12/24-C2440-14.5	Monthly	Not traded during the current period		106.00	14.50%	14.59%	28.11%
Fixed Rate	SCAP-BD-19/12/24-C2439-15	Semi Annually	101.00	70.97	70.97	15.00%	14.66%	28.11%
Floating Rate	SCAP-BD-19/12/24-C2438	Semi Annually	Not traded during the current period		100.00	31.81%	28.22%	28.11%

Investor Relations

Ratios

	Company	
	2022/23	2021/22
Debt/equity ratio	3.21	1.75
Interest cover	0.61	1.36
Quick asset ratio	1.30	1.50

Credit Rating

The issue rating of [SL]BBB- (pronounced SL triple B minus) stable has been assigned for the Senior, Unsecured, Listed, Redeemable debentures of Softlogic Capital PLC amounting to LKR 1,500Mn.

The Company presently has an issuer rating of [SL]BBB- (pronounced SL triple B minus) stable.

Compliance with Contents of Annual Report as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

Section 7.6 to the listing rules 2013 of the Colombo Stock Exchange includes the following information as compulsory for the listed entities to disclosure in the annual report.

Listing rule number	Compliance Requirement	Section / Reference	Compliance Status
7.6 (i)	Names of persons who during the financial year were directors of the Entity	The names of persons who held the position of Directors during the Financial year is given in the Annual Report of the Board of directors (refer Pages 50 to 52)	Complied
7.6 (ii)	Principal activities of the Company and its Subsidiaries during the year, and any changes therein.	The principal activities of the Company and its subsidiaries during the year are given in the Annual Report (refer Page 68)	Complied
7.6 (iii)	The names and number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held at the end of the period	The 20 largest shareholders together with their shareholding as at 31st March 2022 is provided on "Investor Relation" information section (refer Page 169)	Complied
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	The details of the public shareholding are available on Page 167.	Complied
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	The statement of each Director's holding and Chief Executive Officer's holding in shares is available on Page 168.	Complied
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity	Information relating to material foreseeable risk factors is provided in the risk management section (refer Pages 88 to 101)	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the entity	The Company did not encounter any material issue relating to employees and industrial relations during the year 2021/22	Complied
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	The details of extents, locations, valuations and the number of buildings of the Entity's land holdings and the investment properties are given in Note 29 to the Financial Statements on "Property, Plant and Equipment". (Refer Page 135)	Complied

Listing rule number	Compliance Requirement	Section / Reference	Compliance Status
7.6 (ix)	Number of shares representing the entity's stated capital	Total number of shares is 977,187,200 which are ordinary shares with voting rights. (Refer Note 31 on Page 140)	Complied
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	The distribution schedule of the number of shareholders and the percentages of their total holdings in the given categories is provided on Page 166.	Complied
7.6 (xi)	List of ratios and market price Information	The list of applicable ratios and the market price information is provided in the "Investor Relation" section (Refer Page 169)	Complied
7.6 (xii)	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value	Changes to the market values of land has been appropriately taken to the books of the Group at the end of the financial year. (Refer Note 29 on Page 135)	Complied
7.6 (xiii)	If during the year the entity has raised funds either through a public issue, rights issue or private placement	The Company has raised funds to increase its Stated Capital during the year in the form of a right issue. (Refer Note 31 on Page 140)	Complied
7.6 (xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	There is no any "Employee Share Ownership Scheme" in the Company.	Complied
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	The Disclosures relating to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c, and 7.10.6 c of Section 7 of the rules are given in the Corporate Governance Report (Refer Pages 25 to 37)	Complied
7.6 (xvi)	Disclosures on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per the last Audited Financial Statements, whichever is lower.	There were no material transaction during the year with any related party of the company other than disclosed in Note 45 on Pages 160 to 162.	Complied

