

ANNUAL REPORT

2022

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CHAIRMAN'S MESSAGE


2022 has been a year with many uncertainties in the Sri Lankan economy primarily due to foreign exchange crisis that Sri Lanka endured. The capital market witnessed a very volatile period throughout the year. Despite the volatility and unpredictability which prevailed in the market, NDB Capital Holdings Limited ("NCAP" or "the Company") and its subsidiaries (collectively referred to as the "NCAP Group" or "the Group") remained resilient, demonstrating their ability to adapt and succeed during this challenging period.

NCAP Group was able to cross a consolidated revenue of LKR 1.5 Bn by end 2022 and achieve a net profitability of LKR 309 Mn. Demonstrating its resilience in tough market and economic conditions. NCAP Group Companies were able to manage its leadership positions in their respective business verticals during 2022. NDB Investment Bank ("NDBIB"), has gone through a challenging time due to the high volatility of country's capital market. However, company managed to execute several landmark transactions and finished the year with total funds raised over LKR 25 Bn. During the year, NDBIB structured and executed two debenture issues, 10 public equity offerings and over 22 commercial papers. The overall performance of NDBIB was recognized by various international bodies including the prestigious Euromoney Award as "Sri Lanka's Best Investment Bank" at the Awards for Excellence for the eleventh consecutive year. NDB Wealth Management Limited ("NDBWM"), the leading private sector asset manager in Sri Lanka) crossed an AUM of LKR 136.8 Bn by end 2022 with a diverse base of over 20,000 clients. NDB Securities (Private) Limited ("NDBS") was able to secure a market share of 4.5% during 2022. NDB Capital Limited ("NDBCapBD") which is based in Bangladesh, completed several rounds of fund raising for large corporates in Bangladesh and is working on leveraging its strengths to maximize the opportunities in the market.

NCAP Group, being a socially responsible corporate citizen in Sri Lanka, continued to invest in the NDB Capital Scholarship Trust Fund, which focuses on providing assistance to deserving undergraduates in local universities. By the end of 2022, the Trust has supported 78 students and have produced, 23 doctors, 21 engineers, 16 lawyers and 18 management graduates.

I would like to take this opportunity to express my gratitude towards the Board of Directors, Chief Executive Officer, Senior Management, and their respective teams across the Group for their effort and support in making the Group an outstanding organization. To our clients, shareholders and all other stakeholder, thank you for the continued support and trust extended during the year.

I look forward with great enthusiasm towards what awaits us in the future.



.....
A K Pathirage

Chairman

June 02, 2023

CEO'S MESSAGE

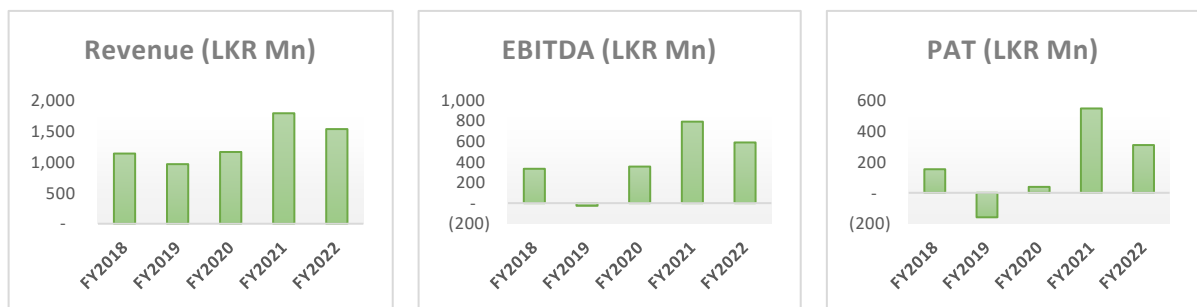
To the Shareholders of NDB Capital Holdings Limited (NCAP),

The Management team and I feel privileged to have gained your trust to lead the premier investment banking group in Sri Lanka. Our group provides a range of services, including investment banking, asset management, securities trading, and private equity solutions, through our subsidiaries in Sri Lanka and Bangladesh. In the year 2022, we have made notable progress in these areas and accomplished satisfactory revenue and profitability despite the multitude of challenges that plagued the country during the year. The dedicated staff members across our group companies have played a crucial role in delivering these satisfactory results amidst adverse circumstances.

Capital markets and the country in general endured tough operating conditions during 2022 including the energy and foreign exchange crisis followed by the elevated interest rate environment. Whilst some businesses of the group such as investment banking and stock broking bore the brunt of these challenges, NDB Capital still managed to survive and thrive due to its diversified portfolio of operations and prompt risk mitigating actions. Management changed the asset allocation of investment funds from equity to fixed income to a greater extent to benefit from the interest rate environment and also managed the disposals of Private Equity Fund to make currency gains. This resulted in the Group posting healthy revenue and profitability despite the extremely adverse developments in the business environment. In addition, steps have been taken across the group to improve IT infrastructure to deliver services to our customers in a more efficient manner and also various steps have been implemented to retain the talent within the Group, which emerged as a major challenge for Sri Lankan businesses in 2022.

A. Group Performance

Our commitment to operational efficiency and cost optimization allowed us to navigate the difficult economic landscape. This resulted in a Group revenue of LKR 1.5 billion and a profit after tax of LKR 309 million. Despite the uncertainties in the macroeconomic environment, the group showcased resilience and achieved a satisfactory performance, ultimately generating favorable returns for its shareholders.



B. Operational Review

NDB Wealth Management (NDBW) maintains its position as the leading asset management Company in Sri Lanka, setting its status as the largest private sector fund manager. Even though the company's total Assets Under Management (AUM) declined during the first half in 2022, by the end of the year, NDBWM was able to surpass LKR 136 billion in AUM, while serving a client base exceeding 20,000 individuals. Throughout the year, NDBWM attracted more than 30% of new accounts established in the unit trust industry, securing approximately 38% of the total unit trust market share by year-end.

The fee-based investment banking arm of the group, NDB Investment Bank (NDBIB) encountered a set of challenges during 2022 given the disrupted business plans of many Sri Lankan companies followed by the capital market uncertainties. Nevertheless, NDBIB concluded the year with LKR 25 billion in capital raising while completing several landmark transactions. The continuous recognition as the "Best Investment Bank in Sri Lanka" by Euromoney Magazine for an unprecedented 11th consecutive year, marked one of its longest winning streaks. It is worth noting that NDBIB is the first and only investment bank in the country to receive this prestigious Award from Euromoney. The company was acknowledged by the Asiamoney Awards, where we were honored as the "Best Corporate and Investment Bank" for the sixth consecutive year.

NDB Securities (NDBS), the stock brokering arm of NCAP group, had experienced a challenging year with the volatilities in equity markets. The daily average market turnover had declined from 4.9 Bn in 2021 to 2.9 Bn in 2022. To achieve favorable performance, NDBS focused more on their online trading platforms and research-driven operations, aiming to foster a culture of knowledge-based decision-making. The research team at NDBS remained continuously engaged with the latest financial market developments, diligently identifying trends, and delivering relevant information to clients. To enhance its decision-making capabilities and provide greater convenience to clients, NDBS made additional technological investments in both internal and external applications.

NDB Zephyr Partners Limited (Mauritius), our private equity management arm, is presently engaged in assessing potential opportunities for additional divestments. NDBZ intends to maintain its momentum of successful divestments in the coming year of 2023.

NDB Capital Limited, the Group's Bangladesh-based investment banking arm, was able to raise fund amounting to BDT 4.38 Bn in 2022 including a BDT 2 Bn Zero Coupon Bond issue, BDT 1.5 Bn Preference Share issue and a BDT 300 Mn through issuance of commercial paper. During the year the company executed major transactions involving advisory services and M&As. However, the pace of deal execution was hampered by reduced liquidity in banks and growing uncertainties in interest rate environment and capital markets.

C. Creating Value

Whilst the financial performance was less than the previous year, it is important to recognize the progress we have made in various aspects of our business. We continued to invest in innovation, technology, and talent development, positioning ourselves for long-term growth and sustainability. We explored new opportunities and made strategic decisions that will pave the way for future success.

Throughout the year, your Company remained committed to investing in the development of its employees, adopting digital platforms for employee engagement and training initiatives. In 2022, the

organization improved its intellectual capital base by making strategic appointments, hoping to reinforce its reputation as a knowledge-driven organization.

The Company implemented several measures to ensure uninterrupted operations in the face of unforeseen disruptions caused by economic challenges and social unrest in 2022. Recognizing the need for adaptability, virtual meetings and other initiatives were promoted to enhance operational efficiencies during challenging times. These proactive measures were aimed at maintaining smooth operations and sustaining productivity in a troubled environment. The Group implemented collective measures to accommodate flexible working arrangements during the fuel crisis by enabling employees to work from home and applying roster systems as well as providing allowances to cover transportation costs, with the aim of ensuring continuous employee engagement.

NCAPs' emphasis on leveraging technology continued in 2022, as the Group made significant investments in various digital platforms to overcome technological limitations and extend its capabilities. NDBS proactively undertook the initiative to introduce podcasts with Sinhala content, catering to a vast audience to enhance accessibility and deliver valuable financial insights and information to a wider range of individuals. Throughout the year, productive dialogue was initiated with stakeholders to explore additional system enhancements and revamp the Group's website, aiming to further improve its digital presence and user experience.

D. Future Outlook

Looking ahead to 2023, Sri Lanka is poised to embark on a transformative journey towards economic recovery and sustainable growth. Despite the challenges faced in recent years, the country has laid the groundwork for a promising future by implementing crucial reforms and adopting strategic measures. We believe this will create a lot of opportunities for investment banks. We stand ready to navigate the challenges and seize the opportunities presented by the recovering economy. Our unwavering dedication, coupled with strategic initiatives, will position us for long-term success and enable us to generate sustainable value for our esteemed shareholders.



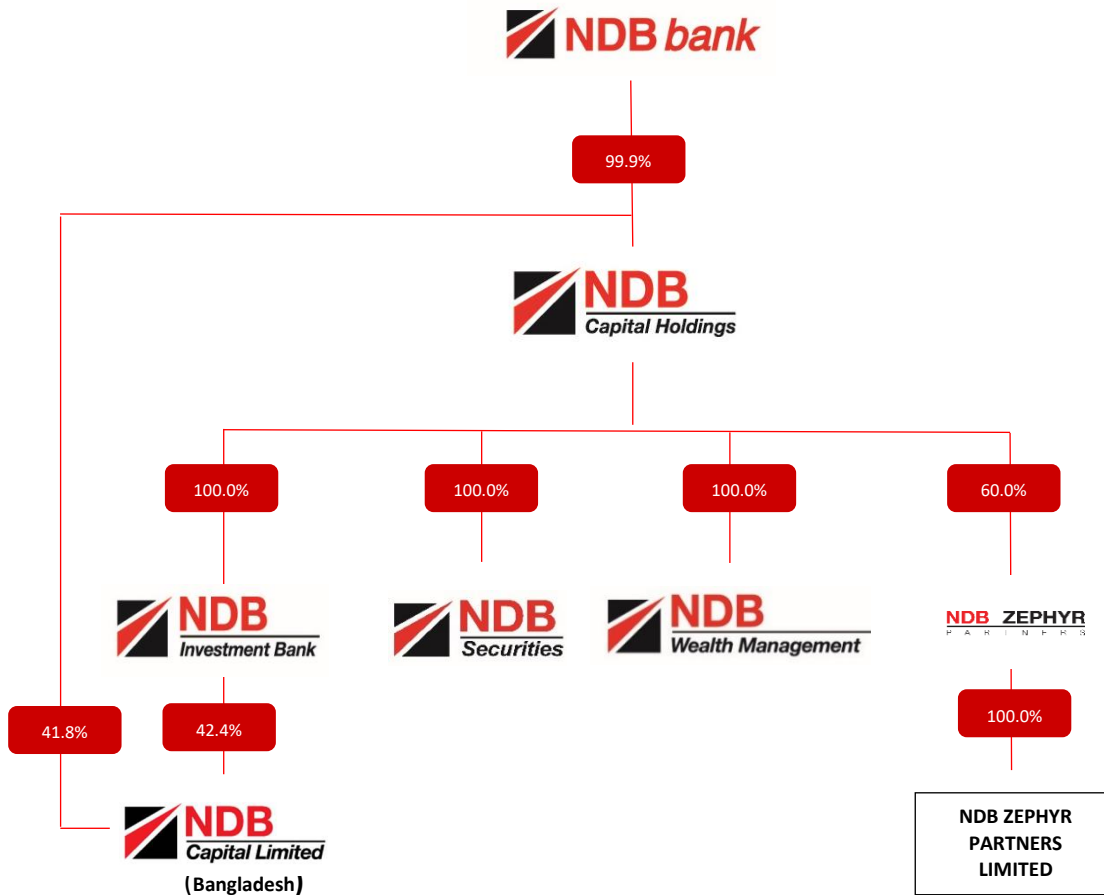
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Senaka Kakiriwaragodage

Chief Executive Officer

June 02, 2023

GROUP STRUCTURE

NCAP provides a full range of investment banking services, comprising both fund and fee-based activities. The four subsidiaries focus on the fee-based services in investment banking, wealth management, stock broking, and private equity management; whilst the fund-based activities such as private equity investments, listed equity and fixed income investments directly come under the purview of the Company. NDB Capital Bangladesh, an associate company of NCAP and a subsidiary of NDB Bank, conducts investment banking operations in Bangladesh.



PRODUCT AND SERVICE OFFERINGS OF THE GROUP

NDB Capital Holdings Limited (NCAP)

NCAP is the investment arm of the capital market group and makes mid to long-term investments in listed equities, debt instruments, structured products and fixed income securities.

NDB Investment Bank Limited (NDBIB)

(i) Initial Public Offerings (IPOs)

NDBIB is involved in advising, structuring and managing IPOs along with placements and distributions

(ii) Secondary Equity Raising

Offering advisory services and solutions for secondary public offerings, rights issues, private placements, and issuance of long-term capital instruments

(iii) Mergers and Acquisitions

Delivering advisory services to initiate/ facilitate mergers and acquisitions for both sell side and buy side and arranging acquisition financing

(iv) Securitization/Structured Debt

Facilitating businesses to raise capital through the strength of their future cash flows

(v) Commercial Paper

Address working capital financial requirements with maturities up to twelve months

(vi) Debentures

Managing end-to-end processes of debenture issues, both listed and unlisted along with support on obtaining credit rating

(vii) Loan Syndications

Structuring and advising on project viability and arranging financing via syndication of local and foreign funding institutions

(viii) Shariah-compliant products

Structuring and placement of Shariah-compliant instruments with underlying structures such as Sukuk, Wakala, Murabaha and Tijaraha for local institutions.

(ix) Debt Restructuring advisory

Advising the distressed clients of financial institutions in reducing their borrowing exposure, restructuring their existing facilities, and assisting and guiding these clients in possible turnaround initiatives, including but not limited to; equity infusions, mergers and acquisitions, and sale of assets.

(viii) Corporate Advisory

Extending advice to restructure entities with the intention of optimizing firm value, carrying out valuations of business entities, advising clients on regulatory requirements for varied transactions

NDBIB intends to strengthen its placement capability by leveraging on its existing local and foreign investor network and further solidify relationships via collaboration engagements where necessary, for the successful implementation of its product offerings.

NDB Wealth Management Limited (NDBWM)

(i) Discretionary Portfolio Management

Providing advisory and consultancy services, structuring, and managing portfolio of investments and portfolio administration activities including maintaining client records and providing reports

(ii) Private Wealth Management

Extending a relationship-based service to structure and manage diversified investment portfolios combined with privilege wealth management services through the ultimate parent, NDB for high-net-worth individuals

(iii) Mutual Funds

Advising and creating individualized plans to meet diverse savings and investment needs with selection of eight risk rated funds especially targeting the retail sector such as money market funds, income funds, balanced funds and equity funds.

