



ANNUAL REPORT 2023



UB FINANCE
A UNION BANK COMPANY

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VISION

To be “Sri Lanka’s preferred financial solution provider”



MISSION

- To provide our **Depositors** with secure and maximized returns.
- To provide our **Customers** leverage to achieve their aspirations
- To maximize **Shareholder** value
- To empower our **People** to deliver the values of the Company
- To operate within the **Regulatory** framework.
- To be a responsible corporate citizen towards the betterment of **Society**



BUSINESS PRINCIPLES

- Prudent Lending Policy
- Strict Expense Discipline
- Perfected Policies and Procedures
- Effective and Efficient Operations
- State of the Art Software Solutions
- Strong Capital and Liquidity
- Good Corporate Governance



CORE VALUES

- Best People
- Team Spirit
- Achievement
- Ownership
- Integrity

Atul Malik
Chairman

“

UB Finance demonstrated resilience, as a result of good governance, intuitive leadership, commitment of the team towards sustenance and execution of proactive prudent strategies.

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CHAIRMAN'S MESSAGE

Dear Stakeholders,

During the year under review, UB Finance demonstrated resilience, as a result of good governance, intuitive leadership, commitment of the team towards sustenance and execution of proactive prudent strategies to mitigate challenges posed by a nation undergoing simultaneous political, social and financial crises.

MACRO OUTLOOK :

On the Global scale with the reduction of fiscal stimuli, inflation reaching multi-decade highs, major central banks tightened policy to curtail inflation pressures. Market and risk sentiments were negative on the back of growing concerns of debt sustainability across economies, fuelling stagflation. While consumption reduced and global trade deaccelerated, the growth momentum across the globe hit a ritardando.

Vulnerable economies became more vulnerable, and here in Sri Lanka, the nation's pre-emptive measures, namely the suspension of servicing of all external borrowings, led to the downgrading of the sovereign rating of the country and triggered unprecedented volatility. Fuelled by weaker worker remittances, the crisis of foreign exchange liquidity heightened. The

nation experienced substantial drop in inflows from forex generating industries such as travel & tourism, ports and shipping and export commodities which exacerbated the economy. While supply chains eased and some normalisation occurred, geopolitical tensions, as well as the transmission of higher food and fuel prices to wages and service costs escalated and kept Inflation elevated. Your company continued its commitment to compliment the national agenda of bringing stability and sustenance, and extended debt moratoriums and other initiatives to support same.

COMPANY PERFORMANCE:

The Company braised itself by pursuing portfolio quality, rationalising lending, engaging customers to ensure servicing of borrowings and invested in employee wellness and engagement. Investments in system developments and digitalisation enhanced customer experiences. The company activated many one-on-one relationship building activities, that resulted in further strengthening the company's proposition of building partnerships across the life cycle rather than pursuing standalone financial transactions. These initiatives resulted in achieving better yields and assisted towards maintaining modest NPLs. The company continued deemphasising high risk high return products and altered its course to manage the drastic drop in disbursements due to high lending rates.

The delayed recovery of the Small and Medium Enterprises and weak sentiments led the company to skew its portfolio towards more prudent products such as “Gold loans”.

As communicated in my last year’s message, the timely Rights Issue of LKR 2 Bn perched the company well to achieve a capital adequacy ratio of 31.1% and further assisted the company to weather the storm amidst much turbulence. Strategies undertaken in unison resulted in encouraging results. By drawing Insights from customer patterns, early identification of stressed credit facilities, timely synchronisation of the borrowing mix, fresh Fixed Deposit drives in lucrative retail market segments, initiative undertaken to De-risk lending portfolios enabled your company to maintain shareholder value and achieve an enhanced Fitch Rating of BB (lka) - RWN and positioned the company towards a new horizon.

FUTURE OUTLOOK :

Sri Lanka is indeed on a pursuit for stabilisation, with harmonised efforts on monetary policy changes, leading to deceleration of inflation, repricing of energy and significant costs with the strengthening of the rupee, the reduction of policy interest rates and the reduction of interest rate risk premia to businesses and individuals will facilitate the rebounding of the domestic economic activity. The encouraging forecasts of workers’ remittances and trending tourism arrivals are expected to propel the country forward. The gradual relaxation of import restrictions, enhancement in business and investor sentiment, and the impact of policy measures and structural reforms being implemented to promote economic growth will enable Sri Lanka to achieve the potential level of economic growth over the medium term.

APPRECIATION :

I am indeed grateful to our customers, our cornerstone, for continued trust and patronage, we will endeavour to build partnerships over life cycles. The Central Bank of Sri Lanka, Securities and Exchange Commission, Colombo Stock Exchange for astute counsel, invaluable support which has enabled the achievement of successive milestones amidst persistent macro-economic challenges. The Board of Directors of UB Finance, the Chairpersons and members of Board Committees, for the guidance and imparting their wealth of expertise, which enabled the Company to withstand unprecedented challenges. The transformational leadership demonstrated by The CEO and the senior management team, and the unwavering commitment of Team UB Finance, the bedrock of this establishment, is indeed valued by me. My appreciation to all other stakeholders for their goodwill. To all institutions, individuals, and well-wishers, I would like to record my deep appreciation of their support provided in numerous ways

to propel forward.

My heartfelt gratitude to our shareholders, for placing their trust in the equity of UB Finance. The over-subscription of the Initial Public Offering is a testament of the confidence our stakeholders place in this establishment. It is indeed a clarion call to the industry to forge ahead, amidst the odds/ challenges. It’s the only way forward for our selves as individuals, as a fraternity, and as well as a nation.



Atul Malik
Chairman

Ransith Karunaratne
 Chief Executive Officer | Executive Director

“The Company is strong and unwavering, having firmly established itself as a prominent player in the financial services sector and is committed towards supporting Sri Lanka's envisioned economic development.”



DIRECTOR/CEO's REVIEW UBF ANNUAL REPORT 2023

In the context of the economic, political and social landscape the financial year under consideration proved to be the most turbulent period in Sri Lanka's recent history. It also posed the most demanding challenges that UB Finance has encountered since being acquired by the Union Bank of Colombo PLC. However, despite these circumstances the Company demonstrated remarkable resilience and maintained its standing throughout.

ECONOMIC OVERVIEW

The financial year commenced with the Government's announcement of a "pre-emptive debt default" on the Country's foreign currency loan obligations. This decision came as a response to the significant decline in foreign exchange reserves, which had been steadily decreasing for three years due to the economic repercussions of the Easter Sunday bombings and the Covid-19 Pandemic.

A series of interconnected factors exacerbated the situation, including the rapid depreciation of the local currency, strict import restrictions leading to shortages, controlled rationing of fuel and energy supply and rising interest rates. These cumulative pressures severely impacted the already ailing economy, resulting in high inflation, constrained liquidity and reduced disposable income consequently creating an environment of social and political unrest. Sadly, Sri Lanka appeared to have missed the window of opportunity

for a much anticipated post Covid economic revival.

Following a change in government a series of comprehensive policy interventions were implemented to steer the economy towards medium-term stability. As a result, in September 2022 Sri Lanka engaged in discussions with the International Monetary Fund (IMF) and reached a Staff Level Agreement for an Extended Fund Facility Program (FFC) which was officially approved by the IMF in March 2023.

The FFC combined with the government's proactive measures such as tax increases, reductions in fuel and electricity subsidies, efforts to revitalize public enterprises and initiatives to boost tourism, has yielded some semblance of financial and economic stability in the short term for the Country. However, it is crucial to recognize that the pursuit of long-term financial stability and sustainable economic growth is an ongoing journey that lies ahead.

FINANCIAL SERVICES SECTOR

The financial services sector in Sri Lanka has faced an unprecedented negative impact due to the Country's political and economic collapse. The sovereign downgrade has resulted in a complete cessation of overseas funding channels. Moreover, the escalating financial costs have led to a substantial decline in credit demand thereby restricting income and asset growth across the industry.

In response to these challenges the entire financial

services sector has undergone a significant shift from a lucrative growth-oriented environment to a highly conservative outlook. This shift involves consolidating operations, implementing cost reduction measures and intensifying risk mitigation strategies to navigate the prevailing economic uncertainties.

The crisis had a profound and widespread impact across all major sectors of the economy. Amongst them the SME sector endured the most severe consequences facing challenges in areas such as imports, production, labor, local market dynamics and exports. In response to the extraordinary circumstances SMEs actively pursued moratoriums and explored other viable financial management options given their limited experience in dealing with such extreme conditions. As the financial backbone of the SME and non-banked space the crisis fallout directly affected the NBF sector, which had to navigate the repercussions of the crisis and respond to the evolving needs and demands of SMEs seeking financial assistance and support during these challenging times.

Despite facing significant constraints in its core business segments including leasing and vehicle loans owing to the continuous restrictions on vehicle imports the NBF sector has showcased remarkable resilience. Demonstrating agility and adaptability the sector swiftly pivoted its focus towards alternative asset-backed lending products, such as financing of used vehicles and gold loans. Additionally, the sector efficiently managed its surplus liquidity by making strategic investments in government securities.

Through this proactive approach the NBF sector managed to mitigate the adverse impact of the restrictions and sustain its operational strength. By diversifying its product offerings and making astute investments the sector continues to demonstrate its capacity to navigate challenging market conditions and maintain a robust standing in the financial landscape.

THE COMPANY

Despite the ongoing challenges posed by the macro-economic conditions UB Finance Co. Ltd. (UBF) stands firm and exhibits robust financial strength. The Company boasts one of the highest capitalization ratios amongst the Finance Companies demonstrating its sound financial position. UBF's parent company, Union Bank of Colombo PLC (UBC), further adds to the stability and credibility of the organization.

As policy rates continued to increase throughout the financial year the Company reviewed its portfolios adjusting rates and funding sources while changing its lending product mix with a view to minimizing the short term mismatch in pricing of assets and liabilities. As experienced across the industry the Company's balance sheet contracted due to the prevailing restrictions & the present situation of the Country. This contraction together with the pace of the asset and liability re-pricing created severe pressure on net interest income margins. Further, rapid escalation in costs due to high inflation and the increase in impairment due to rising NPLs caused by the macroeconomic environment had an overall adverse impact on profit-

ability in 2022/2023.

UBF has strategically adopted a cautious stance by re-evaluating its growth initiatives. Rather than pursuing aggressive expansion the Company has chosen to concentrate on consolidating its business activities through a comprehensive set of measures. These measures encompass reinforcing credit and risk management practices, optimizing liquidity management, enhancing operational efficiency, intensifying efforts in loan recovery, and conducting a thorough assessment of its IT systems and infrastructure, which will be a pivotal success factor for UBF in the future. Also recognizing the utmost importance of its human capital UBF is committed to fostering the development and growth of its workforce. By prioritizing these strategic moves, the Company seeks to secure its stability and resilience in the face of the challenging market conditions, positioning itself for sustained success and growth in the long run.

The Management continuously revised and tightened the credit and customer due diligence processes to improve credit quality and minimize risk. As a result of the disciplined lending measures taken to ensure the Company remained within the benchmarked risk framework UBF's Gross Loan portfolio contracted by 3%.

Despite the UBF's cautionary approach towards lending the Company's gold loans portfolio showed a steady growth of 59% during the period. The Company also reviewed and re-granted moratoriums to assist customers to manage their financial positions and also focused inward, tapping the existing UBF customer base for cross selling and other business opportunities. UBF continues to operate through its 17 strategically located branches and 200+ customer - dealer touch points across the island giving it a significantly wide reach while maintaining structural flexibility and a low operating cost in an uncertain environment.

This year too customer deposits continued to be the dominating source of funding for UBF. Despite the Country situation, depositors valuing the UBF's ethical practices, sustainable business models and the Company's unique proposition "Versatility of a Finance Company Backed by the Strength of a Bank", continued to place their trust in the UBF franchise. The Company's liquidity remained at comfortable levels enabling the Company to settle its borrowings and strategically invest its excess liquidity in short to mid-term Government securities diversifying its risk and reaping maximum benefits.

Throughout this year a continued emphasis was placed on process automation to enhance operational efficiency, reduce processing timelines and facilitate cost optimization across the organization. The Company initiated the digital transformation of its daily operational procedures thereby realigning the organization towards a culture that embraces paperless practices and minimizes the need for physical travel. Consequently, these efforts not only bolstered operational effectiveness but also yielded financial savings while contributing to a reduction in the Company's carbon footprint.

Central Bank of Sri Lanka (CBSL) introduced the Direction on “Classification and Measurement of Credit Facilities” in April 2022 tightening credit, NPL and impairment. UBF clientele consisting mainly of SME & retail customers faced much hardships due to high inflation, lack of imports, fuel and transport. In its efforts to be sensitive to the requirements of its clients while safeguarding the Company’s interests, UBF extended various benefits to its customers including moratoriums and concessions as instructed by the regulator as well as additional voluntary concessions and repayment plans. The recovery team had to balance multiple challenges remain attuned to customer requirements, assist and advise customers on the best options available to them while continuing their recovery and collection efforts to manage NPL levels as best as possible under these trying circumstances.

In 2023, a dedicated IT Steering Committee was established under the guidance of the UBF IRMC, consisting of personnel from both UBC and UBF. This committee’s primary objective is to conduct a comprehensive assessment and revamp of the Company’s hardware infrastructure and core system. The projected timeline for the completion of this initiative is set for early 2025.

The determination and perseverance of the “UB Finance Team” is central to the year on year resilience of the Company. While a record number of professionals migrated for foreign employment opportunities in 2022/2023 and the service sectors grappled with the loss of skilled employees, UBF was able to retain a majority of its key management and staff. The Company’s human resource recruiting, training, development and monitoring framework focuses on the employee life cycle, grafting & mentoring, performance driven incentives and promotions, internal and external training & higher educational programs as well as recreational activities nurturing socially well formed, skilled and passionate group of individuals.

UBF received a First Time national long-term rating of ‘BB(lka)’ (RWN) from Fitch Ratings. This rating underscores the Company’s resilience within a dynamically fluctuating business landscape.

A significant milestone was reached with the distinction of becoming the First Company to effectively conclude an Initial Public Offering (IPO) in 2023. The IPO featuring an offering of 55 million shares transpired in July 2023 and generated an exceptionally positive reception within the retail investor segment achieving full subscription mere minutes after its commencement. This accomplishment not only reinforces confidence in the UBF Franchise but also serves as a testament to the enduring resilience prevailing across the broader Financial Services Sector.

THE WAY FORWARD

The road to recovery is filled with obstacles and challenges. The government and international community need to find a workable balance between implementing critical economic and financial reforms while ensuring the people’s needs are met. CBSL will play a critical role in consolidating, monitoring and man-

aging this process and the NBF Sector continues to show great potential despite these the present circumstances.

Amidst these challenges and roadblocks UBF remains cautiously optimistic about the future. The Company is strong and unwavering, having firmly established itself as a prominent player in the financial services sector and is committed towards supporting Sri Lanka’s envisioned economic development. The Company has reassessed, re-strategized and realigned its business operations to face the challenges ahead and continues to place significant emphasis on empowering the unbanked Retail and SME sectors, acknowledging their pivotal role in fueling economic recovery and promoting sustainable growth.

APPRECIATION

Navigating through the uncertainties and challenges of this year required an intelligent, hands on, dedicated and resilient team. I place on record my sincere gratitude towards “Team UB Finance” for their continued unwavering commitment towards the Company while facing their own personal struggles.

I thank the Chairman Mr. Atul Malik and my colleagues on the Board. Their advice, foresight and formidable experience has been a great strength to me in steering the Company through difficult times. I warmly welcome Mr. Jayendra Setukavalar to the Board who brings decades of experience with him. Special thanks to Mr. Chandrakumar Ramachandran who retires after completing eight years of service. I wish to express my sincere appreciation for his invaluable contribution towards the Company.

We also acknowledge and thank our Parent Company Union Bank of Colombo PLC and their strategic investment partner ShoreCap II for their continued support and assistance especially in terms of good governance and technical / operational support. My thanks also extend to the central bank of Sri Lanka and M/s. Ernst & Young the external auditors for their good governance, support and advice throughout the year and the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka for their assistance to list the Company.

I am especially grateful to our customers and depositors who kept their faith in us during this time. Once again, we have faced an unprecedented crisis with conviction, courage and resilience. In line with the financial and economic restructuring of Sri Lanka, UBF remains committed to its vision of being a “Preferred Financial Solutions Provider” fostering growth for SMEs and contributing to the economic development of the Country.

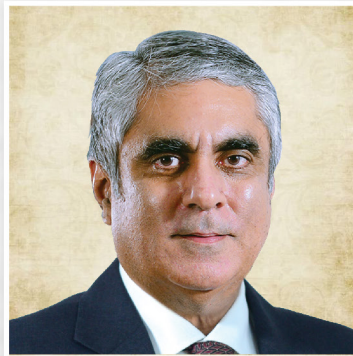


Ransith Karunaratne
Director / Chief Executive Officer

Board of Directors



Mr. Sabry Ghouse
Non Executive Director



Mr. Atul Malik
Chairman



Mr. Michael J O'Hanlon
Non Executive Director



Mr. Indrajit Wickramasinghe
Non Executive Director



Ms. Lisa Thomas
Non Executive Director



Mr. Moahan Balendra
Non Executive Director



Mr. Jayendra Setukavalar
Non Executive Director



Mr. Ransith Karunaratne
Chief Executive Officer/ Executive Director

MR. ATUL MALIK**Non-Independent Non-Executive Director**

Mr. Atul Malik was appointed to the Board of UBF on April 17, 2018. He also serves as the Chairman of Union Bank of Colombo PLC (UBC) from October 2017. Mr. Malik acts as a Senior Advisor at TPG for its financial services portfolio. He is a senior financial services executive with extensive experience and an impressive track record in establishing, expanding and managing scale businesses across Asian developed and emerging markets.

Prior to joining TPG in October 2017, he was an advisor to General Atlantic (2015 to 2017), the CEO of Maritime Bank, one of the largest private banks in Vietnam (from 2012 to 2015) and a Senior Advisor to Asia Capital & Advisors, a boutique private equity firm (2011 to 2012). During the period from 2007 to 2011, he was the Managing Director/Regional Head Asia-Private and Business Clients of Deutsche Bank with operations covering India, China, and Vietnam. During this period, he was also a member of the DB Asia Pacific Executive Committee and the Global Private and Business Clients (PBC) Executive Committee and was nominated as the Non-Executive Director of DB China Limited. During his 20 years of service at Citibank that commenced in 1988 with Citibank India, Mr. Malik has held a variety of senior roles, the last of which was as the Chief Executive Officer of Citibank Hong Kong (2004 to 2007), which is the Bank's largest retail and business banking operations in Asia. He was also a member of Citibank's Global Consumer Group Management Committee and the Asia Pacific Executive Committee. Mr. Malik holds a Master's Degree in Business Administration from the Rice University, USA (1987) and a Bachelor of Technology Degree from IIT Bombay (1985).

MR. SABRY GHOUSE**Independent Non-Executive Director**

Mr. Sabry Ghouse has been appointed as a director of UBF on November 17, 2021. His banking career spans over 27 years with leading international Banks. He counts 10 years' experience serving in overseas markets. He was employed by American Express Bank, Standard Chartered Bank and Al Rajhi Banking and Investment Corporation of Saudi Arabia, and was responsible for the setting up of Retail Banking, allied operations and crafting of Strategy at all of these banks to emerge a leader in their chosen market. In 2006 he was appointed Director Retail Banking Al Rajhi Bank Malaysia by its parent Al Rajhi Banking and Investment Corporation, Saudi Arabia, to develop a re-

tail banking model and set up operations, on their entry into the Malaysian market. Mr. Ghouse was a former Director of the Credit Information Bureau (CRIB) in Sri Lanka. He was the Deputy Chairman of Union Bank of Colombo PLC until August 2021. He was selected for executive leadership programs conducted by the London Business School, UK and Templeton, Oxford UK. He holds a Master's Degree in Business Administration (MBA) from the University of Western Sydney, Australia. He also has a Diploma in Computer Systems & Designing, National Institute of Business Management (NIBM).

MR. MICHAEL J O'HANLON**Non-Independent Non-Executive Director**

Mr. Michael J O'Hanlon was appointed to the Board of UBF on July 05, 2021. Prior to joining UBF, he joined UBC in October, 2015 as a Non-Executive Director. Mr. O'Hanlon is a Senior Advisor to TPG and Sixth Street Partners focusing on its financial institution investments. He currently is the Chairman of the Board of Roosevelt Management Company LLC, an asset manager, the Chairman of the Board of Rushmore Loan Management Services, LLC, a residential mortgage loan originator and servicer, and Board member for The College of St. Rose.

He has served on the boards of other TPG portfolio companies including Shenzhen Development Bank, Korea First Bank and BankThai PCL.

He holds an MBA Finance & Accounting from State University of New York at Albany (NY) and a BS in Business Administration from The College of St. Rose.

INDRAJIT WICKRAMASINGHE**Non-Independent Non-Executive Director**

Mr. Indrajit Wickramasinghe was appointed to the Board of UBF on December 31st, 2014. Mr. Wickramasinghe was appointed as Director/Chief Executive Officer of Union Bank of Colombo PLC on the 15th of November 2014. He counts over 33 years of Management experience having worked in the financial and consumer sectors in both local and multinational companies. He holds an MBA from the University of Sri Jayewardenepura and is a Fellow of the Chartered Institute of Marketing UK, a Member of the Association of Professional Bankers and a Member of the Oxford Business Alumni, University of Oxford.

Prior to his appointment as Director/CEO of Union Bank, he served as the Chief Operating Officer of

National Development Bank PLC, where he was responsible for all business areas including Retail Banking, Corporate Banking, SME Banking and Project Finance. Prior to that, he held the position of Vice President in the functions of Human Resources, Marketing and Retail Banking, heading Retail Banking for a period of 7 years. Mr. Wickramasinghe was also a Non-Executive Director of Eagle Insurance/Aviva NDB Insurance, NDB Capital Holdings Limited, NDB Securities (Private) Limited, Development Holdings (Private) Limited and the Credit Information Bureau of Sri Lanka.

He currently serves as a Non-Executive Director of National Asset Management Limited and Financial Ombudsman Sri Lanka (Guarantee) Limited.

MS. LISA G. THOMAS

Non-Independent Non-Executive Director

Ms. Lisa G. Thomas was appointed to the Board of UBF upon nomination of Shorecap II on November 23rd, 2017. Ms. Thomas has more than 15 years of experience in venture capital and private equity investing, governance, and operations in emerging markets; having worked with companies in more than 20 countries in Africa, Asia, and the Caucasus.

She is the Founder and Managing Director of Sama-ta Capital, a fund management company dedicated to making private sector investments in scalable businesses in emerging markets that advance opportunities for women and promote gender diversity. Ms. Thomas previously co-founded and was the Chief Investment Officer for Vested World, a venture fund focused on sub-Saharan Africa. Prior to that role, she was Director of Investments - Asia for Equator Capital Partners where she managed investments in scaling financial institutions in frontier and emerging markets. Her early career was in investment banking at Merrill Lynch in New York.

Ms. Thomas is the co-founder of Advancing Women in Investing, a collaborative of first time and emerging female investment vehicle managers with the goal of ensuring that women capital movers are represented on investment teams and receive backing as managers, particularly in emerging and frontier markets. Ms. Thomas was an Emerging Leader Fellow at the Chicago Council on Global Affairs and appeared on NPR's worldview to discuss business development in Africa. She has taught and guest lectured at Northwestern University's Kellogg School of Management and is a regular speaker at the University of Chicago Booth School of Business. Ms. Thomas holds an MBA from the University of Chicago Booth School of Business and a

Bachelor of Science (Honors) from the University of Oregon.

MR. MOAHAN BALENDRA

Independent Non-Executive Director

Mr. Moahan Balendra was first appointed to the UBF Board as an Alternate Director to a foreign based Director in the year 2017 and is currently serving on the Board as an Independent Non-Executive Director. He counts extensive work experience in both the UK and Sri Lanka. He heads Law Firm Sinnadurai Sundaralingam & Balendra, which has its roots to the early 1960s. He also serves as a consultant to many multinational companies, indigenous companies and individuals. He also inter alia sits on the Boards of S B Corporates (Private) Limited, Migrategi (Private) Limited, S B Realtors (Private) Limited and The Jaffna Club (Guarantee) Limited.

He is an Attorney at Law, Notary Public, Fellow of the Association of Chartered Certified Accountants (FCCA) and a Justice of the Peace. His areas of expertise are Commercial and Corporate matters, Investment Facilitation, Conveyancing and Instructing Specialist Counsel in litigation

MR. JAYENDRA SETUKAVALAR

Independent Non-Executive Director

Mr. Jayendran Setukavalar was appointed to the Board of UBF on November 24th, 2022. Mr. Setukavalar has over 48 years of experience in the field of Auditing, Accounting and Finance and has served in Key Management positions and Boards in various industries. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants-UK, Certified Management Accountants SL, Certified Global Management Accountants (CGMA), and a Fellow of the Institute of Certified Professional Managers (FCPMSL). He also worked overseas for three years with M/S PricewaterhouseCoopers in the United Arab Emirates.

He also serves on the Board of CMS Schools in Sri Lanka as Chairman and is the current Chairman of its Finance Committee. He previously served on the Boards of A. Baur & Co Ltd., Baur Air Services Ltd., A. Baur & Company (Travel) Ltd., A. Baur Trading (Pvt) Ltd., Baur Agri Exports (Pvt) Ltd., Swiss Trading Group (Pvt) Ltd., Swiss Hotels Management Academy (Pvt) Ltd. and Ferntea Limited.

MR. RANSITH KARUNARATNE

Chief Executive Officer / Executive Director

Mr. Ransith Karunaratne joined UBF as the Chief Executive Officer in November 2012 and was later appointed to the Board of Directors in March 2014. With a stellar background in the financial services sector spanning over two decades he has achieved notable success in launching, growing, and managing highly profitable credit portfolios. He played a pivotal role in the company's restructuring, rebranding and successful re-launch.

Prior to joining UBF, Mr. Karunaratne held key positions in other esteemed organizations. He served as the Deputy General Manager - Corporate Lending, Factoring & Investments at LB Finance PLC. Additionally, he held the position of Assistant General Manager - Factoring at Commercial Leasing and Finance PLC and Portfolio Manager at Mercantile Leasing Ltd. (later acquired by Nations Trust Bank).

Beyond his professional endeavors, Mr. Karunaratne is actively involved in various social and community upliftment projects. He has served on the Board of the Lanka Evangelical Alliance Development Service (LEADS) for several years, contributing to societal development. He also represented the Sri Lanka Masters Basketball Team at the Pan Pacific Masters Game held in Gold Coast, Australia.

Mr. Karunaratne's educational qualifications include a Master's Degree in Business Administration (MBA) from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. He is also a Fellow Member of the Chartered Institute of Management Accountants - FCMA (UK). In February 2021, Mr. Karunaratne received recognition as one of the top 50 CIMA Icons & Trailblazers in Sri Lanka.

Corporate Management Team



Ms. Himali Perera
Deputy General Manager
Credit and Operations



Mr. Asanka Udugama
Deputy General Manager
Finance



Mr. Pradeep Roshantha
Assistant General Manager
Channels



Mr. Chaminda Weerasinghe
Assistant General Manager
Recoveries



Ms. Samantha Seneviratne
Chief Manager
Operations

Senior Management Team



Mr. Chinthaka Gamage
Senior Manager
Marketing Communication



Ms. Dilini Paiva
Senior Manager
Executive PA - CEO's Office



Mr. Piya Weerakoon
Head Of Legal



Mr. Shadwell Weerasinghe
Senior Manager
Investments



Ms. Sooriya Nagulanathan
Senior Manager
Finance



Ms. Vilashani Bandara
Senior Manager
Financial Reporting



Mr. Deshal Weerage
Senior Manager
Region - 02



Mr. Sugath Kumara
Senior Manager
Region - 01



Mr. Ramesh Fonseka
Head Of Compliance



Mr. Joy Fernando
Senior Manager
Credit

Management Team



Mr. Supun Gunathilake
Area Manager
Southern



Ms. Jenita Jeevakumaran
Manager
Human Resources



Mr. Sandun Anuradha
Manager
Information Technology



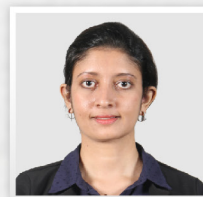
Mr. Dinesh Solankey
Manager
Recoveries



Mr. Harsha Nuganayaka
Area Manager
Central



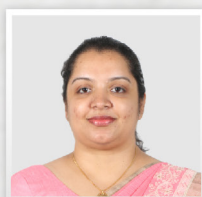
Mr. Sandaruwan Wijerathne
Area Manager
Metro



Ms. Umanga Malmessa
Manager
Risk and MIS



Mr. Prabash Kalupahana
Manager
Administration



Ms. Nishara Jayawardena
Manager
Finance Operations



Ms. Lakmali Gurusinghe
Manager
Gold Loan Operations



Mr. Lahiru Madusanka
Manager
Operational Audit

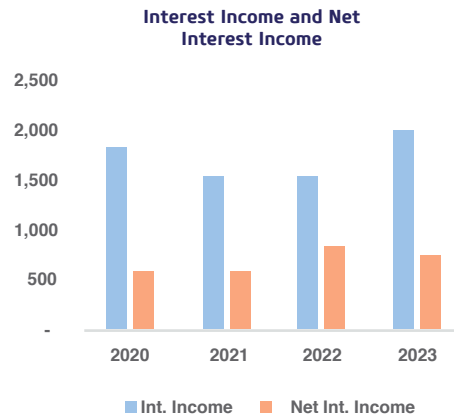


Mr. Amila Rathnayake
Area Manager
North Eastern

Operational Review

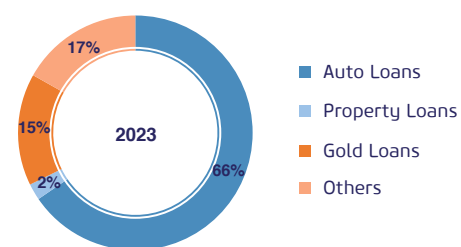
In the financial year 2022/2023, UB Finance achieved noteworthy milestones, positioning itself as a prominent Licensed Finance Company (LFC) despite the challenges stemming from the economic crisis following the aftermath of COVID-19. The period witnessed a turbulent economic landscape, characterized by fuel crisis, currency rate fluctuations, substantial interest rate hikes, and inflation. In the face of these formidable challenges, UB Finance navigated the storm with resilience and prudence. The Company's commitment to avoiding unnecessary risks, combined with the foundation of a robust Tier 1 Capital Adequacy Ratio of 31.1%, played a pivotal role in its ability to withstand the crisis. Although the journey was not without its losses, UB Finance's strategic approach and financial strength allowed it to weather the storm. Despite the prevailing uncertainties within Sri Lanka's financial industry, UB Finance remained firm in its vision to become the Country's preferred Financial Solutions Provider. The enduring trust and confidence exhibited by our valued customers, coupled with the unwavering dedication of our employees, and the strategic insight provided by our Management and Directors, collectively served as the driving force behind our continued success, even in the face of a challenging economic landscape.