Five Year Performance - Group

In LKR	2022/2023	2021/2022	2020/2021	2019/2020	2018/19
Revenue					
Interest income	10,132,540,025	5,447,003,547	4,230,637,729	4,779,671,661	4,651,237,930
Net Earned Premium	20,458,557,682	19,165,724,038	15,066,693,570	11,919,961,361	9,833,074,697
Fee and trading income	325,488,669	666,703,217	491,474,441	287,755,532	410,110,147
Other income and gains	1,171,485,176	1,947,325,948	520,415,775	114,522,104	131,737,820
Net realized gains/(losses)	196,743,422	284,364,372	245,427,071	83,133,984	(17,342,944)
Net fair value gains/(losses)	283,819,758	(108,283,254)	306,540,503	480,253,993	(100,321,534)
Dividend income	118,597,711	29,893,003	75,952,336	112,105,515	112,921,877
Total Revenue	**32,687,232,443**	**27,432,730,871**	**20,937,141,425**	**17,777,404,150**	**15,021,417,993**
Direct Expenses					
Interest Expenses	(6,264,902,431)	(2,487,082,301)	(2,529,703,867)	(2,874,439,021)	(2,690,108,292)
Net claims and net acquisition cost	(14,788,416,408)	(10,781,208,166)	(7,543,895,997)	(6,117,150,464)	(4,752,745,932)
Other Direct Expenses	(125,286,146)	(169,619,259)	(154,030,444)	(97,563,871)	(86,946,023)
Impairment of Loans and Receivables	(3,423,987,181)	(1,919,551,670)	(491,731,598)	(390,137,065)	(189,681,869)
Operating Profit	**8,084,640,277**	**12,075,269,475**	**10,217,779,519**	**8,298,113,729**	**7,301,935,877**
Administrative Expenses	(5,492,160,111)	(4,684,930,215)	(3,956,830,660)	(3,790,169,636)	(3,902,485,732)
Distribution Cost	(863,611,574)	(665,989,831)	(786,331,204)	(853,645,419)	(883,504,546)
Change in Insurance Contract Liabilities	(1,948,266,096)	(4,713,849,494)	(4,111,060,578)	(2,089,317,200)	(1,152,036,877)
Other Operating Expenses	(406,634,748)	(243,099,909)	(476,790,424)	(194,660,476)	(331,356,548)
Profit before tax for the year	**(626,032,252)**	**1,767,400,026**	**886,766,653**	**1,370,320,998**	**1,032,552,174**
Taxation	(1,764,598,716)	(742,124,015)	(522,131,629)	(202,128,838)	2,169,047,916
Profit after tax	(2,390,630,968)	1,025,276,011	364,635,024	1,168,192,160	3,201,600,090
Attributable to :					
Equity holders of the parent	(3,443,125,870)	99,004,678	(95,226,898)	377,385,892	1,579,478,202
Non-controlling interests	1,052,494,902	926,271,333	459,861,922	790,806,268	1,622,121,888
Profit /(Loss) for the period	**(2,390,630,968)**	**1,025,276,011**	**364,635,024**	**1,168,192,160**	**3,201,600,090**

Five Year Performance - Company

In LKR	2022/23	2021/22	2020/21	2019/20	2018/19
Revenue					
Interest Income	763,784,349	96,964,552	51,547,762	24,676,134	11,258,892
Fee & Trading Income	129,485,084	126,565,163	176,210,469	153,983,871	120,269,653
Other Income & Gains	10,929,981	166,630,030	14,485,272	10,295,208	804,000
Net realized gains/(losses) arises from available for sale financial assets	-	-	-	-	-
Dividend Income	584,983,902	593,135,579	586,701,808	1,818,589	282,003,751
Total Revenue	**1,489,183,316**	**983,295,324**	**828,945,311**	**190,773,802**	**414,336,296**
Direct Expenses					
Interest Expenses	(2,147,379,739)	(587,341,744)	(444,070,552)	(269,369,077)	(210,403,468)
Other Direct Expenses	(18,010,466)	(9,753,622)	(25,777,217)	(38,038,205)	(26,427,204)
Operating Profit	**(676,206,889)**	**386,199,958**	**359,097,542**	**(116,633,480)**	**177,505,624**
Administrative Expenses	(208,365,294)	(129,537,653)	(133,612,995)	(129,460,559)	(109,592,146)
Distribution Cost	(13,870,941)	(24,051,166)	(15,389,031)	(117,958)	-
Other Operating Expenses	(753,875)	(20,938,122)	(40,731,782)	(21,152,835)	(18,898,135)
Profit /(Loss) before Taxation	**(899,196,999)**	**211,673,017**	**169,363,734**	**(267,364,832)**	**49,015,343**
Taxation	(219,204,751)	(4,773,196)	224,010,777	-	-
Profit /(Loss) for the period	**(1,118,401,750)**	**206,899,821**	**393,374,511**	**(267,364,832)**	**49,015,343**