NDB Securities (Private) Limited (NDBS)

(i) Listed Equity

Facilitating and providing advisory services for equity trading on the Colombo Stock Exchange (CSE). State-of-the-art online trading platform in place for speedy and convenient trading activities

(ii) Listed Debt

Facilitating and providing advisory services for trading in listed debentures on the Colombo Stock Exchange (CSE)

(iii) Margin Trading

Providing a platform to engage in margin trading, with credit facilities being arranged through the ultimate parent Company, NDB, and other financial institutions

(iv) Equity Research

Quality equity research covering macroeconomic trends, industry, and Company level research. Market updates are released on a daily and weekly basis

(v) Advisory Services to Clients

Advising clients on investments to suit their risk-return profile to meet their financial goals

NDB Zephyr Partners Limited (Mauritius) (NDBZ)

Private Equity

Equity investments in small and medium scale companies in Sri Lanka with high growth potential along with value addition in terms of strategy, markets, technology, finance and management

NDB Capital Limited (Bangladesh) (NDBCapBD)

(i) Fixed Income Instruments

Provides an extensive range of advisory services and raises funds through Redeemable Bonds, Subordinated Bonds, Convertible Bonds and Zero-Coupon Bonds to support clients` long term funding requirements

(ii) Preference Shares

From advisory to placement and arrangement of funds through the issuance of Preference Shares

(iii) Local/Foreign Currency Syndications

Managing the entire process of arranging funds through syndication both in local and foreign currency mostly for project financing from the debt market which includes local & offshore banks, NBFIs, Development Financial Institutions, etc.

(iv) Commercial Paper

Arrangement of short-term working capital and fund raisings through issuance of Commercial Paper for large corporates

(v) IPO/RPO

Providing all advisory services relating to IPO, right issues, underwriting, equity raising through private placement and distribution

(vi) Mergers & Acquisitions

Providing corporate advisory services for mergers and acquisitions acting on behalf of sell side or buy side clients. This includes deal structuring, acquisition financing, joint ventures, private equity, etc.

(vii) Private Equity

Extending the advisory services to assist the clients for arranging private equity

(viii) Financial/Balance Sheet Restructuring

All sorts of advisory work for valuation, loan and balance sheet restructuring for the corporates

(ix) Equity Valuations

Providing the valuation for the companies looking for venture capital, strategic investors, local/foreign partners, etc.

(x) Corporate Advisory

Extending advisory services to restructure group entities in order to optimize firm value, advising clients on regulatory requirements for transactions, etc.

(xi) Portfolio Management Services

Providing investment solutions to clients and managing wealth on behalf of them, by structuring specific investment portfolios to cater to the exact requirements of clients

MANAGEMENT DISCUSSION AND ANALYSIS

Year 2022 in Retrospect

Real Sector: 2022 was a year to forget. The country experienced one of the most challenging periods in its recent history, marked by the sovereign debt default in April 2022. While the tax cuts implemented in 2019 and the economic difficulties resulting from the Covid-19 pandemic were the primary contributing factors for the sovereign default, the situation had been developing for a long time due to the unsustainable and persistent twin deficits. Economic growth fell by 7.8% in 2022; the sharpest decline since gaining independence. In terms of USD, the overall size of the economy contracted to USD 77.1 billion in 2022, compared to USD 88.5 billion in 2021. The per capita GDP also decreased to USD 3,474 in 2022 from USD 3,997 in the previous year. The lack of foreign currency liquidity in the domestic forex market further exacerbated the situation, resulting in a shortage of essential goods. Additionally, the disruption of supply chains, power outages, and restrictions on imports hindered economic activities.

Inflation rose to a gravity-defying level in the year due to the sharp depreciation of the currency, the rise in global commodity prices, and the removal of administrative price controls. Consumer price inflation peaked in September 2022, but has since begun a disinflation path with the tight monetary policy stance taking full effect (with a lag), demand moderation and easing off of supply-side pressure. As we write this, the April 2023 consumer price inflation print reached 33.6% and the inflation is expected to further moderate in the near term with the upcoming electricity tariff downward revision.

Fiscal Sector: The year saw steep fiscal adjustments ahead of the IMF program. Due to revenue enhancement measures and the high general price levels in the economy, the fiscal revenue increased by 35.8% YoY to LKR 1,979.2 billion in 2022. However, the revenue to GDP fell to 8.2% from 8.3% YoY, due to a sharp rise in nominal GDP (large deflator effect). Higher revenue collection came from income taxes, Value Added Tax (VAT), Ports and Airports Development Levy (PAL), and excise duties on liquor and cigarettes. However, revenue collection from taxes pertaining to import expenditure (import duty, special commodity levy, and CESS) fell during the year due to quantitative import restrictions which were in place. The government's expenditure and net lending rose by 27.0% YoY in 2022 due to high domestic interest payments, salaries and wages and subsidies and transfers. Capital expenditure and net lending too rose by 23.1% YoY in 2022 on account of lending to the Ceylon Petroleum Corporation (CPC), through the Indian Credit Line (to import fuel), and the lending to SOE using the funding from the World Bank to import fertilizer and liquified petroleum (LP) gas. As a result, the overall fiscal deficit rose to LKR 2,460.0 billion (+19.5% YoY), while the fiscal deficit to GDP fell to 10.2% from 11.7% in 2021 due to the sharp rise in nominal GDP.

Monetary Sector: The central bank continued to tighten the monetary reins in 2022, and the sharpest adjustment came in April 2022 with a 700 bps rate hike to arrest hyperinflation and external sector imbalances. The current tightening cycle began in August 2021, and by 2022 year-end, the central bank has raised policy interest rates by 10% (1,000 bps). In addition, the regulator also removed lending caps on certain products and maximum rates imposed on foreign currency deposits in order to facilitate a successful policy rate pass-through effect. The liquidity in the domestic money market remained at high deficit levels mainly due to foreign exchange sales by the central bank to facilitate the importation of essential goods, net currency withdrawals by the public from the banking system and maturities of foreign currency buy-sell swaps with domestic banks. However, towards the end of the year, liquidity

levels gradually improved, partly due to an increase in funds deposited in the banking system as a result of high deposit interest rates. The yields on government securities rose disproportionately to the policy rate adjustments, due to elevated risk premia associated with domestic sovereign debt restructuring. In early 2023, the central bank imposed limitations on the number of times excess-liquidity banks could access the SDF window, further contributing to the improvement of liquidity levels. Policy rates were further increased by 100 bps in March 2023 in order to fulfil the IMF's prior actions, ahead of a program.

External Sector: Sri Lanka's external accounts came under severe stress in 2022 due to low gross official reserves, an unprecedented decline in the exchange rate and limited inflows to the capital account. The central bank resorted to numerous measures; including imposing import restrictions (via temporary suspension, licensing and an increase in margin deposit requirement for selected goods), and introducing restrictions on several payment methods (open account terms). Additionally, capital nature forex outflows were temporarily restricted. Workers' remittances (which fell to a historically low level due to widening parity between the official and the unofficial rates), were encouraged through cash and non-cash based incentives. The situation improved to a large extent towards the end of the year, due to a drop in trade deficit (due to fewer imports), an increase in tourism receipts, remittance income and portfolio inflows to the government securities market and the equity market. Gross official reserves fell to USD 1.9 billion by end-2022 (which included a USD 1.4 billion swap facility from the People's Bank of China). The central bank absorbed USD 2.1 billion from the domestic forex market in 2022 (mainly from mandatory sales by licensed banks), and sold USD 2.7 billion primarily to meet the forex required to import essential goods.

Equity Markets: The Sri Lankan equity market faced a challenging year in 2022, with the benchmark ASPI index decreasing by 31%, notwithstanding the record highs at the beginning of the year. The worst economic and currency crisis faced by the country since its independence was the main reason behind the market fall. The sharp depreciation of the local currency, a shortage of essential goods (including fuel, gas and medicine), prolonged power outages, and soaring inflation and interest rates resulted in the country facing a challenging year in 2022. The tourism sector saw an improvement compared to the COVID-19 affected 2021, while increased investor interest towards export and energy equities was seen during the year. Foreign investors emerged as net buyers during the year (a net foreign inflow of LKR 31 billion in 2022 vs. a net foreign outflow of LKR 53 billion in 2021), and foreign participation marginally improved to 8% in 2022, from 5% in 2021. The average daily market turnover dropped by 39% to LKR 3 billion in 2022 compared to LKR 4.9 billion in 2021. Stocks in the Diversified Financials and Transportation sectors emerged as top losers in 2022. The CSE's aggregate corporate earnings rose by 40% YoY to LKR 668 billion, driven by Food, Beverage and Tobacco, Capital Goods and Energy sectors.

Way Forward

2023 holds great promise and the potential for numerous achievements. Recent developments, including securing the IMF deal in March 2023, reforms in the state-owned enterprise sector, the implementation of a new monetary law act, the introduction of new anti-corruption laws, and fiscal consolidation measures, are just a few examples. At the time of writing, the government is on the verge of announcing the expected debt relief and the debt perimeter for domestic debt restructuring. According to the IMF's indicative scenario, treasury bills will not undergo restructuring, and only the central bank's balance sheet will be restructured. A selected pool of treasury bonds will be re-profiled,

all while ensuring the stability of the financial system. Interest rates have already begun to moderate, accompanied by the disinflationary trend. Once the domestic debt exchange is successfully completed, we anticipate that interest rates will stabilize at a reasonable level. Additionally, there has been a significant improvement in domestic foreign exchange liquidity, resulting in a 16% year-to-date appreciation of the USD/LKR. Foreign inflows into the government securities market have also resumed after a hiatus of several years. While credit to the private sector has experienced negative growth since June 2022, the anticipated decline in interest rates and the removal of import restrictions are expected to stimulate economic activities and boost the demand for credit in the near future.

PERFORMANCE OF GROUP COMPANIES

NDB Capital Holdings Limited formerly known as Capital Development and Investment Company PLC (CDIC), was formed in 1983 as a venture capital Company. CDIC was subsequently listed on the Main Board of the Colombo Stock Exchange in 1996. Following a restructuring within the NDB Group in mid-2012, CDIC was transformed into a full-service investment bank and rebranded as NDB Capital Holdings PLC (NCAP). Subsequently, the company was de-listed in 2015 after the introduction of minimum public float rates and renamed NDB Capital Holdings Limited.

NCAP and its subsidiaries (collectively referred to as the Investment Banking Cluster or NCAP Group) are uniquely positioned towards assisting the growth and development of Sri Lankan capital market. NCAP is involved in both fee-based operations as well as fund-based operations. While the fee-based operations of the Company are carried out through its subsidiaries, NDB Investment Bank Limited (NDBIB), NDB Wealth Management Limited (NDBWM), NDB Securities (Private) Limited (NDBS), NDB Zephyr Partners Limited (NDBZ) and NDB Capital Limited, Bangladesh (NDBCapBD), NCAP takes the direct participation in fund-based operations including but not limited to investments in listed equities, private equity, and fixed income securities.

NDB Capital Holdings Limited

NCAP Group is working towards realizing its vision of becoming the trusted financial partner for businesses and individuals in Asian and African frontier Markets. By working very closely with the Private Wealth Center branch of National Development Bank PLC, NCAP Group has been able to deliver well-integrated financial and investment solutions to a wide range of clients from high end corporates and high net worth individuals to the retail masses.

NCAP remains committed to being a conscientious investor in Sri Lanka's capital market, adding value to its investments and the fee-based businesses of NCAP will focus on maintaining their prominent role in investment banking, asset management, stock brokering, and private equity management within the country.

Despite the economic uncertainty and social unrest which prevailed in the Country, NCAP Group was able to deliver a significant performance in 2022 which has reflected NCAP's ability to navigate challenging situations. Operating income of the Group reached LKR 1.5 Bn in 2022 and NCAP Group ended 2022 with net profits amounting to LKR 309 Mn.

NDB Investment Bank Limited

NDB Investment Bank Limited (NDBIB) is the investment banking arm of the NDB Group offering fee-based services ranging from debt and equity raising to corporate advisory services. Over the years, NDBIB has spearheaded the capital markets of Sri Lanka for both debt and equity transactions with innovative and diverse financial solutions/ instruments. NDBIB secured the award for “Sri Lanka’s Best Investment Bank” at the Awards for Excellence by Euromoney Magazine for the Eleventh consecutive year in 2022. This is one of the longest winning streaks for Euromoney Awards in addition to being the first and only investment bank in the Country to be recognized by the Euromoney Magazine.

The record high interest rate climate, discontinuation of tax and other incentives for new equity market entrants, and unattractive equity and debt market conditions which prevailed in 2022, cut short the hot IPO market and dampened conventional local debt transactions.

However, NDBIB was able to complete several landmark transactions raising nearly LKR 30 Bn in funds, in a year which was overshadowed by unprecedented economic and political challenges.

- Managed the Rights Issues of Abans Finance PLC (LKR 200 Mn), Pegasus Hotels of Ceylon PLC (LKR 80 Mn) and AgStar PLC (LKR 803 Mn). All Issues were oversubscribed.
- Financial Advisors to; (1) Shareholders of Kings Hospitals Colombo (Pvt) Ltd on the strategic investment by Ceylinco Life Insurance Limited, (2) Shareholders of Browns Investments PLC and Faber Capital Group on the divestiture of Saga Solar Power to Aitken Spence PLC, and (3) Sri Lanka Telecom PLC on the divestiture of Sri Lanka Technological Campus (Pvt) Ltd to a consortium of investors.
- Managed the Maiden Listed Rated Guaranteed Senior Redeemable Five-Year Debenture Issue for Brown & Company PLC worth LKR 2 Bn.
- Managed the Maiden Listed Rated Redeemable Debenture Issue of Resus Energy PLC worth LKR 500 Mn.
- Arranged a USD Loan Facility worth USD 75 Mn for NDB Bank from U. S. International Development Finance Corporation (DFC).

NDB Securities Limited

NDB Securities (Pvt) Ltd (NDBS) is a licensed stockbroker registered with the Colombo Stock Exchange (CSE) and is one of the largest players in the industry. NDBS provides a variety of investment advisory-related services on both listed debt and equity securities, channeling local and foreign individuals towards investment opportunities in the CSE. NDB Securities (Pvt) Limited (NDBS) has a strong institutional and retail client base which deals both in the listed equity space as well as the listed debt space. NDBS’s offerings to the capital markets are topped up with several related value-added services including state-of-the-art online trading facilities for prompt trade executions along with comprehensive coverage of research to support trading activities while facilitating margin trading and other financial products through its parent, NDB Bank.

NDBS has acted as the lead stockbroker in some of the largest IPO and debenture listings in the CSE, having introduced a number of local and foreign high net-worth individuals and institutional investors to the market. The research and advisory arm of NDBS is in constant contact with the latest trends on

the financial markets, striving to fulfill the information needs of clients. The research reports were disseminated to the public via various platforms, including print and electronic media. In addition, a convenient trade settlement solution was introduced to NDBS clients by integrating NDBS's and NDB Bank's digital platforms delivering a greater customer convenience. NDBS is well equipped with its advisory staff along with an efficient and secure IT platform, highest standards of compliance and a quality research arm. NDBS investment advisory team has been trained and geared in offering a wide array of customer oriented financial products to its client base, going beyond its traditionally known listed equity and debt products.

2022 has been a challenging year for NDBS due to the volatile conditions that prevailed in the equity market. Average daily market turnover had reduced from LKR 4.9 Bn in 2021 to LKR 2.9 Bn during 2022. Despite the market challenges that prevailed, NDBS was able to achieve good level of profitability during the year while capturing ~ 4.5% market share in 2022.

NDB Wealth Management Limited

NDB Wealth Management Limited (NDBWM), is the largest private sector asset management company in the country, acting as the wealth management arm of the NDB Group. NDBWM has been managing the wealth of its diverse client base consisting of individuals, businesses, and institutions while maintaining its leadership position in the Wealth Management industry in Sri Lanka. NDBWM, with its history of over 30 years in the industry, has always been at the forefront of identifying and advising clients on the best savings or investment solutions while taking the risk appetite of the clients in to consideration. During the year, NDBWM was able to restructure and relaunch the NDB Wealth Money Fund to provide better yields to the clients.

By the end of 2022, NDBWM had a client base of over 20,000 and Funds Under Management crossing LKR 136 Bn. During the year 2022, NDBWM acquired over 33% of new accounts opened in the unit trust industry in Sri Lanka. Over 3,600 new accounts were also opened by clients in 2022.

NDBWM continued to offer three distinct services to its clients: Discretionary Portfolio Management focused large institutions such as insurance companies, provident funds and other corporates. Private wealth management team focused on catering to high-net-worth individuals while the retail team was focused on the various financial and wealth planning needs of the retail masses.