In the ever-changing landscape of the financial industry, firms often encounter periods of decline due to both external and internal factors. UB Finance has been no exception to this reality, facing its share of challenges. UBF did not view the Covid-19 and Economic crisis as a one-time event that simply needs to be survived, but instead saw it as an opportunity. Despite its economic and social disruption, UBF believes that for the Company, some good has come out of the crisis, with the firm using it as an opportunity to drive the conversation around transformation in a way that ensured the entire organization was aligned to the same goal especially that the staff being more receptive to the situation than they ever have been. In response to these times of crisis, the Company has adopted proactive and strategic operating turnaround strategies aimed at safeguarding its operations and achieving sustainable performance recovery. Looking beyond mere survival, UB Finance has set its sights on a long-term model that fosters growth even in the face of unfavorable conditions.

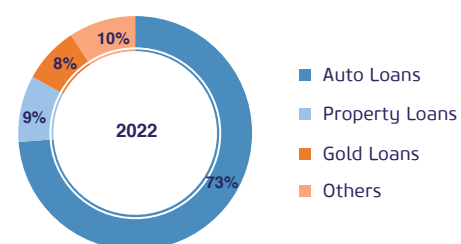


Amidst the implementation of significant monetary policy tightening measures by the Central Bank of Sri Lanka, the market witnessed considerable upward shifts in interest rates. These changes were a response to heightened uncertainties, escalating inflation, and the ongoing government borrowing requirements. The increase in interest rates had a pronounced impact on UB Finance's Net Interest Income. While the gross interest income witnessed a growth of 32%, the interest expenses surged by 88%, attributed to the inherent interest rate maturity mismatch within the company. This mismatch caused liabilities to reprice at a faster pace than the fixed-rate loan interest rates. Consequently, the Net Interest Income contracted by 12%, declining from LKR 843Mn to 739Mn over the course of the year.

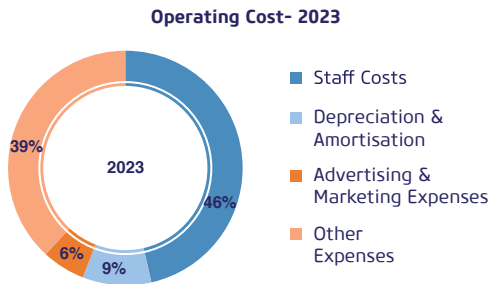
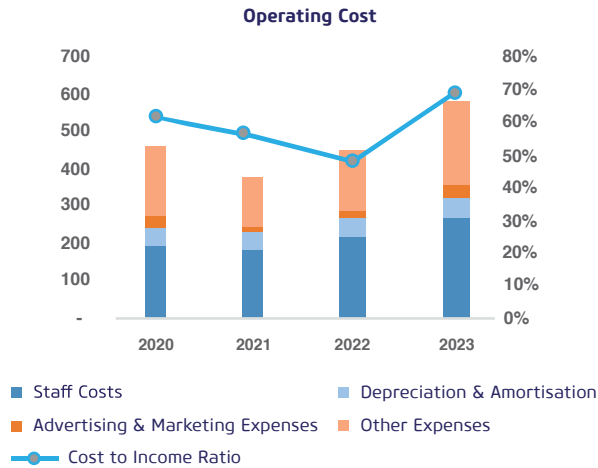
Composition Interest Income - 2023



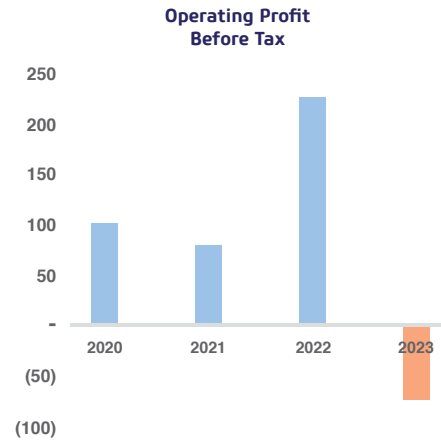
Composition Interest Income - 2022



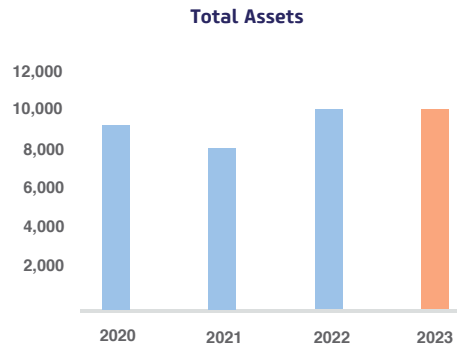
As the result of inflationary pressure, the operating cost increased by 30% in 2022/23 despite the lower business volumes during the period. Attributed to inflation and the decline in the net interest income, the cost to income ratio increased from 48% to 69%. The Company increased the impairment charge on loans and advances by 26% as a result of negative NPL movements and the adverse movement in the macro-economic factors.



During the year, the Company recorded an operating loss before tax, a result directly stemming from the factors explained earlier.



In contrast to 2022/23, the Company's total assets increased by only 0.3%. Despite the contraction in the loan portfolio, the increase in liquid assets contributed to the overall growth in total assets.



The UB Finance loan portfolio, primarily encompassing loans against auto, gold, property, and other securities, depicted a 3% contraction. The Company adopted a cautious approach, which focused on minimizing loans that could potentially strain cash flow and asset quality. Consequently, the Company's asset base underwent reduction over the course of the year.

Investment Products

UBF has built a loyal deposit base offering versatile investment options on the pillars of strong corporate brand backed by a premier commercial bank



A product that offers competitive interest rates for fixed term deposits



A product that allows customers to save excess money with interest



A product that offers flexible terms for cash deposits



An investment product that allows a periodic cash build - up



An investment product with upfront interest payout

Lending Products

UBF Offers a Wide range of asset backed financing options to meet customer needs while ensuring service excellence



The flagship product of UBF providing financing for commercial and personal vehicles



Short term vehicle backed credit facility, with flexible settlement options



Assets backed credit facility that caters short term working capital requirements with flexible settlement options



Loan against gold articles to fulfill urgent cash requirements



Facilities provided against rent receivables, for short term working capital requirements



A loan granted against an immovable property as a security under a mortgage agreement

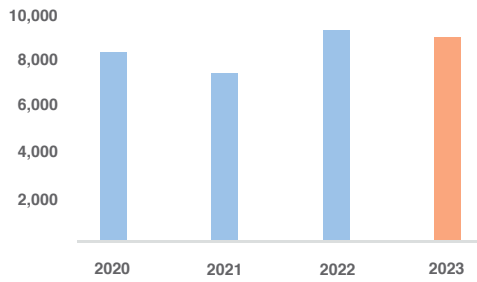


Financing for brand new and registered three-wheelers

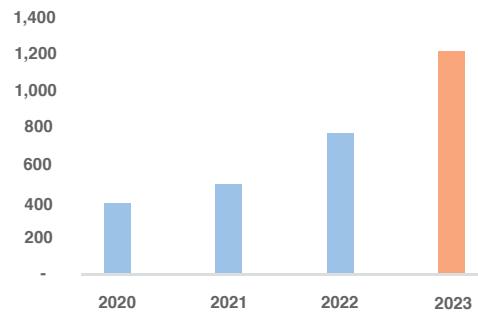


Term loans backed by an asset

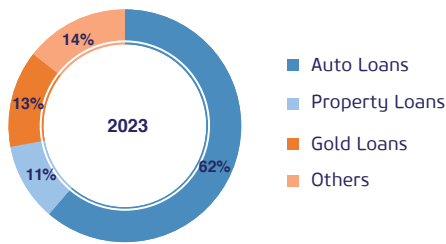
Gross Portfolio



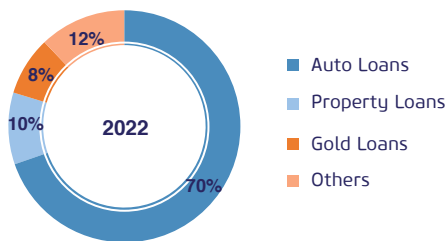
Gold Loan Portfolio



Product Portfolio - 2023

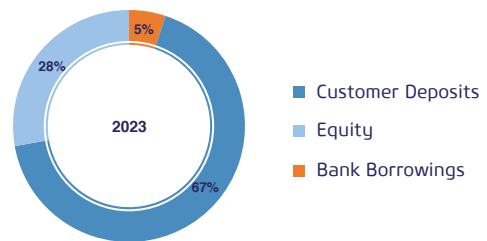


Product Portfolio - 2022

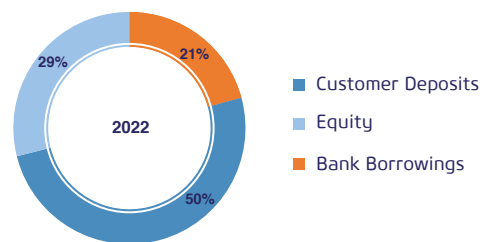


The funding composition of the Company encompasses customer deposits, savings, borrowings, and equity funding. Among these, deposit products continued to be the predominant source of funding for UB Finance with a contribution of 67%, accounting for the majority of the funding mix. However, there was a notable shift in the funding structure as bank borrowings saw a decline, representing a smaller portion of UBF's funding mix.

Funding Mix - 2023

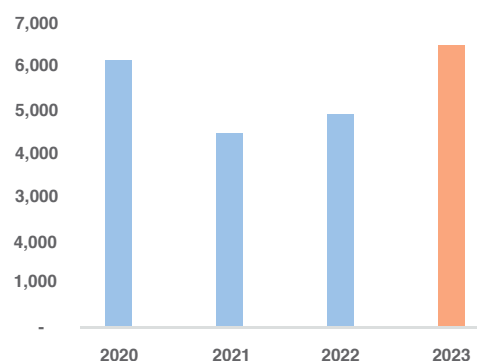


Funding Mix - 2022



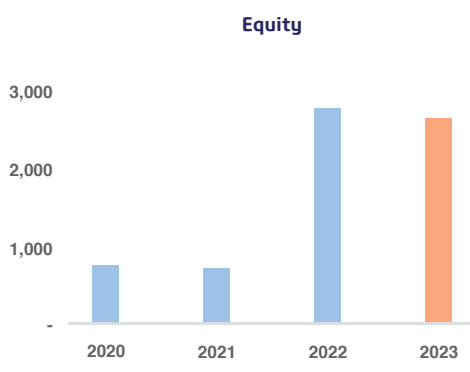
In response to the prevailing economic conditions, the auto loan portfolio saw a decrease from LKR 6,517 Mn to LKR 5,533 Mn. As part of risk-mitigation strategy, UB Finance took the decision to curtail lending activities and instituted rigorous monitoring to ensure effective risk management. Concurrently, given the economic challenges prevailing in the market, UB Finance capitalized on the opportunity within the Gold Loan sector. This strategic maneuver resulted in a significant growth of 59% in the Gold Loan portfolio, driven by individuals resorting to pawning their jewellery for short-term financial support. Despite the dip in lending activities, the remarkable growth of the Gold Loan portfolio underscored UB Finance's ability to adapt and fulfill evolving customer needs in the face of economic adversity. This commitment to resilience not only enabled UB Finance to fulfill its promise of delivering customer-centric financial solutions but also solidified its standing within the industry. Throughout this growth, the asset quality of the Gold Loan portfolio was subjected to several levels of internal and external checks and balances, mitigating the operational risks inherent to the gold loan product.

Customer Deposits



During the period under review, the deposit base witnessed an impressive growth of 33%, a clear testament to the thriving confidence customers place in UB Finance, contributing to a robust deposit base of Rs. 6,509 million. The growth of the deposit base not only signifies customers' confidence and loyalty but also mirrors our commitment to fostering a diverse and expanding customer community. Simultaneously, UB Finance adeptly attracted new depositors while prudently managing liquidity to bolster operational capabilities. The fixed deposit renewal ratio of 70% remained a testament to our customer-centric approach. Guided by our mission, we diligently offer depositors secure and maximized returns on their investments. In a competitive environment crowded with Banks and other Finance Companies, UBF stands out by providing not only competitive rates for deposits but also a tailored, prompt service that underscores both convenience and security. The affiliation with Union Bank, our Parent Company, reinforces our ability to cater to customers' financial needs with unwavering security. This symbiotic partnership empowers UB Finance to provide steadfast and reliable solutions, ensuring our customers' financial well-being in every respect.

UB Finance upholds a resilient capital base that serves as a bedrock for business stability and a buffer against unforeseen contingencies. In accordance with directives from the Central Bank of Sri Lanka, the Company diligently adheres to minimum capital stipulations set for finance companies. UB Finance not only fulfills the Minimum Capital Requirement of Rs. 2.5 billion but also distinguishes itself through a robust capital adequacy ratio of 31.1% for the fiscal year 2022/23. This ratio far exceeds the prescribed minimum of 12.5%, proving the Company's strong capitalization and its unwavering commitment to ensuring a steadfast financial foundation.



Amidst the turbulence of external economic conditions, UB Finance has observed a significant shift in customer behavior, with a notable increase in investments in Fixed Deposits (FDs). As other investment options, such as the stock market and real estate, were

severely affected by the economic downturn, investors sought safer alternatives to safeguard their finances. The stock market experienced high volatility, causing uncertainty and hesitation among potential investors. Similarly, the real estate sector faced challenges with decreased demand and liquidity issues, making it a less favorable option for those seeking secure returns. Despite treasury bonds offering attractive returns, investors exhibited reluctance due to concerns over potential haircut policies being implemented stemming from the prevalent perception that full returns might not be guaranteed. In this context, UB Finance emerged as a preferred choice for investors, providing a stable and reliable platform to park their funds and earn competitive returns through FDs.

Company's Business Continuity Planning (BCP) played a key role in preventing interruptions to mission-critical services due to unforeseen external threats during the year. The Company has nurtured a crisis-ready culture by establishing a competent crisis management team under BCP, capable of coordinating actions and leading the response across functions. Learning from each crisis, management prioritizes actions to restore business-as-usual operations and continuously enhances its operational resilience framework.

At UB Finance, we uphold our corporate brand value by formulating strategies that align with our core principles and corporate business ethos. A central aspect of our marketing approach is direct engagement with customers to enhance brand awareness among diverse target segments. Our dedicated Marketing and Communication division takes charge of branding initiatives, encompassing strengthening brand identity and loyalty, integrating digital marketing, executing the annual marketing plan and exploring new business channels. All branding and concept development activities are conducted in-house as a part of cost reduction strategy adopted by the company with a primary focus on promoting our core products to attract new customers and foster loyalty among existing ones through various communication methods. These methods have yielded positive outcomes, which is evident in the continuous growth in customer bases.

The Credit Department plays a pivotal role in supporting the front-line business generation units at UB Finance, enabling them to attract and secure high-quality business opportunities. In response to changing economic conditions and increased interest rates, the Company underwent a strategic shift in its credit criteria, focusing more on reduced Loan-to-Value (LTV) ratios and borrowers' repayment capacity. This proactive approach aimed to ease the financial burden on

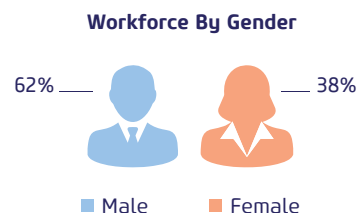
clients when faced with increased interest rates, ensuring that they can comfortably meet their monthly commitments and enjoy sustained financial well-being. To maintain a robust credit portfolio, the Credit Department implemented a sophisticated customer grading and rating system, prioritizing the inclusion of only creditworthy customers eligible for various financial facilities. Continuous training remains a core focus within the Credit Department, equipping team members with advanced risk management techniques to optimize their performance and potential. Amidst the challenging economic landscape, UB Finance made strategic decisions to reduce lending and place a stronger emphasis on collections. This tactical approach, coupled with the dedicated efforts of the Marketing staff, facilitated timely repayments and contributed to the overall soundness of the portfolio.

The Recovery Department played a crucial role in preserving the quality of UBF’s portfolio while achieving sustainable long-term growth. Employing a multi-layered approach, the Company ensures that customers fulfill their debt repayments on time. This includes proactive marketing and recovery visits, legal recovery measures and legal action when necessary. Through enhanced collaboration with regional and branch levels, the organization streamlined the recovery process, ensuring a well-coordinated and efficient operation. Recovery Department’s unwavering dedication and strategic approach have been pivotal in safeguarding the Company’s financial stability and further establishing its reputation for reliability within the financial services landscape.

UBF boasts a comprehensive legal unit staffed with experienced legal professionals, playing a crucial role in offering essential support and assistance to the organization. The legal department oversees all legal matters, diligently pursuing legal action against defaulting customers and skillfully defending cases, working in close collaboration with the Recovery Department to ensure the Company’s seamless operation. The Legal department’s valuable contribution extends to the review of property titles submitted as security, providing expert advice that expedites credit approvals with minimum risk. Through the expertise and dedication of its legal team, UBF reinforces its commitment to maintaining a robust legal framework and safeguarding the interests of its stakeholders.

Human Capital remains a critical driving force behind UB Finance, with a highly engaged and dynamic team forming the backbone of the organization. Despite facing challenges like high turnover rates due to the economic downturn and staff migrating in pursuit of

better prospects, the Company tackled this situation strategically. UB Finance places significant emphasis on continuous training and skill development to strengthen the productivity of its staff, ensuring they are equipped with the necessary tools to excel in their roles. To counter the effects of high turnover rates, the Company implemented targeted employee retention programs, offering competitive incentives and growth opportunities, thereby fostering a sense of loyalty among its workforce. Recognizing the importance of preparing for crises, UB Finance actively raised awareness among its employees and provided specialized training to handle unforeseen challenges. By doing so, the Company instilled a sense of accountability and readiness within its workforce, empowering them to respond swiftly and effectively when faced with adversity. Moreover, UB Finance remained dedicated to creating a work environment that ignites motivation and inspires peak performance. By prioritizing diversity and equal opportunities, the Company attracted a versatile workforce with multidisciplinary expertise, adding immense value to its operations. Through strategic planning, employee retention efforts, and comprehensive crisis preparedness, UB Finance successfully navigated the economic downturn, emerging as a resilient and agile organization. The commitment to empowering its human capital played a pivotal role in the Company’s ability to adapt and thrive amid challenging circumstances, ensuring continued growth and success in the financial services arena.

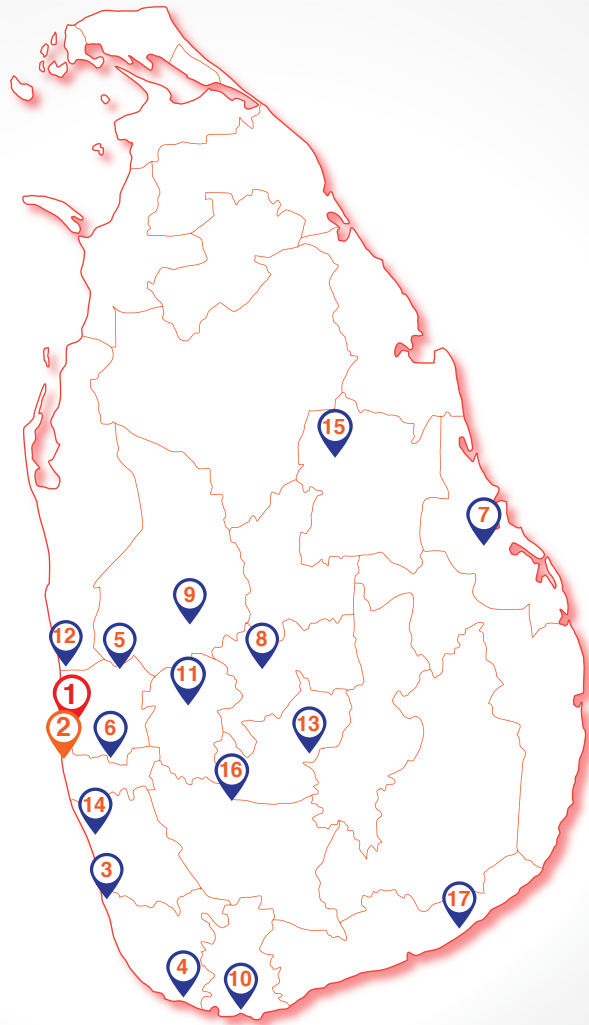


The Risk Department at UBF plays a vital role in overseeing and managing the Company’s overall risk profile through the establishment of a robust risk management framework and policies. This includes identifying, evaluating and closely monitoring various risk exposures such as credit, operational, market, liquidity, strategic and regulatory risk to ensure they align with the Board approved risk appetite levels. The department assumes responsibility for delivering timely risk related reports to the Internal Risk Management Committee (IRMC), Group IRMC, Board and Senior Management facilitating informed decision making. Through diligent risk oversight, UBF remains steadfast in safeguarding its stability and resilience amidst a dynamic and ever-changing business environment.



Branch Network

1. **Head Office - Colombo**
2. **Premier Office - Colombo**
3. Ambalangoda
4. Galle
5. Gampaha
6. Kadawatha
7. Kalmunai
8. Kandy
9. Kurunegala
10. Matara
11. Mawanella
12. Negombo
13. Nuwara Eliya
14. Panadura
15. Polonnaruwa
16. Rathnapura
17. Thissamaharama



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

The Board of Directors of UB Finance Company Limited has pleasure in presenting their Annual Report and the State of Affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2023.

This Report includes the information as required by the Companies Act No. 07 of 2007, Finance Business Act No 42 of 2011, Finance Business Act No 42 of 2011 (Corporate Governance) Direction No. 05 of 2021 read together with Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange.

General

UB Finance Company Limited was incorporated under the Companies Ordinance No.51 of 1938 on 12th July 1961 as a Limited Liability Company under the name of The Finance and Guarantee Company Limited. The Company was re-registered as required under the provisions of the Companies Act No. 7 of 2007 on 26th December 2007 under Company Registration No PB 113. The name of the Company was changed to UB Finance Company Limited on 25th April 2012.

The Company is a Finance Company in terms of the Finance Business Act No.42 of 2011 and is a registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The Company has been affirmed a national long-term rating of BB(lka) Rating Watch Negative (RWN) by Fitch Ratings Lanka Limited.

Major Shareholders of the Company

Union Bank of Colombo PLC, the parent Company and ShoreCap II Limited are the major Shareholders of the Company.

Principal Activities

The principal activity of the Company is providing financial services namely, accepting deposits, maintaining savings accounts, lease financing, mortgage loans, vehicle loans, working capital solutions and gold loans.

There were no significant changes in the nature of the principal activities of the Company during the year under review. The Directors do hereby declare that to the best of their knowledge, the Company has not engaged in any activity, which contravenes laws and regulations.

Financial Statements

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No.42 of 2011, the directions and guidelines issued under the said Finance Business Act.

The Financial Statements were reviewed and approved by the Board of Directors on 28th June 2023 based on the recommendation of the Board Audit Committee. The Financial Statements of the Company duly signed by the Deputy General Manager- Finance and two Directors on behalf of the Board which are attached hereto form an integral part of the Annual Report.

Responsibility on Financial Reporting

Board of Directors of the Company is responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs of the Company.

The Directors confirm that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 64 to 125 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, Companies Act No. 07 of 2007 and directions and guidelines issued under the Finance Business Act No. 42 of 2011. The Directors have taken reasonable measures to safeguard the assets of the Company and to establish appropriate systems of internal control with a view to prevent and detect frauds and other irregularities.

Auditors

M/s. Ernst & Young, Chartered Accountants was re-appointed as the External Auditors of the Company at the Annual General Meeting held on 29th September 2022. The report of the Auditors on the Financial Statements of the Company is given on page 62 to 63. The total amounts of Rs. 2,871,161/- is paid by the Company to the Auditors for the year comprising Rs. 1,664,956/- as Audit Fees, Rs. 859,970/- for audit related services and Rs. 346,235/- for non-audit services.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 69 to 90. There were no significant changes to the accounting policies used by the Company during the year.

Taxation

Income tax for 2022/23 has been provided at the rate of 24% for the first six months & at the rate of 30 % for the second six months on the taxable income arising from the operations of the company and has been disclosed in accordance with Sri Lanka Accounting Standards. Profits of the company are also liable for Value Added Tax on Financial Services at the rate of 18% and Social Security Contribution Levy (SSCL) (SSCL) on Financial Service 2.5%.

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

Stated Capital

The stated capital of the Company as at 31st March 2023 was LKR 3,016,482,247 consisting of 2,699,687,318 ordinary shares (2022: LKR 3,016,482,247 consisting of 2,699,687,318 ordinary shares).

Share Information

There were 3,352 shareholders registered as at 31st March 2023. (2022-3,351)

The information as required by the Listing Rules on distribution of shareholding and twenty largest shareholders are set out on pages 126 to 127.

Property, Plant and Equipment

The details of property, plant and equipment is set out in Note 19 to the Financial Statements on pages 98 to 99.

Related Party Transactions

The aggregate value of transactions with related parties with the Company are set out in Note 35 to the Financial Statements on pages 122 to 123.

The Board confirms that all transactions between the Company and related parties have been conducted on an arm's length basis.

Directors' Remuneration

The aggregate value of Directors' Remuneration for the financial year under review was Rs.17,729,844/-

Directors' Interest and Interest Register

The Company is adhering to the requirements stipulated in the Companies Act No.7 of 2007 and an Interest Register is maintained in line with the said Act. Monthly the Board of Directors declare all the interest in the Company at the Board Meeting and accordingly the interest register is updated.

There were no share transactions/share holding by Directors during the financial year under review in the Company. The relevant interest of Directors in the shares of the Company is given on page 127.

Director's & Officer's Liability Policy

Union Bank of Colombo PLC, the Parent Company has obtained a Directors & Officers Liability Policy for a cover of USD 10 million from Continental Insurance Lanka Limited covering the Directors interests of the Group.

Material Issues Pertaining to Employees and Industrial Relations Pertaining to the Company

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

Employees Share Option Schemes/Employee Share Purchase Schemes

The Company has not implemented any Share Option/ Share Purchase Schemes for employees.

Compliance with Rules & Regulations including Corporate Governance Practices

The Board of Directors act in compliance with the statutory requirements and has continuously communicated with the regulatory and supervisory bodies. A compliance report is tabled at the monthly Board meeting informing the status of compliance levels as per the statutory requirements.

The Board has delegated its business operations to the Key Management Personnel led by the Chief Executive Officer and business operations are monitored by the Board. The Board Committee members liaise with the Key Management Personnel in their day-to-day activities whenever necessary to ensure the safety and soundness of the Company.

The Board of Directors have always taken decisions in accordance with the prevailing laws and regulations of the Country and those specifically imposed by the regulatory bodies.

Statutory Payments

The Directors confirm that to the best of their knowledge all taxes, statutory dues and levies payable by the Company as at the reporting date have been paid or where relevant provided for.

Events After Reporting Date

The Ordinary Shares issued by the Company was listed on the Diri Savi Board of Colombo Stock Exchange on 14th August 2023.

Except the above, there have been no material events occurring after the reporting date that would require adjustments to or disclosure in the financial statements as disclosed in Note 33 to the Financial Statements on page 121.

Going Concern

The Board of Directors had reviewed the company's business plans and is satisfied that the company has adequate resources to continue its operation in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

Annual General Meeting

The details of the Annual General Meeting are given in the Notice of Meeting on page 129 of this Annual Report.