Five Year Financial Position - Group

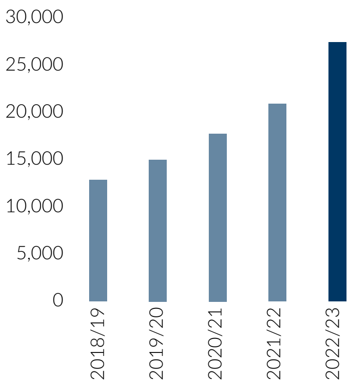
In LKR	2022/23	2021/22	2020/21	2019/20	2018/2019
ASSETS					
Cash and cash equivalents	1,534,034,946	1,204,596,848	1,353,198,128	686,481,769	1,536,697,666
Amounts due from related companies	6,588,308	9,177,484	5,042,484	1,560,000	3,221,687
Other assets	2,714,211,207	2,604,932,801	1,672,868,184	1,698,802,512	1,725,164,416
Income tax receivable	258,190,765	254,134,779	254,134,779	259,806,702	244,628,628
Financial Assets including Lease and HP	65,794,664,552	61,717,770,819	49,465,800,437	40,747,453,030	32,780,765,727
Deferred tax asset	428,669,722	1,095,871,780	1,889,693,055	2,389,799,880	2,594,745,545
Right of Use Assets	653,070,434	704,387,253	809,387,751	1,044,972,493	-
Property, plant and equipment	103,237,000	1,107,472,781	1,134,547,682	1,223,508,366	1,158,622,209
Investment property	1,044,529,703	103,237,000	-	-	-
Intangible assets	1,537,028,984	1,688,855,692	1,836,702,114	1,984,044,119	1,983,983,383
Total Assets	**74,074,225,621**	**70,490,437,237**	**58,421,374,614**	**50,036,428,871**	**42,027,829,261**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	3,891,595,200	3,891,595,200	3,891,595,200	2,880,000,000	2,880,000,000
Reserve fund	260,448,732	260,448,732	260,448,732	260,448,732	260,448,732
Fair value reserve	(1,806,203,820)	(1,467,228,125)	(993,743,318)	(937,358,385)	(996,507,130)
Revaluation Reserve	216,993,842	205,090,245	147,984,005	137,539,815	106,179,900
Restricted Regulatory Reserve	798,004,000	798,004,000	798,004,000	798,004,000	798,004,000
Non-Distributable Regulatory Loss Allowance Reserve	1,748,974,244	-	-	-	-
Retained earnings	(2,729,795,739)	2,448,984,388	2,218,369,539	2,299,402,012	2,129,952,228
Shareholders' funds	2,380,016,459	6,136,894,440	6,322,658,158	5,438,036,174	5,178,077,730
Non-controlling interest	5,158,825,112	5,048,701,414	5,151,153,013	5,088,586,598	4,176,614,544
Total equity	**7,538,841,571**	**11,185,595,854**	**11,473,811,171**	**10,526,622,772**	**9,354,692,274**
LIABILITIES					
Bank overdraft	793,848,377	479,458,875	321,559,040	856,363,831	1,287,753,240
Trade payables	5,643,944,500	4,672,566,916	2,963,552,468	2,276,441,480	1,718,261,224
Amounts due to related companies	48,082,982	4,731,804	329,320	14,292,415	14,459,706
Other non financial liabilities	257,402,128	166,495,189	700,820,289	55,377,265	277,005,461
Income tax liability	935,265,514	50,766,916	15,830,486	-	
Put option liability	-	-	154,609,366	168,344,531	9,356,708
Interest bearing borrowings	21,685,942,810	15,522,839,661	9,994,756,180	5,749,489,434	3,899,015,987
Public deposits	12,430,946,956	15,582,314,099	14,582,316,243	17,035,396,151	17,002,497,953
Insurance provision - life	24,462,093,046	22,559,123,313	17,947,993,820	13,133,911,336	8,309,627,446
Employee benefit liabilities	276,146,368	263,082,607	262,697,781	220,189,656	154,017,206
Deferred tax liabilities	1,711,369	3,462,003	3,098,450	-	1,142,056
Total Liabilities	**66,535,384,050**	**59,304,841,383**	**46,947,563,443**	**39,509,806,099**	**32,673,136,987**
Total Equity and Liabilities	**74,074,225,621**	**70,490,437,237**	**58,421,374,614**	**50,036,428,871**	**42,027,829,261**