NDB Zephyr Partners Limited (Mauritius) (NDBZ)

NDB Zephyr Partners Limited (NDBZ) is the Fund Manager of Emerald Sri Lanka Fund I, which engages in private equity investments in small and medium sized companies in Sri Lanka that are seeking capital for growth. NDB Zephyr is a joint venture company between NDB Capital Holdings Limited (NCAP) (60%) and Zephyr Management, LP (Zephyr) (40%), a New York-based global emerging markets investment firm.

Emerald Sri Lanka Fund I (Emerald Fund) is a Sri Lanka dedicated Private Equity Fund. The investors of the Emerald Fund include reputed institutions such as IFC, a member of the World Bank Group, DEG-

German Development Finance Corporation, FMO-the Netherlands Development Finance Company along with NCAP.

The Emerald Investment team benefits from the expertise of Zephyr's deal evaluation, portfolio management, investment process and exit management capabilities. The Emerald Investment team supports its portfolio companies through an array of services including strategic planning and management, effective financial management, corporate governance and efficiency improvements in addition to providing equity capital to support growth aspirations. The team also helps its portfolio companies in accessing international markets and optimizing their capital structure through its network.

Emerald Fund currently has four investments namely Arimac Lanka (Pvt) Limited (Arimac), Consolidated Business Systems Limited (CBS), Idea Group Limited (IGL) and Cleanline Linen Management (Pvt) Ltd (CLM). Arimac provides digital solutions specializing in enterprise web and mobile development, artificial intelligence, immersive technologies, and game development. CBS is a leading exporter of coconut-based products such as virgin coconut oil, coconut milk, creamed coconut, coconut flour, coconut water etc. CBS also exports other product categories including tea, processed foods, frozen foods etc. IGL is a manufacturer and distributor of building products including PVC roofs, ceilings, wall panels and other architectural accessories in Sri Lanka. CLM is a centralized laundry service provider to star class hotels and corporates in Sri Lanka. CLM also caters to retail clients through its retail operations.

NDB Capital Limited (Bangladesh) (NDBCapBD)

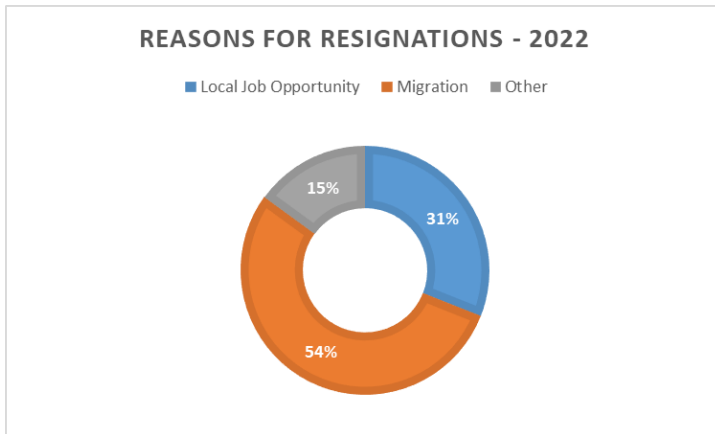
NDB Capital Limited (Bangladesh) (NDBCapBD) is one of the leading investment banks in Bangladesh and is licensed as full-fledged Merchant Bank by the Bangladesh Securities and Exchange Commission. Having started its investment banking operations in 2009, NDBCapBD currently offers a diversified financial service portfolio including IPOs, M&As, Portfolio Management, Fund raising via Commercial Papers, Bonds and Preference Shares, and arranging Project Financing/Working Capital to its clients.

NDBCapBD is uniquely positioned in the Bangladesh capital market industry to benefit from the extensive knowledge regarding various transactions as well as a well-established network in the industry. The Company is working closely with the Sri Lankan team at NDBIB and NCAP to make new connections and to facilitate Sri Lankan companies' expansion plans in to the Bangladeshi market.

HUMAN RESOURCE MANAGEMENT

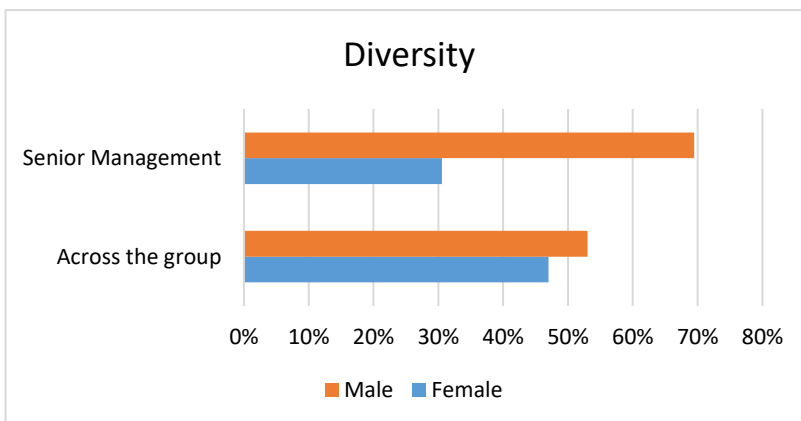
Our People and Our Culture

Year 2022, was one of the most challenging years in the history of NDB Capital from the people front. Political uncertainty, economic pressures and increased cost of living made employee retention and motivation an uphill task. NDB Capital Group saw unprecedented levels of attrition with the highest reason being migration. The year ended recording 22% of attrition across the group and out of that 60% left for migration.



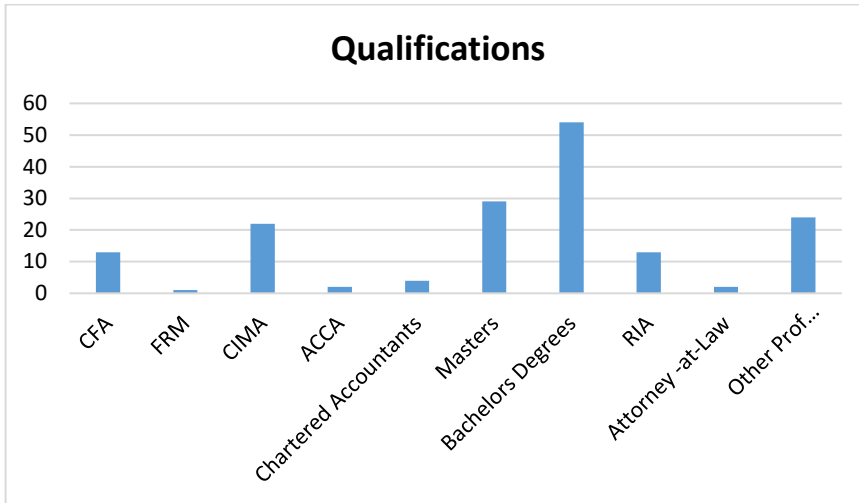
All people related policies, procedures and efforts were focused on retaining the talent amidst all the chaos. We thrive on our people and the knowledge base we carry. Therefore, human capital becomes the most important asset for our business. Our human capital gives us the competitive edge over others. With all force focused on employee retention, the group implemented several programs targeting specific needs of the subsidiaries and different levels of staff. Differed Cash Incentives, special interim allowance for transport and revision to designation structures were some of the key initiatives introduced. Further, we continued our quarterly reward and recognition programs, employee coaching programs and skip level meetings with the Group CEOs to have a close loop with our talent.

We continued to embrace diversity and inclusion amongst the staff. We are proud to have a diversity ratio of 47% across the group 31% in the Senior Management.



Talent development was in the forefront of the key HR initiatives. Our development programs included providing on-the-job training, offering virtual learning platforms, conducting virtual and physical training and engaging in executive coaching programs. Our staff has completed a total number of 3,067 lectures on Udemy alone.

Our knowledge base remained stronger despite the challenges the group faced due to economic and political uncertainty. We have one of the highest concentration of technical expertise within the group.



We will continue to strengthen our knowledge base and amplify our focus on people. Our key lever for the future would be to retain and nurture our key talent.

CORPORATE SOCIAL RESPONSIBILITY

“NDB Capital Scholarship Trust Fund” the philanthropic chapter of NDB Capital Group, completed its 9th year in 2022. The trust awards scholarships annually to deserving students from 3 government universities.

Being in a knowledge driven industry, the NDB Capital Scholarship Trust, upholds the immense value we place on education. The students are selected from a rigorous, transparent process which not only focuses on the financial needs of the student, but also takes the academic excellence, leadership qualities and extra-curricular activities into consideration. Selected students are offered financial support monthly until they complete their academic education and also offered training on soft skills.

Up to date, NCAP has provided scholarships to 78 students over a period of 9 years. The distribution of the scholarships over the different disciplines are shown below.

Faculty	No of Scholarships
Medical	23
Engineering	21
Law	16
Management	18
Total	78

The trust has contributed nearly 19.5 million to these promising and deserving students to complete their higher education. Throughout the years, NDB Capital Holdings has invested close of LKR 30.0 Mn in the Trust and will continue to invest in the same until such time the Fund will become self-sufficient to support the scholarship recipients.

The CSR initiative is not only focused on providing financial assistance, but it also provides soft skills development, leadership development and career guidance for the beneficiaries. The trust has conducted 4 training programs for the recipients on leadership, public speaking, etiquette and personality development.



Scholarship awarding ceremony 2021

COMPLIANCE AND RISK MANAGEMENT

Overview

The Compliance programme at the NCAP Group underwent a comprehensive review to align its programme with the new regulatory framework introduced by the Securities and Exchange Commission of Sri Lanka (SEC). The NCAP Group compliance programme strengthened policies, processes and training to understand and make the necessary changes to align with the new law. The distress in the macro economic environment also influenced the shaping of the compliance and risk programmes of the Group companies. Further the prevalent Covid pandemic also directed the focus of adopting alternative approaches to carrying out the work of the NCAP Group companies. Work from home arrangements were put in place and parallel IT security measures were adopted to facilitate a smooth transition. The Group Companies faced challenges in adapting to the strained economic conditions and the persistent Covid pandemic. The NCAP Group compliance programme saw a shift towards a heightened usage of digital submissions of routine declarations and maintenance of records in electronic formats. Each line of business at NACP Group is responsible for managing its compliance risk. The business model of the Group is built on integrity, transparency and accountability and supported by its values, Code of Conduct and governance policies. NCAP Group remains committed to manage its compliance risk in order to ensure that the conduct of business of the Group and its employees are consistently carried out ethically and with integrity.

The companies regulated by the capital market regulator the SEC, the compliance programme is primarily shaped by the applicable laws, regulations and rules of the SEC. With the enactment of the Securities and Exchange Commission of Sri Lanka Act No: 19 of 2021 (SEC Act) in September 2021, NDB Investment Bank Limited obtained its license as the first Investment Bank to be licensed as a Market Intermediary under the category of a Corporate Finance Advisor. NDB Securities (Private) Limited is licensed as Stockbroker and NDB Wealth Management Limited is dual licensed as an Investment Manager and a Managing Company by the SEC. NDB Capital Limited Bangladesh is licensed as a Merchant Bank and is regulated by the Bangladesh Securities and Exchange Commission. NDB Zephyr Partners Limited in Mauritius is supervised by the Mauritius regulatory authorities including Mauritius Financial Services Commission.

The compliance function is centrally managed by the NCAP Head of Compliance with independent compliance officers attached to each of the regulated entities of the NCAP group. Head of Compliance functioned as the Compliance Officer for NDB Capital Holdings Limited, NDBIB and NDBZ during the year under review. However, as NDBIB is a licensed Market Intermediary, a compliance officer was recruited according to the SEC Rules. The responsibilities of the Group Compliance functions include independently assessing compliance risk, monitoring and reporting on compliance requirements to the Board Audit Risk and Compliance Committee (BARCC) and the Board through Head of Compliance. Overseeing the regulatory interactions of the Group and assessing potential impact of new regulatory developments is another responsibility of the NCAP Group compliance. The internal compliance officers of the Group who are part of the Group Compliance function support the Group's strategy by providing independent oversight and control over the compliance and regulatory compliance relating to their respective companies.

The year under review consolidated the alignment of the SEC Act requirements and the ensuing rules for the regulated entities of the NCAP Group of companies. New compliance manuals were developed for NDBIB and NDBW as required by the Market Intermediary rules issued by the SEC. Risk policies were developed and reviewed as appropriate for all of the NCAP Group companies and approved by the respective Boards of Directors. The Securities Trading Policy was reviewed and amended to incorporate certain requirements in line with the new regulations during the year under review.

The Board of Directors through the BARCC oversees the development and execution of our compliance strategy. The BARCC was apprised of the adequacy of controls established to ensure compliance with laws and regulations, Group Code of Conduct, policies and procedures. The BARCC and the Boards of the group companies were also informed of the changes to the regulatory regime with the enactment of the new SEC Act. The BARCC was routinely updated on how the business objectives and NCAP policies are aligned to the broader principles of NDB Group. NCAP Group, where required also submits reports to the Integrated Risk Management Committee through the NDB Bank Group Risk Management Unit and the Related Party Transaction Review Committee of NDB Bank on certain governance perspectives.

The year under review was a year of unprecedented challenges. The group continued to face challenges in the outbreak of the Covid-19 pandemic and had to adopt mechanisms to facilitate Work from Home arrangements. The compliance programme such as submission of routine declarations digitally and maintenance of records in electronic copies. The digital improvisations introduced during 2021 was improved and targeted training programmes were carried out particularly on onboarding clients online and carrying out Anti money laundering checks on clients.

NCAP compliance programme also concentrates on developing its human resources through training and capacity building. During the year under review, training and awareness sessions were conducted for NCAP Group staff on conducting VKYC. Targeted training sessions were carried out for the entire NCAP Group on Market Misconduct under the SEC Act.

Compliance Status 2022

NCAP along with its subsidiaries reports every quarter to the BARCC on the status of compliance of each company. Any issues faced by any company is taken up and resolutions discussed at the BARCC. NCAP along with its subsidiary companies were not subject to any fines or non-monetary sanctions for legal and regulatory non-compliance during the year under review.

RISK MANAGEMENT

The Risk Management process is integrated into business decision-making processes and covers a broad spectrum of risk areas such as investment risk, market risk, operational risk, reputational risk, Information systems security risk and compliance risk with controls and governance standards established for each area. Risk is an inherent component of the capital markets and investment banking sector and risk management through risk mitigation strategies is an important aspect of business growth.

During the year under review some of the risk reporting formats were reviewed and updated. The Risk control self-assessment format which is completed annually was reviewed and updated. Risk reporting lines and processes were revised and streamlined. The primary responsibility of risk ownership and management which includes the functions of identifying, managing, mitigating and reporting risk lies with the First Line of Defense which is the respective Company. The Company is also responsible for compliance with all policies and procedures. The Chief Executive Officer, Compliance Officer, designated Risk Officers would provide leadership to the risk management function that falls on the First line of Defense. NCAP group being a subsidiary of the NDB Bank, the Risk Department of the bank known as the Group Risk Management Unit and the internal audit performs an oversight role and audit functions respectively. The Group Risk Management Unit serves as the second line of defense and the Group Audit Department as the third line of defense. The officers responsible for risk management within the NCAP Group will review implementation and compliance with the Risk policy and procedures. The designated officers would submit Key Risk Assessment reports monthly to the Group Risk Management Unit.

The risk reporting of the NCAP group is escalated to the Board Audit Risk and Compliance Committee (BARCC) to assist the Board in overseeing/assessing of the group companies' risk management framework. Additionally, the risk incidence of the NCAP group is also closely monitored by the Integrated Risk Management Committee [IRMC] of NDB Bank through the Group Risk Management Unit.

The risk policies of the Group companies were revised and updated. New risk policies were drafted for NDBIB , NDBW, NDBZ and NDBC(BD).

The NCAP Group Board Audit, Risk and Compliance Committee performs quarterly risk management assessments of NCAP and its subsidiaries and reviews the internal control processes and evaluates the adequacy and effectiveness of the risk management and internal control system. The Committee also seeks the observations of the Internal Audit and Independent External Auditors of the NCAP Group.

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

The Directors of NDB Capital Holdings Limited have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st December 2022.