The Directorate

The Directors of the Company as at 31st March 2023;

Name of the Director	Date of Appointment
Executive Directors	
Mr. Ransith Nishantha Karunaratne	12/03/2014
Non-Executive Directors	
Mr. Atul Malik (Chairman)	17/04/2018
Mr. Mohamed Hisham Sabry Ghouse (Senior Director)*	17/11/2021
Mr. Indrajit Asela Wickramasinghe	31/12/2014
Ms. Lisa Gayle Thomas	23/11/2017
Mr. Michael John O'Hanlon	05/07/2021
Mr. Raj Moahan Balendra*	05/07/2021
Mr. Jayendra Arulraj Setukavalar*	24/11/2022
*Independent Non-Executive Directors	

Mr. Chandrakumar Ramachandra ceased as an Independent Non-Executive Director of the Company upon reaching the age of 70 years on 11th June 2022.

Mr. Jayendra Arulraj Setukavalar was appointed as a Independent Non-Executive Director with effect from 24th November 2022.

Mr. A. Malik and Mr. R M Balendra retires by rotation at the Annual General Meeting in terms of Article 77 of the Articles of Association and being eligible, offers themselves for re-election.

Mr. J A Setukavalar will retire at the Annual General Meeting in term of Article 85 of the Articles of Association and being eligible, offers himself for re-election.

Shareholdings of Directors in the Company / Parent Company:

Shareholdings of Directors in the Company / Parent Company as at 31st March 2023;

Name of the Director	No. of Voting Shares in the Company	No. of Non Voting Shares in the Company	No. of Voting Shares in the Parent Company
Mr. Atul Malik	None	None	None
Mr. Mohamed Hisham Sabry Ghouse	None	None	None
Mr. Indrajit Asela Wickramasinghe	None	None	None
Ms. Lisa Gayle Thomas	None	None	None
Mr. Michael John O'Hanlon	None	None	None
Mr. Raj Moahan Balendra	None	None	None
Mr. Jayendra Arulraj Setukavalar	None	None	None
Mr. Ransith Nishantha Karunaratne	None	None	None

Union Bank of Colombo PLC, holds 2,477,618,876 Ordinary Shares constituting 91.77% of the shares representing the Stated Capital of the Company.

Mr. Atul Malik, Mr. I A Wickramasinghe and Mr M J O'Hanlon are Directors of Union Bank of Colombo PLC, where they serve as Chairman, Director / CEO and Non-Executive Director respectively.

Set out below are the directorships held by the Directors in other Institutions as at 31st March 2023

Name of the Director	No. of Directorates/equivalent positions held in companies/ societies/ corporate bodies
Mr. Atul Malik	<p>Chairman Union Bank of Colombo PLC</p> <p>Director YES Bank</p> <p>Senior Advisor TPG</p>
Mr. Sabry Ghouse	<p>Director Shah Associates Pvt Ltd</p>
Mr. Indrajit Asela Wickremasinghe	<p>Director/Chief Executive Officer Union Bank of Colombo PLC</p> <p>Director Namal Asset Management Limited Financial Ombudsman Sri Lanka Limited</p>

Name of the Director	No. of Directorates/equivalent positions held in companies/ societies/ corporate bodies
Ms. Lisa Gayle Thomas	Investment Committee Member ADTX
Mr. Michael J O'Hanlon	Chairman Roosevelt Management Company LLC Rushmore Loan Management Services LLC Director Union Bank of Colombo PLC The College of St. Rose Senior Advisor Sixth Street Partners TPG Capital - New York
Mr. Raj Moahan Balendra	Director S B Corporates (Private) - Limited S B Realtors (Private) - Limited Migrategi (Private) Limited Executive Committee Member The Jaffna Club (Guarantee) Limited
Mr. Jayendra Arulraj Setukavalar	Director CMS Schools in Ceylon
Mr. Ransith Nishantha Karunaratne	-

The composition of the Board Committees as at 31st March 2023 are as follows ;

Audit Committee

- Mr. Jayendra Arulraj Setukavalar (Chairman)
- Mr. Michael O'Hanlon
- Mr. Moahan Balendra

Integrated Risk Management Committee

- Mr. Michael O'Hanlon (Chairman)
- Mr. Indrajit Wickramasinghe
- Mr. Ransith Karunaratne
- Mr. Sabry Ghouse

Board Credit Committee

- Mr. Sabry Ghouse (Chairman)
- Ms. Lisa Thomas
- Mr. Moahan Balendra
- Mr. Jayendra Arulraj Setukavalar

Human Resources and Remuneration Committee

- Mr. Moahan Balendra (Chairman)
- Ms. Lisa Thomas
- Mr. Sabry Ghouse

Strategic Planning Committee

- Mr. Atul Malik (Chairman)
- Ms. Lisa Thomas
- Mr. Indrajit Wickramasinghe
- Mr. Michael O'Hanlon

Related Party Transactions Committee

- Mr. Sabry Ghouse (Chairman)
- Mr. Moahan Balendra
- Mr. Jayendra Arulraj Setukavalar

Nomination Committee

- Mr. Indrajit Wickramasinghe (Chairman)
- Mr. Atul Malik
- Mr. Sabry Ghouse

IT Steering Committee

- Mr. Michael O'Hanlon (Chairman)
- Mr. Atul Malik
- Mr. Indrajit Wickramasinghe

Number of Meetings Held and Attendance

Names of the Director	Board Meetings		Audit Committee		Integrated Risk Management Committee		Human Resources & Remuneration Committee		Strategic Committee		Credit Committee	
	E	A	E	A	E	A	E	A	E	A	E	A
Atul Malik	12	12	-	-	-	-	-	-	1	1	-	-
Chanadrakumar Ramachandra	2	2	-	-	-	-	1	1	-	-	1	1
Sabry Ghouse	12	11	3	3	3	2	1	1	-	-	1	1
Michael J O'Hanlon	12	11	4	2	4	4	-	-	1	1	-	-
Indrajit Wickramasinghe	12	11	-	-	4	4	-	-	1	1	-	-
Lisa Gayle Thomas	12	11	-	-	-	-	2	2	1	1	2	2
Raj Moahan Balendra	12	8	4	4	-	-	2	2	-	-	2	2
Jayendra Setukavalar	5	5	1	1	-	-	-	-	-	-	-	-
Ransith Karunaratne	12	12	-	-	4	4	-	-	-	-	-	-

Acknowledgement of the Content of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledged the contents of this Annual Report.

Signed on behalf of the Board by,



Jayendra Setukavalar
Director



Ransith Karunaratne
Director | Chief Executive Officer



Lasanthi Abeykoon
Company Secretaries
P W Corporate Secretarial (Pvt) Ltd

E - Eligibility / A - Attendance

Corporate Governance

Compliance strategy on Corporate Governance:

The Company is a subsidiary of a leading commercial Bank in the Financial Services Industry. The Company places great emphasis on creating a high compliance standard at UBF with the objective of making it a fully compliant financial institution. In this regard, the Company strongly believes that a functional and coherent corporate governance and compliance are essential core elements of the Company's operations to keep its reputation at high public esteem. Our commitment to upholding a high degree of governance go beyond matters of just regulatory importance.

The Company views the compliance strategy as an integral component of the organizations strategy. It enables enhanced risk management directed towards sustainable lending business, resulting in better opportunities for consolidation and growth, which has to be aligned with the overall business strategy.

The principal compliance criteria of the Company are set as per the Finance Companies (Corporate Governance) Direction No. 5 of 2021 of the Central Bank of Sri Lanka, subject to the transition period.

Report on the Extent of Compliance with the Finance Companies (Corporate Governance) Direction No. 5 of 2021

Direction Reference	Corporate Governance Principle	Compliance Level
01.	Responsibilities of the Board of Directors	
1.1	Overall responsibility and accountability	The Board ensures that it takes overall responsibility and accountability for the Company's operations by setting up the strategic direction, and governance framework, establishing the corporate culture and ensuring compliance with regulatory requirements.
1.2	Business Strategy and Governance Framework	
	a) Approving and overseeing the implementation of strategic objectives and overall business strategy.	a) The Board provides leadership, in approving and overseeing the implementation of strategic objectives and overall business strategy of the Company. A board approved strategic plan from 2022/23 to 2024/25 is in place. These strategic objectives have been communicated to the management and are discussed and reviewed by the Board, Board committees and management periodically.
	b) Approving and implementing Governance Framework	b) The Company has a governance framework (Corporate Governance Charter) in place that commensurate with the dynamics of its operations whilst meeting the regulatory requirements.

Direction Reference	Corporate Governance Principle	Compliance Level
1.2	<p>c) Assessing the effectiveness of its governance framework</p> <p>d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.</p>	<p>c) The Company will assess the effectiveness of its governance framework</p> <p>d) The Chairman and the Chief Executive Officer of the Company have been appointed by the Board and the functions and responsibilities of the said have been defined and approved by the Board in the “Functions and Responsibilities of the Chairman, Chief Executive Officer and Senior Director of UB Finance Company Limited”.</p> <p>The Chairman is responsible for leading the Board & ensuring the board works effectively and discharges its responsibilities. The Chief Executive Officer is in charge and responsible for the overall Management of the Company.</p>
1.3	<p>Corporate Culture and Values</p> <p>a) sound corporate culture</p> <p>b) establishing corporate culture and values, code of conduct and managing conflicts of interest.</p> <p>c) Promoting sustainable finance</p> <p>d) Approving the policy of communication</p>	<p>a) The UBF Corporate culture has ensured that its operations are conducted in an ethical and professional manner.</p> <p>b) The board approved code of conduct is in place.</p> <p>The corporate culture and values of UBF ensures that it conducts its business within a defined code of conduct without conflict of interests. Directors Interests and Shareholdings and conflicts of interest (if any) are disclosed at monthly Board meetings. Directors abstain from voting on any Board resolution when there is conflict of interest and they are not counted in the quorum.</p> <p>c) As a socially responsible entity, UBF business strategy operates in an environment that promotes sustainable finance</p> <p>d) A Board approved Corporate Communication policy with all stakeholders including depositors, shareholders, borrowers and other creditors is in place.</p>
1.4	<p>Risk Appetite, Risk Management and Internal Controls</p> <p>a) Establishing and reviewing the Risk Appetite Statement (RAS)</p> <p>b) Implementation of appropriate systems and controls to identify, mitigate and manage risks</p>	<p>a) The Board approved Risk Appetite Statement (RAS) is in place which is in line with Company’s business strategy and governance framework.</p> <p>b) BIRMC identifies risks related to credit, market, liquidity and operations and ensures that appropriate actions are taken to manage risks.</p>

Direction Reference	Corporate Governance Principle	Compliance Level
1.4	<p>c) Effectiveness of the internal control and management information systems</p> <p>d) Approving business continuity and disaster recovery plan</p>	<p>c) There is a mechanism at the company to identify the accuracy of the internal control system and the management information system by the Board of Directors through the process over design and effectiveness of internal controls. Further the Internal Audit Division of the company adds value to the process verifying the effectiveness of the above process.</p> <p>d) The Board approved Business Continuity management policies are in place for business continuity planning and disaster recovery planning.</p>
1.5	<p>Board Commitment and Competency</p> <p>a) Devoting sufficient time on matters relating to the affairs of the Company.</p> <p>b) Qualifications, adequate skills, knowledge, and experience</p> <p>c) Training and development needs of the Board of Directors</p> <p>d) Self-assessment of directors, sub committees and the Board</p> <p>e) External independent professional advice</p>	<p>a) The Board of Directors devote sufficient time on dealing with the matters relating to affairs of the Company. The Board meets regularly at monthly intervals at a minimum and during the year the Board held twelve Board meetings.</p> <p>b) The Directors are eminent persons with knowledge, expertise and experience in different business sectors which has added diversity and brought about better judgment in matters relating to strategy, performance and resources.</p> <p>c) Directors are encouraged to actively engage in programs, sessions, and seminars specifically designed to enhance their subject knowledge. The Board reviews the training and development needs of members as required. Further, the Directors attend forums organized by the Central Bank of Sri Lanka and other institutions.</p> <p>d) There is a scheme of self-assessment in place undertaken by each director annually on the individual performance of its Board as a whole and maintain records of such assessments.</p> <p>e) The Directors are able to obtain independent professional advice as and when necessary, at company expense and the Board has obtained professional advice in appropriate circumstances. The Code of Corporate Governance which has been approved by the Board of Directors has detailed the policy in this regard.</p>

Direction Reference	Corporate Governance Principle	Compliance Level
1.6	<p>Oversight of Senior Management</p> <p>a) Identifying and designating senior management.</p> <p>b) Areas of authority and key responsibilities for the senior management.</p> <p>c) Qualifications, skills, experience and knowledge of Senior Management</p> <p>d) Oversight of the affairs of the Company by senior management.</p> <p>e) Succession plan for senior management.</p> <p>f) Regular meetings with Senior Management.</p>	<p>a) The Board Identify and designate senior management, who can significantly influence policy, direct activities, control business operations and risk management</p> <p>b) Areas of authority and key responsibilities of the Senior Management are included in the respective job descriptions and delegation of authority.</p> <p>c) The Job Description (JD), approved by the Board of Directors includes the key responsibilities, skills, qualifications, and competencies required of the specific position.</p> <p>d) The Board has a process for appropriate oversight of the affairs of the Company by key management personnel. Affairs of the Company are presented by the key management personnel to the Board for their information, discussion, review and approval at Board sub committee meetings and the monthly Board meetings.</p> <p>e) The Company has a Board approved succession plan in place.</p> <p>f) The members of the Corporate Management regularly prepare reviews, make presentations and take part in discussions on their areas of responsibility at Board sub committee meetings and Board meetings</p>
1.7	<p>Adherence to the Existing Legal Framework</p> <p>a) Ensuring that the Company does not act detrimental to the interests of and obligations to depositors, shareholders and other stakeholders.</p> <p>b) Compliance with relevant laws, regulations, directions and ethical standards.</p> <p>c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.</p>	<p>a) Well-established systems and controls are in place for the Board to ensure that company carries out its activities in the best interest of and obligations to depositors, shareholders and other stakeholders.</p> <p>b) The Company operates within the governance framework and the laws and directions issued by the regulator. The Compliance Officer of the company submits a monthly compliance report which covers the compliance status of all the applicable laws, rules, regulations, directions and etc. The internal audit department also monitors the adherence of the compliance frame work</p> <p>c) The Board of Directors act with due care, prudence and with integrity to drive the company for a sustainable growth.</p>

Direction Reference	Corporate Governance Principle	Compliance Level
02.	Governance Framework	
2.1	Development of a governance framework	<p>The Board has developed and implemented a governance framework in line with these directions, including but not limited to the followings,</p> <ul style="list-style-type: none"> a) Role and responsibilities of the Board b) Matters assigned for the Board c) Delegation of Authority d) Composition of the Board e) The Board's independence f) The nomination, election and appointment of directors and appointment of senior management g) The management of conflicts of interests h) Access to information and obtaining independent advice i) Capacity building of Board members j) The Board's performance evaluation k) Role and responsibilities of the chairperson and the CEO l) Role of the company secretary m) Board sub-committees and their role; and limits on related party transactions
03.	Composition of The Board	
3.1	Ensuring the Board composition appropriate for the size, complexity and risk profile of the Company	UBF has ensured that the Board represents a balance composition that consist of members who have the necessary experience and skills to meet the requirements of the Company
3.2	Number of directors on the Board	The Company has complied with this requirement. As of 31st March 2023, the Board has eight directors.
3.3	Service period of Non-Executive Directors	The total period of service of all Non-Executive Directors does not exceed nine years.
3.4	Service period of Non-Executive Directors, who holds 10% direct or indirect holding of the Company	There are no Non-Executive Directors who hold more than 10% of voting rights of UB Finance Company holding office
3.5	<p>Executive Directors</p> <ul style="list-style-type: none"> a) Criteria for Executive Directors / Senior Management b) Shareholding of Executive Directors c) Appointment of an Executive Director as CEO. 	<ul style="list-style-type: none"> a) Throughout the financial year there was one executive director who is the Chief Executive Officer out of eight Directors. The number of executive directors has not exceeded one-third of the total number of directors of the Board. b) Executive Directors or Senior Management does not hold more than 10% of the voting rights of the Company. c) Mr. Ransith Karunaratne is an Executive Director and is designated as Director/Chief Executive Officer of the Company.

Direction Reference	Corporate Governance Principle	Compliance Level
	<ul style="list-style-type: none"> d) Availability of Functional reporting lines of Executive Directors e) Reporting lines of Executive Directors to Board of Directors f) Holding Executive Directorships and Senior Management positions by Executive Directors 	<ul style="list-style-type: none"> d) CEO is the only Executive Director and assigned to specific functional areas in the Company. e) CEO is the only Executive Director and directly reports to the Board. f) The CEO who is the only Executive Director, does not hold executive directorships or senior management positions in any other Company.
3.6	<p>Non-Executive Directors</p> <ul style="list-style-type: none"> a) Skills, experience and credible track records of Non-Executive Directors b) Non-Executive Directors functioning in the CEO/executive director capacity 	<ul style="list-style-type: none"> a) The Directors are eminent persons with knowledge, expertise and experience in different business sectors which has added diversity and brought about better judgment in matters relating to strategy, performance and resources. Please refer detailed profiles of the Board on pages 09 to 11 b) No Non-Executive Director has been appointed or functioned in the CEO/Executive Director capacity
3.7	<p>Independent Directors</p> <ul style="list-style-type: none"> a) Minimum number of Independent Directors b) Qualifications and experience of Independent Directors c) Independent criteria of Independent Directors d) Determining any other factors affecting to the independence of the Directors e) Immediate disclosure of circumstances that affect the independence of the Directors 	<ul style="list-style-type: none"> a) Three (3) out of Eight (8) Directors are Independent Directors which is within the requirement of this direction. b) The Independent Directors are eminent persons with knowledge, expertise and experience in different business sectors which has added diversity and brought about better judgment in matters relating to strategy, performance and resources. Please refer detailed profiles of the Board on pages 09 to 11 c) All the independent directors meet the independent criteria. d) The Board determines whether there is any circumstance or relationship, which might impact a director's independence or the perception of the independence. e) No such situation has arisen in 2022/23.
3.8	<p>Alternate Directors</p> <ul style="list-style-type: none"> a) Appointment of Alternate Directors b) The existing directors of the company cannot be appointed as Alternate Directors to another existing director of the company. c) Appointing same person as an Alternate Director for two Directors in the same Board 	<p>There were no alternative Directors appointed during the financial year in reference.</p>

Direction Reference	Corporate Governance Principle	Compliance Level
3.8	<p>d) An Alternate Director cannot be appointed to represent an executive director.</p> <p>e) Independent requirement for Alternate Director appointed for an Independent Director</p>	
3.9	<p>Cooling off Periods</p> <p>a) Cooling off period for Directors</p> <p>b) Cooling off period for Independent Directors</p>	The appointment of directors met the cooling off period requirement
3.10	Appointment of a Director or a KRP of the Company as a Director of another LFC	No such situation has arisen in 2022/23
3.11	Limit on holding Directorships by a Director of the Company	The total number of positions held as a Director or any other equivalent position in Companies, Societies, including Subsidiaries or Associate Companies of the Finance Company by a Director is less than 20.
04.	Assessment of Fit and Proper Criteria	
4.1	Fitness and Propriety of Directors	Fitness and Propriety of Directors are assessed annually in terms of the requirements of the Finance Business Act Direction No. 6 of 2021 - Assessment of Fitness and Propriety of Key Responsible Persons.
4.2	Maximum age of new Directors	All the Directors as at 31 st March 2023 are below the age of 70 years and the Company Secretary monitors the compliance.
05.	Appointment and resignation of Directors and Senior Management	
5.1	The appointments, resignations or removals of Directors and Senior Management	All the appointments and resignations to the Board and Senior Management were made in accordance with the Finance Business Act direction no. 6 of 2021 Assessment of Fitness and Propriety of Key Responsible Persons.

Direction Reference	Corporate Governance Principle	Compliance Level
06.	The Chairperson and the Chief Executive Officer	
6.1	Clear division of responsibilities between the Chairperson and CEO	There is a clear separation of duties between the roles of the Chairman and the Chief Executive Officer. These positions are held by two separate individuals who have been appointed by the Board.
6.2	Independence of Chairperson	During the period of review as the Chairman was not an Independent Director, the Board designated an Independent Non Executive Director as the Senior Director. Please refer page 23 for the Senior Director's details.
6.3	Appointment of a Senior Director when the Chairperson is not independent	Mr. Shabry Ghouse is the Senior Director appointed in terms of the direction, by the Board.
6.4	Responsibilities of the Chairperson	The Chairman provides leadership to the Board and ensures that the Board works effectively when discharging its responsibilities and that all key issues are discussed by the Board in a timely manner. The Board has a scheme of self-assessment for the Board of Directors.
6.5	Responsibilities of the CEO	As per the company's organization structure, the CEO functions as the apex executive-in-charge of the day-to-day management of the company's operations and business with the support of the members of the senior management.
07.	Meetings of the Board	
7.1	Regular Board meetings	The board has met 12 times during the financial year in reference.
7.2	Directors to include matters and proposals in the agenda	The Board has ensured that arrangements were in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.
7.3	A notice of Board Meetings	As a practice, Directors are given notice of the meetings at least 7 days prior with respect of regular Board Meetings.
7.4	Directors to devote sufficient time to prepare and attend Board meetings	All the Directors actively contribute at the Board meetings by providing views and suggestions to the best interest of the Company.

Direction Reference	Corporate Governance Principle	Compliance Level
7.5	Quorum of the Board meetings	All Board meetings held during the financial year were duly constituted with one half (1/2) of the number of Directors present and one fourth (1/4) of the number of Directors constituting the quorum being Independent Directors.
7.6	Board meetings without the presence of Executive Directors	The Chairperson held meetings only with the non-executive directors, without the executive directors being present twice during the year.
7.7	Director abstains from voting relating to matters of relating to him	Directors have abstained from voting in relation to a matter in which such Director or his/her relatives or a concern in which he has substantial interest.
7.8	Attendance of Directors at Board meetings	Directors have attended at least two thirds of the meetings held during the year and no director has been absent for three consecutive regular Board meetings during the year 2022/23.
7.9	Scheduled Board Meetings and adhoc Board Meetings	All board meetings were held on a hybrid model including attendance in person and via online medium that enabled the overseas Directors to participate in the meetings.
08.	Company Secretary	
8.1	a) Appointment of Company Secretary b) Qualifications of Company Secretary	a) Ms. PW Corporate Secretarial (Pvt) Ltd functions as the Company Secretary of the Company. In house Company Secretary to be appointed subject to transitional provisions. b) Ms. PW Corporate Secretarial (Pvt) Ltd who functions as the Company Secretary of the Company have met the required qualifications.
8.2	Access to the advice and services of the company secretary	All Directors have access to obtain advice and services from the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.
8.3	Delegating responsibilities to the Company Secretary	The Chairman & the Board of Directors have delegated this function to the Company Secretary who prepares and circulates the agenda prior to the Board meeting.
8.4	Maintenance of minutes of the Board	The Company Secretary maintains the minutes in sufficient detail and the minutes are open for inspection at any reasonable time to any Director.

Direction Reference	Corporate Governance Principle	Compliance Level
8.5	Maintenance of Board minutes in an orderly manner	The company secretary maintains minutes in an orderly manner following the proper procedure in the Articles of Association of the Company.
8.6	Recording minutes of Board meetings with sufficient detail	Minutes of the Board meetings are recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties.
8.7	Inspection of minutes	All directors have access to inspect the minutes upon request.
09.	Delegation of functions by the Board	
9.1	Delegation of authority	The Company has a board approved a Delegation of Authority (DA) that gives clear directions to the senior management as to the matters that the Board shall approve before decisions are made by senior management on behalf of the Company.
9.2	Absence of Board Sub Committees	UBF has established the required sub-committees.
9.3	Senior Management Committees	The Board has established appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.
9.4	Delegation of matters to Sub Committees, Executive Directors or Senior Management	The Board's capacity to perform its duties has not been impacted by its delegation of authority.
9.5	Review of delegation process	Delegation of authority is subject to review as and when necessary.
10.	Board sub-committees	
10.1 (a)	FCs with asset base of less than Rs. 20 bn Establishment of Board Sub Committees	All Board appointed sub-committees have been established as per the requirement. The details of meetings held are mentioned on page 27 of the annual report.
10.1 (b)	Terms of reference (TOR)	The TORs for the required sub-committees are in place.
10.1 (c)	Report on performance of duties and functions of Sub Committees	The performance and duties of the sub-committees are given on the pages 58 to 61 of the annual report.
10.1 (d)	Appointment of a Secretary to Sub Committees	Each subcommittee has a secretary that, maintains meeting minutes and carry out such other secretarial functions under the supervision of the Chairperson of the committee.

Direction Reference	Corporate Governance Principle	Compliance Level
10.1 (e)	Minimum number of Directors of each Sub Committee	Each committee comprises at least three (3) Board members who possess skills, knowledge and experience relevant to the responsibilities of the board Sub Committees.
10.1 (f)	Occasional rotation of members	Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required
10.2	Board Audit Committee (BAC)	
10.2 (a)	The Chairperson of the Board Audit Committee	The Chairman of the Board Audit Committee is an Independent Non-Executive Director who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
10.2 (b)	Composition of the Board Audit Committee	All three (3) members of the Committee are Non-Executive Directors out of which two (2) of them are Independent.
10.2 (c)	Secretary of the Board Audit Committee	Head of IA functions as the Secretary to the BAC
10.2 (d) (I)	Appointment of the External Auditor	The BAC makes the following recommendations to the Board regarding: <ul style="list-style-type: none"> - The appointment of M/S Ernst & Young, Chartered Accountants as External Auditor for audit services provided in compliance with the relevant statutes for the financial year. - The implementation of the Central Bank guidelines issued to Auditors from time to time. - The application of the relevant accounting standards.
10.2 (d) (II)	Service period of the External Audit firm and audit partner	Engagement period of current audit partner is 5 years. External Audit firm will be rotated subject to the transitional provisions.
10.2 (d) (III)	The External Audit Partner	Audit Partner is not a Director or employee and does not hold any senior management position of the Company.
10.2 (d) (IV)	Independence and objectivity of External Auditor and effectiveness of the audit process	External Auditors are independent and report directly to the Board Audit Committee of the Company. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope taking into account the regulations and guidelines.

Direction Reference	Corporate Governance Principle	Compliance Level
10.2 (d) (V)	Provision of non-audit services by the External Auditor	The Company has a policy on the engagement of the external auditor in the provision of non-audit services.
10.2 (d) (VI)	Determine the nature and scope of the audit	The BAC has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Accounting Standards.
10.2 (d) (VII)	Review of financial information of the company by the Board Audit committee	Financial statements are circulated to the Audit Committee. A detailed discussion focused on major judgmental areas, changes in accounting policies, significant audit recommendations and compliance with statutory requirements takes place and obtains required clarifications in respect of all areas before being recommended for the Board Approvals.
10.2 (d) (VIII)	Discussion of issues, problems and reservations arising from the interim and final audits	Audit Committee met with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of any other directors/senior management
10.2 (d) (IX)	Review of external Auditor's management letter and management response	The Committee has reviewed the external auditor's management letter for the year 2021/22 and management responses thereto.
10.2 (e)	Review of effectiveness of the system of internal controls	The process has been set in place to review the effectiveness of the system of internal controls.
10.2 (f)	KMPs taking necessary corrective actions on findings made by auditors and supervisory bodies	The BAC monitors these through regular reporting from the Internal Audit Department.
10.2 (g) (I)	Establishment of an independent Internal Audit function	The Company has outsourced the internal audit function to Union Bank of Colombo PLC's internal audit department.
10.2 (g) (II)	Mandate, independence and reporting line of Internal Audit Function	The Chief Internal Auditor directly reports to the BAC. The Internal Audit function has a clear mandate to carry out its functions within the Company as per the Board approved Internal Audit Charter.
10.2 (g) (III)	Review of internal audit function	<p>The Committee has reviewed the adequacy of scope of internal audit function and the internal audit program for the year ended 2022/23.</p> <p>The Board Audit Committee has discussed and reviewed the findings of the Internal Audit Reports prepared by the Union Bank Internal Audit team.</p>

Direction Reference	Corporate Governance Principle	Compliance Level
10.2 (h)	Review of statutory examination reports of CBSL	The statutory examination reports of CBSL have been reviewed by the Board of Directors. At the end of each quarter the progress report is submitted to the board for its perusal.
10.2 (i) (I)	Meetings of the Board Audit Committee	The Committee has met 4 times during the financial year. The agenda and the discussion materials are circulated in advance, and the conclusions are recorded in the meeting minutes.
10.2 (i) (II)	Participants of the Board Audit Committee meetings	Members of the BAC, the Chief Internal Auditor attend the meeting. Chief Executive Officer and other Senior Management personnel attend the meeting by invitation.
10.2 (i) (III)	Private Meetings with the External auditor	Two (2) meetings were held with the External Auditors during the year without the presence of any other Directors, Senior Management
10.3	Board Integrated Risk Management Committee (BIRMC)	
10.3.(a)	Composition of Board Integrated Risk Management committee	The Committee is chaired by a Non-Executive Director. The Committee consists of three (3) Non-Executive Directors and the Director/Chief Executive Officer, who have sufficient knowledge and experience in banking, finance, risk management issue and practices. The Manager Risk & MIS, Compliance Officer and other relevant Senior Management personnel attended by invitation
10.3.(b)	Secretary of the Board Integrated Risk Management Committee.	A Senior Officer has been appointed as Secretary to the BIRMC.
10.3.(c)	Risk Assessment	The Integrated Risk Management Committee keeps the Board informed of their risk assessment of the Company by tabling the minutes and the reports at the Board meeting.
10.3.(d)	Development of a Risk Appetite Statement	Board approved RAS is in place which identifies the risk tolerance limits of the Company.
10.3.(e)	Review of Risk policies and Risk Appetite Statement	The BIRMC reviews the Company's risk policies, including RAS at a regular interval.