Five Year Financial Position - Company

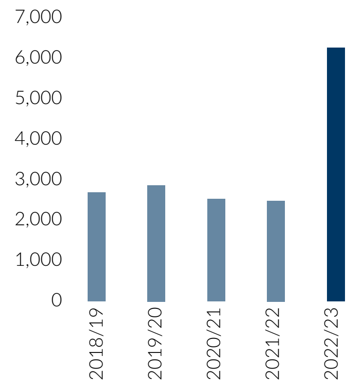
In LKR	2022/23	2021/22	2020/21	2019/20	2018/19
ASSETS					
Cash and cash equivalents	80,616	2,966,681	180,279,363	109,466,200	316,780,811
Amounts due from related companies	23,574,854	46,929,843	29,167,235	42,104,200	4,851,081
Other assets	58,725,627	15,724,357	13,037,861	12,021,010	5,918,023
Financial Assets	3,516,823,532	2,189,899,147	744,098,380	729,469,490	25,577,722
Investments in subsidiaries	9,605,552,869	8,756,429,555	6,547,153,490	4,769,770,556	4,232,786,320
Deferred tax asset	191,490,632	219,204,750	223,977,946	-	-
Right of Uses Assets	3,234,830	249,496,824	344,555,635	439,614,446	-
Property, plant and equipment	3,920,084	4,317,683	4,723,329	6,075,504	691,775
Total Assets	**13,403,403,044**	**11,484,968,840**	**8,086,993,239**	**6,108,521,406**	**4,586,605,732**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	3,891,595,200	3,891,595,200	3,891,595,200	2,880,000,000	2,880,000,000
Availiable for sale reserve	(83,067,326)	(70,702,177)	(21,442,293)	(18,922,229)	(2,348,680)
Retained earnings	(804,064,701)	314,366,509	107,400,250	(286,175,935)	149,453,746
Shareholders' funds	3,004,463,173	4,135,259,532	3,977,553,157	2,574,901,836	3,027,105,066
Non-controlling interest	-	-	-	-	-
Total equity	**3,004,463,173**	**4,135,259,532**	**3,977,553,157**	**2,574,901,836**	**3,027,105,066**
LIABILITIES					
Bank overdraft	322,060,550	90,887,124	405,588	130,125,750	137,515,959
Trade and Other Payables	36,603,790	38,367,426	34,608,722	46,305,004	24,212,237
Amounts due to related companies	58,215,949	-	714,972	5,355,208	6,269,580
Other non financial liabilities	3,747,955	565,763	567,410	567,156	5,735,250
Put option liability	-	-	154,609,366	168,344,531	9,356,708
Interest bearing borrowings	9,978,144,804	7,219,863,187	3,918,463,879	3,180,691,031	1,375,000,000
Employee benefit liabilities	166,823	25,808	70,145	2,230,890	1,410,932
Total Liabilities	**10,398,939,871**	**7,349,709,308**	**4,109,440,082**	**3,533,619,570**	**1,559,500,666**
Total Equity and Liabilities	**13,403,403,044**	**11,484,968,840**	**8,086,993,239**	**6,108,521,406**	**4,586,605,732**