ACTIVITIES OF THE COMPANY

The principal activities of the Company and its subsidiaries are fee based and fund based investment banking. The fund based investment banking activities include private equity investments, proprietary trading and investments in listed equities, fixed income securities, hybrid securities and unit trusts. Fee based activities include, corporate advisory, debt and equity raising and structuring, M&A, wealth management and private equity management which are carried out through the subsidiaries of the Company.

FINANCIAL RESULTS AND CAPITAL

The total income for the year ended 31st December 2022 of the Company was Rs. 638 Mn and Rs. 1,531 Mn for the Group. The Group income has decreased by 11%.

The decreased income at Group level resulted in a Profit before Tax of Rs. 519 Mn compared to the Rs. 737 Mn recorded during the prior year. However, Group Profit after Tax for the year decreased by Rs. 249 Mn.

The Company recorded a profit (after tax) of Rs. 377 Mn for the year ended December 31, 2022. The Company reported a retained profit of Rs. 1,789 Mn and the Group retained profits of Rs. 2,539 Mn as at December 31, 2022.

Profits and Appropriations

FOR THE YEAR ENDED December 31 Rs Mn	GROUP		COMPANY	
	2021	2022	2021	2022
Net profit/(loss) after charging all expenses	558	309	118	377
Add: Accumulated profit brought forward	2,069	2,492	1,692	1,652
Appropriations				
Final Dividend paid (Gross)				
(Y/E 31-12.2020- Final)	-		-	
(Y/E 31-12.2021 - Final)	(150)		(150)	
(Y/E 31-12.2022- Final)		(250)		(250)
Other Comprehensive Income	15	(37)	(8)	1
Non-Controlling Interest	(1)	2	-	-
Accumulated profit carried forward	2,492	2,516	1,652	1,780

STATED CAPITAL

The Stated Capital of the Company as at 31st December 2022 was Rs. 328,570,037 comprising of 32,904,933 ordinary shares.

DIRECTORS DURING THE YEAR AND AS AT DATE

The Board of Directors of the Company as at 31st December 2022 and as at date are as follows;

Asoka Kariyawasam Pathirage – **Chairman**

Panagoda Liyanage Dimantha Neomal Seneviratne - **CEO, NDB**

Sanjith Senaka Kakiriwaragodage - **CEO of the Company**

Arjun Rishya Fernando

Drayton Sarath Palitha Wikramanayake

Ananda Wijetilaka Atukorala

Bernard Sujanthan Sinniah

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

There was no change in the shareholding structure during the period of January 2022 to December 2022.

DIVIDENDS

A dividend of Rs. 7.60 per share was recommended by the Board of Directors and paid out of the brought forward profits of the year ended 31st December 2022.

INTERESTS REGISTER

As per the Companies Act No. 7 of 2007 the Company maintains the Directors' Interest Register. All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid.

Set out below are the Directors of the Company who were also Directors of the following companies of the group during 01-01-2022 to 31-12-2022;

COMPANY	NAME OF DIRECTOR	POSITION	RELATIONSHIP
NDB Wealth Management Limited	D S P Wikramanayake P L D N Seneviratne B S Sinniah S S Kakiriwaragodage	Director Director / CEO, NDB Director Director/CEO, NCAP	The Company holds 1,160,246 shares out of the issued 1,160,247 shares in the Stated Capital of the Company.
NDB Investment Bank Limited	D S P Wikramanayake P L D N Seneviratne B S Sinniah S S Kakiriwaragodage	Director/Chairman Director / CEO, NDB Director Director/CEO, NCAP	The Company holds 1,308,883 shares out of the issued 1,308,885 shares in the Stated Capital of the Company.
NDB Securities (Private) Limited	A R Fernando P L D N Seneviratne W A Atukorala B S Sinniah S S Kakiriwaragodage	Director /Chairman Director / CEO, NDB Director Director Director/CEO, NCAP	The Company holds 2,999,999 shares out of the issued 3,000,000 shares in the Stated Capital of the Company.

NDB Zephyr Partners Limited	A R Fernando A W Atukorala P L D N Seneviratne	Director Director Director / CEO, NDB	A subsidiary company which has 60% ownership to NDB Capital Holdings Limited.
NDB Zephyr Partners Lanka (Private) Limited	D S P Wikramanayake P L D N Seneviratne B S Sinniah	Director / Chairman Director / CEO, NDB Director	A wholly owned subsidiary of NDB Zephyr Partners Limited in which the Company holds 60%.
NDB Capital Limited	D S P Wikramanayake P L D N Seneviratne D G Perera B S Sinniah	Director / Chairman Director / CEO, NDB Director Director	An associate of the fully owned subsidiary (NDB Investment Bank Limited).
National Development Bank PLC (NDB)	P L D N Seneviratne B S Sinniah	Director / CEO, NDB Director	Parent Company of NDB Capital Holdings Limited.

a) Directors' Dealings with the shares of the Company

- i) Disclosures in respect of shares held as at 31st December 2022;
None of the Directors of the Company hold shares in the Company.
- ii) Disclosures in respect of shares of the Company which have been acquired during the year.
None of the Directors of the Company have acquired shares of the Company during the year under review.
- iii) Disclosures in respect of shares which have been disposed during the year:
None of the Directors of the Company have disposed shares of the Company during the year under review.

b) Use of Company Information by the Directors

Subject matter information	Date of authorization by the Board	Authorization granted at a Board meeting / by circular resolution
None	None	None

- c) *The aggregate remuneration paid to the non-executive directors of the Company (other than the directors who are involved/employed by the NDB group) for the year 2022 was Rs 7,566,935.48/-*

- d) **Indemnity provided to Directors and/or officers of National Development Bank PLC (NDB) and its subsidiary Companies**

A Directors' & Officers' Liability Policy (D & O) has been effected by NDB covering past and present Directors and Officers of NDB and its subsidiaries. The terms and conditions of the D & O policy is disclosed in the Policy document Number DOL/16154.

<i>Limit of Liability</i>	<i>- LKR 1 Billion</i>
<i>The premium</i>	<i>- LKR 2,819,032/- (Inclusive of all taxes)</i>
<i>Coverage</i>	<i>- Worldwide including USA/Canada</i>

The Company does not have a separate Directors' & Officers' Liability Policy.

DONATIONS

Rs. 4,000,000 was paid as donations made by the Company during the financial year 2022

POST BALANCE SHEET EVENTS

There have been no events subsequent to the Balance Sheet date that would have any material effect on the Company, which would require adjustment or disclosure in the financial statement.

CHANGE IN ACCOUNTING POLICIES

There are no changes in the accounting policies of the Company and the Group during year 2022.

AUDITORS

The present auditors Messrs. Ernst & Young have conveyed their willingness to continue in office and a resolution to re-appoint them as auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting. The fees paid to the Auditors during the year was Rs. 1,162,650/- for audit work and Rs. 119,600/- for non-audit work.

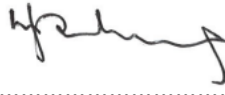
The auditors have no relationship with (other than that of Auditor), or interest in the Company.

In keeping with Section 168 (k) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledges the contents of the Annual Report.

Accordingly, the Annual General Meeting has been scheduled to be held on 30th June 2023 and respective Notice of Meeting and Form of Proxy will be posted to all the Shareholders of the Company. Owing to prevailing conditions the country and administrative difficulties encountered therewith, all shareholders have been given the opportunity to receive the Annual Report of NDB Capital Holdings Limited – 2022 by accessing a QR code shared and / or by accessing a soft copy available on the Company's website providing all shareholders Notice within the timelines stipulated in law.



Ashok Pathirage
Chairman



Sarath Wikramanayake
Director



Senaka Kakiriwaragodage
Director / CEO



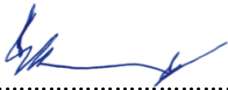
Dimantha Seneviratne
Director / CEO, NDB



Ananda Atukorala
Director



Arjun Fernando
Director



Bernard Sinniah
Director
(overseas)



Shehani Benjamin
Company Secretary

02nd June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

This statement sets out the responsibility of the Directors in relation to the Financial Statements of NDB Capital Holdings Limited (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group). The Directors are required by relevant statutory provisions to prepare and table at a General Meeting of the Company, such Financial Statements as may be necessary, which give a true and fair view of the state of affairs of the Company and the Group.

It is also the responsibility of the Directors to ensure that the Company maintains proper accounting records and to take reasonable steps as far as practical to ensure the accuracy and reliability of accounting records and to prepare Financial Statements using appropriate Accounting Policies applied consistently and supported by reasonable and prudent judgment and estimates in compliance with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. Changes in the Accounting policies where applicable and the rationale for the changes have been disclosed in the 'Notes to the Financial Statements'.

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

- (a) the financial position of the Company and the Group as at the Reporting date; and
- (b) the financial performance of the Company and the Group for the financial year ended on the Reporting date.

The Financial Statements of the Company and the Group have been certified by the Vice President - Finance - National Development Bank PLC, the officer responsible for their preparation, as required by the Companies Act. In addition, the Financial Statements of the Company and the Group have been signed by two Directors and the Company Secretary of the Company on page 43 as required by the Companies Act and other regulatory requirements. The Directors are also responsible for ensuring that proper accounting records which correctly record and explain the Company's transactions are maintained and that the Company's financial position, with reasonable accuracy, at any point of time is determined by the Company, enabling preparation of the Financial Statements, in accordance with the Act to facilitate proper audit of the Financial Statements.

The Financial Statements for the year 2022, prepared and presented in this Annual Report have been prepared based on new Sri Lanka Accounting Standards (SLFRS) which came to effect from 1 January 2012 are in agreement with the underlying books of account and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have been responsible for taking reasonable measures and care to safeguard the assets of the Company and the NCAP Group and to prevent and detect frauds and other irregularities. The Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them. The Directors' Statement on

Internal Control over Financial Reporting is given on page 31 of this Annual Report. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective review performed by the Audit Committee. Please refer the Audit Committee Report on page 33 of this Report.

Messrs Ernst & Young, Chartered Accountants, who were appointed in terms of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, have been made available with all records of the Company including the Financial Statements by the Board of Directors and provided every opportunity to undertake the inspections they considered appropriate all of which they have examined and have expressed their opinion which appears as reported by them on page 41 of this Report.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements exhibited on page 43 including, appropriate Accounting Policies selected and applied based on the new financial reporting frame work on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected.

The Board of Directors wishes to confirm that, as required by the Section 56 (2) of the Companies Act No. 07 of 2007, it has authorized (and approved) distribution of the dividends paid upon being satisfied that the Company would satisfy the solvency test after such distributions are made in accordance with the Section 57 of the Companies Act No.07 of 2007 and have obtained in respect of dividends paid, necessary certificates of solvency from the External Auditors.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy there of is sent to every shareholder of the Company. The Directors also wish to confirm that all shareholders have been treated equitably in accordance with the original terms of issue.

The Company has also complied with the prudential requirements, regulations, laws and internal controls and there were no material non-compliances.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group, and all other known statutory dues as were due and payable by the Company and the Group as at the Reporting date have been paid or, where relevant, provided for. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the CA Sri Lanka and the SEC, the Directors have a reasonable expectation that the Company and the NCAP Group possesses adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the

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

By Order of the Board,



.....
Shehani Benjamin
Company Secretary

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING RESPONSIBILITY

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at NDB Capital Holdings Ltd. ("the Company")

In considering such adequacy and effectiveness, the Board recognises that the business requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the company. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to business environment or regulatory guidelines. The Board has assessed the internal control over financial reporting taking into account the principles for the assessment of internal control system as given in that guidance.

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 on risk and control 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 OVER FINANCIAL REPORTING

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

- Board Audit, Risk & Compliance Committee (BARCC) is established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives and strategies as well as the policies and business directions that have been approved.
- The Internal Audit Department of the National Development Bank PLC checks for compliance with policies and procedures and the effectiveness of the internal control systems during their audits. The Internal Audit Department uses a top down risk based auditing approach enhancing the Risk Based Auditing Process. The audits are carried out at determined intensities based on the risk assessments. Board Audit, Risk and Compliance Committee reviews the findings of the internal audits completed and their evaluation of the company's internal control system. The Committee also reviews the scope and adequacy of the coverage of the approved audit plan and had detailed discussion on any audits rated below satisfactory, reviewing the action plans to address these areas and the implementation status.

- The Board Audit, Risk & Compliance Committee of the Company reviews internal control issues identified by the External Audit, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management, compliance and internal control systems. The minutes of the Board Audit, Risk and Compliance Committee meetings are forwarded to the Board of the Company and the Board Audit Committee (BAC) and the Integrated Risk management Committee (IRMC) of the National Development Bank PLC on a periodic basis. Further details of the activities undertaken by the Audit, Risk & Compliance Committee of the Company are set out in the Audit, Risk & Compliance Committee Report on pages
- The Board took necessary steps to further improve the models used for Impairment computations under the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”. The required processes and controls have been designed to be in line with SLFRS - 9. The Board will continuously strengthen the processes and controls around management information systems and reports required for validation and compliance in line with SLFRS 9.

CONFIRMATION

The effect of COVID-19 has created an unprecedented level of business interruption around the world. The Company as in the case of many organizations has shifted to working remotely (as and when required) and adjusting operations to ensure the safety of their employees, customers and other key stakeholders.

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards.

By order of the Board

.....
A.K.Pathirage
Chairman

.....
Sarath Wikramanayake
Chairman Audit, Risk & Compliance Committee

.....
Senaka Kakiriwaragodage
Chief Executive Officer

June 02, 2023

REPORT OF BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

The Board Audit, Risk and Compliance Committee of NDB Capital Holdings Ltd (“the Company”) comprised of four (4) Non-Executive Directors as at the end of the year 2022.

The Chairman of the Committee, Mr. Sarath Wikramanayake is a Non-Executive Director and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, while the other members of the Committee are also from a specialist financial/banking background.

The Structure and Composition of the Board Audit, Risk and Compliance Committee for the year 2022 is set out in the table below.

Name of the Director	Membership Status
Mr. Sarath Wikramanayake	Chairman
Mr. Arjun Fernando	Member
Mr. Ananda Atukorala	Member
Mr. Bernard Sinniah	Member

The Vice President – Internal Audit of NDB functions as the Secretary to the Committee.

CHARTER OF THE COMMITTEE

The Charter of the Board Audit, Risk and Compliance Committee (BARCC) clearly defines the Terms of Reference of the Committee. The Charter is periodically reviewed and revised with the concurrence of the Board of Directors. This process ensures that the new developments and concerns are adequately addressed. The Charter was reviewed and approved by the Board of Directors in the second quarter of 2022.

The Board Audit, Risk and Compliance Committee is responsible to the Board of Directors in its general oversight of financial reporting, internal control, risk management and compliance. The Committee reports to the Board of Directors on its activities regularly. This Report focuses on the activities of the Committee for the year under review.

The composition requirements, roles and functions of the Committee are set out in the “Code of Best Practice on Corporate Governance” issued jointly by the Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

COMMITTEE MEETINGS

The Committee held four (4) meetings during the year. Minutes of such meetings, which include adequate details of the matters discussed are reported regularly to the Board of Directors. In addition,

the minutes of the meetings were also tabled at the Board Audit Committee (BAC) and the Integrated Risk Management Committee (IRMC) of the parent company, National Development Bank PLC.

On the invitation of the Committee, the company's External Auditors, Messrs. Ernst & Young attended all meetings during the year.

In addition, the Chief Executive Officer and the Head of Compliance of the Company and the Chief Executive Officer, the Vice President – Internal Audit, the Vice President – Risk Management, the Vice President – Finance and the Compliance Officer of NDB have attended the meetings as permanent invitees. The Chief Executive Officers of the respective subsidiary companies and the Head of HR were also invited to participate in the meetings as and when their matters are discussed.

SUMMARY OF ACTIVITIES IN 2022

Financial Reporting

The Committee assists the Board to discharge their responsibility in the preparation of Financial Statements that evidence a true and fair view on financial position and financial performance in accordance with the Company's accounting records and as per the stipulated requirements of the Sri Lanka Accounting Standards. The Committee reviews:

- The adequacy and effectiveness of the Internal Control Systems and Procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account.
- The effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided to the stakeholders.
- The Company's financial statements and accounting policies and practices.
- The processes by which compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions relating to financial reporting and disclosures are ensured.
- The Annual Report and Accounts and the Quarterly Financial Statements prior to submission to the Board.

Having assessed the prevailing System of Internal Controls and Procedures, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the company is well monitored and accurately reported.