Direction Reference	Corporate Governance Principle	Compliance Level
10.3.(f)	Review the adequacy and effectiveness of Senior Management level Committees	Effectiveness of the committees have been reviewed by reviewing meeting minutes of sub committees.
10.3.(g)	Assessing of all aspects of risk management including business continuity and disaster recovery plans	The committee assesses all aspects of risk management, including updated business continuity and disaster recovery plans
10.3.(h)	Assessment of performance of Compliance Officer and Chief Risk Officer	The Committee will assess the performance of the Compliance Officer and Chief Risk Officer subject to the transitional provisions.
10.3.(i) (I)	Compliance Function	Independent Compliance function is in place to assess the compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved policies on the business operations
10.3.(i) (II)	Appointment of a dedicated Compliance Officer (LFCs with assets base more than Rs. 20 Bn)	Not applicable
10.3.(i) (III)	Appointment of a dedicated Compliance Officer (LFCs with assets base less than Rs. 20 Bn)	A Senior Manager has been designated as the Compliance Officer. The Head of Compliance is independent from day-to-day management functions and there is no 'dual hatting'.
10.3.(i) (IV)	Responsibilities of the Compliance Officer	The BIRMC has ensured that the responsibilities of the Compliance officer encompass the requirement as per the direction.
10.3.(j) (I)	Risk Management Function Establishment of an independent risk management function	The BIRMC has established a risk management function for managing risk-taking activities across the Company.
10.3.(j) (II)	Risk Management department and dedicated Chief Risk Officer	The Manager Risk & MIS manages the risk department.
10.3.(j) (III)	Implementing the risk management policies and processes including RAS	The risk management department is responsible for the risk management policy and to monitor the risk appetite based on Board approved RAS.
10.3.(j) (IV)	Developing and implementing a Board approved integrated risk management framework	Board approved risk management policy is in place.
10.3.(j) (V)	CRO participating in decision making related to capital and liquidity planning and new product/service development.	The Manager Risk & MIS participates at the ALCO meetings. Further new products developments are reviewed by the Manager Risk & MIS.

Direction Reference	Corporate Governance Principle	Compliance Level
10.3. (j) (VI)	Maintaining a risk register	Transitional period until 01.07.2024 has been granted to comply with the new requirements under Section 10.3 of the Finance Business Act Directions No. 05 of 2021 and the Company is in the process of complying with the requirements by the given timeline.
10.3. (j) (VII)	Submission or risk assessment report by BIRMC to the Board meeting.	The BIRMC submits the risk reports to the Board at the following meeting for its perusal.
10.4	Board Nomination Committee	
10.4. (a)	Composition of the Board Nomination Committee (BNC)	All three members of the Committee are Non-Executive Directors.
10.4. (b)	Secretary to the nomination committee	Head of HR functions as the Secretary to the BNC
10.4. (c)	Formal and transparent procedure to select/ appoint new Directors and Senior Management	The Company has a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of the CEO, excluding the CIA, CRO and Compliance Officer. However, the Company will seek BNC approval for appointment of new directors and Senior Management.
10.4. (d)	Fitness and propriety of Directors and Senior Management	Fitness and propriety for Board of Directors are evaluated on an annual basis and for senior management fitness and propriety is evaluated at the time of appointment, promotion, renewal of contracts or on lateral moves.
10.4. (e)	The selection process of Directors	The selection process includes reviewing whether the proposed directors <ul style="list-style-type: none"> (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the board (ii) have a record of integrity and good repute; (iii) have sufficient time to carry out their responsibilities fully
10.4. (f)	Board composition is not dominated by any individual or a small group of individuals	The committee ensures that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the Company as a whole.
10.4. (g)	Setting off of criteria on qualification, experience and key attributes required to be appointed to the post of CEO and Senior Management	The qualifications, experience and critical attributes required for eligibility, to be considered for appointment to the CEO and Senior Management have been clearly mentioned in the Board approved Job Description. However, the Company will submit same for BNC recommendation.

Direction Reference	Corporate Governance Principle	Compliance Level
10.4. (h)	Disclosures to shareholder upon the appointment of a new Director	These provisions are not currently applicable.
10.4. (i)	Re-election of current Directors	The recommendation or non-recommendation of the re-election of current directors, will be determined by the committee.
10.4. (j)	Additional/new expertise and the succession arrangements for retiring Directors and Senior Management	The Board approved succession policy for Directors and Senior Management is in place. The BNC will ensure that all the future requirement of succession will be reviewed and recommended for the board approval.
10.4. (k)	Participating in decision making relating to own appointment/ reappointment	The members will not participate in decision making relating to own appointments or reappointments.
10.5	Board Human Resources and Remuneration Committee	
10.5.(a)	Composition of the Board Human Resources and Remuneration Committee (BHRRC)	All three members of the Committee are Non-Executive Directors
10.5. (b)	Secretary of the BHRRC	Head of HR functions as the Secretary to the BHRRC
10.5. (c)	Remuneration policy for Directors and Senior Management	The Committee determines the remuneration policy relating to Executive Directors and Senior Management.
10.5. (d)	Formal and transparent procedure in developing the remuneration policy	The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines.
10.5. (e)	Remuneration policy for employees of the Company	The remuneration policy has been recommended by BHRRC and approved by the Board.
10.5. (f)	Remuneration structure to be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company	The remuneration structure is aligned with the Company's business strategy, objectives, values, long-term interests and cost structure. It also includes measures to prevent conflicts of interest.
10.5. (g)	Review of performance of Senior Management	The performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance has been conducted through an effective annual evaluation process which will determine the basis for the remuneration revisions. These will be reviewed by HRRC from the next evaluation cycle.
10.5. (h)	Senior Management abstain from attending meetings when matters related to them are being discussed	Respective senior management personnel abstain from attending meetings, when matters related to them are discussed.

Direction Reference	Corporate Governance Principle	Compliance Level
11.	Internal Controls	
11.1.	Adopting a well-established internal control system	Well defined internal control systems have been established which includes Board approved organization structure and segregation of duties, clear reporting lines for management and operational procedures and policies for all the required areas of the Company in order to mitigate the operational risks.
11.2.	Expected outcomes of an internal control system	
11.3.	Responsibilities of employees on internal control	
12.	Related Party Transactions	
12.1	Policy and procedures for Related Party Transactions	The Board approved RPT policy is in place.
12.1.(a)	Composition of the Board Related Party Transactions Review Committee (RPTRC)	The Chairperson of the RPTRC is an Independent Director, and the members appointed are Non-Executive Directors.
12.1.(b)	Prior review and approval of related party transactions	The company will put in a place a mechanism to review and approve all the related party transactions.
12.1.(c) (i)	Types of related party transactions	The RPT policy defined the transactions that can be carried out by the company to avoid any non-compliance and conflicts of interest.
12.2	Avoiding conflicts of interest List of identified related parties	Board approved related party transaction Policy identifies the related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
12.3	Engage in business transactions with related parties with more favorable treatments	Internal controls have been deployed to comply with these parameters. Sufficient education has been provided to relevant employees in this regard.
13.	Group Governance	
13.1	Responsibilities of the FC as a Holding Company	There are no subsidiaries under UBF. As such there was no need for oversight as envisaged by the regulation.
13.2	The company is a subsidiary of another financial institution subject to prudential regulation	The Company is a subsidiary of Union Bank of Colombo PLC, The Company fulfils its own legal and governing obligations.

Direction Reference	Corporate Governance Principle	Compliance Level
14.	Corporate Culture	
14.1.	Code of Conduct	The Code of Conduct adopted by UBF includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of company assets and fair treatment of customers.
14.2.	Records of breaches of code of conduct	The Company always ensures to uphold high standards of integrity in the conduct of its business
14.3.	Whistleblowing Policy	The Company has a board approved whistleblowing policy that encompasses mechanism for its employees to raise concerns about illegal, unethical or questionable practices in a confidential manner and without the risk of reprisal whilst ensuring avenues for objectively investigating and addressing legitimate concerns.
15.	Conflicts of Interest	
15.1.(a)	Avoiding conflicts of interest by Directors	<p>The relationships with directors are cordial and nobody has attempted to exercise undue influence or coercion.</p> <p>The Board ensures that there were no conflict of interest pertaining to the resolution put forward for adoption.</p>
15.1.(b)	Conflict of Interest Policy	Managing the conflict of interest is covered under the Corporate Governance Charter.
16.	Disclosures	
16.1	Preparation of annual and periodic financial statements and publishing them in newspapers in Sinhala, Tamil and English	Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Further, such statements are published in the newspapers in Sinhala, Tamil and English.
	Minimum disclosures in the Annual Report of the Company i. Financial Statements	A statement to the effect that the 2022/23 annual audited financial statements have been prepared in line with applicable Accounting Standards and regulatory requirements has been given in the Statement on Directors' Responsibility for Financial Reporting on page 20.

Direction Reference	Corporate Governance Principle	Compliance Level
	ii. Chairperson, CEO and Board-Related Disclosures	Board of Directors Profiles are given in the pages 09 to 11. Attendance of Board Meetings and Sub-Committee meetings are given on page no 27.
	iii. Appraisal of Board Performance	The performance evaluations of the Board has been completed based on the pre-agreed objectives.
	iv. Remuneration	The board approved remuneration policy is in place. The details of remuneration paid to directors and senior management is disclosed in the financial statements on page 122.
	v. Related Party Transactions	The related party transaction details are disclosed in the financial statements on pages 122 to 123.
	vi. Board Appointed Committees	Refer the details of Chairperson, members and the attendance of Sub-Committees in the pages 26 to 27.
	vii. Group Structure	The Company is a subsidiary of Union Bank of Colombo PLC.
	viii. Director's Report	Disclosed in the "Annual Report of the Board of Directors on the State of Affairs of the Company" on pages 20 to 27.
	ix. Statement of Internal Control	Disclosed in the Directors Statement and independent assurance report on Internal Controls on pages 55 to 57.
	x. Corporate Governance Report	The Corporate Governance Report is set out on pages 28 to 50 of the Annual Report of the Company.
	xi. Code of Conduct	A Board approved Code of Conduct for directors and for all employees are in place. Please refer Section 14.1 of the Corporate Governance Report in page 45 of the annual report.
	xii. Management Report	Refer "Operational Review" on pages 14 to 18 of this annual report.
	xiii. Communication with Shareholders <ul style="list-style-type: none"> • The policy and methodology for communication with shareholders • The contact person for such communication. 	<p>The Board approved Communication Policy is in place which covers all stakeholders including depositors, creditors, shareholders, and borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.</p> <p>The Company Secretary communicates with the shareholders through the Annual report, and by notices issued to the shareholders.</p>

Compliance with Listing Requirements on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange

CSE Rule No.	Governance Requirement	Extent of Compliance in 2023
7.10.1	<p>Non-Executive Directors</p> <p>a. The board shall include at least, two (2) non-executive directors; or such number of non-executive directors' equivalent to one third (1/3) of the total number of directors, whichever is higher.</p> <p>b. The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.</p> <p>c. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.</p>	<p>Complied.</p> <p>As of 31 March 2023 Board comprised of eight Directors. Seven (07) out of the eight (08) are Non-Executive Directors.</p>
7.10.2	<p>Independent Directors</p> <p>a. Where the constitution of the board includes only two (2) non-executive directors in terms of Rule 7.10.1 above, both such non-executive directors shall be "independent" (as per the criteria set out in Rule 7.10.4 of the CSE Listing Rules). In all other instances two (2) or one third (1/3) of non-executive directors appointed to the board, whichever is higher, shall be "independent".</p> <p>b. The board shall require each non-executive director to submit a signed and dated declaration annually of his/ her independence or non-independence against the specified criteria.</p>	<p>Complied.</p> <p>Three (03) out of the seven (07) Non-Executive Directors are independent.</p> <p>Complied.</p>
7.10.3	<p>Disclosure relating to Directors</p> <p>a. The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the Annual Report the names of directors determined to be "independent."</p> <p>b. In the event a director does not qualify as "independent" against any of the criteria set out below but if the board, taking into account all the circumstances, is of the opinion that the director is nevertheless "independent" the board shall specify the criteria not met and the basis for its determination in the Annual Report</p>	<p>Complied.</p> <p>Not applicable.</p>

CSE Rule No.	Governance Requirement	Extent of Compliance in 2023
	<p>c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its Annual Report a brief resume of each director on its board which includes information on the nature of his/ her expertise in relevant functional areas.</p> <p>d. Upon appointment of a new director to its board, the Company shall forthwith provide to the Colombo Stock Exchange (the "Exchange") a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a), (b) and (c) above.</p>	<p>Complied.</p> <p>A brief resume of each Director is given on pages 09 to 11 of the Annual Report.</p> <p>The Company Secretary will provide the required information to the Exchange upon appointment of new Directors.</p>
7.10.5	<p>Remuneration Committee</p> <p>a. Composition : The remuneration committee shall comprise; of a minimum of two (2) independent non-executive directors (in instances where the Company has only two (2) directors on its board); or of non-executive directors a majority of whom shall be independent, whichever is higher. One (1) non-executive director shall be appointed as Chairman of the committee by the board.</p> <p>b. Functions : The remuneration committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer ("CEO") of the Company and/ or equivalent position thereof, to the board of the Company which will make the final determination upon consideration of such recommendations.</p> <p>c. Disclosure in the Annual Report : The Annual Report should set out the names of directors (or persons in the parent Company's committee in the case of a group Company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.</p>	<p>Complied.</p> <p>Remuneration Committee consists of two (02) independent Non-Executive Directors and one Non-Executive Director</p> <p>Complied.</p> <p>Please refer the "Human Resources & Remuneration Committee Report "on page 61 of the Annual Report.</p> <p>Complied.</p> <p>Please refer the "Human Resources & Remuneration Committee Report "on page 61 of the Annual Report. Fees paid to Directors are disclosed on page 21.</p>
7.10.6	<p>Audit Committee</p> <p>a. Composition</p> <p>The audit committee shall comprise;of a minimum of two (2) independent non-executive directors (in instances where an entity has only two (2) directors on its board); or of non-executive directors, a majority of whom shall be independent,whichever shall be higher.</p>	<p>Complied.</p>

CSE Rule No.	Governance Requirement	Extent of Compliance in 2023
	<p>In a situation where both the parent Company and the subsidiary are 'Listed Entities', the audit committee of the parent Company may function as the audit committee of the subsidiary.</p> <p>One (1) non-executive director shall be appointed as the Chairman of the audit committee by the board.</p> <p>Unless otherwise determined by the audit committee, the CEO and the Chief Financial Officer ("CFO") of the Company shall attend audit committee meetings.</p> <p>The Chairman or one (1) member of the audit committee should be a Member of a recognized professional accounting body.</p>	<p>UBF has a separate audit committee.</p> <p>Complied.</p> <p>Complied. CEO and DGM Finance attend the Audit Committee Meetings by invitation.</p> <p>Board Audit Committee Chairman is a Member of the Institute of Chartered Accountants of UK and Sri Lanka.</p>
	<p>b. Functions</p> <p>The audit committee's functions shall include,</p> <p>(i) Overseeing of the preparation, presentation, and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards.</p> <p>(ii) Overseeing of the Company's compliance with financial reporting requirements, information requirements of the Companies Act No. 7 of 2007 and other relevant financial reporting related regulations and requirements.</p> <p>(iii) Overseeing the processes to ensure that the Company's internal controls and risk management are adequate to meet requirements of the Sri Lanka Auditing Standards</p> <p>(iv) Assessment of the independence and performance of the Company's external auditors.</p> <p>(v) To make recommendations to the board pertaining to appointment, re- appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors.</p>	<p>Complied. The functions of the Board Audit Committee and its report are given on page 58 to 59.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied. The Board Audit Committee monitors and review the External Auditors independence, objectivity, and the effectiveness of the audit process.</p> <p>Complied.</p>

CSE Rule No.	Governance Requirement	Extent of Compliance in 2023
	<p>c. Disclosure in the Annual Report</p> <p>The names of the directors (or persons in the parent Company's committee in the case of a group Company) comprising the audit committee should be disclosed in the Annual Report.</p> <p>The Audit Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report.</p> <p>The Annual Report shall contain a report by the audit committee setting out the manner of compliance by the Company in relation to the above, during the period to which the Annual Report relates.</p>	<p>Complied. The names of members of the Board Audit Committee is given on page 58 of the Annual Report.</p> <p>Complied. Please refer Board Audit Committee Report on pages 58 to 59 of the Annual Report.</p> <p>Complied. Please refer Board Audit Committee Report on pages 58 to 59 of the Annual Report.</p>

Risk Management

Risk Management Report

UBF firmly believes that robust risk management is vital to support the sustainable growth strategy of the Company and its journey towards prosperity. The Company’s risk management strategy is to achieve a sound balance between risk and return to the business, whilst maintaining strong liquidity and adequate capital positions at all times combined with healthy asset quality. UBF focuses on the key risk categories of Strategic risk, Credit risk, Market risk, Liquidity risk, Operational risk, Legal and Regulatory risk.

Integrated Risk Management Framework

An organization - wide risk management framework facilitates to streamline the accountability for risks at all levels of the organization. Key elements of the UBF Risk Management framework are as follows.

- Risk Governance and Management Structure
- Risk Appetite
- Risk Management Methodology
- A Culture of Risk Awareness

The focus of the risk management is the assessment of significant risks and the implementation of suitable risk responses. Risk management enhances the understanding of the potential upside as well as the downside of the factors that can affect UBF. It increases the probability of success and reduces both the probability of failure and the level of uncertainty associated with achieving the objectives of the Company.

Risk Governance and Management Structure

The Board of directors of UBF has ultimate responsibility for the level of risk taken by the Company. The BOD, either directly or through its committees ensure that decision- making is aligned with the Company’s strategies and risk appetite. The Board Integrated Risk Management Committee (BIRMC) oversees the risk management at UBF and approves key risk policies, limits, strategies, and risk appetite.

The Company’s risk governance is based on three lines of defense calling for accountability, transparency and independent reporting. These three lines of defense operate under the guidelines issued by the Board of Directors defending the company against unacceptable risk exposures.

UBF has a comprehensive risk policy which outlines the risk management framework of the Company. The Company has a designated risk management department and a risk manager at UBF, responsible for the implementation of the risk policy. The business units work closely with the Risk management department and are primarily responsible for managing the processes by implementing adequate internal controls in order to manage risks within set limits.

The parent company, Union Bank of Colombo PLC (UBC) provides constant assistance in risk management where the Chief Risk Officer of UBC provides guidance on the risk management framework at UBF. Furthermore, the Internal Audit function of the Company is also carried out by the Internal Audit Department of the Union Bank Group. The Internal Audit team reports independently to the Board (through the Board Audit Committee) on the effectiveness of the risk governance structure and risk management framework.

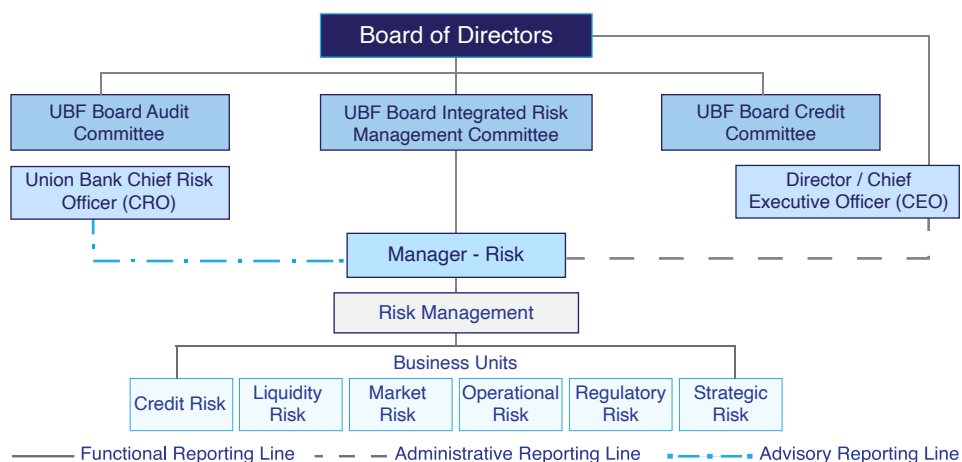


Chart 1: Risk Governance Structure of UBF

Risk Appetite:

Risk Appetite of UBF defines its willingness to assume aggregate quantum of risk in different areas of the business in achieving its strategic objectives. Regulatory requirements, Strategic goals, Capital Adequacy and other prudential factors have been considered by the board in drawing up the risk appetite statement.

Overall responsibility of the risk management of the Company rests with the Board of Directors. The Board has set qualitative and quantitative measures in order to express the risk appetite and the tolerance limits. It is the duty of the senior management to transform strategic direction set by the Board in the shape of policies and procedures and to institute an effective hierarchy to execute and implement those policies. Senior management of UBF ensures that policies are properly communicated down the line and embedded in the culture of organization.

Risk tolerances relating to quantifiable risks are generally communicated as limits or sub-limits to those who accept risks on behalf of the Company. Qualitative risk measures are communicated as guidelines and inferred from management business decisions. These risk appetite limits are monitored quarterly and risk appetite limits are reviewed at least annually in line with risk management capacities, business opportunities, business strategy of UBF and regulatory specifications.

Risk Management Methodology:

Risk Management Methodology facilitates identification, measurement, monitoring and controlling of risk. Risk Management tools consist of policies and processes, limits and stress testing. Risk measurement, monitoring and reporting is the responsibility of the risk management function. Regular and ad-hoc reports are provided to the

management committees and to the Board to take strategic decisions. Stress Testing is used to estimate the potential impact on earnings, capital and liquidity that can occur due to changes in different market conditions and other risk factors. These findings assist in the decisions regarding credit risk appetite, market risk limits, capital and funding requirements.

Strategic Risk Management

Strategic risk is the possibility of negative impact on earnings arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. A comprehensive three year strategic plan is in place with quantitative targets which is deliberated in detail at the Board Strategic planning committee which is then submitted to the BOD for final approval.

All strategic decisions taken by the Board and the corporate management have given due consideration to applicable laws and regulations, corporate governance requirements, ethics and industry best practices to improve the standards of decisions to mitigate risk.

The Board receives monthly updates on the variances against the budgets and the key risks of the Company. Further, management meetings are held at different management levels to review performance against the budgets and to decide on any corrective action if variances are identified.

Capital adequacy is a vital component of Strategic risk in the Banking and Finance industry. Capital adequacy measures the adequacy of the company’s aggregate capital in relation to the risk it assumes. UBF has managed its Capital Adequacy Ratio well above the regulatory requirements stipulated by the Central Bank of Sri Lanka.

Description	CBSL Requirement	New Method %				
		22 - Mar	22 - Jun	22 - Sep	22 - Dec	23 - Mar
Core Capital Adequacy Ratio %	8.50	29.40	29.53	27.20	28.60	31.10
Total Core Capital Adequacy Ratio %	12.50	29.40	29.53	27.20	28.60	31.10
Unimpaired Core Capital (Mn)	2,500	2,762	2,762	2,600	2,576	2,537

Table 1: Capital Adequacy Ratio

Credit Risk

Credit risk is the potential risk of suffering a financial loss as a result of a borrower or counterparty failing to meet its obligations in accordance with agreed terms. Credit risk takes the form of default risk and concentration risk and arises primarily from the lending portfolio. Risk management function of UBF is focused on setting acceptable credit standards for borrowers, sound portfolio risk management and continuous attention to changes in the economy or other circumstances that can lead to a deterioration in the credit standing of UBF's counterparties.

The highest authority in credit approval is vested with the Board of Directors. The Board Credit Committee has been delegated to regularly review the exposure limits of the Company to maintain credit quality and recommend appropriate measures to the Board.

UBF has formulated a comprehensive credit policy which plays a vital role in managing their daily lending activities. The policy defines the principles encompassing client selection, due diligence, and portfolio monitoring, in line with the Company's risk appetite. The credit policy has been reviewed regularly by the Board of Directors to ensure that it resonates with the overall Company strategy.

A structured and standardized credit approval process and a borrowers evaluation model is used to assess risk associated with credit proposals. The Company uses a comprehensive Internal risk rating module to rate the clients based on various evaluation criteria such as collateral, repayment capacity, CRIB history, debt service ratio etc. The rating model is used to assist the credit decision process and as a tool for risk-based pricing.

Credit risk is mitigated by obtaining collateral and guarantees as security and the accepted criteria is set by the policy. More than 97% of UBF's loan portfolio is asset backed. Periodic valuation and assessment of realizable value of collateral is carried out as per the regulatory requirement and when required, especially as a part of the recovery action. UBF focuses on portfolio, sector and geographical concentration by setting internal tolerance limits.

Moreover, UBF monitors the overall and collateral wise NPL ratios and the recovery process.

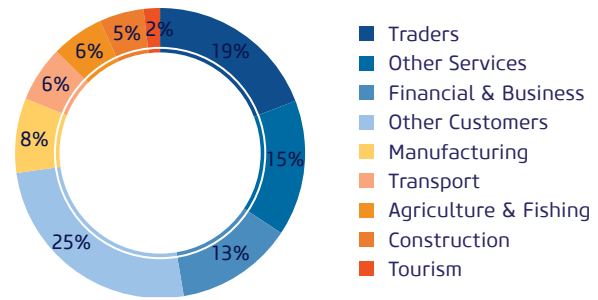


Chart 2: Sector Wise Exposure

Liquidity Risk

The liquidity risk arises when the Company is unable to honor its obligations when they fall due under normal or stressed circumstances. Liquidity risk cannot be seen in isolation, because it is often triggered as a consequence of other financial risks such as credit risk and market risk.

Managing liquidity risk is crucial to any finance institution given the inherent maturity mismatch between its assets and liabilities. UBF attempts to maintain a sustainable Liquid Assets Ratio (exceeding the CBSL requirement), Gearing Ratio and Loans to Deposit Ratio to control the liquidity risk at all instances.

Senior management of UBF follows sound procedures to mitigate liquidity risk while keeping the Board's strategic direction and risk appetite in consideration. The ALCO is in charge of overseeing the Company's total liquidity position and future cash flow requirements. A Board approved contingency funding plan is in place where contingency funding lines are kept available to face any unforeseen cashflow requirement.

Description	12 Months ago Mar '22	09 Months ago Jun '22	06 Months ago Sep '22	03 Months ago Dec '22	Current Mar '23	Regulatory Limit
Liquid Assets Ratio to Total Deposit Liabilities	16.60%	12.40%	10.20%	11.80%	19.60%	10.00%

Table 2 : Liquid Asset Ratio

Market Risk

Market risk is the potential risk of losses in the Company's balance sheet positions arising from movements in market variables. Interest rate risk is key source of market risk at UBF. The lending, funding and investment activities give rise to the interest rate risk. UBF's, primary source of funding is deposits which tend to be short to medium-term in nature, whereas the Company's main business, leasing, generally involves 5 to 6 years of lending. UBF operates in a predominantly fixed-rate lending environment while the majority of its liabilities are subject to frequent repricing due to short tenors. UBF continuously monitors the gap between interest bearing assets and interest-bearing liabilities to manage this risk efficiently.

Operational Risk

Operational risk is the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls.

The Board IRMC oversees the implementation of the operational risk management framework. UBF operates with strong internal control mechanisms to minimize the operational risk. Contingency planning has been devised through a comprehensive Business Continuity Plan (BCP). Risk Department assesses the operational risk using operational loss events. Quarterly risk reports are submitted to the Board in a timely manner.

The Internal Audit Department of UBC conducts independent periodical reviews on all UBF branches and department operations to ensure that the control mechanisms are in place and reports are submitted on deviations with recommended improvements to the board audit committee. Additionally, UBF has an internal operational audit unit that reviews all the branches independently.

Further UBF is in the process of upgrading the Core Banking system and the IT infrastructure to strengthen the internal control system, to provide efficient service and to facilitate accurate decision making.

Regulatory & Legal risk

Regulatory risk is the loss that UBF may suffer due to non-compliance with the applicable laws, regulations, codes of conduct and standards of good practices. UBF has established an independent compliance function which is governed by the Board approved Compliance Charter. The compliance function works closely with business and operational units to ensure the consistent management of compliance risk. The Compliance officer directly reports to the BIRMC. In order to mitigate the regulatory risk, the Company's compliance with laws and regulations is regularly monitored and reported by the compliance officer to the Board on a monthly basis and to the IRMC on a quarterly basis.

Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against UBF. UBF's internal legal team takes necessary precautions in such events and takes immediate action to address and mitigate these risks. If required UBF obtains external legal advice to manage this risk.

A Culture of Risk Awareness:

Senior management of UBF ensures that policies incorporated in Integrated Risk Management Framework are properly communicated down the line and are embedded in the culture of organization.

Business line managers monitor that risk taking remains within limits set by senior management/ BOD. Any material exception to the risk management policies and tolerances are reported to the senior management/ BOD that in turn triggers appropriate corrective measures. These exceptions also serve as an input to judge the appropriateness of systems and procedures relating to risk management. Regular training sessions are conducted to branch managers and employees as a part of the risk awareness culture.