Five Year Summary - Graphical Presentation

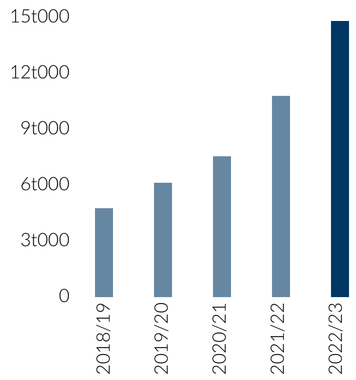
Total Revenue



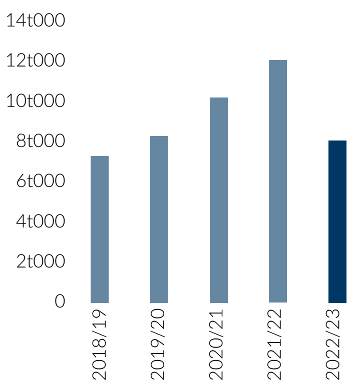
Interest Expenses



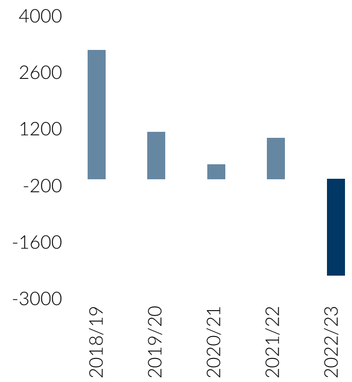
Net Claims and Net Acquisition Cost



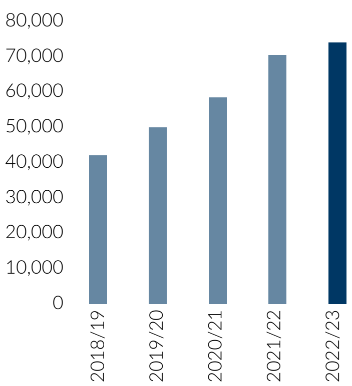
Operating Profit



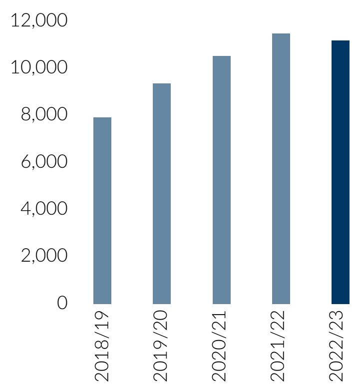
Profit After Tax



Total Assets



Total Equity



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of SOFTLOGIC CAPITAL PLC will be held on Tuesday the 26 September 2023 at 10.00 a.m at the Auditorium of Central Hospital Limited (4th Floor), No.114, Norris Canal Road, Colombo 10 for the following purposes:

(1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31 March 2023 together with the Report of the Auditors thereon.

(2) To re-elect Mr. A. Russell-Davison who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.

(3) To re-elect Mr. S. V. Somasunderam who retires by rotation in terms of Articles 88 and 89 of the Articles of Association, as a Director of the Company.

(4) To pass the ordinary resolution set out below to re appoint Mr. W. L. P. Wijewardena who is 70 years of age, as a Director of the Company.

" IT IS HERERBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. W. L. P. Wijewardena who is 70 years of age and that he be and is hereby reappointed as a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007"

(5) To elect Mr. H. K. Kaimal in terms of Article 84 of the Artiles of Association as a Director of the Company.

(6) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(7) To authorise the Directors to determine and make donations for the year ending 31 March 2024 and up to the date of the next Annual General Meeting.

By Order of the Board,
SOFTLOGIC CAPITAL PLC

Sgd.
SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Company Secretaries
31 August 2023

Colombo

Notes

1. A Shareholder who is entitled to participate, speak and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Attendance Registration Process for the Annual General Meeting available on the Corporate Website of the Company and the Website of the Colombo Stock Exchange.

Notes

Form of Proxy

*I/We .... of

.... being *a member/members of

SOFTLOGIC CAPITAL PLC, do hereby appoint ....