Compliance with the Revised Sri Lanka Accounting Standards (LKAS/SLFRS)

During the year the Committee placed additional focus on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised in the Financial statements based on the internal models,

management overlay computed based on stress testing, the exposures to risk elevated sectors, to address the potential implications of the COVID-19.

Risks and Internal Controls

During the year, the Committee reviewed the effectiveness of the Internal Control Systems of the Company and its subsidiaries and the quarterly confirmations provided by the respective CEOs on the internal control environment of their respective companies.

Internal Audit

Internal Audit of NDB performs the Internal Audit Function of the Company and its subsidiaries. During the year, the Committee reviewed the independence, objectivity and performance of the internal audit function and the adequacy of resources. The audit plan for the Company and its subsidiaries covering the operations of those Companies, Information Security and Financial Reporting process was reviewed by the Committee and the findings of the internal audits completed and their evaluation of respective company's Internal Control Systems were reviewed and discussed by the Committee.

The Committee also reviewed updates on audit activities and the adequacy of coverage of the approved audit plan, the results of any unsatisfactory audits, the action plan to address these areas and the implementation status. Audit findings presented in the reports are prioritized based on the level of risk.

Internal Audit Charter and Manual

The internal audit function is governed by the Internal Audit Charter which defines the mission, authority, responsibility, independence, reporting, commitment and access in order to assist Internal Audit (NDB) to discharge its function independently.

External Audit

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

The Committee reviewed the Audited Financial Statements with the External Auditor, who is responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards.

Risk Management

The Committee reviewed the Risk Management Policies, Processes and Risk Appetite of the Company and its subsidiaries. The Committee also reviewed the Risk Assessment reports prepared by the Company and its subsidiaries including the mitigants to the top risks of the companies on a quarterly basis.

Regulatory Compliance

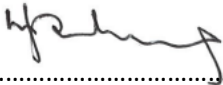
The Committee oversees group wide compliance risk management framework, and ensures that the Company maintains compliance with its ethical standards, policies, procedures, and with laws and regulations. It also serves to assist the Board in fulfilling its oversight responsibilities through review of the existing compliance management practices and controls and provides an objectives review of the effectiveness and efficiency of the Company's overall compliance risk management.

Good Governance and Whistle Blowing

The Company's Whistle Blowing Policy is intended to serve as a channel of corporate fraud risk management. The policy will educate and encourage any team member who has a legitimate concern on an existing or potential "wrong doing", done by any person within the Company, to come forward voluntarily, and bring such concern to the notice of an independent designated authority. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistle-blowing. The Whistle blowing Policy guarantees the maintenance of strict confidentiality of the identity of the whistle- blowers.

EVALUATION OF THE COMMITTEE

Members of the Board Audit, Risk & Compliance Committee carried out a formal self-evaluation/appraisal on the effectiveness of the Committee. Report with the results of the Self-Assessment was submitted and discussed among the members of the Committee and it was concluded that the Committee had carried out its responsibilities in a satisfactory manner.



.....
Sarath Wikramanayake
Chairman

June 02, 2023

BOARD OF DIRECTORS - PROFILES**Mr. Ashok Pathirage***Chairman*

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

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

Softlogic Holdings PLC, Softlogic Capital PLC, Softlogic Life Insurance PLC, Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Odel PLC where he serves as Chairman/Managing Director are listed companies in the Colombo Stock Exchange. He is the Chairman of NDB Capital Holdings Ltd. He also served as the Deputy Chairman of National Development Bank PLC until completion of his full tenure in terms of the regulatory guidelines. Mr. Pathirage serves as the Chairman of Sri Lankan Airlines Limited an airline where the Government of Sri Lanka is the principle shareholder. He is also the Chairman of Sri Lankan Catering Limited.

Mr. Sarath Wikramanayake

Mr. Wikramanayake is a Chartered Accountant. He has worked previously with the Bank of Butterfield, a Bermuda-based international bank for 19 years, where he reached the position of Executive Vice-President. Since returning to Sri Lanka, he has been the Chief Executive Officer of Union Assurance Ltd. and the President of the Insurance Association of Sri Lanka in 2002. He is currently a Director of AIA Insurance Lanka PLC and Union Bank of Colombo PLC.

Mr. Wikramanayake was formerly a Director of the National Development Bank PLC from June 2010 to June 2019 and is currently a Director of several companies of the NCAP Group. He is the Chairman of NDB Investment Bank Limited, NDB Wealth Management Limited and NDB Zephyr Partners Lanka (Private) Limited. He is also the Chairman of NDB Capital Limited (Bangladesh) and serves on several board sub-committees of the NCAP Group, including serving as Chairman of the NCAP Board Audit Risk and Compliance Committee.

Mr. Dimantha Seneviratne

Mr. Dimantha Seneviratne, Chief Executive officer (CEO) and Director of National Development Bank PLC (NDB), counts 33 years in the banking industry contributing his strong strategic focus and drive towards the success of NDB. Having held this position for 6 years, he has transformed NDB as a high performing entity with customer centric approach. Prior to joining the Bank he was the Director / CEO of Pan Asia Banking Corporation PLC (PABC) for 3 years and prior to that, he spent 15 years with the HSBC Group, where he held key senior management positions including Chief Risk Officer Post for Sri

Lanka and Maldives, Bangladesh and Thailand where he was also responsible for business growth, strategy and governance in those respective geographies as a member of the Country Leadership Team.

Mr. Seneviratne commenced his banking career with Sampath Bank and has also served in Overseas Trust Bank, Colombo Branch and Saudi British Bank, Saudi Arabia prior to joining HSBC.

Mr. Seneviratne is a Fellow Member of the Chartered Institute of Management Accountants – FCMA (UK), CGMA and a Senior Fellow Member (SFIB) of the Institute of Bankers of Sri Lanka. He holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenapura, and BSc, from the same University. He is also a Post Graduate Diploma holder in Computer System Design from the National Institute of Business Management. He successfully completed the High Potential Leadership Programme at the Harvard Business School, Boston, USA, in 2016.

He was the former Chairman of Sri Lanka Banks' Association (Guarantee) Limited and a Past President of The Association of Professional Bankers (APB) Sri Lanka, having held various positions in the Executive Council of the APB for over a decade. He was also a Director of Lanka Clear (Pvt) Ltd and the Credit Information Bureau - Sri Lanka.

Mr. Seneviratne is also presently Chairman, Development Holdings (Private) Limited, Director, The American Chamber of Commerce in Sri Lanka and he serves as a Director on the Boards of all the subsidiaries of the NDB Capital Holding Limited Group. He was also re-appointed to serve as a Director of Sri Lanka Banks' Association (Guarantee) Limited in 2021. He was recently appointed as a Member of the Board of Management to the Sri Lanka Sustainable Energy Authority (SLSEA).

Mr. Senaka Kakiriwaragodage

Mr. Senaka Kakiriwaragodage is the Chief Executive Officer of NDB Capital Holdings Limited (NCAP). Prior to joining NCAP, Mr. Kakiriwaragodage was the Joint Managing Director of NDB Zephyr Partners Lanka (Private) Limited. He was also an Engineer at Virtusa (Pvt.) Ltd at the earlier stages of his career.

Mr. Kakiriwaragodage holds a B.Sc. First Class Degree in Computer Science and Engineering from the University of Moratuwa and a MBA from the University of Manchester, UK. He is also a fellow member of the Chartered Institute of Management Accountants, UK, a Chartered Global Management Accountant (CGMA) and a CFA Charterholder. He is a board member of CFA Sri Lanka Society and has served as a member of CIMA Sri Lanka Board.

Mr. Kakiriwaragodage is also a Director of the subsidiaries of the NCAP Group and serves as Director in several portfolio companies managed by Emerald Sri Lanka Fund 1 Limited, a private equity fund dedicated for Sri Lanka.

Mr. Arjun Fernando

Mr. Arjun Rishya Fernando was appointed to the Board of NDB Capital Holdings Limited on 15th October 2017. He currently serves as a Director on the Boards of Central Finance PLC, Nations Trust Bank PLC and Durdans Medical Surgical Hospitals (Private) Limited. He also serves as the Chairman of NDB Securities (Private) Limited and serves as Director of NDB Zephyr Partners Ltd for and behalf of the NCAP Group of Companies whilst serving on sub committees formulated for the NCAP Group as well.

Mr. Fernando has functioned as the CEO / Director of DFCC Bank from 2013 to 2017 and was on the boards of several of DFCC Bank's Subsidiaries, Joint Ventures and Associates. Prior to joining DFCC Bank, Mr. Fernando has had a long and illustrious career at HSBC Sri Lanka and overseas. He holds an MSc (Management) from Clemson University, South Carolina, USA and a BSc (Engineering) from Southern Illinois University, Illinois, USA and is an Associate of the Chartered Institute of Bankers (ACIB), UK

Mr. Ananda Atukorala

Mr. Atukorala is currently the Chairman-National Agency for Public Private Partnership and an Independent Non-Executive Director on the Boards of – Sri Lankan Airlines Ltd, Sri Lankan Catering Ltd, The Hill Club Company Ltd, NDB Zephyr Partners Ltd, Mauritius, NDB Securities (Pvt) Ltd, United Motors Lanka PLC, Unimo Enterprises Ltd, Colombo City Holdings PLC, Arni Holdings & Investments (Pvt) Ltd and Unawatuna Boutique Resort (Pvt) Ltd.

He was formerly the Independent Non-Executive Chairman of National Development Bank PLC and DHPL Holding (Private) Limited. He was also an Independent Non-Executive Director of DFCC Bank PLC, DFCC Vardhana Bank Ltd, Union Bank PLC, UB Finance Company Ltd, Orient Finance PLC and TVS Lanka Ltd.

Mr. Atukorala possesses extensive experience in banking extending over 40 years, having been with the ANZ Grindlays Banking Group in Sri Lanka, London, UK & overseas territories and having served as Deputy General Manager of ANZ Grindlays Bank; Sri Lanka, Country Manager- Sri Lanka of Mashreq Bank PSC, he was also a former advisor to the Ministry of Policy Development & Implementation. He has also served as a Member of the Technology Initiative for the Private Sector - an USAID sponsored project with the Ministry of Industrial Development, a Member of the Commercial Banking Sector of the Presidential Commission on Finance and Banking and as Committee Member of the Banker's Club of Sri Lanka. Mr. Atukorala was a former Director of the Sri Lanka Banks Association (Guarantee) Ltd and the Credit Information Bureau of Sri Lanka (CRIB). He holds a BSc (Univ. of Leeds, UK), MTT (North Carolina State Univ., USA) and a MBA.

Mr. Bernard Sinniah

Mr. Sinniah is a Non-Executive Director on the Board of Directors of National Development Bank PLC, NDB Capital Holdings Limited and its subsidiaries : NDB Investment Bank Limited, NDB Wealth Management Limited, NDB Securities (Private) Limited NDB Zephyr Partners Lanka (Private) Limited and NDB Capital Limited (Bangladesh).

He was the former Managing Director of Citi and Global Head of FX Corporate Sales and e-FX Solutions. He retired in 2018 after 38 years having started his career at Citi Colombo, then moved to Citi, Australia and finished his career based out of London. Currently, he is a minority investor in various technology startup ventures in Sri Lanka and London.

During his career at Citi, Bernard has run numerous global, regional and country businesses. He has built successful teams across the globe which focused on helping Fortune 500 Companies to identify and manage their FX risks to hedge against currency movements. His teams were instrumental in developing cutting edge electronic solutions to streamline Citi's clients' Risk

Management processes. He was known to build highly energetic teams and develop individuals to achieve ambitious targets.

Bernard lives in Walton on Thames, United Kingdom with his wife and three children. He is an Australian citizen and a permanent resident of United Kingdom. He holds a Masters in Applied Finance from Macquarie University, New South Wales, Australia.



Ernst & Young
Chartered Accountants
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ey.com

AdeS/TNH/JJ

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NDB CAPITAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of NDB Capital Holding Limited ("the Company") and the consolidated financial statements of the company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

(Contd...2/)

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 R B S P Fernando FCA FCMA, Ms. L R H L Fonseka FCA, D N Ganage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manobunga FCA, A A J R Perera ACA ACMA, Ms. P V R N Sajeevan FCA, N M Sukuman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

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

A member firm of Ernst & Young Global Limited



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

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

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 and the Group.

02 June 2023
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Group			Company		
		2022 LKR '000	2021 LKR '000	Change %	2022 LKR '000	2021 LKR '000	Change %
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	12	56,598	74,287	(24)	6,967	9,408	(26)
Right of Use Asset	13	152,605	190,776	(20)	16,657	20,822	(20)
Investment in Subsidiaries	14	-	-	-	508,887	508,887	-
Deferred Tax Asset	15	45,881	29,773	54	-	-	-
Intangible Assets	16	7,890	10,690	(26)	201	306	(34)
Investment in Associate Companies	17	141,255	165,238	(15)	-	-	-
Financial Assets measured at fair value through other comprehensive income	18	765,372	144,415	430	665,947	144,415	361
Total Non Current Assets		1,169,603	615,179	90	1,198,661	683,837	75
Current Assets							
Trade and Other Receivables	19	835,715	832,003	0	45,858	54,611	(16)
Financial Assets recognized through profit or loss - measured at fair value	20	1,339,838	2,255,194	(41)	1,198,419	1,563,288	(23)
Cash and Cash Equivalents	21	914,126	613,806	49	219,356	170,061	29
Total Current Assets		3,089,679	3,701,003	(17)	1,463,633	1,787,960	(18)
Total Assets		4,259,282	4,316,182	(1)	2,662,295	2,471,798	8
EQUITY AND LIABILITIES							
Equity Attributable to Equity Holders of the Parent							
Stated Capital	22	328,570	328,570	-	328,570	328,570	-
Reserves		266,488	263,019	1	280,969	280,478	0
Retained Earnings		2,539,006	2,518,617	1	1,788,651	1,661,302	8
		3,134,065	3,110,206	1	2,398,190	2,270,350	6
Non-Controlling Interest		65,153	50,641	29	-	-	-
Total Equity		3,199,218	3,160,847	1	2,398,190	2,270,350	6
Non-Current Liabilities							
Retirement Benefit Obligations	23	94,943	86,772	9	4,735	3,598	32
Deferred Tax Liability	15.2	107,229	20,592	-	107,229	20,592	-
Lease Liability		217,628	249,792	(13)	3,716	3,715	0
Total Non-Current Liabilities		419,800	357,156	18	115,680	27,905	315
Current Liabilities							
Other Payables	24	460,615	374,233	23	43,146	68,468	(37)
Lease Liability		32,161	33,038	(3)	24,373	28,088	-
Bank Overdrafts	21.1	10,138	236,752	(96)	360	111	224
Income Tax Payable		137,351	154,156	(11)	80,546	76,875	5
Total Current Liabilities		640,265	798,179	(20)	148,425	173,542	(14)
Total Liabilities		1,060,064	1,155,335	(8)	264,105	201,448	31
Total Equity and Liabilities		4,259,282	4,316,182	(1)	2,662,295	2,471,798	8

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



 Suvendrini Muthukumarana
 Vice President / Chief Financial Officer
 National Development Bank PLC

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



 Ashok Pathirage
 Chairman



 Senaka Kakirivaragodage
 Director / CEO



 Shehani Benjamin
 Company Secretary

The Accounting Policies and Notes to the Financial Statements on pages 48 through 76 form an integral part of the Financial Statements.