Directors' Statement on Internal Controls

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REPORTING RESPONSIBILITY

The Board of Directors ("the Board") of UB Finance Company Limited (the Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the system of Internal Control in place at UB Finance Company Limited ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Controls over Financial Reporting which is regularly reviewed and enhanced by the Board taking into account the changes in business environment and regulatory guidelines.

The Board is of the view that the system of Internal Controls over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to risks and controls over Financial Reporting by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The key mechanisms that have been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Board has appointed various sub-committees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies, and the annual budget as well as the policies and the business directions approved by the Board.

- Key functional areas of the company are governed by policies/charters that are approved by the Board. The board appointed committees review and recommend such policies/ charters before seeking the approval of the Board. Such policies/charters are regularly reviewed, updated, and approved by the Board.

- Internal audits of the company are done by the Internal Audit Department (Internal Audit) of Union Bank of Colombo PLC. The Internal Audit checks compliance with policies and procedures and the effectiveness of the internal control systems/information system controls on an ongoing basis using samples and rotational procedures. This helps to highlight significant findings of non-compliance. Audits are carried out according to the annual audit plan which is reviewed and approved by the Board Audit Committee. The type and frequency of audits of business units/processes are determined by the level of risk assessed, in order to provide an independent and objective report. All significant findings identified by the Internal Audit are submitted to the Board Audit Committee.

- The Board Audit Committee reviews internal control issues identified by the Internal Audit, regulatory authorities, External Auditors and the Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit and resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the "Board Audit Committee Report".

- In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit for suitability of the design, implementation, and effectiveness, on an on-going basis.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification, and disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration for requirements of SLFRS 9 "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being

made to strengthen the processes and controls around the management information systems and reports required for model validation and compliance in line with SLFRS 9.

CONFIRMATION

Based on the above processes, the Board of Directors confirm that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor has reviewed the above Directors' Statement on Internal Controls Over Financial Reporting for the year ended 31st March 2023 and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the system of Internal Controls of the Company.



Jayendra Setukavalar
Chairman
Board Audit Committee
Date : 17th August 2023

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

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

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.



Ransith Karunaratne
Director | Chief Executive Officer
Date : 17th August 2023

Independent Assurance Report on the Directors' Statement on Internal Control



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF UB FINANCE COMPANY LIMITED

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

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

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 16 (1) (ix) of the Finance Companies Corporate Governance Direction no. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

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

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

Summary of work performed

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

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

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

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

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

Our conclusion

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



17 August 2023
 Colombo

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekara FCA FCMA, A Herath FCA ACMA, D K Hulungamuwa FCA FCMA LLLB (London), Ms. G G S Maniatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajjewanani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACA, D L B Karunathilaka ACA, Ms. P S Paranavitane ACA ACMA LLLB (Colombo), T P M Ruberu FCMA FCCA
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Audit Committee Report

The Board appointed Audit Committee presently comprises of three members, two Independent Non-Executive Directors and one Non-Executive Director.

The Committee is chaired by Mr. Jayendra Setukavalar, a Fellow member of the Institute of Chartered Accountants of Sri Lanka. The composition of the Audit Committee during year ended 31st March 2023 is given below:

Name of Director	Eligibility
Mr. Chandrakumar Ramachandra (Chairman) (Until 11.06.2022)	Independent Non-Executive Director
Mr. Jayendra Setukavalar (Chairman) (W.e.f 29.12.2022)	Independent Non-Executive Director
Mr. Moahan Balendra	Independent Non-Executive Director
Mr. Michael J O'Hanlon	Non-Executive Director
Mr. Sabry Ghouse (Until 29.12.2022)	Independent Non-Executive Director

The members of the Board Audit Committee (Committee) have the relevant experience and bring an independent mind set to their role. Brief profiles of the Committee members are given in pages 09 to 11.

The Chief Executive Officer, Deputy General Managers and other Senior Managers attended meetings by invitation as necessary to brief the Committee on specific matters. The External Auditors also attended meetings by invitation whenever necessary.

The activities and views of the Committee have been communicated to the Board of Directors monthly through verbal briefings, formal updates and by tabling the minutes of the Committee's meetings. The Board Audit Committee met four times during the period under review, including the meetings with External Audit without the presence of the Management.

Attendance of Committee members at each meeting is given in the table on page 27 of the Annual Report.

THE ROLE OF THE AUDIT COMMITTEE

The Board Audit Committee assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee has the authority to investigate any matter within its terms of reference, and has full access to information, and co - operation of the management.

The committee is empowered to oversee:

- Preparation, presentation, and adequacy of disclosures in the Financial Statements, in accordance with Sri Lanka Accounting Standards.

- Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.

- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Accounting Standards.

Significant amount of time has been spent on discussing the root causes of control weaknesses and the resulting remediation and mitigating action taken by the management.

TERMS OF REFERENCE

The Charter of the Audit Committee, which is subject to review and revision periodically by the Board of Directors, clearly defines the Terms of Reference of the Committee. The Charter of the Committee was last reviewed and approved by the Board in December 2022.

KEY RESPONSIBILITIES OF THE COMMITTEE

FINANCIAL REPORTING

The Committee reviewed the Company's Annual Financial Statements and other financial information prior to publication.

The Committee reviewed and discussed with the management, the internal auditors, and the external auditors the critical accounting policies, practices, related changes thereto, alternative accounting treatments, major judgmental areas, material audit adjustments, compliance with accounting standards, going concern assumptions, financial reporting controls and compliance with applicable laws and regulations that could impact the integrity of the Company's financial statements.

The Committee reviews the financial statements prior to submission to the Board to ensure that a reliable, true, and fair view of the state of affairs of the Company are presented.

INTERNAL AUDIT AND INTERNAL CONTROLS

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Company has engaged the services of the Group Internal Audit of Union Bank to carry out the internal audit function of the Company. The Head of Internal Audit of Union Bank functions as the Secretary to the Committee. During the year the Audit Committee reviewed the performance of the internal audit function, focusing on the areas of greater risk to the Company using a risk-based audit approach to gauge the effectiveness of the internal control procedures in place and to assess whether additional risks emerging do in fact have mitigating controls. The Committee

discussed Internal Audit reports and the corrective action taken by the Management. It also evaluated the Company's internal control system. The deficiencies and lapses reported by both Internal Auditors and External Auditors and recommendations given by them were discussed with the Management. The Committee seeks and obtains the required assurance from the business line on the remedial action in respect of the identified risks to maintain the effectiveness of the internal control procedures.

The Committee also reviews the effectiveness of the Company's internal controls over financial reporting, operational compliance, and information technology, through a review of internal audit recommendations. This process assesses the adequacy and effectiveness of the internal controls and the processes for controlling business risks, and compliance with laws and regulations.

EXTERNAL AUDIT

The Committee assists the Board of Directors in engaging External Auditors for Audit and Non-Audit services in compliance with the statutes. Meetings with the Auditor were held twice during the year. The Committee discusses the audit plan, key audit issues and their resolution, management responses, proposed remuneration etc pertaining to the External Auditors.

As a part of evaluation, the Committee has considered the experience and expertise of the proposed partner, the quality of the supporting audit team as well as the support from the External Auditor's global network. The BAC is satisfied that the independence and objectivity of the External Auditor has not been impaired by the provision of non-audit services. The Committee reviewed and approved the policy on non-audit services provided by the External Auditors during the year.

The Committee continues to exercise oversight of the work undertaken by the External Auditor during the year. The Committee has also reviewed the scope and the results of the external audits and the independence and objectivity of the external auditor. In its review of the External Auditor's performance and when formulating its recommendation on the re-appointment of the external auditor, the Committee took into consideration:

- Performance of the external auditor in providing constructive, practical and proactive solutions;
- Scope of the audit plan and areas of focus;
- Quality of audit services rendered, reports and findings presented by the external auditor during the year; and
- Feedback received on the adequacy of the audit team's resources, and the level of independence exercised in carrying out their work, and its overall efficiency and effectiveness.

The Committee has discussed the business and financial risks with the External Auditor and sought and received assurance that these risks have been

addressed in their audit strategy. The Committee has enquired from the External Auditor that no undue pressure has been brought to bear on the audit and the level of the audit fees paid has in no way negatively affected the audit work being conducted.

The Audit Committee makes recommendations to the Board for the appointment, re-appointment and dismissal of the external auditor including the remuneration and terms of engagement. The Committee met the External Auditors with the Management during the course of the External Audit to discuss all significant audit issues and to ensure that the Financial Statements complied with accounting standards and other relevant laws and regulations.

KEEPING UPDATED ON RELEVANT INFORMATION

The Members are regularly kept updated on changes to accounting standards, issues related to financial reporting and even on changes to regulatory guidelines through periodic meetings with the Finance Team, Internal Audit and External Auditors.

ETHICS AND GOOD GOVERNANCE

The Audit Committee ensures that the company adopts and adheres to highest level of standards in corporate governance practices, ethical standards, and industry best practices in the best interest of all stakeholders. The Committee is satisfied with the present corporate governance framework of the organisation which ensures a balance of power and authority.

WHISTLE BLOWING POLICY

The whistle blowing policy serves as a communication channel to address genuine concerns that the staff may have in relation to activities which they feel are wrongful or illegal or otherwise harmful to the interests of the Company, its employees, customers, and all other stakeholders. The Committee continuously emphasizes on sustaining ethical values of the Company and in this regard, a Code of Ethics and Whistle Blowing policy is in place. All staff have been made aware of the existence of such a policy and encouraged to whistle blow if they suspect any wrongdoing. All necessary procedures and techniques are in place to conduct independent and impartial investigations into incidents reported through whistleblowing or identified through other channels. The whistleblowing policy guarantees the maintenance of strict confidentiality of the identity of the whistle-blowers. The policy is subject to annual review in order to further improve its effectiveness.



Mr. Jayendra Setukavalar
 Committee Chairman
 Board Audit Committee
 29th August 2023

Risk Management Committee Report

Purpose

The Integrated Risk Management Committee (IRMC) was established to assist the Board in performing its oversight function in relation to different types of risks faced by the Company in its business operations and ensure adequacy and effectiveness of the risk management framework of the Company.

Composition

The Board appointed Integrated Risk Management Committee comprised of the following members;

Name of Director	Designation
Mr. Michael O'Hanlon Non-Executive Director	Committee Chairman
Mr. Indrajit Wickremasinghe Non-Executive Director	Committee Member
Mr. Sabry Ghouse Independent, Non-Executive Director	Committee Member
Mr. Ransith Karunaratne Director / CEO	Committee Member

Terms of Reference

The Board Integrated Risk Management Committee has adopted the provisions of Section 10(3) (a) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 issued by the Monetary Board of Central Bank of Sri Lanka in defining the UB Finance Integrated Risk Management Committee Charter.

Meetings

During the year under review the committee held four meetings on a quarterly basis. Attendance of Committee meetings is given on page 27.

Committee Responsibilities

The Committee is mainly responsible for the following, namely;

- To ensure that the Company has the overall risk guidelines and risk management procedures in place.
- To assess all risk categories, i.e. Credit, Market, Liquidity, Operational and Strategic risks through appropriate risk indicators and management information
- To review the adequacy and effectiveness of all management level committees such as the Asset-Liability Committee to address specific risks and manage those risks within quantitative and qualitative risk limits as specified by the Committee.

- To monitor and take appropriate actions with the officers responsible for failure to identify specific risks and initiate corrective actions as necessary.

- To take prompt actions to mitigate the effect of specific risks in the case of such risks that are at levels beyond the prudent level.

- To establish a compliance function to assess the finance Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.

Activities of the Committee

- The committee has undertaken its duties to oversee risk management in credit, market, liquidity, operational & strategic risks. Risks were monitored by divisional heads and reported to the Manager MIS & Risk.

- The risks were then reviewed and assessed monthly by the Manager Risk & MIS. Summarized reports were submitted quarterly to the committee for concurrence and/or specific direction in order to ensure that the risks are managed appropriately.

- Proceedings of meetings were tabled at subsequent meetings of the Board.



Mr. Michael O'Hanlon
 Committee Chairman
 Integrated Risk Management Committee
 28th August 2023

Report of the Human Resources & Remuneration Committee

Composition of the Committee

The Human Resources and Remuneration Committee (“the Committee”) comprises of three Directors appointed by the Board of Directors of UB Finance Company Limited. Two of them are Independent Non-Executive Directors.

The Board appointed Human Resources & Remuneration Committee comprised of the following members;

Name of Director	Designation
Mr. Moahan Balendra Independent, Non-Executive Director	Committee Chairman
Mr. Sabry Ghouse Independent, Non-Executive Director	Committee Member
Ms. Lisa Thomas Non-Executive Director	Committee Member

The composition of the Committee meets the requirement set out in the listing Rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 9 to 11.

The Committee Charter

The committee is governed by the HRRC Charter which is approved by the Board of Directors. It has set the following as its Objectives;

- Determine the goals & objectives for Directors, Chief Executive Officer, Key Management Personnel and evaluate performance and progress in meeting them.
- Provide assistance to Board on Corporate Governance matters relating to the committee.
- Maintain performance and be guided by a market-oriented remuneration policy in relation to Directors, Chief Executive Officer, Key Management Personnel and staff.

Meetings

The Committee met twice during the year under review and the proceedings of the meetings were reported to the Board.

Directors’ Remuneration

The total amount paid as Directors’ remuneration during the year under review is set out page 21 of the annual reports.



Mr. Moahan Balendra
 Committee Chairman
 Human Resources & Remuneration Committee
 29th August 2023

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UB FINANCE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of UB Finance Company Limited ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss, 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 give a true and fair view of the financial position of the Company 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekara FCA FCMA, A Herath FCA ACMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajjewanani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

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INDEPENDENT AUDITOR'S REPORT



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to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

28 June 2023
Colombo

UB FINANCE COMPANY LIMITED
 STATEMENT OF PROFIT AND LOSS
 Year ended 31 March

	Note	2023 Rs.	2022 Rs.
Income	4	2,126,638,520	1,648,254,299
Interest Income	4.1	2,013,354,144	1,522,320,560
Interest Expenses	4.2	(1,274,402,059)	(678,976,561)
Net Interest Income		738,952,085	843,343,999
Fee and Commission Income	4.3	47,700,675	54,009,140
Fee and Commission Expenses	4.3	(11,841,538)	(32,127,799)
Net Fee and Commission Income		35,859,137	21,881,341
Other Operating Income (Net)	5	65,583,701	71,924,599
Total Operating Income		840,394,923	937,149,939
Impairment Charge for Loans and Advances and Other Assets	6	(332,659,172)	(264,058,348)
Net Operating Income		507,735,750	673,091,591
Staff Costs	7	(270,018,237)	(216,695,492)
Depreciation of Property, Plant and Equipment	19.1	(52,938,332)	(47,401,866)
Amortisation of Intangible Assets	18	(2,142,262)	(2,295,963)
Other Expenses	8	(256,434,330)	(182,079,262)
Operating Profit/(Loss) before Value Added Tax on Financial Services (VAT on FS)		(73,797,411)	224,619,008
Value Added Tax on Financial Services (VAT on FS)		(37,305,974)	(63,189,514)
Social Security Contribution Levy (SSCL)		(2,349,835)	-
Profit/(Loss) Before Taxation		(113,453,220)	161,429,494
Tax Expense	9	-	(80,308,867)
Profit/(Loss) for the Year		(113,453,220)	81,120,627
Earnings per Share: Basic	10	(0.042)	0.067

The Accounting Policies and Notes on pages 69 through 125 form an integral part of these financial statements.

UB FINANCE COMPANY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 Year ended 31 March

	Note	2023 Rs.	2022 Rs.
Profit/(Loss) for the Year		(113,453,220)	81,120,627
Other Comprehensive Income to be reclassified to Income Statement		-	-
Other Comprehensive Income not to be reclassified to Income Statement			
Gains on revaluation of land and buildings	19.1	-	-
Deferred Tax Charge impact on revaluation reserve due to tax rate change	20	(3,608,019)	-
Gain on creating Investment in Shares	15.1	124,710	6,107,292
Deferred Tax Charge on creating Investment in Shares	20	(37,413)	(1,465,750)
Actuarial gains /(losses) on Post Employment Liability	26.1	487,844	(1,105,894)
Deferred Tax (Charge) /Reversal impact on above	20	(146,353)	265,415
Other Comprehensive Income/(Loss) for the Year, net of taxes		(3,179,231)	3,801,063
Total Comprehensive Income/(Loss) for the Year		(116,632,451)	84,921,690

The Accounting Policies and Notes on pages 69 through 125 form an integral part of these financial statements.

UB FINANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
 As at 31 March

	Note	2023 Rs.	2022 Rs.
Assets			
Cash in Hand and Balances with Banks	12	510,336,620	232,409,217
Financial Investments at amortised cost	13	848,057,918	646,588,114
Financial Assets at amortized cost - Loans and Advances to Customers	14	8,088,941,821	8,632,676,626
Financial assets measured at fair value through Other Comprehensive Income	15	21,858,224	21,733,514
Investment in Real Estate	16	75,487,070	89,109,662
Other Assets	17	75,623,215	60,961,483
Intangible Assets	18	6,480,963	8,623,225
Property, Plant and Equipment	19	333,358,031	240,489,102
Deferred Tax Assets	20	146,379,963	150,171,748
Total Assets		10,106,523,825	10,082,762,690
Liabilities			
Financial Liabilities at amortized cost			
Due to Banks	21	15,388,651	83,954,874
Due to Other Customers	22	6,508,959,106	4,892,138,425
Other Borrowed Funds	23	481,130,091	1,937,874,489
Current Tax Liabilities		-	-
Financial Liabilities	24	112,879,083	149,146,508
Other Non Financial Liabilities	25	266,857,095	184,993,738
Post Employment Liability	26	26,634,190	23,346,596
Total Liabilities		7,411,848,216	7,271,454,630
Equity			
Stated Capital	27	3,016,482,247	3,016,482,247
Statutory Reserve Fund	28	71,987,751	71,987,751
Fair Value Reserve		16,452,082	16,364,785
Revaluation Reserves		49,029,226	49,029,226
Regulatory Loss Allowance Reserve		92,549,026	-
Accumulated Loss	29	(551,824,724)	(342,555,950)
Total Shareholders' Equity		2,694,675,608	2,811,308,060
Total Equity and Liabilities		10,106,523,825	10,082,762,690

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

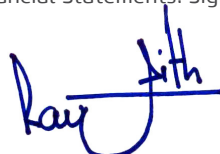


Asanka Udugama
Deputy General Manager - Finance

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



Jayendra Setukavalar
Director



Ransith Karunaratne
Director | Chief Executive Officer

The Accounting Policies and Notes on pages 69 through 125 form an integral part of these financial statements.

28th June 2023
Colombo

UB FINANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March

Note	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Revaluation Reserves	Regulatory Loss Allowance Reserves	Accumulated Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2021	1,028,272,810	67,931,720	11,723,243	49,029,226	-	(4,18,780,066)	738,176,933
Right Issue	1,988,209,437	-	-	-	-	-	1,988,209,437
Transitional adjustment on the implementation of SLFRS 16	-	-	-	-	-	-	-
Other Comprehensive Income (Net of deferred tax)	-	-	4,641,542	-	-	(840,479)	3,801,063
Profit for the year	-	-	-	-	-	81,120,627	81,120,627
Transfer to Statutory Reserve	-	4,056,031	-	-	-	(4,056,031)	-
Balance as at 31 March 2022	3,016,482,247	71,987,751	16,364,785	49,029,226	-	(342,555,950)	2,811,308,060
Right Issue	-	-	-	-	-	-	-
Transitional adjustment on the implementation of SLFRS 16	-	-	-	-	-	-	-
Other Comprehensive Income (Net of deferred tax)	-	-	87,297	-	-	(3,266,528)	(3,179,231)
Profit for the year	-	-	-	-	-	(113,453,220)	(113,453,220)
Transfer to regulatory loss allowance reserve	-	-	-	-	92,549,026	(92,549,026)	-
Transfer to Statutory Reserve	-	-	-	-	-	-	-
Balance as at 31 March 2023	3,016,482,247	71,987,751	16,452,082	49,029,226	92,549,026	(551,824,724)	2,694,675,608

The Accounting Policies and Notes on pages 69 through 125 form an integral part of these financial statements.

UB FINANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
 Year ended 31 March

	Note	2023 Rs.	2022 Rs.
Cash Flow from Operating Activities			
Interest Received	4.1	2,265,762,552	1,439,545,040
Fees and Commission Receipts	4.3	47,700,675	54,009,140
Interest Paid	4.2	(939,690,520)	(741,900,332)
Fees and Commission Paid	4.3	(11,841,538)	(32,127,799)
Payments on Other Operating Activities		(565,092,398)	(426,823,293)
Operating Profit / (Loss) before changes in Operating Assets and Liabilities		796,838,771	292,702,756
(Increase) / Decrease in Operating Assets:			
Funds Advanced to Customers	14	(90,724,270)	(1,912,853,046)
Others		33,850,562	(8,065,958)
Increase in Operating Liabilities:			
Due to Banks and Other Customers	22	1,256,180,858	464,228,327
Others		(46,442,872)	47,725,225
Net Cash used in Operating Activities before Income Tax		1,949,703,049	(1,116,262,696)
Retiring Gratuity paid	26	(2,543,152)	(2,402,963)
Income Tax		-	-
Net Cash used in Operating Activities		1,947,159,897	(1,118,665,659)
Cash Flow from Investing Activities			
Dividends Received	5	595,350	471,600
Purchase of Intangible Assets	18	-	(487,400)
Purchase of Property and Equipment	19	(18,693,993)	(17,031,729)
Proceeds from Sale of Property and Equipment		930,000	8,190,000
Proceeds from Sale of Real Estate		33,969,050	34,405,838
Net Cash used in Investing Activities		16,800,407	25,548,309
Cash Flow from Financing Activities			
Increase in Borrowings	23	(1,415,996,874)	(633,161,450)
Issues of Shares (Rights Issue)	27	-	1,988,209,437
Net Cash Generated from Financing Activities		(1,415,996,874)	1,355,047,987
Net (Decrease) / Increase in Cash and Cash Equivalents		547,963,430	261,930,637
Cash and Cash Equivalents at Beginning of the Year		795,042,457	533,111,820
Cash and Cash Equivalents at End of the Year		1,343,005,887	795,042,457
Reconciliation of Cash and Cash Equivalents			
Cash in Hand		42,661,330	35,802,744
Balances with Banks (Net of Overdraft)		452,286,639	112,651,599
Financial Investments at amortised cost		848,057,918	646,588,114
		1,343,005,887	795,042,457

The Accounting Policies and Notes on pages 69 through 125 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 General

UB Finance Company Limited is a Limited Liability Company, incorporated and domiciled in Sri Lanka. The Company was originally incorporated as The Finance & Guarantee Company Limited on 12 July 1961 under the Companies Ordinance No.51 of 1938 and was re-registered as required under the provision of the Companies Act No.7 of 2007 on 26th December 2007. The Company being a Finance Company is also registered with the Central Bank of Sri Lanka under the Finance Business Companies' Act No. 42 of 2011 and Finance Leasing Act No.56 of 2000 of Sri Lanka.

Union Bank of Colombo PLC (Parent company) together with its US based strategic investment partner ShoreCap II acquired The Finance & Guarantee Co. Ltd. on 1st November 2011. The Company was restructured, rebranded & launched as UB Finance Co. Ltd. on 25 April 2012. The Company's Registered Office / Head Office are currently located at No.10, Daisy Villa Avenue, Colombo 04.

1.2 Parent Entity and the Ultimate Controlling Parties

The Company's immediate parent is Union Bank of Colombo PLC and ultimate controlling party is TPG Asia GenPar VI, L.P, registered in the Cayman Island.

1.3 Principal Activities and Nature of Operations

As a Finance Company registered with the Monetary Board of the Central Bank of Sri Lanka, the principle business activities of the Company include investment activities such as accepting fixed deposits and savings accounts, finance activities such as providing lease, hire purchase and loan facilities, Gold Loan facilities, working capital activities such as factoring. The Company also deals in real estate and other investment and credit activities. Being the first finance company to be backed by a commercial bank in the private sector, UB Finance Company Limited is uniquely positioned to offer its customers "The versatility of a finance company backed by the strength of a bank".

1.4 Date of Authorization for Issue

The Financial Statements of UB Finance Company Limited for the year ended 31 March 2023 was authorized for issue in accordance with a resolution of the Board of Directors on 28 June 2023.

1.5 Director's Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of UB Finance Company Limited as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (LKAS/SLFRS).

2. BASIS OF PREPARATION & SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Statement of Profit & Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with Accounting Policies and notes (Financial Statements), as at 31 March 2023 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred as LKASs and SLFRSs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007 and the presentation of the financial statements is also in compliance with the requirements of the Finance Business Act No 42 of 2011.

2.1.2 Basis of Measurement

The financial statements of the company have been prepared on a historical cost basis, except for land and building, Fair value through other comprehensive income instrument that have been measured at fair value and liabilities for defined benefit obligations is recognized as the present value of the defined benefit obligation.

2.1.3 Functional and presentation currency

The financial statements are presented in Sri Lankan rupees which is the currency of the primary economic environment in which the Company operates.

2.1.4 Presentation of Financial Statements

The Company presents their Statement of Financial Position by grouping assets and liabilities by nature and listing in order that reflects relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 32.14.3 to the financial statement.

2.1.5 Materiality and Aggregation

In compliance with LKAS 01 (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial Assets and Financial Liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard and as specifically disclosed in the accounting policies.

2.1.6 Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements.

The comparative information is reclassified wherever necessary to conform to the current year's presentation.

2.1.7 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the company is in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised on and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows;

2.2.1 Going Concern

The Board of Directors of the Company has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.2.2 Fair value of financial instruments

The fair values of financial assets and financial liabilities recorded in the Statement of Financial Position which cannot be derived from active market, are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to established fair values. The valuation of financial instruments is described in more detail in Note 31 to the financial statements.

The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 31.

2.2.3 Classification of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

2.2.3.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model and, in particular, the way those risks are managed.
- How managers of the business are compensated.
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

2.2.3.2 The Solely Payment of Principal and Interest (SPPI) Test

As a second step of its classification process the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-Minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.2.4 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 inputs of these models are derived from observable market data where possible, but if this is not available judgment is required to establish fair values.

The valuation of financial instrument is described in Note 31 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 31.4 to the Financial Statements.

2.2.5 Impairment Losses on Loans and Advances

The measurement of impairment losses under SLFRS 09 across all categories of financial assets requires judgement. These estimates are driven by number of factors and the changes of these factors can result in different levels of adjustments.

2.2.5.1 Individual Impairment Assessment

The Company reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of Profit & Loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions which are based on a number of factors and actual results may differ, resulting in future changes to the impairment allowance made.

2.2.5.2 Collective Impairment Assessment

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company'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 Life Time Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL 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 Defaults (PDs), Exposure at Defaults (EADs) and Loss Given Defaults (LGDs).
- A Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Company's policy is to regularly review its models in the context of actual loss experience and adjust wherever necessary.

2.2.6 Useful lives of Property, Plant and Equipment and Intangibles

The Company reviews the assets' residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods and hence they are subjected to uncertainty.

2.2.7 Taxation

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgments were required to determine the total provision for current, deferred and other taxes in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made. The taxation is disclosed in more detail in Note 09.

2.2.8 Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. The deferred taxation is disclosed in more detail in Note 20.

2.2.9 Defined Benefit Plan

The cost of the defined benefit plan and the present value of its obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Refer Note 26 for more detail on Defined Benefit Plan.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka S/N Government Bonds with maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increment rate of the company.

2.2.10 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Refer Note 30 for more details on Commitments and Contingencies.

2.2.11 Revaluation of Property Plant and Equipment

The Company usually engages an external independent and qualified valuer once in three-year basis to determine the fair values. When significant changes in fair values are expected in between, a valuation is adopted in more regular basis, based on the judgment of the Board, appropriately advised by the valuer.

Changes in fair value is recognized in other comprehensive income. The Company engaged an individual valuation specialist to assess fair value as at 31st March 2020 for land and building. Land and buildings are valued by reference to market based evidence, using comparable price adjusted for specific market factors such as nature, location and condition of the property.

The key assumptions used to determine the fair value of the properties are provided in Note 19.4.

2.2.12 Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Company as a Lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

2.2.13 Estimating the Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs such as market interest rates adjusted for a premium to reflect the terms and conditions of the lease.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in the financial statements of the Company, unless otherwise indicated.

2.3.1 Cash and Cash Equivalents

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprises of cash in hand and balances with banks.

The balances of the cash in hand are recorded at book value and the balances with banks are carried at amortized cost in the Statement of Financial Position.

2.3.2 Reverse Repurchased Agreements

Securities purchased under agreements to resell at a specified future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position net of impairment allowance, within “reverse repurchase agreements”, reflecting the transaction’s economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the Effective Interest Rate (EIR).

2.3.3 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

2.3.3.1 Date of Recognition

Financial assets and liabilities, with the exception of balances due to customers, are initially recognized on the trade date, i.e., the date the Company becomes a party to the contractual provisions of the instrument. The Company recognizes balances due to customers when funds are transferred to the Company.

2.3.3.2 Recognition and Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 2.2.2. Financial instruments are initially measured at their fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at FVPL and trade receivables. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognizes the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is de-recognized.