.... (holder of N.I.C. No. ....) of

.... or failing him*

Mr. A.K.Pathirage	whom failing
Mr. T. M I Ahamed	whom failing
Mr. R.J.Perera	whom failing
Mr. W L P Wijewardena	whom failing
Mr. A M Pasqual	whom failing
Mr. A Russell-Davison	whom failing
Mr. S.V Somasunderam	whom failing
Mr. H. K. Kaimal	

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on 26th day of September 2023 at 10.00 a.m. at the Auditorium of Central Hospital Limited, No. 14, Norris Canal Road, Colombo 10 and any adjournment thereof, and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company and of the Group for the year ended 31 March, 2023 together with the Report of the Auditors thereon.		
2.	To re-elect Mr. A. Russell-Davison who retires by rotation in terms of Article 88 and 89 of the Articles of Association, as a Director of the Company		
3.	To re-elect Mr. S. V. Somasunderam who retires by rotation in terms of Article 88 and 89 of the Articles of Association of the Company, as a Director of the Company		
4.	To pass the ordinary resolution set out below to re appoint Mr. W. L. P. Wijewardena who is 70 years of age, as a Director of the Company “ IT IS HERERBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. W. L. P. Wijewardena who is 70 years of age and that he be and is hereby reappointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”		
5.	To elect Mr. H. K. Kaimal in terms of Article 84 of the Artiles of Association as a Director of the Company.		
6.	To re-appoint Messrs. Ernst & Young, as Auditors and to authorise the Directors to determine their remuneration		
7.	To authorise the Directors to determine and make Donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting		

....

Signature of Shareholder Signed this .... day of 2023

Note :

1) *Please delete the inappropriate words.

(2) A proxy need not be a shareholder of the Company.

(3) Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. 1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, Softlogic Corporate Services (Pvt) Ltd, No.14, De Fonseka Place, Colombo 05 marked "Softlogic Capital PLC – 16th Annual General Meeting" or email corporateservices@softlogic.lk not later than 48 hours before the time appointed for the Meeting.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Attendance Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

3. The Proxy shall

(a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

(b) In the case of a Company or Corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or Corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Corporate Information

Name of Company
Softlogic Capital PLC

Legal Form
Incorporated under the Companies Act No 17 of 1982 on 21st April 2005
Re-registered under the Companies Act No 7 of 2007 on 27th November 2008
Quoted in the Colombo Stock Exchange on 21st September 2011
Registered under the Securities & Exchange Commission of Sri Lanka Act No 36 of 1987 as an Investment Manager

Date of Incorporation
21st April 2005

Company Registration Number
P B 779 PQ

Stock Exchange Listing
The Ordinary Shares of the Company are listed on the Dirisavi Board of the Colombo Stock Exchange. Stock code for the Company share is "SCAP".

Tax Payer Identification Number (TIN)
134012463

Fiscal Year – End
31st March

Registered Office
Level 16
One Galle Face Tower
Colombo 02.
Tel : +94 11 2018779

Directors
Mr. A. K. Pathirage – Chairman
Mr. T. M. I. Ahamed
Mr. R. J. Perera
Mr. W. L. P. Wijewardena
Mr. A. M. Pasqual
Mr. A. Russell-Davison
Mr. S. Somasunderam
Mr. H. Kaimal

Board Sub Committees

Audit Committee
Mr. W. L. P. Wijewardana - Chairman
Mr. A.M. Pasqual
Mr. S. Somasunderam

Remuneration Committee
Mr. A. K. Pathirage - Chairman
Mr. W. L. P. Wijewardana
Mr. A. M. Pasqual

Nomination Committee
Mr. A. K. Pathirage - Chairman
Mr. W. L. P. Wijewardana
Mr. A. M. Pasqual

Related Party Transaction Review Committee
Mr. W. L. P. Wijewardana - Chairman
Mr. A. M. Pasqual
Mr. S. Somasunderam

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

Secretaries
Softlogic Corporate Services (Pvt) Ltd.
No. 14, De Fonseka Place
Colombo - 5.
Tel: +94 11 5575425

Bankers
Sampath Bank PLC
Pan Asia Banking Corporation PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
National Development Bank PLC
DFCC Bank PLC

Subsidiaries	% Holding
Softlogic Finance PLC	92.80
Softlogic Life Insurance PLC	51.72
Softlogic Stockbrokers (Pvt) Ltd	100
Softlogic Asset Management (Pvt) Ltd.	100

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