02 June 2023
 Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Group			Company		
		2022 LKR '000	2021 LKR '000	Change %	2022 LKR '000	2021 LKR '000	Change %
Income							
Interest Income	3	344,058	91,144	277	112,311	21,198	430
Dividend Income	4	18,324	14,527	26	290,377	180,022	61
Equity Income	5	(3,032)	42,876	107	(3,032)	30,584	110
Fee Based Income		887,557	1,528,200	(42)	-	-	-
Other Income	6	283,835	52,070	445	238,660	60,985	291
Total Operating Income		1,530,741	1,728,817	(11)	638,316	292,789	118
Less : Operating Expenses							
Personnel Expenses	7	(508,290)	(528,860)	(4)	(82,613)	(88,097)	(6)
Administrative & Other Operating Expenses	8	(479,771)	(447,503)	7	(43,175)	(37,299)	16
Total Operating Expenses		(988,061)	(976,363)	1	(125,789)	(125,396)	0
Share of associate companies' profits/(losses)		(23,643)	(15,900)	49	-	-	-
Profit / (Loss) Before Tax		519,037	736,554	(30)	512,527	167,393	206
Income tax (expenses) / Reversals	9	(210,089)	(178,980)	17	(135,087)	(49,210)	175
Profit / (Loss) for the Year		308,948	557,574	(45)	377,441	118,183	219
Attributable to:							
Equity Holders of the Parent		307,082	558,259	(45)	377,441	118,183	219
Non - Controlling Interest		1,866	(685)	(372)	-	-	-
		308,948	557,574	(45)	377,441	118,183	219
Earnings / (Loss) Per Share (LKR)	10	9.33	16.97	(45)	11.47	3.59	219
Dividends Per Share (LKR)	11	-	-	-	7.60	4.56	67

The Accounting Policies and Notes to the Financial Statements on pages 48 through 76 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

	Group			Company		
	2022	2021	Change	2022	2021	Change
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Profit / (Loss) for the Year	308,948	557,574	(45)	377,441	118,183	219
Other Comprehensive Income / (Expenses)						
Items that will be reclassified to statement of profit or loss						
Fair value adjustment in Financial Asset at Fair Value Through Other Comprehensive Income	491	(12,124)	104	491	8,465	(94)
Deferred Tax effect relating to Components of OCI	2,978	(10,685)	128	5	(2,105)	100
Exchange differences on translation of foreign operations	67,911	10,150	569	-	-	-
Item that will not be reclassified to profit or loss						
Actuarial Gains / (Losses) on Defined Benefit Plans	(9,925)	32,455	(131)	(20)	4,640	(100)
Total Other Comprehensive Income / (Expenses) Net of taxes	61,456	19,796	(210)	476	11,000	96
Total Comprehensive Income / (Expense) for the Year	370,403	577,370	(36)	377,917	129,183	193
Attributable to:						
Equity Holders of the Parent	341,211	576,005	(41)	377,917	129,183	193
Non - Controlling Interest	29,192	1,365	2,039	-	-	-
	370,403	577,370	(36)	377,917	129,183	193

The Accounting Policies and Notes to the Financial Statements on pages 48 through 76 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to the Parent						Non-Controlling Interest	Total
	Stated Capital	General Reserves	Fair value through Other comprehensive Income Reserve	Retained Earnings	Total			
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000		
<i>For the year ended 31 December</i>								
Balance as at 01 January 2021	328,570	289,725	(3,897)	2,072,973	2,687,371	58,932	2,746,303	
Net profit for the year	-	-	-	558,259	558,259	(685)	557,574	
Capital Reduction	-	-	-	-	-	-	-	
Dividends Paid	-	-	-	(150,046)	(150,046)	(9,656)	(159,702)	
Fair value adjustment in Debt Instrument at Fair Value Through OCI	-	-	(12,124)	-	(12,124)	(2,009)	(14,134)	
Actuarial Gain / (Loss) on Defined Benefit Plans	-	-	-	32,455	32,455	-	32,455	
Tax Expenses relating to Components of OCI	-	-	(10,685)	(1,114)	(11,799)	-	(11,799)	
Exchange Differences on Translation of Foreign Operations	-	-	-	6,091	6,091	4,060	10,150	
Balance as at 31 December 2021	328,570	289,725	(26,706)	2,518,617	3,110,206	50,641	3,160,847	
Balance as at 01 January 2022	328,570	289,725	(26,706)	2,518,617	3,110,206	50,641	3,160,847	
Net profit for the year	-	-	-	307,082	307,082	1,866	308,948	
Dividends Paid	-	-	-	(250,077)	(250,077)	-	(250,077)	
Dividends declared by NCI	-	-	-	-	-	(14,680)	(14,680)	
Fair value adjustment in Debt Instrument at Fair Value Through OCI	-	-	491	-	491	-	491	
Payment of surcharge tax	-	-	-	(67,275)	(67,275)	-	(67,275)	
Actuarial Gain / (Loss) on Defined Benefit Plans	-	-	-	(9,925)	(9,925)	-	(9,925)	
Fair value gains/(losses) realized and reclassified to retained earnings	-	-	-	-	-	-	-	
Tax Expenses relating to Components of OCI	-	-	2,978	-	2,978	-	2,978	
Exchange Differences on Translation of Foreign Operations	-	-	-	40,585	40,585	27,326	67,911	
Balance as at 31 December 2022	328,570	289,725	(23,237)	2,539,006	3,134,065	65,153	3,199,218	

Company	Stated Capital	General Reserves	Fair value through Other comprehensive Income Reserve	Retained Earnings	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
<i>For the year ended 31 December</i>					
Balance as at 01 January 2021	328,570	289,725	2,438	1,689,640	2,310,373
Net profit for the Year	-	-	-	118,183	118,183
Dividends	-	-	-	(150,046)	(150,046)
Capital Reduction	-	-	-	-	-
Fair value adjustment in Debt Instrument at Fair Value Through OCI	-	-	(8,466)	-	(8,466)
Actuarial Gain / (Loss) on Defined Benefit Plans	-	-	-	4,640	4,640
Tax Expenses relating to Components of OCI	-	-	(3,219)	(1,114)	(4,333)
Balance as at 31 December 2021	328,570	289,725	(9,247)	1,661,302	2,270,350
Balance as at 01 January 2022	328,570	289,725	(9,247)	1,661,302	2,270,350
Net profit for the Year	-	-	-	377,441	377,441
Dividends	-	-	-	(250,077)	(250,077)
Fair value adjustment in Debt Instrument at Fair Value Through OCI	-	-	491	-	491
Actuarial Gain / (Loss) on Defined Benefit Plans	-	-	-	(20)	(20)
Tax Expenses relating to Components of OCI	-	-	-	5	5
Balance as at 31 December 2022	328,570	289,725	(8,756)	1,788,651	2,398,190

The Accounting Policies and Notes to the Financial Statements on pages 48 through 76 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Year ended 31 December	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Cash Flows From / (Used in) Operating Activities				
Profit/ (Loss) Before Tax	519,037	736,554	512,527	167,393
Adjustments for				
Depreciation / Amortization	31,624	34,709	2,984	4,641
Income from Investments	(209,325)	(255,317)	(142,287)	(223,860)
Profit from Sale of Equity Investments	8,614	(10,176)	8,614	(10,176)
(Profit)/Loss on Sales of Property, Plant and Equipment	3,631	(6,694)	-	-
Provision for Defined Benefit Plans	19,132	19,083	1,532	2,648
Right of Use Asset Depreciation	38,171	38,684	4,164	4,164
Interest Expense on Lease Liability	42,429	16,090	3,616	2,665
Net increase of WHT Receivable	3,189			
Fair Value adjustment of Equity Instruments	(66,732)	(31,304)	(34,126)	(20,408)
Provision / (reversal) for impairment allowance	1,745	(5,393)	28,544	1,008
Equity Income from strategic Investments	-		(272,053)	
Share of associate companies' profits/(losses)	23,808	15,900	-	-
Operating Profit/(Loss) before Working Capital Changes	415,323	552,135	113,516	(71,925)
Rent/Lease Paid During the Year	(65,200)	(61,445)	(7,332)	(6,665)
(Increase)/ Decrease in Trade and Other Receivables	927,235	(902,695)	9,188	(32,363)
Increase/ (Decrease) in Trade and Other Payables	(821,696)	670,912	(25,322)	16,192
Cash Flows Generated from Operations	455,662	258,907	90,050	(94,761)
Defined Benefit Plan Costs Paid	(20,887)	(1,844)	(623)	-
Income Tax and surcharge tax Paid	(225,620)	(222,053)	(44,772)	(118,552)
Net Cash From/(Used in) Operating Activities	209,155	35,011	44,654	(213,313)
Cash Flows from / (Used in) Investing Activities				
Net Proceeds from Sale/(Purchase) of Financial Investments	(630,578)	(13,923)	(153,553)	323,554
Acquisition of Property, Plant and Equipment	(8,728)	(11,705)	-	(408)
Acquisition of Intangible Assets	(1,914)	(4,062)	-	-
Proceeds from Sale of Property, Plant and Equipment	74	7,596	-	-
Net Proceeds from Other Investments	780,360	10,496	(8,613)	10,177
Interest Received	138,266	34,594	126,249	22,484
Dividend Received	290,377	180,022	290,377	180,022
Net Cash Flows from Investing Activities	567,857	203,018	254,460	535,828
Cash Flows from / (Used in) Financing Activities				
Dividends Paid to shareholders of the company	(250,077)	(150,046)	(250,077)	(150,046)
Dividends Paid to Non Controlling Interests	-	(8,672)	-	-
Net Cash Flows (Used in) Financing Activities	(250,077)	(158,718)	(250,077)	(150,046)
Net Increase/(Decrease) in Cash and Cash Equivalents	526,934	79,310	49,037	172,319
Cash and Cash Equivalents at the beginning of the Year	377,053	297,743	169,959	(2,360)
Cash and Cash Equivalents at the end of the Year *	903,988	377,053	218,996	169,959
*CASH AND CASH EQUIVALENTS				
Favorable Cash & Cash Equivalents Balance				
Short Term Deposits	341,649	613,721	154,244	154,266
Cash and Bank Balances	572,478	85	65,112	15,804
	914,126	613,806	219,356	170,070
Unfavorable Cash & Cash Equivalent Balances				
Bank Overdraft	(10,138)	(236,752)	(360)	(111)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	903,988	377,053	218,996	169,959

The Accounting Policies and Notes to the Financial Statements on pages 48 through 76 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1.0 Corporate Information

NDB Capital Holdings Ltd (“NCAP” or “the Company”) is a company which offers full-service investment banking services comprising of fee based activities such as debt and equity raising, corporate advisory, mergers & acquisitions, stock broking, wealth management and fund based activities such as investment in listed equity securities, private equity, fixed income securities and underwriting. The fee based activities are carried out via subsidiaries of NCAP whereas fund based activities are performed directly under the Company.

The principal activities of the Company consist of fund based investment banking activities and holding of capital market related businesses of the NDB Group.

The principal activities of the subsidiaries and the associate companies are summarized below;

Entity	Country of Incorporation	Principal Activities	Holding % 2022	Holding % 2021
NDB Investment Bank Ltd	Sri Lanka	Investment banking	100%	100%
NDB Wealth Management Ltd	Sri Lanka	Wealth management	100%	100%
NDB Securities (Pvt) Ltd	Sri Lanka	Investment advisory and Securities trading	100%	100%
NDB Zephyr Partners Ltd	Mauritius	Management of private equity funds	60%	60%
NDB Zephyr Partners Lanka (Private) Ltd	Sri Lanka	Management of private equity funds	60%	60%
NDB Capital Limited	Bangladesh	Investment banking	43%	43%

National Development Bank PLC is the ultimate parent of the Group. NCAP is a limited liability company incorporated and domiciled in Sri Lanka. Its registered office is at No.40, Nawam Mawatha, Colombo 2, Sri Lanka.

The Financial Statements of NDB Capital Holdings Ltd for the year ended 31 December 2022 was authorized for issue in accordance with a resolution of the Board of Directors on “02 June 2023”

2.0 Accounting Policies

2.1 Basis of Preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following material items in the statement of Financial Position,

- Other non-current financial investments and financial investments held for trading which are measured at fair value

- Liabilities for defined benefit obligations which are recognized at the present value of the defined benefit obligations less the net totals of plan assets and unrecognized past service cost.

2.1.1 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest thousand rupees, except when otherwise indicated.

2.1.2 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with Accounting policies and notes, (Financial Statements), i.e. Consolidated Financial Statements of NCAP Group as at 31 December 2022 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.3 Materiality & Aggregation

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

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated 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 Statement of Comprehensive Income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Accounting Policies of the Company.

2.1.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries for the year ended 31 December 2022. The Financial Statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by Company.

Non-controlling interests are presented separately in the Statement of Comprehensive Income and within equity in the Statement of Financial Position, but separate from Parent shareholders' equity.

2.2 Significant accounting judgments, estimates and assumptions

In the process of applying group's accounting policies, management is required to make judgments, which may have significant effects on the amounts recognized in the Financial Statements. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of the Financial position date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

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.

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which such items can be deducted in the future. Significant management 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.

Defined Benefit Plans

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

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

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

Useful Life time of Property, Plant and Equipment

The group reviews the residual values, useful lives and methods of depreciation of property, Plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

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 recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.3 Summary of Significant accounting policies**SLFRS 9 Financial Instruments****Initial recognition of Financial Assets and Financial Liabilities**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to

Collect contractual cash flows.

And

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired

Debt instrument at Fair Value through OCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

And

- The contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains or losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Derecognition of financial assets

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired

Or

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

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss which includes trade receivables and debentures.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities

Financial Liabilities are recorded at amortized cost. However, fair value changes of liabilities designated under the fair value option are generally presented as follows.

The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of change in the fair value is presented in profit or loss.

Derecognition of financial liabilities

The Group remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

2.3.5 Impairment of Non-Financial Assets Other than Goodwill

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

2.3.6 Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is

recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition (negative goodwill) is recognised directly in the income statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Carrying amount of the goodwill arising on acquisition of subsidiaries is presented as an intangible asset and the goodwill on an acquisition of an equity accounted investment in investment in associates is included in the carrying value of the investment.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the Statement of Comprehensive Income.

2.3.7 Property, Plant & Equipment

(a) Basis of recognition

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

(b) Basis of measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and

subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

(c) Subsequent cost

There are costs that are recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Group and it can be reliably measured.

(d) Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use. The estimated useful lives of the assets are as follows.

Computer Equipment	5 Yrs
Motor vehicles	4 Yrs
Office equipment and furniture	5 Yrs
Lease hold Improvements	10 Yrs

Depreciation is provided proportionately for the completed number of months the asset is in use, if it is purchased or sold during the financial year.

(e) De-recognition

An item of Property, Plant & Equipment is derecognized upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognized.

2.3.8 Right of Use Asset

At the commencement date of a lease, the Group recognise a liability to make future lease payments (i.e., the lease liabilities) and an asset representing the right to use of the underlying asset during the lease term (i.e., the right-of-use asset), the interest expense on the lease liabilities and the depreciation expense on the right-of-use asset are recognized separately in line with the requirements of SLFRS 16- Leases.

Further the lease liabilities will be remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

In order to recognise the impact on the transition, the Group has adopted the modified retrospective approach in line with paragraph C 5, C7 of Appendix C, "Effective date and transition", of SLFRS 16 Leases. The transitional impact on the adoption of SLFRS 16 is incorporated to Equity as at 01 January 2018 in the presentation of financial statements. The Group uses the exemptions proposed by the

standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Group amortized its Right to Use Assets over the lease period of the respective asset

Significant accounting estimates and assumptions

In estimating the borrowing cost of lease liabilities, the Bank uses the interest rate applicable to loans given for Housing purposes, based on a similar tenor, collateral and economic environment.

2.3.9 Intangible assets

Intangible assets include the value of computer software and software under development. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortised using the straight line method to write down the cost over its estimated useful economic lives as given below.

Computer software	5 Yrs
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Intangible assets are derecognized on disposal or when no future economic benefits are expected. Any gain or loss arising on de recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognized.

2.3.10 Taxes

(a) Current Tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(b) Deferred tax

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position 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 except -

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except -

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position 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 Statement of Financial Position 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 date of the Statement of Financial Position.

2.3.11 Employee benefits

Gratuity

The costs of retirement gratuities are determined by a qualified actuary using projected unit credit method. This item is stated under other liabilities in the Statement of Financial Position. Actuarial gains and losses are recognized as income or expense in Statement of Comprehensive Income during the financial year in which they arise.

Employees' Provident fund and Employees' trust fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. Company and Group Companies contribute 12% and 3% to Central Bank of Sri Lanka for eligible employees for Employees' Provident Fund contributions and Employees' Trust Fund contributions respectively.

2.3.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.13 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

2.3.14 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(a) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as fair value through OCI and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Dividend income

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

(c) Income from fee - based activities

Fees for underwriting, advisory work, loan syndication, management of funds and all other fees and commissions are recognised on an accrual basis.