2.3.3.3 Measurement Categories of Financial Assets and Liabilities.

The Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortized Cost (AC)
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVPL)

Financial liabilities are measured at amortized cost or at FVPL.

The subsequent measurement of the financial assets depends on their classifications

2.3.3.3.1 Financial Investments at Fair Value Through Profit or Loss

The Company classifies financial assets or financial liabilities as fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in the fair value are recorded in the Profit & Loss.

The Company does not have any financial instrument under this category.

2.3.3.3.2 Financial Assets at Amortized Cost

The Company only measures Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

UB FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

- The financial asset is held within a business model with the objective to hold financial asset 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.

The company classified Reverse Repurchase, Treasury Bills, Loans and Advances to customers and other assets under this category (Refer Note 11).

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR), less allowance for impairment. The amortization is included in 'Interest income' and the losses arising from impairment are recognized in 'Impairment for loans and other losses' in the Statement of Profit & Loss.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'Other Income' in the Income Statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Collateral Valuation

To the extent possible, the Company uses 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.

2.3.3.3 Financial Investments at Fair Value Through Other Comprehensive Income

Policy applicable from 1 April 2018 Debt Instruments

The Company classifies financial instruments under SLRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit & loss in the same manner as for financial assets measured at amortized cost.

Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value OCI. This election is made on an investment by investment basis.

The Company classifies Unquoted equity securities under this category (Refer Note 11).

2.3.3.4 Classification and Subsequent Measurement of Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the Statement of Profit or Loss. The Company has not designated any financial liabilities upon initial recognition, at fair value through profit or loss.

2.3.3.3.5 Classification and Subsequent Measurement of Financial Liabilities at Amortized Cost

Financial liabilities issued by the Company that are not designated as fair value through profit or loss are classified as liabilities under 'due to banks', 'due to customers' and 'other borrowed funds' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity, under conditions that are potentially unfavorable to the entity or settling the obligation by delivering variable number of entity's own equity instruments. The details of financial liabilities measured at amortized cost are given in Note 21-24 to the financial statements.

Due to Banks

Due to Banks includes overdraft facilities. Subsequent to initial recognition, these are measured at their amortized cost using the effective interest rate method. Amortized cost is calculated by taking in to account any discount or premium on the issue and cost that are an integral part of the EIR. The EIR amortization is included in 'Interest expenses' in the Statement of Profit or Loss.

Due to Customers

Due to customers include non-interest-bearing deposits, savings deposits, fixed deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the effective interest rate method, which are recognized in the Statement of Profit or Loss under 'Interest expenses'.

Other Borrowed Funds

Other borrowed funds includes borrowings from banking and non-banking institutions. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method, which are recognized in the Statement of Profit or Loss under 'Interest expenses'.

2.3.4 Impairment of Financial Assets

Financial Assets carried at Amortized Cost

For the financial assets carried at amortized cost, such as Cash and cash equivalent, Balances with Central Bank, Placements with Banks, Reverse repurchased agreements, Loans and receivables customers, other loans and receivables, held to maturity investments and other financial assets, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of a true allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collaterals have been realized or have been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'other income'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the most recent EIR. If the Company has reclassified trading assets to loans and receivables, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the product category that considers similar credit risk characteristics such as collateral type, past-due status and other relevant factors.

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from year to year (such as changes in unemployment rates, gross domestic production - GDP rate, inflation, exchange rate or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Company recognizes the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subjected to impairment under SLFRS 9.

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

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

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12 months Expected Credit Loss (12mECL). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. Facilities which are within 30 days are in Stage 1.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Life Time Expected Credit Loss (LTECL). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Facilities which are within 31 to 90 days due are in Stage 2.
- Stage 3: Loans which are considered credit-impaired. The Company records an allowance for the LTECLs. Facilities which are more than 90 days due are in Stage 3.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information.

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties;
- Death of borrower.

Definition of Default and Cure

The Company considers a financial instrument as defaulted and therefore stage 3 (credit impaired) for ECL calculations in all cases when the borrower becomes more than 90 days past due on its contractual payments.

Further, as per CBSL Finance Business Direction No. 01 of 2020 classification and measurement of credit facilities, additional criteria are also used to classify borrowers as default. As a part of qualitative assessment of whether an individually significant customer is in default, the Company also considers a variety of instances that may indicate doubt in the recovery. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

It is the Company's policy to consider a financial asset, as 'cured' and therefore, reclassified out of stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing as per the directions issued by the Central Bank of Sri Lanka.

The Calculation of ECLs

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-recognized 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 realization of any collateral. The Company has used the LGD rates published by the Central Bank of Sri Lanka for retail loans as the related products have inadequate credit history to compute their own LGDs.
- **Economic Factor Adjustment:**

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

- o GDP growth
- o Unemployment rates
- o Interest rates
- o 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.

2.3.5 De-recognition of Financial Assets and Financial Liabilities

2.3.5.1 De-recognition Due to Substantial Modification of Terms and Conditions

The Company de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes.

If the modification does not result in cash flows that are substantially different, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.3.5.2 De-recognition Other than for Substantial Modification

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognized when the rights to receive cash flows from the financial asset has expired. The Company also de-recognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset, or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short- term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, 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 recognized in profit or loss.

2.3.6 Fair Value Determination and Measurement

2.3.6.1 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

2.3.6.2 Measurement of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most

advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Details of Fair value of assets and liabilities and their inputs based on fair value hierarchy is given in Note 31 to the financial statement.

2.3.6.3 Fair Value Hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

- (a) quoted market in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or;
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.3.7 Real Estate Property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate property and is measured at the lower of cost and net realizable value.

Cost includes:

- Freehold rights for land.
- Amounts paid to contractors for developments.
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of real estate property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.3.8 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one period.

Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 16 "Property, plant and equipment".

Measurement

Property, plant and equipment is stated at cost/revaluation, net of accumulated depreciation and accumulated impairment losses if any. Initially property, plant and equipment are measured at its cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that computer 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.

Subsequent costs

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

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Other operating income" in the Statement of Profit or Loss in the year the asset is de-recognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized at each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation charges 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. 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-recognized. Depreciation doesn't cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The estimated depreciation rates of the assets by equal annual installments are as follows.

Building	2.5%
Leasehold Improvements	10%
Computer and Equipment	25%

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Furniture and Fittings	7.5%
Motor Vehicles	15%
Office equipment (Included under furniture & fittings)	15%

The asset's residual value, useful life and method of depreciation are reviewed at each statement of financial position date and adjusted prospectively, as changes in accounting estimates.

Cost Model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation Model

The Company revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

2.3.9 Intangible Assets

Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Software

Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Estimated Useful Life of Intangible Assets

Intangible	Amortization Period
Computer Software	Over 10 years from the date of Available to use

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Other Intangible Assets

Other intangible assets consist of brand value, asset management and advisory intangible, licenses and related infrastructure. Other intangible assets are initially recognized when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Subsequent Measurement

These other intangible assets are with an indefinite useful life which shall not be amortized, is required to test for impairment by comparing its recoverable amount with its carrying amount on annually or whenever there is an indication that these intangible assets may be impaired. Accordingly, these other intangible assets are measured at cost less accumulated impairment losses.

De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in the Statement of Profit or Loss when the item is de-recognized.

2.3.10 Deferred Tax

Deferred tax assets are provided on all deductible temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.11 Current Tax Asset/ Liabilities

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current year and any adjustments to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

2.3.12 Other Assets

The Company classify all their other assets as 'Other financial assets' and 'Other non-financial assets'.

Refundable deposits are carried at the fair value. Advances and pre-payments are amortized during the period in which they are utilized and are carried at cost less provision for impairment.

Staff loans are granted below market interest rates. When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognize the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Statement of Profit or Loss over the tenor of the financial instrument using the EIR method.

The Day 1 difference is classified as 'Pre-paid staff cost' and is amortized over the loan period by using the EIR. The staff loans are subsequently measured at amortized costs.

2.3.13 Impairment of non-Financial Assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.3.14 Other Liabilities

Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

2.3.15 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. In compliance with the Gratuity Act No. 12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees who joined to the Company.

An actuarial valuation is carried out annually to ascertain the full liability under the fund, and this is stated under Post Employment Liability in the Statement of Financial Position. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the end of the annual period.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Company's obligations.

The demographic assumptions underlying the valuation are retirement age, early withdrawals from service and retirement on medical grounds etc.

Recognition of Actuarial Gains and Losses

The Company recognizes the total actuarial gains and losses that arise in calculating the Company's obligation with respect to the plan in Other Comprehensive Income during the period in which it occurs.

Funding Arrangement

The gratuity liability is not externally funded.

Principal Actuarial Assumptions

The principal assumptions used in the valuation were as follows:

Parameter	2023	2022
Discount Rate	20%	12.5%
Rate of salary increment	17%	11.5%

The demographic assumptions underlying the valuation are retirement age 60, early withdrawals from service, and retirement on medical grounds, death before and after retirement, etc.

An actuarial valuation is carried out at every year end to ascertain the full liability under the fund.

2.3.16 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.3.17 Regulatory Provision

(a) Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) (i) of the said Direction.

(b) Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Act No. 78 of 1988, Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 and subsequent amendments there to all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010. The said scheme was renamed as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No 1 of 2013.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following;

- a) deposit liabilities to member institutions.
- b) deposit liabilities to Government of Sri Lanka.
- c) deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks.
- d) deposit liabilities held as collateral against any accommodation granted.
- e) deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka.

Registered Finance Companies are required to pay a premium of 0.15% per annum payable monthly calculated on total amount of eligible deposits as at the end of the month. Member institutions shall remit the applicable amount of the premium within a period of 15 days from the end of the respective month and submit the details of deposits and calculation of premium in a format specified by the Director of Bank Supervision.

(c) Crop Insurance Levy

In terms Section 14 of the Finance Act No 12 of 2013 all institutions under the purview of Banking Act No 30 of 1988, Finance Companies Act No 78 of 1988 and Regulation of Insurance Industry Act No 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund Board effective from 01st April 2013.

2.3.18 Capital Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote contingent liabilities which 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 in accordance with the Sri Lanka Accounting Standard – LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Company enters into various irrevocable commitments and contingent liabilities. These consist of guarantees, letters of credit and other undrawn commitments to lend.

Letters of credit and acceptances commit the Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. They carry a similar credit risk to loans.

Pending legal claims against the Company too form part of commitments of the Company. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. But these contingent liabilities do contain credit risk and are therefore form part of the overall risk of the Company.

In the normal course of business, the Company entered into various irrevocable commitments and incurred certain contingent liabilities. These consists of guarantees, letters of credit and other undrawn commitments to lend.

Though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Company.

RECOGNITION OF INCOME AND EXPENSES

2.3.19 Gross Income

Gross Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria for each type of gross income are given under the specific income classifications.

2.3.20 Net Interest Income

Under both SLFRS 9 and LKAS 39, interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, similarly to interest bearing financial assets classified as available for sale or held to maturity under LKAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognizes interest income and 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 recognizes 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 balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than non-performing assets (NPA). When a financial asset becomes non performing the Company suspends the accrual of interest. If the financial assets cures and is no longer non performing, the Company reverts to calculating interest income on a gross basis.

2.3.21 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

2.3.22 Net Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to its customers.

Fee and commission expenses

All the fee and commission expenses are expensed as the services are received. Fee and commission expenses are recognized on an accrual basis.

2.3.23 Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Company are

recognized as other operating income on accrual basis, such as gains on disposal of property, plant and equipment, gain from investments in real estate and foreign exchange gains/(losses).

Gains/(losses) arising from disposal of property, plant and equipment are recorded after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Revenue from the real estate sale is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

2.3.24 Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established.

2.3.25 Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognized on a cash basis.

2.3.26 Impairment

The Company recognizes the changes in the impairment allowance for loans and receivables and other financial assets, which are assessed as per the SLFRS 9 - Financial Instruments.

2.3.27 Personnel Expenses

Personnel expenses include salaries and bonus, terminal benefit charges, and other staff related expenses.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provisions for bonus is recognized if the Company has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Company's Employees' Provident Fund and the Employees' Trust Fund respectively.

Defined Benefit Plans

Contributions to defined benefit plans are recognized in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19 - 'Employee Benefits'.

2.3.28 Depreciation and Amortization

Depreciation and amortization are the systematic allocation of a depreciable amount of the property, plant and equipment and intangible assets over its useful life.

2.3.29 Other Expenses

Other expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. Provisions in respect of other expenses are recognized when the Company 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.

2.3.30 Value Added Tax (VAT) on Financial Services, Social Security Contribution Levy (SSCL)

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 benefits, non-cash benefits and provision related to terminal benefits. The VAT on FS rate applied is 18%. (2022 - 18%).

Social Security Contribution Levy (SSCL) on Financial Services

Social Security Contribution Levy (SSCL) on financial services (value addition) is calculated in accordance with the Social Security Contribution Levy Act, No. 25 of 2022 and value addition is computed based on the guidelines given under the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The SSCL rate applied in 2022 is 2.5% (with effect from 1st October 2022).

2.3.31 Tax Expense

Income Tax and Other Taxes

As per the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense / income is the aggregate amount included in determination of profits or loss for the year in respect of income tax and deferred tax. The tax expense/income is recorded in the Statement of Profit or Loss except to the extent it relates to items recognized directly in Equity or Statement of Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

Provision for the taxation is based on the profit for the year adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto and any adjustments to tax payable in respect to the previous years.

Note 09 represent the major components of income tax expense to the financial statements.

OTHER ACCOUNTING POLICIES

2.3.32 Earnings Per Share (EPS)

The Company presents Basic and Diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees as required by the Sri Lanka Accounting Standard No 33 (LKAS 33)- "Earnings per Share" Details of earnings per share are given in Note 10.

2.3.33 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified four operating segments based on products and services, as follows:

- Auto Loan
- Property Loan
- Gold Loans
- Others

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain aspects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on an overall basis and are not allocated to operating segments.

Details of segment reporting are given in Note 36.

2.3.34 Cash Flow Statement

The Cash Flow Statement has been prepared by using 'The Direct Method' in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subjected to an insignificant risk of changes in value.

The cash and cash equivalent include cash in hand, balances with banks, liquid investments.

2.3.35 Events Occurring After the Reporting Date

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.

3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2023. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31st March 2023. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

3.1 SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01st January 2025 with comparative figures required. Early application is permitted, if the entity is applying both Sri Lanka Accounting Standard - SLFRS 9 "Financial Instruments" and Sri Lanka Accounting Standard - SLFRS 15 "Revenue from Contracts with Customers" on or before the date on which it first apply SLFRS 17.

No impact is expected to the company from this change.

3.2 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2022, CA Sri Lanka adopted amendments to paragraphs 69 to 76 of LKAS 1 which 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.

The amendments are effective for annual reporting periods beginning on or after 01st January 2023 and must be applied retrospectively. The Company is currently assessing the potential impact on its Financial Statements resulting from this amendment.

3.3 Amendments to LKAS 8 - Definition of Accounting Estimates

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 01st January 2023. Earlier application is permitted.

3.4 Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 01st January 2023.

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

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 to 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 01st January 2023.

UB FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March

4 INCOME	2023	2022
	Rs.	Rs.
Interest Income (Note 4.1)	2,013,354,144	1,522,320,560
Fee and Commission Income (Note 4.3)	47,700,675	54,009,140
Other Operating Income (Note 5)	65,583,701	71,924,599
	2,126,638,520	1,648,254,299
4.1 Interest Income	2023	2022
	Rs.	Rs.
Reverse Repurchased Agreements	21,334,154	20,074,358
Treasury Bills	114,570,352	-
Balances with banks	1,642,683	4,980,785
Loans and receivables to other customers	1,875,806,955	1,497,265,417
	2,013,354,144	1,522,320,560
4.2 Interest Expense	2023	2022
	Rs.	Rs.
Due to banks	164,877,653	233,048,200
Due to customers	1,094,705,165	434,014,578
Interest Expenses to Lease Liabilities - SLFRS-16	14,819,241	11,913,783
	1,274,402,059	678,976,561
Net interest income	738,952,085	843,344,000
4.3 Net Fee and Commission Income	2023	2022
	Rs.	Rs.
Fee and Commission Income	47,700,675	54,009,140
Fee and Commission Expenses	(11,841,538)	(32,127,799)
Net fee and commission income	35,859,137	21,881,341
5 OTHER OPERATING INCOME	2023	2022
	Rs.	Rs.
Gain on Sale of Property, Plant and Equipment	783,679	3,252,379
Operating profit on Real Estate	20,796,456	23,138,412
Income on write off Recoveries	35,244,298	29,391,291
Others	8,759,268	16,142,517
	65,583,701	71,924,599
6 IMPAIRMENT CHARGE FOR LOANS AND ADVANCES AND OTHER ASSETS	2023	2022
	Rs.	Rs.
Impairment on Balance Sheet Exposure	336,205,458	264,178,092
Impairment on off Balance Sheet Exposure	(3,546,286)	(119,744)
Impairment charge for Financial assets at amortised cost	332,659,172	264,058,347
Provision charge / (reversal) on real estate	-	-
	332,659,172	264,058,347
6.1 Financial assets at amortised cost- loans and advances to customers	2023	2022
	Rs.	Rs.
Stage 1	(114,163,102)	94,189,599
Stage 2	70,928,305	8,043,890
Stage 3	375,893,969	161,824,859
Impairment (Off and on Balance Sheet)	332,659,172	264,058,348

UB FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March

7. STAFF COSTS

	2023 Rs.	2022 Rs.
Salaries	206,915,296	171,164,380
Employee benefit - defined contribution plans (EPF/ETF)	27,596,696	22,410,089
Employee benefit - defined benefit plans	6,318,590	4,291,548
Staff related expenses	27,611,811	17,829,708
Others	1,575,844	999,767
	270,018,237	216,695,492

Provision for the defined benefit plans have been made based on the actuarial valuation carried out as at 31st March 2023. Please refer note 26 for detailed disclosure and assumptions on the Post Employment Liability.

8. OTHER EXPENSES

	2023 Rs.	2022 Rs.
Directors' emoluments	4,026,000	3,538,000
Auditors' remuneration	2,000,000	2,400,000
Professional and legal expenses	5,760,097	4,682,510
Advertising & Marketing expenses	34,688,289	21,508,076
Office administration and establishment expenses	198,490,570	141,768,111
Others	11,469,374	8,182,566
	256,434,330	182,079,262

9. TAXATION

The components of income tax expense for the years ended 31st March 2023 are;

	2023 Rs.	2022 Rs.
Current Tax (Note 9.1)	-	-
Deferred tax reversal	-	80,308,867
Deferred tax charge on other comprehensive income (Note 20)	(3,791,785)	-
	(3,791,785)	80,308,867

9.1 RECONCILIATION OF CURRENT INCOME TAX EXPENSE

	2023 Rs.	2022 Rs.
Profit Before Tax	(113,453,220)	161,429,494
Add: Disallowable Expenses	550,944,918	425,104,847
Less: Tax Deductible Expenses	(336,881,095)	(142,485,853)
Statutory Income	100,610,603	444,048,488
Less : Deductions under Section 32		
: Tax Losses claimed	(100,610,603)	(444,048,488)
Taxable Income/ Loss	-	-
Tax expense for the period		
Tax provision	-	-
Deferred tax reversal of temporary differences	-	80,308,867
	-	80,308,867
Effective Tax Rate	0.00%	49.75%
Effective Tax Rate (Excluding Deferred tax)	0.00%	0.00%

The Corporate Tax Rate was revised from 24% to 30% with effect from 1st of October 2022 and the provisions were recorded accordingly.

UB FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March

10. EARNINGS PER SHARE

10.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

10.2 The following reflects the income and share details used in the computation of the Basic Earning per Share.

Earnings per Share: Basic	2023 Rs.	2022 Rs.
Amount used as the numerator		
Profit/(Loss) after tax for the year attributable to equity holders (Rs)	(113,453,220)	81,120,627
No. of ordinary shares used as the denominator		
Weighted average number of ordinary shares (Note 10.2.1)	2,699,687,318	1,208,531,425
Basic / diluted earnings per ordinary share (Rs)	(0.042)	0.067

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
10.2.1 Weighted Average Number of Ordinary Shares for Basic EPS				
Number of shares in issue as at 1st April	2,699,687,318	711,479,461	2,699,687,318	711,479,461
Add : Number of shares issued under rights issue	-	1,988,207,857	-	497,051,964
Add : Bonus element on number of shares issued under rights issue	-	-	-	-
Number of shares in issue / weighted average number of shares as at 31st March	2,699,687,318	2,699,687,318	2,699,687,318	1,208,531,425

10.2.2 The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

11. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial asset and liabilities are measured and how income and expenses including fair value gains and losses are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in the Sri Lanka Accounting Standards - SLFRS 9: Financial instruments under headings of the statement of financial position.

As at 31 March 2023	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
ASSETS				
Cash in Hand and Balances with Banks	-	-	510,336,620	510,336,620
Financial Investments at amortised cost	-	-	848,057,918	848,057,918
Financial investments at amortised cost-loans and advances to customers	-	-	8,088,941,821	8,088,941,821
Financial investments at fair value through other comprehensive income	-	21,858,224	-	21,858,224
Other Assets	-	-	3,725,359	3,725,359
Total Financial Assets	-	21,858,224	9,451,061,718	9,472,919,942
LIABILITIES				
Due to Banks	-	-	15,388,651	15,388,651
Due to other Customers	-	-	6,508,959,106	6,508,959,106
Other Borrowed Funds	-	-	481,130,091	481,130,091
Financial Liabilities	-	-	112,879,083	112,879,083
Total Financial Liabilities	-	-	7,118,356,931	7,118,356,931

UB FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 As at 31 March

11. MEASUREMENT OF FINANCIAL INSTRUMENTS (Contd...)

As at 31 March 2022	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
ASSETS				
Cash in Hand and Balances with Banks	-		232,409,217	232,409,217
Financial Investments at amortised cost	-		646,588,114	646,588,114
Financial investments at amortised cost-loans and advances to customers	-		8,632,676,626	8,632,676,626
Financial investments at fair value through other comprehensive income	-	21,733,514	-	21,733,514
Investments in Fixed Deposits	-		-	-
Other Assets	-		4,693,407	4,693,407
Total Financial Assets	-	21,733,514	9,516,367,364	9,538,100,877
LIABILITIES				
		Fair value through P&L Rs.	Amortised cost Rs.	Total Rs.
Due to Banks		-	83,954,874	83,954,874
Due to other Customers		-	4,892,138,425	4,892,138,425
Other Borrowed Funds		-	1,937,874,490	1,937,874,490
Other Financial Liabilities		-	149,146,508	149,146,508
Total Financial Liabilities		-	7,063,114,297	7,063,114,297

12. CASH IN HAND AND BALANCES WITH BANKS	2023 Rs.	2022 Rs.
Cash in hand	42,661,330	35,802,744
Cash at Banks	467,675,290	196,606,473
	510,336,620	232,409,217

13. FINANCIAL INVESTMENTS AT AMORTISED COST	2023 Rs.	2022 Rs.
Securities under Reverse Repurchase Agreements	-	646,588,114
Investment in Treasury Bills	848,057,918	-
	848,057,918	646,588,114

14. FINANCIAL ASSETS AT AMORTIZED COST - LOANS AND ADVANCES TO CUSTOMERS	2023 Rs.	2022 Rs.
Gross loans and receivables (Note 14.1)	9,026,635,933	9,338,064,207
(Less): Individual impairment (Note 14.3)	(277,556,472)	(183,707,513)
Collective impairment (Note 14.3)	(660,137,640)	(521,680,068)
Net loans and receivables	8,088,941,821	8,632,676,626

The net loans and receivables includes the modified contracts of Rs 78.9Mn (Gross Loans- Rs 83Mn; Impairment- Rs 4.1Mn)

14.1 Stage wise classification of gross loans and receivables

	2023 Rs.	2022 Rs.
Stage 1	4,020,468,178	6,301,434,562
Stage 2	2,071,320,906	1,070,735,316
Stage 3	2,934,846,849	1,965,894,329
	9,026,635,933	9,338,064,207

UB FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 As at 31 March

14. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)
14.1. Gross Loans and Receivables from Customers - By Product

	2023	2022
	Rs.	Rs.
Leasing / Hire Purchase	3,147,842,975	3,739,855,454
Term loans	3,472,853,599	3,211,242,683
Easy Draft	930,583,649	1,345,950,072
Gold Loans	1,215,636,277	765,553,295
Factoring & Cheque Discounting	236,884,243	227,701,398
Housing Loans	22,835,190	47,761,305
	9,026,635,933	9,338,064,207

14.1.1 Contractual maturities of Loans and Receivables from Customers

	Within one year	1 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.
As at 31st March 2023				
Loans and Receivables	5,994,942,345	2,979,159,689	52,533,899	9,026,635,933
As at 31st March 2022				
Loans and Receivables	4,573,102,084	4,567,368,919	197,593,204	9,338,064,207

14.2 Gross Loans and Receivables to other customers - By Industry

	2023	2022
	Rs.	Rs.
Services including Bank, finance and Insurance	2,704,152,121	2,847,981,543
Other	2,282,430,674	1,860,645,781
Trading and Manufacturing	2,478,942,148	2,801,363,367
Construction and Transport	1,032,816,744	1,189,607,138
Agriculture	528,294,246	638,466,378
	9,026,635,933	9,338,064,207

14.3 Movements in Allowance for Individual and Collective Impairment Charges

	2023	2022
	Rs.	Rs.
Individual impairment charges		
Balance as at 01 April	(183,707,513)	(195,243,103)
Charge to income statement	(197,747,886)	(132,984,995)
Impairment reversals on loan write off *	103,898,927	144,520,585
Balance as at 31 March	(277,556,472)	(183,707,513)
Collective impairment charges		
Balance as at 01 April	(521,680,068)	(390,486,972)
(Charge)/Reversal to income statement	(138,457,572)	(131,193,097)
Impairment reversals on loan write off *	-	-
Balance as at 31 March	(660,137,640)	(521,680,068)

UB FINANCE COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 As at 31 March

14. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

14.4 Stagewise Movement of Gross Loans and Receivables

As at 31 March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	6,301,434,562	1,070,735,316	1,965,894,329	9,338,064,207
Transfers to Stage 1	149,296,790	(131,834,722)	(17,462,068)	-
Transfers to Stage 2	(1,073,097,222)	1,188,868,217	(115,770,995)	-
Transfers to Stage 3	(1,046,619,896)	(266,678,477)	1,313,298,373	-
Originated/(settled) during the year	(310,546,056)	210,230,572	(107,213,863)	(207,529,347)
Amounts written off	-	-	(103,898,927)	(103,898,927)
Balance as at 31 March	4,020,468,178	2,071,320,906	2,934,846,849	9,026,635,933

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	4,348,437,549	1,098,538,214	2,039,980,463	7,486,956,226
Transfers to Stage 1	336,983,738	(262,351,234)	(74,632,504)	-
Transfers to Stage 2	(251,711,461)	267,422,933	(15,711,472)	-
Transfers to Stage 3	(259,942,331)	(107,054,737)	366,997,068	-
Originated/(settled) during the year	2,127,667,067	74,180,140	(206,218,641)	1,995,628,566
Amounts written off	-	-	(144,520,585)	(144,520,585)
Balance as at 31 March	6,301,434,562	1,070,735,316	1,965,894,329	9,338,064,207

14.5 Stagewise Movement of Impairment

As at 31st March 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	174,918,098	68,472,583	461,996,901	705,387,582
Transfers to Stage 1	3,838,180	(3,415,860)	(422,320)	-
Transfers to Stage 2	(43,661,476)	57,858,619	(14,197,143)	-
Transfers to Stage 3	(37,433,977)	(19,369,635)	56,803,612	-
Additions/(recovered) during the year	(35,223,426)	30,862,278	340,566,605	336,205,457
Amounts written off	-	-	(103,898,927)	(103,898,927)
Balance as at 31 March	62,437,399	134,407,985	740,848,728	937,694,112

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	82,342,791	60,819,561	442,567,721	585,730,073
Transfers to Stage 1	15,033,313	(11,455,795)	(3,577,518)	-
Transfers to Stage 2	(7,763,772)	8,786,670	(1,022,898)	-
Transfers to Stage 3	(8,322,576)	(9,175,755)	17,498,331	-
Additions/(recovered) during the year	93,628,342	19,497,902	151,051,850	264,178,094
Amounts written off	-	-	(144,520,585)	(144,520,585)
Balance as at 31 March	174,918,098	68,472,583	461,996,901	705,387,582

UB FINANCE COMPANY LIMITED
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 Year ended 31 March

15. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	Rs.	Rs.
Equity securities		
Unquoted (Note 15.1)	21,858,224	21,733,514
	21,858,224	21,733,514

	2023			2022		
	No. of	Cost	Fair	No. of	Cost	Fair
	Shares	(Rs.)	Value	Shares	(Rs.)	Value
			(Rs.)			(Rs.)
15.1 Unquoted Investments						
Credit Information Bureau	9	900	900	9	900	900
Finance House Consortium (Pvt) Ltd	20,000	200,000	200,000	20,000	200,000	200,000
CEG Education Holdings	22,500	15,425,321	21,657,324	22,500	15,425,321	21,532,614
		15,626,221	21,858,224		15,626,221	21,733,514