(d) Expenditure Recognition

Operating expenses are recognized in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

2.3.15 Cash and Cash Equivalents

Cash and Cash equivalents comprise of cash balances, short-term funds. The cash flow has been prepared by using "The Indirect Method", whereby gross cash receipts and gross cash payments of operating activities, investing and financing activities have been recognized.

2.3.16 Segment Reporting

An operating segment is a component of the Group 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 Group'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 Group has identified four operating segments based on products and services, as follows:

- Investments
- Capital Market
- Fund Management
- Private Equity Management

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

2.3.17 Standards issued not yet effective

The New and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are as disclosed below.

- SLFRS 17- Insurance Contracts
- Definition of Accounting Estimates - Amendments to LKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12
- Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

The Company is currently assessing the impact the amendments will have on current practice.

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
3. INTEREST INCOME				
Interest Income from Debentures	18,332	17,685	18,332	17,685
Interest on Bank Deposits	114,068	2,919	41,747	2,102
Interest from Government Securities	60,962	-	50,964	-
Other Interest Income	150,695	70,541	1,269	1,411
	344,058	91,144	112,311	21,198
4. DIVIDEND INCOME				
Dividend Income from Securities				
- Quoted Investments	18,324	14,527	18,324	14,527
- Non-Quoted Investments	-	-	-	-
Dividend Income from Subsidiaries/Associates				
- Non-Quoted Investments	-	-	272,053	165,494
	18,324	14,527	290,377	180,022
5. EQUITY INCOME				
Realized Equity Capital Gains / (Losses)	(8,614)	10,176	(8,614)	10,176
Un Realized Equity Capital Gains / (Losses)	(104,836)	(30,928)	(104,836)	(43,220)
Fair Value Change of EF net of management fee	110,418	63,628	110,418	63,628
	(3,032)	42,876	(3,032)	30,584
6. OTHER INCOME				
Income from Unit Trusts	69,096	40,589	11,651	22,640
Other Income	29,591	11,481	41,861	38,345
Foreign Exchange Gain / (Loss)	185,147	-	185,147	-
	283,835	52,070	238,660	60,985
7. PERSONNEL EXPENSES				
Salary & Bonus	389,936	393,889	72,185	78,048
Contribution to Defined Contribution Plans - EPF / ETF	45,956	36,344	6,700	6,113
Contribution to Defined Benefit Liability - Gratuity	19,132	19,083	1,740	2,648
Others	53,265	79,544	1,989	1,288
	508,290	528,860	82,613	88,097
8. ADMINISTRATIVE EXPENSES & OTHER OPERATING EXPENSES				
Directors Emoluments	10,754	9,915	9,314	8,735
Auditors Remuneration	5,247	3,533	1,300	1,200
Portfolio Management Fees	33,653	55,936	406	360
Professional & Consultancy Fees	41,806	32,443	2,867	(1,635)
Depreciation/ Amortization of PPE and Intangible Assets	31,624	34,709	2,984	4,641
Right of Use Asset Depreciation	38,171	38,684	4,164	4,164
Office Administration and Establishment Expenses	318,518	272,283	22,140	19,833
	479,771	447,503	43,175	37,299

9. TAXATION

The components of income tax expense for the years ended 31 December 2022 and 2021 are:

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Current tax expenses				
Income Tax Expenses	135,720	24,583	50,234	24,583
Income Tax of Subsidiary Companies	1,209	159,899	-	-
	136,929	184,481	50,234	24,583
Adjustment in Respect of Current Income Tax of Prior Years	(348)	(22,492)	(1,790)	-
	136,581	161,989	48,444	24,583
Deferred income tax				
Effect of Change in Tax Rates	2,743	-	5,148	-
Deferred taxation Charge / (Reversal)	70,765	16,991	81,495	24,628
Total Tax charged/ (Reversed) to the Income Statement	210,089	178,980	135,087	49,210

a. Reconciliation of the total Tax Expenses

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Profit Before Tax	519,037	736,554	512,527	167,394
Exempt Profit	(524,939)	(32,982)	(503,509)	(247,190)
Non Deductible Expenses	161,979	150,254	41,957	64,719
Deductible Expenses	(59,360)	(101,588)	(7,153)	(9,274)
Taxable Losses	-	(107,023)	-	-
Taxable Income / (Losses)	96,716	645,215	43,822	(24,351)
Income Tax on Taxable Income	99,656	159,853	12,960	-
Dividend tax	37,274	24,628	37,274	24,583
Adjustment in respect of Current Income Tax of Prior Years	(348)	16,991	(1,790)	-
Charge/(Reversal) of Deferred Tax	73,507	(22,492)	86,643	24,628
	210,089	178,980	135,087	49,210

10. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year as required by the Sri Lanka Accounting Standard No.33 on Earnings Per Share.

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Amount used as the Numerator				
Profit attributed to Ordinary Shareholders (LKR '000)	307,082	558,259	377,441	118,183
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares for EPS calc.	32,904	32,904	32,904	32,904
Weighted Average Basic Earnings Per share (LKR)	9.33	16.97	11.47	3.59

11. DIVIDENDS PER SHARE

Interim and Final dividends are recognized and accrued when the dividend are recommended and declared by the Board of Directors in accordance with the companies Act No. 07 of 2007

	Company	
	2022	2021
Interim dividend per share- Cash	-	-
Final dividend per share- Cash	7.60	4.56
Dividend per share	7.60	4.56

12 PROPERTY, PLANT & EQUIPMENT**12.1 Group****12.1.1 Gross Carrying Amounts**

	Balance as at 01.01.2022 LKR.'000	Additions during the year LKR.'000	Disposals during the year LKR.'000	Balance as at 31.12.2022 LKR.'000
At Cost				
Computer Equipment	78,679	7,799	-	86,478
Office Equipment and Furniture	159,494	1,737	(461)	160,770
Motor Vehicles	1,537	2	-	1,539
Lease hold Improvement	21,228	-	-	21,228
Total Value of Depreciable Assets	260,939	9,538	(461)	270,016

12.1.2 Depreciation

	Balance as at 01.01.2022 LKR '000	Charge for the Year LKR '000	On disposals LKR '000	Balance as at 31.12.2022 LKR '000
At Cost				
Computer Equipment	63,889	9,051	-	72,940
Office Equipment and Furniture	111,870	15,610	(144)	127,336
Motor Vehicles	1,227	126	-	1,354
Lease hold Improvement	9,665	2,123	-	11,788
Total Depreciation	186,651	26,910	(144)	213,417

12.1.3 Net Book Value

Computer Equipment	13,539
Office Equipment and Furniture	33,434
Motor Vehicles	185
Lease hold Improvement	9,440
Net book value as at 31 December 2022	56,598
Net book value as at 31 December 2021	74,287

12.1.4 During the financial year, the Group has acquired Property, Plant & Equipment amounting to LKR 9,538,000 (2021 - LKR 11,704,444).

12.1.5 The cost of fully depreciated Property, Plant & Equipment for the year ended 31 December 2022 amounted to LKR 239,006,018 (2021 - LKR 147,818,153)

12.2 Company

12.2.1 Gross Carrying Amounts

	Balance as at 01.01.2022 LKR.'000	Additions during the year LKR.'000	Disposals during the year LKR.'000	Balance as at 31.12.2022 LKR.'000
At Cost				
Computer Equipment	3,151	423	-	3,574
Office Equipment and Furniture	14,439	16	-	14,455
Lease Hold Improvement	13,402	-	-	13,402
Total Value of Depreciable Assets	30,992	439	-	31,431

12.2.2 Depreciation

	Balance as at 01.01.2022 LKR.'000	Charge for the Year LKR.'000	On disposals LKR.'000	Balance as at 31.12.2022 LKR.'000
At Cost				
Computer Equipment	2,190	366	-	2,556
Office Equipment and Furniture	13,251	1,173	-	14,424
Lease Hold Improvement	6,142	1,340	-	7,483
Total Depreciation	21,584	2,879	-	24,463

12.2.3 Net Book Value

Computer Equipment	1,017
Office Equipment and Furniture	31
Lease Hold Improvement	5,919
Net book value as at 31 December 2022	6,967
Net book value as at 31 December 2021	9,409

12.2.4 During the financial year, the Company has acquired Property, Plant and Equipment amounting to LKR 439,000 (2021- LKR 408,000)

12.2.5 The cost of fully depreciated Property, Plant & Equipment for the year ended 31 December 2022 amounted to LKR 15,889,665 (2021- LKR 1,700,230)

13 RIGHT OF USE ASSET**13.1 Group****13.1.1 Gross Carrying Amounts**

	Balance as at 01.01.2022 LKR.'000	Additions during the year LKR.'000	Disposals during the year LKR.'000	Adjustments during the year LKR.'000	Balance as at 31.12.2022 LKR.'000
At Cost					
Buildings	305,546			-	305,546
Total Value of Depreciable Assets	305,546	-	-	-	305,546

13.1.2 Depreciation

	Balance as at 01.01.2022 LKR '000	Charge for the Year LKR '000	On disposals LKR '000	Adjustments during the year LKR.'000	Balance as at 31.12.2022 LKR '000
At Cost					
Buildings	114,770	38,171		-	152,941
Total Depreciation	114,770	38,171	-	-	152,941

13.1.3 Net book value as at 31 December 2022

Net book value as at 31 December 2021

152,605
190,776**13.2 Company****13.2.1 Gross Carrying Amounts**

	Balance as at 01.01.2022 LKR.'000	Additions during the year LKR.'000	Disposals during the year LKR.'000	Adjustments during the year LKR.'000	Balance as at 31.12.2022 LKR.'000
At Cost					
Buildings	33,314	-	-	-	33,314
Total Value of Depreciable Assets	33,314	-	-	-	33,314

13.2.2 Depreciation

	Balance as at 01.01.2022 LKR '000	Charge for the Year LKR '000	On disposals LKR '000	Adjustments during the year LKR.'000	Balance as at 31.12.2022 LKR '000
At Cost					
Buildings	12,492	4,164		-	16,657
Total Depreciation	12,492	4,164	-	-	16,657

13.2.3 Net book value as at 31 December 2022

Net book value as at 31 December 2021

16,657
20,822

14 INVESTMENT IN SUBSIDIARIES

	2022		2021	
	Percentage Holding (%)	Cost LKR' 000	Percentage Holding (%)	Cost LKR' 000
NDB Wealth Management Ltd	100	95,712	100	95,712
NDB Investment Bank Ltd	100	98,346	100	98,346
NDB Securities (Pvt) Ltd	100	292,060	100	292,060
NDB Zephyr Partners Limited	60	22,769	60	22,769
		508,887		508,887

15 DEFERRED TAX

15.1 MOVEMENT OF DEFERRED TAX ASSET

	2022 LKR' 000	2021 LKR' 000
Group		
Balance as at the beginning of the Year	29,773	31,735
Provision/(Release) made during the Year - Charged to Profit or Loss	13,136	7,637
Provision/(Release) made during the Year - Charged to OCI	2,972	(9,600)
Balance as at the end of the Year	45,881	29,773
Company		
Balance as at the beginning of the Year	-	-
Provision/(Release) made during the Year - Charged to Profit or Loss	-	-
Provision/(Release) made during the Year - Charged to OCI	-	-
Balance as at the end of the Year	-	-

15.2 DEFERRED TAX LIABILITY

	2022 LKR' 000	2021 LKR' 000
Group		
Balance as at the beginning of the Year	20,592	(8,369)
(Provision)/Release made during the Year - Charged to Profit or Loss	86,643	24,628
(Provision)/Release made during the Year - Charged to OCI	(6)	4,333
Balance as at the end of the Year	107,229	20,592
Company		
Balance as at the beginning of the Year	20,592	(8,369)
Provision/(Release) made during the Year - Charged to Profit or Loss	86,643	24,628
Provision/(Release) made during the Year - Charged to OCI	(6)	4,333
Balance as at the end of the Year	107,229	20,592

15.3 RECONCILIATION OF NET DEFERRED TAX (ASSET)/LIABILITY

	Statement of Financial Position	
	2022 LKR' 000	2021 LKR' 000
Group		
Deferred Tax Liability		
Capital Allowance for Tax Purposes	(2,756)	(11,825)
Gain / (loss) on Financial Asset	(109,322)	(22,471)
	(112,079)	(34,295)
Deferred Tax Assets		
Defined Benefit Plans	-	770
Gain on Financial Asset	1,420	20,614
Lease Liability	3,429	22,092
	4,850	43,477
Net Deferred Tax Asset / (Liability)	(107,229)	9,181
	Statement of Financial Position	
	2022 LKR' 000	2021 LKR' 000
Company		
Deferred Tax Liability		
Capital Allowance for Tax Purposes	(2,756)	(2,075)
Gain / (loss) on Financial Asset	(109,322)	(22,471)
	(112,079)	(24,546)
Deferred Tax Assets		
Gain / (loss) on Financial Assets	-	454
Defined Benefit Plans	1,420	864
Lease Liability	3,429	2,636
	4,850	3,954
Deferred Tax Asset / (Liability)	(107,229)	(20,592)

16 INTANGIBLE ASSETS**Group**

	2022 LKR' 000	2021 LKR' 000
Cost/Carrying value		
At the beginning of the Year	121,103	117,042
Additions during the Year	1,914	4,062
Disposal during the Year	-	-
At the end of the Year	123,017	121,103
Accumulated Amortization		
At the beginning of the Year	110,414	105,091
Amortization during the Year	4,714	5,322
Amortization for Disposal	-	-
At the end of the Year	115,128	110,414
Net Carrying Value	7,890	10,690

Company

	2022 LKR' 000	2021 LKR' 000
Cost/Carrying value		
At the beginning of the Year	904	904
Additions during the Year	-	-
At the end of the Year	904	904
Accumulated amortization		
At the beginning of the Year	598	494
Amortization during the Year	105	105
At the end of the Year	703	598
Net Carrying Value	201	306

17. INVESTMENT IN ASSOCIATE COMPANIES

NDB Investment Bank Limited which is a fully owned subsidiary of NDB Capital Holdings Limited invested In Ordinary shares of NDB Capital Limited, the Investment banking company based in Bangladesh for the shareholding of 42.14% during the year ended 31 December 2018. Accordingly the Investment is classified as an Investment in Associates in the statement of Financial Position.

	Group	
	2022 LKR' 000	2021 LKR' 000
Investment in NDB Capital Limited	164,899	181,138
Cumulative Share of Associate Company's Profit/(Loss)	(23,643)	(15,900)
	-	-
Total	141,255	165,238

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

	Group		Company	
	2022 LKR' 000	2021 LKR.'000	2022 LKR' 000	2021 LKR' 000
Investment in Debentures	62,682	144,415	62,682	144,415
Investment in Treasury Bills	702,690		603,265	
	765,372	144,415	665,947	144,415

19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Trade & Other Receivables	835,715	832,003	45,858	54,611

**20 FINANCIAL ASSETS RECOGNIZED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE UNDER SLFRS 9
FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	Group		Company	
	2022	2021	2022	2021
	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Non Quoted Securities (20.1)	126,200	126,200	126,200	126,200
Quoted ordinary Shares	161,436	320,566	161,436	320,566
Investment in Private Equity Fund (20.2)	730,200	839,740	730,200	839,740
Investment in Unit Trust	322,003	968,687	180,583	276,782
Total	1,339,838	2,255,194	1,198,419	1,563,288

20.1 FINANCIAL ASSETS RECOGNIZED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE- NON QUOTED ORDINARY SHARES**Group/Company**

	No. of Shares	No. of Shares	Carrying	Carrying
	2022	2021	Value	Value
			2022	2021
			LKR' 000	LKR' 000
Pawan Danavi (Pvt) Ltd	954,000	954,000	86,200	86,200
Lanka Communication Services (Pvt) Ltd	2,856,490	2,856,490	40,000	40,000
Gross Carrying Value of Equity Securities			126,200	126,200
Net Carrying Value of Equity Securities			126,200	126,200

20.2 Investment in Private Equity Fund - Preference Shares**Group/Company**

	2022	2021
	LKR' 000	LKR' 000
Emerald Sri Lanka Fund Ltd as at beginning of the year	839,740	927,954
Net Capital infused /(Divested) during the year	(248,503)	(198,602)
Fair Value Adjustment	138,962	110,388
Emerald Sri Lanka Fund Ltd as at end of the year	730,200	839,740

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR.'000	LKR '000	LKR '000
Cash at Bank	572,478	85	20	20
Short - Term Deposits	341,649	613,721	219,336	170,041
	914,126	613,806	219,356	170,061

21.1 CASH AND CASH EQUIVALENTS

Total Cash and Bank Balances	914,126	613,806	219,356	170,061
Bank Overdrafts	(10,138)	(236,752)	(360)	(111)
Cash and Cash Equivalents	903,988	377,053	218,996	169,950

22 STATED CAPITAL

	2022	2021
	Number	Number
Ordinary Shares (Number)		
Fully Paid Ordinary Shares as of 1 January	32,904,933	32,904,933
Fully Paid Ordinary Shares as of 31 December	32,904,933	32,904,933

	2022	2021
	LKR '000	LKR '000
Ordinary Shares (Amount)		
Fully Paid Ordinary Shares	328,570	328,570
	328,570	328,570

23 RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the Year	86,772	103,319	3,598	5,590
Recognized on Income Statement	19,132	19,083	1,740	2,648
Recognized on OCI	9,925	(33,787)	20	(4,640)
	115,829	88,615	5,358	3,598
Payments / Payables during the Year	(20,886)	(1,843)	(623)	-
At the end of the Year	94,943	86,772	4,735	3,598

23.1 Contribution made for Retirement Gratuity

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Current service cost	8,774	10,931	1,306	2,205
Interest cost	10,358	8,152	434	443
Amount recognised in the Statement of Profit or Loss	19,132	19,083	1,740	2,648
Liability experience loss/(gain)				
Liability loss/(gain) due to changes in;				
Financial assumptions	9,925	2,412	20	(5,092)
Demographic assumptions	-	(36,199)	-	452
Amount recognised in the Other Comprehensive Income	9,925	(33,787)	20	(4,640)

23.2 Assumptions Used for the Gratuity Plan

The actuarial valuations of the retirement gratuity liability were carried out by a Professional Actuary Messers, Actuarial and Management Consultants (Pvt) Ltd & Messers Piyal S. Goonathilleke Associates as at 31 December 2022 & 31 December 2021 respectively.