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

16. INVESTMENT IN REAL ESTATE

	2023	2022
	Rs.	Rs.
Land		
Cost	23,460,315	36,632,907
Less : Provision	(3,300,410)	(3,300,410)
Net Value	20,159,905	33,332,498
Housing Projects		
Cost	4,875,190	4,875,190
Less : Provision	(2,899,969)	(2,899,969)
Net Value	1,975,221	1,975,221
Other Projects		
Cost	170,462,900	170,462,900
Less : Provision	(117,110,956)	(116,660,956)
Net Value	53,351,944	53,801,944
	75,487,070	89,109,662

17. OTHER ASSETS

	2023	2022
	Rs.	Rs.
Other Financial Assets		
Other Financial Assets	3,725,359	4,693,407
Other Non Financial Assets		
Advances	8,886,537	3,565,611
Deposits and Prepayments	47,241,286	36,941,744
Other Tax Receivable	15,770,033	15,760,722
	75,623,215	60,961,483

18. INTANGIBLE ASSETS

	2023	2022
	Rs.	Rs.
Cost		
Balance as at 01 April	32,145,081	31,657,681
Additions/ Transfers	-	487,400
Balance as at 31 March	32,145,081	32,145,081
(Less): Amortisation of Intangible Assets		
Balance as at 01 April	23,521,856	21,225,893
Amortisation for the year	2,142,262	2,295,963
Balance as at 31 March	25,664,118	23,521,856
Net book value at 31 March	6,480,963	8,623,225

UB FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March

19. PROPERTY, PLANT AND EQUIPMENT

19.1 Property, Plant and Equipment

2023	Land and Buildings	Leasehold Improvements	Computer & Equipments	Furniture & Fittings	Motor Vehicles	Sub Total	Right-of-Use Assets (Office Premises)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation								
Balance as at 01 April	111,742,500	56,847,241	52,800,719	89,447,770	64,943,397	375,781,627	93,083,436	468,865,063
Additions	-	6,416,529	1,917,421	10,360,043	-	18,693,993	131,778,555	150,472,548
Termination	-	-	-	-	-	-	(4,518,967)	(4,518,967)
Disposals	-	-	-	(1,918,400)	-	(1,918,400)	-	(1,918,400)
	111,742,500	63,263,770	54,718,140	97,889,413	64,943,397	392,557,220	220,343,024	612,900,244
(Less): Accumulated depreciation								
Balance as at 01 April	3,331,899	45,011,122	42,708,834	57,962,007	28,911,927	177,925,789	50,450,171	228,375,960
Charge for the year	666,015	6,873,356	4,702,529	8,676,552	9,719,934	30,638,386	22,299,946	52,938,332
Disposals	-	-	-	(1,772,079)	-	(1,772,079)	-	(1,772,079)
Balance as at 31 March	3,997,914	51,884,478	47,411,363	64,866,480	38,631,861	206,792,096	72,750,117	279,542,213
Net book value as at 31 March	107,744,586	11,379,292	7,306,777	33,022,933	26,311,536	185,765,124	147,592,907	333,358,031

2022	Land and Buildings	Leasehold Improvements	Computer & Equipments	Furniture & Fittings	Motor Vehicles	Sub Total	Right-of-Use Assets (Office Premises)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation								
Balance as at 01 April	111,742,500	56,354,966	47,641,459	89,162,395	76,825,622	381,726,942	93,083,436	474,810,378
Additions	-	492,275	5,159,260	3,762,418	7,617,775	17,031,728	-	17,031,728
Revaluation Surplus	-	-	-	-	-	-	-	-
Disposals	-	-	-	(3,477,044)	(19,500,000)	(22,977,044)	-	(22,977,044)
Balance as at 31 March	111,742,500	56,847,241	52,800,719	89,447,770	64,943,397	375,781,626	93,083,436	468,865,062
(Less): Accumulated depreciation								
Balance as at 01 April	2,665,884	38,877,254	38,311,973	53,762,005	33,101,202	166,718,318	32,295,199	199,013,517
Charge for the year	666,015	6,133,868	4,396,861	7,555,110	10,495,040	29,246,894	18,154,972	47,401,866
Disposals	-	-	-	(3,355,108)	(14,684,314)	(18,039,423)	-	(18,039,423)
Balance as at 31 March	3,331,899	45,011,122	42,708,834	57,962,007	28,911,927	177,925,789	50,450,171	228,375,960
Net book value as at 31 March	108,410,601	11,836,118	10,091,884	31,485,763	36,031,470	197,855,838	42,633,265	240,489,102

19.2 Net Book Values

At Cost / Valuation	2023	2022
	Rs.	Rs.
Land and Buildings	107,744,586	108,410,601
Leasehold Assets	11,379,292	11,836,118
Motor Vehicles	26,311,536	36,031,470
Computer & Equipments	7,306,777	10,091,884
Furniture & Fittings	33,022,933	31,485,763
Right-of-Use Assets (Office Premises)	147,592,907	42,633,265
	333,358,031	240,489,102

19.3 During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 150,472,548/-

19. PROPERTY, PLANT AND EQUIPMENT (Contd...)

19.4 Fair Valuation Process and Key Valuation Assumptions

The Company measures land and buildings at revalued amounts with gains in fair value being recognised in equity (Revaluation Reserve) and losses in the Statement of Income Statement. The Company usually engages an external independent and qualified valuer once in three year basis to determine the fair values. When significant changes in fair values are expected in between, a valuation is adopted in more regular basis, based on the judgment of the Board, appropriately advised by the valuer.

The latest revaluation has been carried out by Mr. D.Jayawardena a chartered independent valuer as at 31st March 2020. The valuation of the building has been determined using the investment approach which falls under level 3 of the fair value measurement hierarchy. The carrying value of such revalued building as at 31st March 2020 are approximate the fair values determined by Mr. D.Jayawardena as at 31st March 2020.

Key significant unobservable valuation inputs are as follows :

Bokundara Property	Rs. 400,000 - Rs. 450,000 per perch			
Negombo Property	Average rate Rs. 80/- as monthly income - Estimated monthly income Rs. 400,000/-	40% Out goings from Gross annual income	5% for contingencies	20 Mn as Insurance value of the building

19.5 If the land & Building had not been revalued and had been carried at cost model the carrying amount would be Rs. 47,359,414/ as at 31 March 2023 (Rs. 48,247,674/- as at 31 March 2022)

19.6 There were no significant temporarily idling assets as at 31 March 2023.

19.7 Company continues to use Property Plant and Equipment which are fully depreciated amounting to Rs. 111,833,490/- as at 31 March 2023.

19.8 There were no restrictions on the title of the property, plant and equipment as at the reporting date.

19.9 There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

19.10 There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

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20. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings;

	Statement of Financial Position	
	2023	2022
	Rs.	Rs.
Deferred Tax Assets		
Carried forward retained loss	118,111,816	122,291,887
Right of use assets	3,973,679	4,452,992
Defined Benefit Plans	7,990,257	5,603,183
Impairment allowance	57,110,815	75,572,262
	187,186,567	207,920,324
Deferred Tax Liability		
Depreciation of Property Plant and Equipment	(12,547,791)	(11,906,730)
Capital Allowance on Lease Assets	(3,721,522)	(26,241,943)
Fair value reserve	(6,497,197)	(5,167,827)
Revaluation reserve	(18,040,094)	(14,432,075)
	(40,806,604)	(57,748,576)
Net Deferred Tax Asset	146,379,963	150,171,748
Deferred Tax Assets/ (Liabilities) Movement		
Balance as at beginning of the year	150,171,748	231,680,951
Deferred tax (charged)/reversed to the Statement of Profit or Loss	(41,150,956)	(80,308,867)
Deferred Tax charged to the other comprehensive income	(183,766)	(1,200,336)
Deferred tax (charged)/reversed to the Statement of Profit or Loss due to rate change	41,150,956	-
Deferred Tax charged to the other comprehensive income due to rate change	(3,608,019)	-
Balance as at the year end	146,379,963	150,171,748

21. DUE TO BANKS

	2023	2022
	Rs.	Rs.
Bank Overdraft	15,388,651	83,954,874
	15,388,651	83,954,874

22. DUE TO OTHER CUSTOMERS

	2023	2022
	Rs.	Rs.
At amortised cost (Note 22.1)	6,508,959,106	4,892,138,425
	6,508,959,106	4,892,138,425

22.1 Due to Other Customers - By Products

	2023	2022
	Rs.	Rs.
Savings deposits	5,344,367	30,269,312
Fixed deposits	6,503,614,739	4,861,869,113
	6,508,959,106	4,892,138,425

23. OTHER BORROWED FUNDS

	2023	2022
	Rs.	Rs.
Borrowings from Financial Institutions & Banks	481,130,091	1,937,874,489
	481,130,091	1,937,874,489

UB FINANCE COMPANY LIMITED
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23 OTHER BORROWED FUNDS (Contd...)

23.1 Maturity

	2023			2022		
	Amount repayable within 1 year	Amount repayable after 1 year	Total	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Due to Banks						
Securitized Borrowings and Other Bank Facilities	481,130,091	-	481,130,091	1,759,832,635	178,041,856	1,937,874,489
	481,130,091	-	481,130,091	1,759,832,635	178,041,856	1,937,874,489

23.2 Movement

	As at 01.04.2022	Loan Obtained	Interest Recognised	Repayment Capital	Repayment Interest	As at 31.03.2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Securitized Borrowings and Other Bank Facilities					
Direct Borrowings	1,937,874,489	3,123,500,000	145,381,503	4,539,496,875	186,129,026	481,130,091

Lending Institution	Outstanding Amount (Rs.)	Type of Facility	Interest Rate
Union Bank of Colombo PLC	300,244,011	Revolving loan	AWPLR+3%
First Capital Limited	133,980,970	Securitization	Fixed
M Power Capital Limited	46,905,110	Securitization	Fixed

24. FINANCIAL LIABILITIES

	2023 Rs.	2022 Rs.
Vendor Payables	3,661,958	37,144,750
Fees Payable	2,253,621	2,021,173
Sundry Creditors	57,784,899	63,652,455
Other Financial Liabilities	49,178,605	46,328,131
	112,879,083	149,146,508

25. NON FINANCIAL LIABILITIES

	2023 Rs.	2022 Rs.
Provisions & Accrued Expenses	42,974,480	35,973,375
Other Payables	35,362,793	52,539,344
Lease Liability - Rent (Note 25.1)	166,771,506	71,186,417
Impairment on off Balance Sheet Exposure	21,748,316	25,294,601
	266,857,095	184,993,738

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25. NON FINANCIAL LIABILITIES (Contd...)

	2023	2022
	Rs.	Rs.
25.1 Maturity Analysis of Lease Liability		
Lease Liability within one year	17,571,769	26,200,529
Lease Liability within one to five year	55,661,909	44,985,889
Lease Liability more than five year	93,537,828	-
	166,771,506	71,186,417

26. POST EMPLOYMENT LIABILITY

26.1 The movement of the Post Employment Liability of the Company is given below;

	2023	2022
	Rs.	Rs.
Post Employment Liability as at 01 April	23,346,596	20,352,117
Amount recognised in Income Statement (Note 26.2)	6,318,590	4,291,548
Amount recognised in Other Comprehensive Income (Note 26.3)	(487,844)	1,105,894
Payments made during the year	(2,543,152)	(2,402,963)
Post Employment Liability as at 31 March	26,634,190	23,346,596

26.2 Amount recognised in Income Statement

	2023	2022
	Rs.	Rs.
Service cost	3,400,265	3,110,555
Net interest on the net Post Employment Liability	2,918,325	1,180,423
Past Service cost	-	570
	6,318,590	4,291,548

26.3 Amount recognised in Other Comprehensive Income

	2023	2022
	Rs.	Rs.
Actuarial (Gain)/Loss resulting from changes in assumptions	(1,180,566)	444,565
Actuarial (Gain)/Loss resulting from experience adjustments	692,722	661,329
	(487,844)	1,105,894

26.4 The principal assumptions used in determining Post Employment Liability are shown below;

Discount rate	20.00%	12.5%
Salary increment rate	17.0%	11.5%
Retirement age	60 Years	60 Years
Mortality	Mortality Table	Mortality Table

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

26.5 Messers Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries has carried out an independent actuarial valuation of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of the retirement benefits.

The Institute of Chartered Accountant of Sri Lanka (CA Sri Lanka) has issued guidance [via Frequently Asked Questions (FAQs) on use of discount rate under the uncertain economic conditions] to consider an adjusted treasury bond rate as the discount rate for the purpose of the actuarial valuations as at 31st March 2023, on the basis that current treasury bond rates do not reflect only the time value of money. Accordingly, an adjusted discount rate was derived by removing a credit spread from the current treasury bond rate, as per the guidance issued by CA Sri Lanka.

UB FINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
As at 31 March

26 POST EMPLOYMENT LIABILITY (Contd...)

26.6 The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

	2023			
	+1%	-1%	+1%	-1%
Increase/(Decrease) in discount rate- %				
Increase/(Decrease) in salary increment rate - %				
Sensitivity effect on Statement of Profit or Loss and Other Comprehensive Income	1,070,052	(1,163,980)	(1,296,474)	1,207,834
Sensitivity effect on Post Employment Liability	(1,070,052)	1,163,980	1,296,474	(1,207,834)

26.7 The Expected Benefit payout in the future years of retirement gratuity.

	2023 Rs.	2022 Rs.
Within Next 12 Months	4,771,455	11,840,984
Between 1 and 5 years	11,633,781	15,070,340
Beyond 5 years	10,228,954	1,352,155

27 STATED CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

	2023 Rs.	2022 Rs.
Issued and fully paid ordinary share capital	3,016,482,247	1,028,272,810
Additions during the year	-	1,988,209,437
Capital Reduction	-	-
	3,016,482,247	3,016,482,247
Number of ordinary shares issued	2,699,687,318	2,699,687,318

28 STATUTORY RESERVE FUND

28.1 Five percent of the profits after tax is transferred to the Reserve Fund as required by the Section 3b (i) of the Central Bank Direction No 01 of 2003.

	2023 Rs.	2022 Rs.
Balance as at 1 April	71,987,751	67,931,719
Transfer during the year	-	4,056,031
Balance as at 31 March	71,987,751	71,987,751

UB FINANCE COMPANY LIMITED
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29 ACCUMULATED LOSS

	2023 Rs.	2022 Rs.
Balance as at 1 April	(342,555,951)	(418,780,067)
Profit for the year	(113,453,220)	81,120,627
Other Comprehensive Income for the year	(3,266,528)	(840,479)
Transfer to Statutory Reserve Fund	-	(4,056,031)
Transfer to regulatory loss allowance reserve	(92,549,026)	-
Balance as at 31 March	(551,824,724)	(342,555,951)

30 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company incurs certain contingent liabilities. This consists mainly of undrawn commitments to lend.

Though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Company.

30.1 Capital commitments

	2023 Rs.	2022 Rs.
Undrawn loan commitments	98,697,854	160,365,000
	98,697,854	160,365,000

30.2 Litigation

Litigation is a common occurrence in the Company industry due to the nature of the business undertaken. The Company has an established legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Company makes adjustments to account for any adverse effect which the claims may have on its financial standing. Set out below are unresolved legal claims against the Company as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

Litigations against UB Finance Company Limited

Legal Status	Case No.
a. Cases filed against the Company over the repossession of vehicles and loan facilities (In relation to movable assets).	
- Distric Court - Colombo	DSP/222/10, DMR 925/14,DSP/122/2020, DSP 01/2022, DMR 3085/22
- Commercial High Court of Civil Appellate - Colombo	WP/HCCA/COL/101/19(F) , WP/HCCA/COL/314/LA
- Distric Court - Kandy	DMR/830/20
- Distric Court - Homagama	21096 MR
- Distric Court - Elpitiya	1966-M

30 COMMITMENTS AND CONTINGENCIES (Contd...)

30.2 Litigation (Contd...)

b. Actions filed against the Company regarding construction matters, advance payments, possession of project properties and unpaid bills.

- High Court - Civil - Colombo	HC/Civil/177/10 , DLM 000148/2017
- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019, SC/HCCA/LA/281/2021
- Commercial High Court of Civil Appellate - Colombo	WP/HCCA/COL/121/18
- Distric Court - Colombo	DMR/1615/17, DMR/1801/12, DLM/174/12
- Distric Court - Kaduwela	L/533/15
- Distric Court - Negombo	8164/L, SPL 3579/17

c. Cases filed against the Company over the Fixed Deposit matters and Share - ownership related cases.

- Magistrate Court - Colombo	B/4004/14, B/4005/14
- Distric Court - Colombo	DTS/279/08
- Commercial High Court of Civil Appellate - Colombo	WP/HACCA/COL/LA/77/18
- Commercial High Court - Colombo	CHC/503/15MR, CHC/533/15MR, CHC/535/15MR, CHC/536/15MR
- Supreme Court - Colombo	SC/HCCA/LA/NO139/2020, SC/FR/317/9

d. Actions filed against the Company with respect to mortgaged property, court orders, title of property.

- Magistrate Court - Kesbewa	Case Number 82353
- Distric Court - Kesbewa	Case number RE 44
- Distric Court - Colombo	DSP/0266/12, DSP 63/10
- Distric Court - Panadura	2121/P
- Distric Court - Attanagalla	1547/L, 1558/20/L
- Commercial High Court of Civil Appellate - Kalutara	HCCA/KAL/137/13/F

e. Cases Filed Against the Company by the employees.

- Magistrate Court - Fort	LB 76305
- Court of Appeal - Fort	CA(Writ) 315/2011
- Supreme Court - Colombo	SC/APP/26/2014
- Labour Commissioner	CE/D6/04/61/2016, CLE/COM/67/2022/16

30 COMMITMENTS AND CONTINGENCIES (Contd...)

30.3 Contingent Liabilities

The Company has received a judgement against the Company and the Company has filled leave to appeal applications at the Civil appellate. The Company legal counsellors are of the view that there will be no additional liability on same.

30.4 Capital Commitments

The Company has no commitments for acquisition of Property Plant & Equipments to the ordinary course of Business.

31 FAIR VALUE OF ASSETS AND LIABILITIES

31.1 Assets and Liabilities Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial instruments at fair value through other comprehensive income

Financial investments at fair value through other comprehensive income, primarily consist of quoted and unquoted equities, and investment in units and Government debt securities.

Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka. Investment in units and quoted equities are valued using market prices in the active markets at the reporting date.

During the current year there was only unquoted equity in this category.

31.2 Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 – quoted market price (unadjusted): financial instruments with quoted prices in active markets.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

31.3 Valuation Framework

Cash and Cash Equivalents

Included in Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as Cash and cash equivalents. Time deposits, certificates of deposit, and money market accounts that meet the above criteria are reported at par value on our statement of financial position.

Finance Receivables (Loans, Lease Rentals Receivable & Stock out on Hire)

We measure performing finance receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest).

Other Financial Assets

Since all the balances which are under other financial assets have short term maturities, it is assumed that the carrying amounts of those balances approximate their fair values.

31 FAIR VALUE OF ASSETS AND LIABILITIES (Contd...)

31.4 Assets and liabilities measured at fair value - fair value hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the value recognised in the statement of financial position in the financial statements.

	2023			Total Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
Financial Assets measured at fair value				
<i>Financial Investments - at fair value through other comprehensive income</i>				
Equity Securities	-	-	21,858,224	21,858,224
<i>Non Financial Assets</i>				
Land and buildings			107,744,586	107,744,586
	-	-	129,602,810	129,602,810

The methods used to determine fair value of the financial instruments categorised under level 3 are stated in Note 15.1

The methods used to determine fair value of Non financial assets - land and buildings categorized under level 3 are stated in Note 19.4

	2022			Total Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
Financial Assets measured at fair value				
<i>Financial Investments - at fair value through other comprehensive income</i>				
Equity Securities	-	-	21,733,514	21,733,514
<i>Non Financial Assets</i>				
Land and buildings			108,410,601	108,410,601
	-	-	130,144,115	130,144,115

31.5 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies & assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts which do not have a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For 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. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

UB FINANCE COMPANY LIMITED
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31 FAIR VALUE OF ASSETS AND LIABILITIES (Contd...)

31.5 Fair value of financial assets and liabilities not carried at fair value (contd...)

Set out below is a comparison of the carrying amounts & fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets & non-financial liabilities.

	2023				
	Level 1 Rs.	Fair Value Level 2 Rs.	Level 3 Rs.	Fair Value Rs.	Carrying amount Rs.
Financial Assets					
Financial Assets at amortized cost - Loans and Advances to Customers	-	8,673,278,735	-	8,673,278,735	9,026,635,933
	-	8,673,278,735	-	8,673,278,735	9,026,635,933
Financial Liabilities					
Due to other Customers	-	6,298,887,184	-	6,298,887,184	6,508,959,106
Other Borrowed Funds	-	474,800,416	-	474,800,416	481,130,091
	-	6,773,687,600	-	6,773,687,600	6,990,089,197
	2022				
	Level 1 Rs.	Fair Value Level 2 Rs.	Level 3 Rs.	Fair Value Rs.	Carrying amount Rs.
Financial Assets					
Financial Assets at amortized cost - Loans and Advances to Customers	-	9,113,109,976	-	9,113,109,976	9,338,064,207
	-	9,113,109,976	-	9,113,109,976	9,338,064,207
Financial Liabilities					
Due to other Customers	-	4,874,240,021	-	4,874,240,021	4,892,138,425
Other Borrowed Funds	-	1,909,819,591	-	1,909,819,591	1,937,874,490
	-	6,784,059,612	-	6,784,059,612	6,830,012,915

The Following is a list of financial investments whose carrying amount is a reasonable approximation of fair value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

	Carrying amount	
	2023 Rs.	2022 Rs.
Assets :		
Cash in Hand and Balances with Banks	510,336,620	232,409,217
Financial Investments at amortised cost	848,057,918	646,588,114
Financial assets measured at fair value through Other Comprehensive Income	21,858,224	21,733,514
Financial Assets	3,725,359	4,693,407
Liabilities :		
Due to Banks	15,388,651	83,954,874
Financial Liabilities	112,879,083	149,146,508

32 RISK MANAGEMENT

32.1 Introduction

Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the companies continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating risks.

The business risks such as changes in the environment, technology and industry are primarily addressed through the company's strategic planning process. Industry specific changes are also reviewed and presented on a need basis by the Management and are tabled at the Integrated Risk Management Committee (IRMC) and the Board Credit Committee (BCC).

32.2 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a Board Sub Committee called "Integrated Risk Management Committee (IRMC)" which has the responsibility to monitor the overall risk process within the company.

The IRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. IRMC is also responsible for managing risks and monitoring risk levels and reports on monthly/quarterly basis to the Board.

Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

Asset Liability Committee (ALCO) are responsible for managing the company's assets and liabilities and the overall financial structure.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

32.3 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept, with additional emphasis on selected industries. In addition, the company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Integrated Risk Committee. These reports include aggregate credit exposures, credit concentration, operational risk, market risk and liquidity ratios. Management assess the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all necessary information to assess and conclude on the risks of the Company.

Risk related policies are documented and made available to all staff at all levels for a comprehensive understanding of the Company's risk appetite and the overall risk management of the Company. Workshops are held to share knowledge of potential risk events and keep the staff abreast with the latest changes. Briefings are also given to other relevant members of the company on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

32.4 Risk Mitigation

As part of its overall risk management, the company uses various instruments to manage exposures resulting from credit risks, changes in interest rates, equity risks, and exposures arising from transactions.

The company actively uses collateral to reduce its credit risks.

32.5 Excessive risk concentration

In order to avoid excessive concentrations of risk, the company monitors concentration levels to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

32 RISK MANAGEMENT (Contd...)

32.6 Credit Risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Company uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardized credit appraisal and approval process is in place. Credit Authority lies with the Board of Directors, Board Credit Committee and members of the management as per the assigned limits on delegated credit authority. Company's systems for credit evaluation and decision making are independent from collateralization albeit collateral helps to mitigate credit risk.

Credit Operation Department reviews credit facilities before and after sanctioning of facilities. A separate Loan Review Policy approved by the Board of Directors is in place.

In the post sanctioning review of credit facilities, the Board Credit Committee reviews among other things, the disbursements, perfection of collaterals and repayments are in accordance with the terms of approval.

32.7 Impairment Assessment

The methodology of the impairment assessment is explained in the note 2.2.5 under summary of significant accounting policies.

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32. RISK MANAGEMENT (Contd...)

32.8 Credit Quality by Class of Financial Assets

The company manages the credit quality of financial assets by categorising its credit exposure by class of financial asset, line of business and geographic region. It is the company's policy to maintain accurate and consistent risk profile across the credit portfolio. The table below shows the credit quality for all financial assets exposed to credit risk, based on the company's internal credit rating system.

As at 31 March 2023	Neither Past Due Nor Impaired Rs.	Past Due but Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	510,336,620	-	-	510,336,620
Financial Investments at amortised cost	848,057,918	-	-	848,057,918
Financial Assets at amortized cost - Loans and Advances to Customers	3,089,415,821	4,914,541,515	1,022,678,597	9,026,635,933
Financial assets measured at fair value through Other Comprehensive Income	21,858,224	-	-	21,858,224
Other Financial Assets	3,725,359	-	-	3,725,359
Total Financial Assets	4,473,393,942	4,914,541,515	1,022,678,597	10,410,614,054

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Impaired *				Total
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	
Loans and receivables from customers	3,040,568,529	586,915,306	450,587,860	836,469,820	4,914,541,515

* Past due but not Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

As at 31 March 2022	Neither Past Due Nor Impaired Rs.	Past Due but Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	232,409,217	-	-	232,409,217
Financial Investments at amortised cost	646,588,114	-	-	646,588,114
Financial Assets at amortized cost - Loans and Receivables to Customers	5,223,021,585	3,312,225,002	802,817,621	9,338,064,208
Financial assets measured at fair value through Other Comprehensive Income	21,733,514	-	-	21,733,514
Other Financial Assets	4,693,407	-	-	4,693,407
Total Financial Assets	6,128,445,835	3,312,225,002	802,817,621	10,243,488,460

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Impaired *				Total
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	
Loans and receivables from customers	2,174,078,970	415,432,715	62,980,946	659,732,371	3,312,225,002

* Past due but not Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

32. RISK MANAGEMENT (Contd...)

32.9 Analysis of Credit Risk Exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, securities, letters of guarantees, real estate, receivables, inventories, other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral and the net exposure to credit risk.

As at 31 March	2023		2022	
	Maximum Exposure to Credit Risk	Net Exposure Credit Risk	Maximum Exposure to Credit Risk	Net Exposure Credit Risk
	Rs.	Rs.	Rs.	Rs.
Cash in Hand and Balances with Banks	510,336,620	510,336,620	232,409,217	232,409,217
Financial Investments at amortised cost	848,057,918	848,057,918	646,588,114	646,588,114
Financial Assets at amortized cost - Loans and Advances to Customers	9,026,635,933	356,257,396	9,338,064,207	326,663,574
Financial assets measured at fair value through Other Comprehensive Income	21,858,224	21,858,224	21,733,514	21,733,514
Other Financial Assets	3,725,359	3,725,359	4,693,407	4,693,407
Total Financial Assets	10,410,614,054	1,740,235,517	10,243,488,458	1,232,087,824

The Company holds certain assets as collateral which it is permitted to sell or repledge in the event of default by the owner of the collateral, under the usual terms and conditions applying to such agreements which are fair valued based on the valuations obtained.

32.10 Credit-related commitment risks

Such commitment risks are mitigated by regular review of unfunded limits and exposures similar to review of funded limits and exposures.

32.11 Collateral and other credit enhancements:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables etc
- For retail lending, mortgages over residential properties, absolute ownership of vehicles etc
- Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.
- It is the company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.
- The company also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken.

Although on the balance sheet netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realized
- The documentation are legally enforceable

32. RISK MANAGEMENT (Contd...)

The table below sets out principal types of collateral that are held against different types of financial assets.

Product Type	Principal Type of Collateral Held for Secured Lending
Leasing / Hire Purchase	Motor vehicles
Term loans	Motor vehicles/Property/FD
Easy Draft	Motor vehicles/Property/FD
Gold Loans	Gold Articles
Factoring & Cheque Discounting	Motor vehicles/Property
Housing Loans	Property

There are no changes to Company's policy on collaterals.

32.12 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the statement of financial position.

As at 31 March 2023

Financial Assets	Agriculture		Construction & Transport		Trading & Manufacturing		Services Including Financial Services		Other		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cash in hand and balances with Banks	-	-	-	-	-	-	510,336,620	-	-	-	510,336,620	
Financial Investments at amortised cost	-	-	-	-	-	-	848,057,918	-	-	-	848,057,918	
Financial Assets at amortized cost - Loans and Advances to Customers	486,331,053	910,619,644	2,005,503,937	2,005,503,937	2,157,780,011	2,157,780,011	2,528,707,176	2,157,780,011	2,157,780,011	8,088,941,821		
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	-	-	21,858,224	-	-	-	21,858,224	
Other Financial Assets	-	-	-	-	-	-	-	3,725,359	3,725,359	-	3,725,359	
Total Financial Assets	486,331,053	910,619,644	2,005,503,937	2,005,503,937	2,161,505,370	2,161,505,370	3,908,959,938	2,161,505,370	2,161,505,370	9,472,919,942		

As at 31 March 2022

Financial Assets	Agriculture		Construction & Transport		Trading & Manufacturing		Services Including Financial Services		Other		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Cash in Hand and Balances with Banks	-	-	-	-	-	-	232,409,217	-	-	-	232,409,217	
Financial Investments at amortised cost	-	-	-	-	-	-	646,588,114	-	-	-	646,588,114	
Financial Assets at amortized cost - Loans and Receivables to other Customers	596,602,023	1,091,549,854	2,468,691,197	2,468,691,197	1,775,655,946	1,775,655,946	2,700,177,606	1,775,655,946	1,775,655,946	8,632,676,626		
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	-	-	21,733,514	-	-	-	21,733,514	
Other Financial Assets	-	-	-	-	-	-	-	4,693,407	4,693,407	-	4,693,407	
Total Financial Assets	596,602,023	1,091,549,854	2,468,691,197	2,468,691,197	1,780,349,353	1,780,349,353	3,600,908,451	1,780,349,353	1,780,349,353	9,538,100,878		

32. RISK MANAGEMENT (Contd...)

32.13 Liquidity risk and funding management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through a Management Committee. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The company also has lines of credit that it can access to meet urgent liquidity needs. In addition, the company maintains Treasury bill investments with the Central Bank of Sri Lanka greater than 10% of customer deposits. Net liquid assets consist of cash, short-term company deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Management of the Company maintained a stable liquidity position even during this challenging period due to the current crisis situation and closely monitoring the position on daily basis and taking necessary measures to safeguard of entity. The company introduced more rigour to the processes already in place to manage its liquid assets including cost saving measures. These actions taken will help to maintain suitable liquidity position while ensuring the interest of company's stakeholders despite of disruptive effect on liquidity that may arise due to the continuously evolving nature of the economic crisis.

The liquidity ratios during the year were, as follows:

Liquid Asset Ratios

	2023	2022
Year End	20%	17%
Maximum	20%	20%
Minimum	10%	10%
Average	13%	15%

Advances to Deposit Ratios

The company stresses the importance of fixed deposit and savings accounts as sources of funds to finance lending to customers. Advance to Deposit Ratio

	2023	2022
Year End	1.4	1.9
Maximum	1.9	2.0
Minimum	1.4	1.6
Average	1.6	1.8

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32. RISK MANAGEMENT (Contd...)

32.13 Liquidity risk and funding management (Contd..)

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the company's financial assets and liabilities as at 31 March 2023. Contractual maturities of undiscounted cash flows of financial assets and liabilities are shown in the table below;

2023	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
Assets					
Cash in hand and balances with Banks	510,336,620	-	-	-	510,336,620
Financial Investments at amortised cost	754,569,505	93,488,413	-	-	848,057,918
Financial Assets at amortized cost - Loans and Advances to Customers	4,061,861,141	3,260,590,671	3,936,972,511	61,367,167	11,320,791,490
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	21,858,224	21,858,224
Other Financial Assets	1,272,289	559,884	1,170,275	722,910	3,725,359
	5,328,039,555	3,354,638,969	3,938,142,786	83,948,301	12,704,769,611
Liabilities					
Due to banks	15,388,651	-	-	-	15,388,651
Due to other customers	2,175,304,431	2,675,965,248	2,940,654,923	-	7,791,924,601
Other Borrowed funds	453,402,660	30,151,081	-	-	483,553,742
Financial Liabilities	67,482,270	45,396,813	-	-	112,879,083
	2,711,578,012	2,751,513,142	2,940,654,923	-	8,403,746,077

2022	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
Assets					
Cash in Hand and Balances with Banks	232,409,217	-	-	-	232,409,217
Financial Investments at amortised cost	646,588,114	-	-	-	646,588,114
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,773,564,384	2,834,940,332	5,932,821,733	246,307,903	11,787,634,352
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	21,733,514	21,733,514
Other Financial Assets	487,805	2,230,683	1,408,097	566,821	4,693,407
	3,653,049,520	2,837,171,015	5,934,229,831	268,608,238	12,693,058,603
Liabilities					
Due to Banks	83,954,874	-	-	-	83,954,874
Due to other Customers	1,628,198,363	2,396,679,781	1,281,267,660	-	5,306,145,803
Other Borrowed Funds	806,611,461	678,055,414	509,533,402	-	1,994,200,277
Financial Liabilities	68,922,208	80,224,300	-	-	149,146,508
	2,587,686,906	3,154,959,496	1,790,801,061	-	7,533,447,463

32.14 Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As such interest rate risk is a key risk exposure of the company due to unanticipated movements in the future interest rates which arises from the core business activities, granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk is mitigated principally through minimizing the interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the company conducts periodic reviews and re-prices its assets particularly by the means of following.

- Effective policies and procedures designed to control the nature and amount of IRR, including clearly defined IRR limits and lines of responsibility and authority
- Appropriate risk-measurement, monitoring, and reporting systems
- Systematic internal controls that include the internal or external review and audit of key elements of the risk-management process

32 RISK MANAGEMENT (Contd...)

32.14 Interest Rate Risk (Contd...)

32.14.1 Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

	As at 31 March 2023					Total
	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	
Financial Assets						
Cash and Bank Balances	-	-	-	-	-	510,336,620
Financial Investments at amortised cost	706,522,324	93,023,300	-	-	48,512,294	848,057,918
Financial Assets at amortized cost - Loans and Advances to Customers	3,542,484,265	2,016,320,663	2,521,008,145	9,128,748	-	8,088,941,821
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	21,858,224	21,858,224
Financial Assets	4,249,006,589	2,109,343,963	2,521,008,145	9,128,748	584,432,497	9,472,919,942
Financial Liabilities						
Due to Banks	15,388,651	-	-	-	-	15,388,651
Due to Customers	1,809,747,518	1,934,452,852	2,126,547,435	-	638,211,301	6,508,959,106
Other Borrowed funds	430,041,855	25,000,000	-	-	26,088,236	481,130,091
Financial Liabilities	2,255,178,024	1,959,452,852	2,126,547,435	-	777,178,620	7,118,356,931
INTEREST SENSITIVITY GAP	1,993,828,565	149,891,110	394,460,710	9,128,748	(192,746,123)	2,354,563,011

32 RISK MANAGEMENT (Contd...)

32.14 Interest Rate Risk (Contd...)

32.14.1 Interest Rate Risk Exposure on Financial Assets and Liabilities (Contd..)

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2022	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total
Financial Assets						
Cash and Bank Balances	-	-	-	-	232,409,217	232,409,217
Financial Investments at amortised cost	646,588,114	-	-	-	-	646,588,114
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,173,794,911	2,062,128,958	4,255,587,235	141,165,522	-	8,632,676,627
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	21,733,514	21,733,514
Financial Assets	2,820,383,025	2,062,128,958	4,255,587,235	141,165,522	258,836,138	9,538,100,878
Financial Liabilities						
Due to Banks	83,954,874	-	-	-	-	83,954,874
Due to Customers	1,466,465,713	2,212,081,049	936,020,187	-	277,571,476	4,892,138,425
Other Borrowed funds	1,155,538,729	537,458,145	178,041,855	-	66,835,761	1,937,874,490
Financial Liabilities	2,705,959,317	2,749,539,194	1,114,062,042	-	493,553,745	7,063,114,297
INTEREST SENSITIVITY GAP	114,423,709	(687,410,236)	3,141,525,193	141,165,522	(234,717,608)	2,474,986,581

32 RISK MANAGEMENT (Contd...)

32.14 Interest Rate Risk (Contd...)

32.14.2 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's Net Interest Income.

Net Interest Income (NII) Sensitivity by Interest Rate Change

Parallel Increase/Decrease of Rate Annual Impact on NII (Rs.)	2023		2022	
	(+/-) 1% (+/-) (12,161,384)	(+/-) 2% (+/-) (24,322,768)	(+/-) 1% (+/-) (22,585,912)	(+/-) 2% (+/-) (45,171,829)

32.14.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

As at 31 March 2023	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
Assets					
Cash in hand and balances with Banks	510,336,620	-	-	-	510,336,620
Financial Investments at amortised cost	754,569,505	93,488,413	-	-	848,057,918
Financial Assets at amortized cost - Loans and Advances to Customers	3,542,484,265	2,016,320,663	2,521,008,145	9,128,748	8,088,941,821
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	21,858,224	21,858,224
Investment in Real Estate	5,000,000	20,500,000	49,987,070	-	75,487,070
Other Assets	37,092,133	18,252,090	3,786,050	16,492,944	75,623,215
Intangible assets	-	-	-	6,480,963	6,480,963
Property, plant and equipment	-	-	-	333,358,031	333,358,031
Deferred tax assets	-	-	146,379,963	-	146,379,963
	4,849,482,523	2,148,561,166	2,721,161,228	387,318,909	10,106,523,825
Liabilities					
Due to banks	15,388,651	-	-	-	15,388,651
Due to other customers	1,995,043,473	2,265,616,429	2,248,299,205	-	6,508,959,107
Other Borrowed funds	456,130,091	25,000,000	-	-	481,130,091
Current Tax Liabilities	-	-	-	-	-
Financial Liabilities	67,482,270	45,396,813	-	-	112,879,083
Other Non Financial Liabilities	49,411,113	68,246,244	55,661,909	93,537,828	266,857,094
Post Employment Liability	-	4,771,455	11,633,781	10,228,954	26,634,190
	2,583,455,598	2,409,030,941	2,315,594,895	103,766,782	7,411,848,216
Equity	-	-	-	2,694,675,608	2,694,675,608
Total Equity & Liabilities	2,583,455,598	2,409,030,941	2,315,594,895	2,798,442,390	10,106,523,825

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32 RISK MANAGEMENT (Contd...)

32.14.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

As at 31 March 2022	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances
Assets					
Cash in hand and balances with Banks	232,409,217	-	-	-	232,409,217
Financial Investments at amortised cost	646,588,114	-	-	-	646,588,114
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,173,794,911	2,062,128,958	4,255,587,235	141,165,522	8,632,676,627
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	21,733,514	21,733,514
Investment in Real Estate	-	27,500,000	61,609,662	-	89,109,662
Intangible assets	-	-	-	8,623,224	8,623,224
Property, Plant and Equipment	-	-	-	240,489,102	240,489,102
Deferred tax assets	-	-	150,171,748	-	150,171,748
Other Assets	21,248,861	33,974,771	5,171,030	566,821	60,961,482
	3,074,041,103	2,123,603,729	4,472,539,675	412,578,183	10,082,762,690
Liabilities					
Due to banks	83,954,874	-	-	-	83,954,874
Due to other customers	1,561,626,834	2,246,091,723	1,084,419,868	-	4,892,138,425
Other Borrowed funds	1,222,374,490	537,458,145	178,041,855	-	1,937,874,490
Current Tax Liabilities	-	-	-	-	-
Financial Liabilities	68,922,208	80,224,300	-	-	149,146,508
Other Non Financial Liabilities	69,902,469	70,105,380	44,985,889	-	184,993,737
Post Employment Liability	-	-	-	23,346,596	23,346,596
	3,006,780,874	2,933,879,548	1,307,447,612	23,346,596	7,271,454,630
Equity	-	-	-	2,811,308,060	2,811,308,060
Total Equity & Liabilities	3,006,780,874	2,933,879,548	1,307,447,612	2,834,654,656	10,082,762,690

33 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which should required adjustment to, or disclosure in the financial statement.

34. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

As at 31 March 2023

Description of Property	Nature of Encumbrance	Carrying Amount of Assets Pledged Rs.	Included Under
Lease/ Hire Purchase rental receivable	Long term loans	998,669,082	Loans and receivables from Customers

As at 31 March 2022

Description of Property	Nature of Encumbrance	Assets Pledged Rs.	Included Under
Lease/ Hire Purchase rental receivable	Long term loans	2,571,829,734	Loans and receivables from Customers

35. RELATED PARTY DISCLOSURES

The company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. Details of significant related party disclosures are as follows.

35.1 Transactions with Key Management Personnel

Related party include Key Management Personal defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

The Key Management Personnel (KMP) includes the board of Directors of the company, Chief Executive Officer, Deputy General Manager - Credit and Operations, Deputy General Manager - Finance, Assistant General Manager - Channels, Assistant General Manager - Recovery, Chief Manager - Operations, Manager Risk, Head of Compliance, Head of Information Technology of the company and Board of Directors of the parent entity.

35.2 Key Management Personnel Compensation

	2023 Rs.	2022 Rs.
Short-term employment benefits	34,211,453	36,012,838
Post Employment Benefits	5,015,885	4,014,933
Directors' emoluments	4,026,000	3,538,000
	43,253,339	43,565,771

Contribution to defined contribution plan in March 2023 is Rs. 5,015,885/- (in 2022 - Rs. 4,014,933/-)

In addition to the above, the Company has also provided non-cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Company.

35 RELATED PARTY DISCLOSURES (Contd..)

35.3 Transactions, arrangements and agreements with Key Management Personnel and their close members of the family of the company

The company enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year.

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

Statement of Financial Position	Reported Under	2023 Rs.	2022 Rs.
Assets			
Loans and Receivables	Financial Assets at amortized cost - Loans and Advances to Customers	11,401,770	3,459,080
Liabilities			
Fixed Deposits	Due to Customers	24,798,758	5,252,602
Statement of Comprehensive Income			
Interest Income	Interest Income	1,383,340	243,180
Interest Expense on Customer Deposits	Interest Expenses	5,327,968	416,183

35.4 Transactions with Other Related Parties

35.4.1 Transactions with parent Company - Union Bank of Colombo PLC.

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

Transactions with parent company

Statement of Financial Position	Reported Under	2023 Rs.	2022 Rs.
Liabilities			
Borrowings *	Other Borrowed Funds	300,244,011	701,028,822
		300,244,011	701,028,822
Statement of Comprehensive Income			
Interest Expense on Borrowings	Interest Expense	86,825,354	75,344,785
Interest Income	Interest Income	8,416,326	12,734,975
Other Income	Other Operating Income	-	332,500
Expense Reimbursement	Other Expenses	-	246,059
		95,241,680	88,658,319
Other Transactions			
Borrowings Obtained during the Year		3,110,000,000	1,800,000,000
Borrowings settled during the Year		(3,510,000,000)	(2,112,631,773)
		(400,000,000)	(312,631,773)

36. SEGMENT INFORMATION

For the Management purposes, the company is organised in to four operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

	2023		Auto Loans		Property Loans		Gold Loans		Others		Total	
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income			1,317,837,085	45,802,259	310,747,552	338,967,250	2,013,354,145					
Interest Expenses			(836,149,072)	(132,403,382)	(137,474,114)	(168,375,491)	(1,274,402,059)					
Net Interest Income			481,688,013	(86,601,123)	173,273,438	170,591,759	738,952,086					
Fee and Commission Income			34,483,063	636,203	12,313,856	267,553	47,700,675					
Fee and Commission Expenses			(11,841,538)	-	-	-	(11,841,538)					
Net Fee and Commission Income			22,641,525	636,203	12,313,856	267,553	35,859,137					
Other Operating Income (Net)			27,606,625	15,778,390	966,318	21,232,368	65,583,701					
Total Operating Income			531,936,163	(70,186,530)	186,553,611	192,091,680	840,394,924					
Impairment Charge for Loans and Advances and Other Assets			(243,928,650)	(48,157,010)	(10,097,917)	(30,475,596)	(332,659,172)					
Net Operating Income			288,007,513	(118,343,540)	176,455,694	161,616,084	507,735,751					
Staff Costs			(177,173,218)	(28,055,204)	(29,129,652)	(35,660,164)	(270,018,237)					
Depreciation of Property, Plant and Equipment			(34,735,634)	(5,500,353)	(5,711,004)	(6,991,341)	(52,938,332)					
Amortisation of Intangible Assets			(1,405,651)	(222,583)	(231,108)	(282,919)	(2,142,262)					
Other Expenses			(157,173,291)	(27,748,446)	(34,534,557)	(36,978,036)	(256,434,331)					
Operating Profit/Loss before Value Added Tax on Financial Services (VAT on FS)			(82,480,281)	(179,870,128)	106,849,374	81,703,623	(73,797,411)					
Value Added Tax on Financial Services (VAT on FS)			-	-	-	(39,655,809)	(39,655,809)					
Profit / (Loss) Before Taxation			(82,480,281)	(179,870,128)	106,849,374	42,047,814	(113,453,220)					
Tax Expense			-	-	-	-	-					
Profit / (Loss) for the Year			(82,480,281)	(179,870,128)	106,849,374	42,047,814	(113,453,220)					

36. SEGMENT INFORMATION (Contd..)

For the Management purposes, the company is organised in to four operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

	Auto Loans		Property Loans		Gold Loans		Others		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.	
Interest Income	1,106,109,044		136,884,820		116,884,973		162,441,724		1,522,320,560	
Interest Expenses	(413,149,832)		(73,926,928)		(45,804,677)		(146,095,124)		(678,976,561)	
Net Interest Income	692,959,212		62,957,891		71,080,296		16,346,600		843,343,999	
Fee and Commission Income	46,617,661		4,513,513		1,674,225		1,203,742		54,009,140	
Fee and Commission Expenses	(32,127,799)		-		-		-		(32,127,799)	
Net Fee and Commission Income	14,489,862		4,513,513		1,674,225		1,203,742		21,881,341	
Other Operating Income (Net)	34,371,492		787,867		1,046,906		35,718,334		71,924,599	
Total Operating Income	741,820,566		68,259,271		73,801,427		53,268,676		937,149,939	
Impairment Charge for Loans and Receivables and Other Assets	(122,805,038)		(129,474,441)		(1,090,801)		(10,688,069)		(264,058,348)	
Net Operating Income	619,015,528		(61,215,170)		72,710,626		42,580,608		673,091,591	
Staff Costs	(146,087,909)		(26,140,227)		(16,196,326)		(28,271,030)		(216,695,492)	
Depreciation of Property, Plant and Equipment	(31,956,546)		(5,718,142)		(3,542,926)		(6,184,252)		(47,401,866)	
Amortisation of Intangible Assets	(1,547,851)		(276,965)		(171,606)		(299,541)		(2,295,963)	
Other Expenses	(122,750,955)		(21,964,431)		(13,609,029)		(23,754,847)		(182,079,262)	
Operating Profit before Value Added Tax on Financial Services (VAT on FS)	316,672,267		(115,314,935)		39,190,740		(15,929,063)		224,619,008	
Value Added Tax on Financial Services (VAT on FS)	-		-		-		(63,189,514)		(63,189,514)	
Profit / (Loss) Before Taxation	316,672,267		(115,314,935)		39,190,740		(79,118,577)		161,429,494	
Tax Expense	-		-		-		(80,308,867)		(80,308,867)	
Profit for the Year	316,672,267		(115,314,935)		39,190,740		(159,427,444)		81,120,627	

Share Information

The Ordinary Shares of the Company was listed on the Diri Savi Board of the Colombo Stock Exchange on 14th August 2023.

Number of Ordinary Shares as at 31 March 2023 : 2,699,687,318

(Stated Capital of the Company solely represents voting ordinary shares)

Distribution of Shareholders

Distribution of Shareholders (Shares)	As at 31st March 2023				As at 31st March 2022			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1-1,000	960	28.64%	308,859	0.01%	960	28.64%	308,859	0.01%
1,001-10,000	1,168	34.84%	4,755,912	0.18%	1,167	34.84%	4,755,912	0.18%
10,001-100,000	1,085	32.37%	32,803,271	1.22%	1,085	32.37%	32,803,271	1.22%
100,001-1,000,000	130	3.88%	31,739,324	1.17%	130	3.88%	31,739,324	1.17%
Over 1,000,000 shares	9	0.27%	2,630,079,952	97.42%	9	0.27%	2,630,079,952	97.42%

Top 20 Shareholders of the Company

No	Name	As at 31st March 2023		As at 31st March 2022	
		No. of Shares	%	No. of Shares	%
1	Union Bank of Colombo PLC	2,477,618,876	91.77%	2,477,618,876	91.77%
2	Shorecap II Limited	85,250,000	3.16%	85,250,000	3.16%
3	Mr D.A.J. Warnakulasuriya	38,839,647	1.44%	38,839,647	1.44%
4	Mr O.I. Sheunn	14,605,884	0.54%	14,605,884	0.54%
5	Associated Electrical Corporation Limited	6,544,215	0.24%	6,544,215	0.24%
6	Mrs S.T. Wijesekera	2,781,998	0.10%	2,781,998	0.10%
7	Mr W.M.C. Gunaratne	1,677,055	0.06%	1,677,055	0.06%
8	Mr C.P.A. Wijesekera	1,547,262	0.06%	1,547,262	0.06%
9	Mr L.H. Jayalath	1,215,015	0.05%	1,215,015	0.05%
10	Napco (Pvt) Ltd	983,297	0.04%	983,297	0.04%
11	First Gulf Asia Holding Limited	887,616	0.03%	887,616	0.03%
12	Ceylease Financial Services Ltd	777,034	0.03%	777,034	0.03%
13	Mr K.A.D.S.A. Kumara Weerasinghe	775,000	0.03%	775,000	0.03%
14	Ashyaki Holdings (Pvt) Ltd	678,138	0.03%	678,138	0.03%
15	Ms L.P. Rajapaksa	671,943	0.02%	671,943	0.02%
16	Ms P.H.T. Sagarika	649,024	0.02%	649,024	0.02%
17	Mr R. Sumanasekara	617,679	0.02%	617,679	0.02%
18	Ajita De Zoysa & Company (Pvt) Limited	575,293	0.02%	575,293	0.02%
19	Commercial Agencies (Ceylon) (Pvt) Limited	575,293	0.02%	575,293	0.02%
20	Mr S. Ravindran	566,352	0.02%	566,352	0.02%

Directors' and CEO's Share Holdings

Name	Position	No of Shares as at 31-03-2023	No of Shares as at 31-03-2022
Atul Malik	Chairman	-	-
Chnadrakumar Ramachandra	Director	-	-
Sabry Ghouse	Director	-	-
Michael J O'Hanlon	Director	-	-
Indrajit Wickramasinghe	Director	-	-
Lisa Gayle Thomas	Director	-	-
Raj Moahan Balendra	Director	-	-
Jayendra Setukavalar	Director	-	-
Ransith Karunaratne	Director/CEO	-	-

Key Ratios

Ratio	31-03-2023	31-03-2022
Dividend per share	-	-
Dividend Payout Ratio	-	-
Net Asset Value Per Share (Rs.)	1.00	1.04

Corporate Information

Company Name	:	UB Finance Company Limited	
Statutory Status	:	Limited Liability Company	
Incorporated On	:	12-07-1961	
Company Reg.No	:	PB 113 (Previously PVS 1940 /PBS)	
Governed By	:	The Companies Act No.07 of 2007, The Finance Business Act No.42 of 2011 & The Finance Leasing Act No. 56 of 2000	
Registered Office	:	No. 10, Daisy Villa Avenue, Colombo 04	
Head Office	:	No. 10, Daisy Villa Avenue, Colombo 04	
Telephone	:	+94 (0) 11 4 468 888	
Fax	:	+94 (0) 11 2 508 517	
E-mail	:	info@ubf.lk	
Website	:	www.ubf.lk	
External Auditors	:	M/s. Ernst & Young	
Company Secretary	:	P W Corporate Secretarial (Pvt) Ltd	
Bankers	:	Union Bank of Colombo PLC	Hatton National Bank PLC
		Nations Trust Bank PLC	Seylan Bank PLC
		People's Bank	Commercial Bank of Ceylon PLC
		Sampath Bank PLC	Pan Asia Banking Corporation PLC
VAT Registration No	:	104019404 - 7000	

Branch Network

LOCATION	ADDRESS	TELEPHONE	FAX
Head Office	No. 10, Daisy Villa Avenue, Colombo 04.	+94 (0) 114 - 468 888	+94 (0) 112 - 508 517
Premier Office	No 12, R. A. De Mel Mawatha, Colombo 05.	+94 (0) 114 - 501 343 +94 (0) 114 - 501 344	+94 (0) 114 - 501 345
Ambalangoda	No. 27, Wickramasooriya Road, Ambalangoda.	+94 (0) 917 - 634 600 +94 (0) 917 - 634 601	+94 (0) 917 - 634 602
Galle	No.30, Dewamiththa Mawatha, Cheena Koratuwa, Galle.	+94 (0) 917 - 634 577 +94 (0) 917 - 634 576	+94 (0) 917 - 634 575
Gampaha	No. 56 Baudhdhaloka Mawatha, Gampaha.	+94 (0) 334 - 501 520 +94 (0) 334 - 501 521	+94 (0) 334 - 501 522
Kadawatha	No.143/B. Kandy Road, Kadawatha.	+94 (0) 117 - 634 577 +94 (0) 117 - 634 576	+94 (0) 117 - 634 575
Kalmunai	No. 114B, Main Street, Kalmunai.	+94 (0) 674 - 501 011 +94 (0) 674 - 501 012	+94 (0) 674 - 501 013
Kandy	No. 75, Yatinuwara Veediya, Kandy.	+94 (0) 817 - 634 577 +94 (0) 817 - 634 576	+94 (0) 817 - 634 575
Kurunegala	No. 60, Colombo Road, Kurunegala.	+94 (0) 377 - 634 577 +94 (0) 377 - 634 576	+94 (0) 377 - 634 575
Matara	No. 268, Anagarika Dharmapala Mawatha, Matara.	+94 (0) 417 - 634 577 +94 (0) 417 - 634 576	+94 (0) 417 - 634 575
Mawanella	No. 91, Rambukkana Road, Mawanella.	+94 (0) 357 - 634 577 +94 (0) 357 - 634 576	+94 (0) 357 - 634 575
Negombo	No. 539, Colombo Road, Kurana, Negombo	+94 (0) 317 - 634 577 +94 (0) 317 - 634 576	+94 (0) 317 - 634 575
Nuwara Eliya	No. 32/1 Park Road, Nuwaraeliya.	+94 (0) 524 - 650 300 +94 (0) 524 - 650 301	+94 (0) 524 - 650 302
Panadura	No. 223A, 1st Floor, Galle Road, Panadura.	+94 (0) 387 - 634 577 +94 (0) 387 - 634 576	+94 (0) 387 - 634 575
Polonnaruwa	No. 05, Batticaloa Road, Polonnaruwa	+94 (0) 277 - 634 577 +94 (0) 277 - 634 576	+94 (0) 277 - 634 575
Rathnapura	No. 105/1, Colombo Road, Ratnapura.	+94 (0) 454 - 650 300 +94 (0) 454 - 650 301	+94 (0) 454 - 650 302
Thissamaharama	No. 163, Kachcheriyagama, Thissamaharama.	+94 (0) 477 - 634 577 +94 (0) 477 - 634 576	+94 (0) 477 - 634 575

UB FINANCE COMPANY LIMITED
(Company Registration No. PB 113)
No.10, Daisy Villa Avenue, Colombo 04

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of UB Finance Company Limited will be held by electronic means on Wednesday, 27th September 2023 at 10.30 a.m. centered at the Registered Office of the Company, No.10, Daisy Villa Avenue, Colombo 04 for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2023 together with the Report of the Auditors thereon.
2. To re-elect Mr. A Malik who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. R M Balendra who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. J A Setukavalar who retires in terms of Article 85 of the Articles of Association, as a Director of the Company.
5. To re-appoint Messrs Ernst & Young, Chartered Accountants as External Auditors and to authorize the Board of Directors to determine their remuneration.
6. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

By order of the Board of
UB Finance Company Limited



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries
At Colombo
28th August 2023

Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. A Shareholder wishing to vote by proxy at the meeting may use the Form of Proxy enclosed.
4. In order to be valid, the completed Form of Proxy must be lodged at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 by 10.30 a.m. on 25th September 2023.

UB FINANCE COMPANY LIMITED
(Company Registration No. PB 113)
No.10, Daisy Villa Avenue, Colombo 04

FORM OF PROXY

I/We*,.....
 (NIC No.....) of being a
 Shareholder/Shareholders* of the above named Company, hereby appoint.....
 (NIC No.....) of or failing him

Mr Atul Malik	or failing him*
Mr Indrajit Wickramasinghe	or failing him*
Mr Ransith Nishantha Karunaratne	or failing him*
Ms Lisa Gayle Thomas	or failing her*
Mr Raj Moahan Balendra	or failing him*
Mr Michael J O'Hanlon	or failing him*
Mr Mohamed Hisham Sabry Ghouse	or failing him*
Mr Jayendra Arulraj Setukavalar	

as my/our* proxy to represent me/us*, to speak and vote whether on a show of hands or on a poll for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held by electronic means on the 27th day of September 2023 and at any adjournment thereof.

	For	Against
1. To re-elect Mr A Malik who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr R M Balendra who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr J A Setukavalar who retires in terms of Article 85 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs Ernst & Young, Chartered Accountants as External Auditors and to authorize the Board of Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine donations for the year ending 31 st March 2024 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Twenty Three (2023)

.....
 Signature of Shareholder / s*

- Notes :
1. * Please delete as appropriate
 2. A Proxy need not be a shareholder of the Company
 3. Instructions as to completion appear overleaf

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number by signing in the space provided and filling in the date of signature.
2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email : ubf.pwcs@gmail.com) by 10.30 a.m. on 25th September 2023.

In forwarding the completed and duly signed Proxy to the Company, please follow the **Guidelines and Registration Process for the Annual General Meeting** attached to the Notice of Annual General Meeting.

3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. 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)
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy will vote as he thinks fit.



ubf.lk | +94 114 468 888
No. 10, Daisy Villa Avenue, Colombo 04