The valuation method used by the actuary to value the liability is the Projected Unit Credit method as recommended by LKAS 19 - Employee Benefits.

Assumptions Used for the Gratuity Plan

	Group		Company	
	2022	2021	2022	2021
Discount Rate	18.00%	12.03%	18.00%	12.03%
Salary Increment Rate	15%	8% - 10%	15%	10%
Mortality	UP 1984	UP 1984	UP 1984	UP 1984
Retirement Age	60 Years	60 Years	60 Years	60 Years

23.3 Sensitivity of assumptions used in Actuarial Valuation

		Group		Group	
		2022	2021	2022	2021
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on the total Comprehensive Income Increase/ (Decrease) of the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/ (Decrease) in Liability	Sensitivity Effect on the total Comprehensive Income Increase/ (Decrease) of the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/ (Decrease) in Liability
%	%	LKR '000	LKR '000	LKR '000	LKR '000
1		7,337	(7,337)	7,051	(7,051)
(-1)		(8,407)	8,407	(8,353)	8,353
	1	(8,867)	8,867	(8,338)	8,338
	(-1)	7,839	(7,839)	7,166	(7,166)

		Company		Company	
		2022	2021	2022	2021
Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on the total Comprehensive Income Increase/ (Decrease) of the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/ (Decrease) in Liability	Sensitivity Effect on the total Comprehensive Income Increase/ (Decrease) of the Year	Sensitivity Effect on Provision for Retirement Gratuity Increase/ (Decrease) in Liability
%	%	LKR '000	LKR '000	LKR '000	LKR '000
1		475	(475)	1,181	(1,181)
(-1)		(554)	554	(1,421)	1,421
	1	(568)	568	(1,505)	1,505
	(-1)	494	(494)	1,251	(1,251)

24 OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Sundry Creditors Including Accrued Expenses	460,615	655,886	43,146	52,276
	460,615	655,886	43,146	52,276

25 COMMITMENTS AND CONTINGENCIES

(i) The Company has an Overdraft facility for LKR 300 Mn with National Development Bank PLC for the purpose of investing in securities and meeting short term Funding requirement.

(ii) The assessments on VAT on Financial Services received by NDB Capital Holdings Ltd for the years 2012 and 2013 amounting to LKR 183.8 Mn are pending determinations by the Tax appeal commission of Inland Revenue as payable have been forwarded to the Tax Appeals Commission for their The Company has taken up the position that it is not in the business of provision of loans, as charged in the assessments/ determinations.

The Group companies are of the view that the above assessments will not have any material adverse impact on the Financial Statements.

The Company has obtained a bank guarantee amounting to LKR 46 Mn from National Development bank for the above cases.

(iii) NDB Capital Holdings Ltd has committed to invest up to USD 9.6 Mn in Emerald Sri Lanka Fund 1 Limited over the 10 year period beginning December 2014.

The entity has so far invested USD 7.1 Mn and has a further commitment of USD 2.5 Mn to invest upon any capital call by the Fund.

Other than the aforementioned items, there are no significant commitments and contingencies as at the date of Statement of Financial Position.

26 FAIR VALUE OF FINANCIAL INVESTMENTS**Financial Investments 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 assets recognized through profit or loss - measured at fair value

Financial Assets recognized through profit or loss measured at fair value consist of quoted equity securities, on quoted securities, private equity investment and investments in unit trusts. Quoted equity securities are valued using market price published by Colombo stock exchange

Investments in unit trusts are valued at market rates published by the respective unit trusts.

Private equity investment is valued using internal valuation techniques.

Financial Assets measured at fair value through other comprehensive income

Financial Assets measured at fair value through other comprehensive income solely consists of investments in quoted debentures and Government Securities.

26.1 Determination of Fair Value and Fair Value Hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 : other techniques for which all inputs have significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

26.1 Determination of Fair Value and Fair Value Hierarchy (Contd.....)

Group

31 December 2022

	Level 1	Level 2	Level 3	Total
	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Financial Assets				
Financial assets recognized through profit or loss - measured at fair value				
Equity Securities	161,436			161,436
Investment in Unit Trusts	322,003			322,003
Non Quoted Securities			126,200	126,200
Private Equity Fund			730,200	730,200
Financial Assets measured at fair value through other comprehensive income				
Quoted Debentures		62,682		62,682
Government Securities		702,690		702,690
Total Financial Assets	483,438	765,372	856,400	2,105,210

31 December 2021

	Level 1	Level 2	Level 3	Total
	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Financial Assets				
Financial assets recognized through profit or loss - measured at fair value				
Equity Securities	320,566			320,566
Investment in Unit Trusts	968,687	-	-	968,687
Non quoted Securities			126,200	126,200
Private equity Fund			839,740	839,740
Financial Assets measured at fair value through other comprehensive income				
Quoted Debentures	-	144,415	-	144,415
Total Financial Assets	1,289,253	144,415	965,940	2,399,609

Company

31 December 2022

	Level 1	Level 2	Level 3	Total
	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Financial Assets				
Financial assets recognized through profit or loss - measured at fair value				
Equity Securities	161,436			161,436
Investment in Unit Trusts	180,583			180,583
Non quoted Securities			126,200	126,200
Private equity Fund			730,200	730,200
Financial Assets measured at fair value through other comprehensive income				
Quoted Debentures		62,682		62,682
Government Securities		603,265		603,265
	342,019	665,947	856,400	1,864,366

31 December 2021

	Level 1	Level 2	Level 3	Total
	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Financial Assets				
Financial Investments Held For Trading				
Equity Securities	320,566	-	-	320,566
Investment in Unit Trusts	276,782	-	-	276,782
Non quoted Securities	-	-	126,200	126,200
Private equity Fund	-	-	839,740	839,740
Financial Assets measured at fair value through other comprehensive income				
Quoted debentures	-	144,415	-	144,415
	597,348	144,415	965,940	1,707,703

Non quoted securities and Private equity fund has been valued base on the Net Assets Value of the investee.

27 EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the financial

28 RELATED PARTY DISCLOSURES**Company****TRANSACTIONS WITH THE RELATED ENTITIES**

Related Party	Relationship	Nature of Transactions	2022 LKR '000	2021 LKR '000
National Development Bank PLC	Ultimate Parent	Dividend Paid	(250,077)	(150,046)
		Cash Balance 31 December	218,892	169,596
		Interest Income from Short-term investment:	41,747	2,102
		Fee for Accounting and related Services	684	648
NDB Wealth Management Ltd	Subsidiary	Dividend/ Share repurchase proceeds Received	250,033	150,020
		Portfolio Administration Fees	360	360
		Management fees	10,153	10,153
NDB Securities (Pvt) Ltd	Subsidiary	Brokerage Fee	4,093	4,093
		Reimbursement of Rent Expenses	(8,775)	(8,775)
		Management fees	10,153	10,153
NDB Investment Bank Limited	Subsidiary	Management fees	10,698	10,698
NDB Zephyr Partners Limited	Subsidiary	Dividend Receivable	22,020	15,475
		Resource Fee	9,600	7,200

The Company has a Guarantee and Overdraft facility for LKR 46 Mn and LKR 300 Mn respectively with National Development Bank PLC.

29 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL OF THE COMPANY AND ITS PARENT COMPANY

Related parties include Key Management Personnel defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries.

Key Management Personnel include the members of the Board of Directors of the Company and its parent and the key employees who meet the criteria mentioned above.

a) Key Management Personnel Compensation

	2022 LKR '000	2021 LKR '000
Short Term Employee Benefits	175,849	148,932
Post Employment Benefits	-	-
Total Compensation paid to Key Management Personnel	175,849	148,932

The amounts disclosed above are the amounts recognized as an expense during the reporting period relating to Key Management Personnel. In addition to the remuneration, the company provides non cash benefits such as vehicle, insurance for Key Management Personnel in line with the approved benefit plan of the company.

30 SEGMENTAL INFORMATION - GROUP

NDB Capital Holdings Ltd is a full service investment bank. The principal activities of the Company and its subsidiaries are fee-based and fund-based investment banking. The fund-based investment banking activities include private equity, proprietary trading, underwriting, and investments in listed equities, fixed income securities, hybrid securities and unit trusts. Fee-based activities of the Company are carried out through its Subsidiaries.

NDB Investment Bank Limited offers fee based investment banking services. The product range includes debt and equity structuring and placement, corporate advisory services and facilitation of mergers and acquisitions.

NDB Wealth Management Limited offers comprehensive wealth management solutions in the form of discretionary portfolio management, private wealth management and mutual funds.

NDB Securities (Pvt) Limited a licensed stockbroker, is a full member of the Colombo Stock Exchange which provides a variety of investment research and advisory services and online trading facilities. Further, the firm provides margin loan facilities through National Development Bank PLC.

NDB Zephyr Partners Ltd manages private equity funds and extends advisory services on strategic planning, market access, access to technology, finance restructuring and developing the management team to investee companies in the small and medium enterprise sector.

	Investments		Fund Management		Capital Market		Private Equity Management		Total	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Income	571,195	502,263	455,337	680,833	415,319	479,893	88,890	65,828	1,530,742	1,728,818
Segment Results										
Profit from Operating Activities	230,082	129,195	74,750	308,301	187,174	278,904	46,478	36,054	538,484	752,454
Share of Associate Company's Profit / (Loss)	(23,643)	(15,900)	-	-	-	-	-	-	(23,643)	(15,900)
Income Tax Expense	(142,894)	(88,654)	(17,284)	(55,934)	(48,460)	(35,189)	(1,209)	797	(209,846)	(178,980)
Net Profit / (Loss)	63,545	24,641	57,466	252,367	138,715	243,715	45,269	36,851	304,994	557,575
Segment Assets										
Segment Assets	2,717,292	2,491,896	301,721	625,619	1,078,942	1,041,694	161,326	143,928	4,259,282	4,303,138
Segment Liabilities										
Segment Liabilities	414,140	309,280	178,357	242,066	471,520	572,128	-	18,813	1,064,018	1,142,287

31 RISK MANAGEMENT

Overview

NCAP Group is well aware of the need to have an effective risk management system and processes given the diversity of its operations in the capital markets. The Group is involved in diverse fund-based and fee-based business activities such as investing, investment banking, stock broking and wealth management. The investment portfolio of NCAP mainly consists of listed equity securities, private equity, fixed income securities and unit trusts.

Risk Management Structure

The Company has exposure to the following risks from its use of financial instruments:

- **Market Risk**
- **Credit Risk**
- **Liquidity Risk**

An overview of market risk, credit risk and liquidity risk as given below;

- **Market Risk** - The risk of any of investments performing badly due to volatility of market prices. Applicable to quoted equity investments and fixed income investments classified as "Fair Value Through Profit and Loss (FVTPL)". Such volatilities are driven by macroeconomic variables such as interest rates, exchange rates, inflation and certain industry specific factors together with systematic risks including credit risk. These volatilities can also be driven by investor sentiment.
- **Credit Risk** – The risk of financial loss if a debtor or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from investments in fixed income securities.

The following table analyses the Investment Portfolio of debt securities by credit rating.

Credit Rating	2022	2021
	% of Debt Securities	% of Debt Securities
AA- and above	-	-
A- to A+	100%	-
BBB- to BB	-	100%

- **Liquidity Risk** - The risk of not maintaining adequate liquid funds to meet payment obligations as and when they become due. This risk is low given the debt free balance sheet of NCAP.

Risk Mitigation

As a risk management strategy, all investments are subject to an asset allocation policy which provides for adequate level of diversification. The diversification is monitored and managed within each asset class as well. The asset allocation policy is regularly reviewed by the Audit, Risk & Compliance Committee, investment committee and the Board of Directors.

The investments are managed by a team of competent investment professionals who have specialized in specific areas. The specific investments that involve private equity and project financing are subject to a comprehensive investment appraisal and due diligence process. Further, such investments go through a tiered approval process with final approval being granted by the Investment Committee and the NCAP Board. The status of investments and the process are also reviewed regularly by the Investment Committee and the NCAP Board.

NOTICE OF MEETING

Notice is hereby given that the 39th Annual General Meeting of NDB Capital Holdings Limited (the Company) will be held by audio / audio-visual means ("virtual AGM") from the Board Room of NDB Capital Holdings Limited, Bauddhaloka Mawatha, Colombo 04, on 30th of June 2023 at 3.00pm for the following purposes:

1. To lay before the Shareholders for consideration, the Annual Report for the year ended 31st December 2022.
2. To re-elect in terms of Article 30 of the Articles of Association Mr. Dimantha Seneviratne who retires in terms of the said Article 30.
3. To re-elect in terms of Article 30 of the Articles of Association Mr. Arjun Fernando who retires in terms of the said Article 30.
4. To re-appoint Mr. Ananda Atukorala in terms of Section 211 of the Companies Act No. 07 of 2007 by passing the following resolution;

"Resolved that Mr. Ananda Atukorala, who is 74 years of age is hereby elected a Director in terms of Section 211 of the Companies Act No 07 of 2007 and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No 07 of 2007 shall not apply to the said Mr. Ananda Atukorala"

5. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company as set out in section 154 of the Companies Act No. 07 of 2007 and to authorize the Directors to determine their remuneration.
6. To authorize the Board of Directors to determine donations for the financial year 2023 under the Companies Donations Act No. 26 of 1951.

By order of the Board



Shehani Benjamin
Company Secretary
Colombo
2nd June 2023

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy holder to attend and vote in his/her stead.
2. A proxy holder need not be a shareholder of the Company.
3. Voting shall be by any one of the following methods as determined by the Chairman of the meeting unless a poll is demanded;
 - voting by voice
 - voting by show of hands though the eBallot system (every member who is present in person or is represented by a proxy or attorney or an authorized representative shall have one (01) vote).
4. A declaration by the Chairman of the meeting that a resolution is carried by the requisite majority or lost is conclusive evidence of that fact.
5. At a meeting of shareholders, a poll may be demanded on a particular question as provided for in the Companies Act No. 07 of 2007. If a poll is taken, votes must be counted according to the votes attached to the shares of each shareholder present and voting. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote.
6. The Form of Proxy is sent herewith. The completed Form of Proxy must be emailed to the Company Secretary (shehani.benjamin@ndbbank.com) or deposited at the Registered Office of the Company, addressed to the Company Secretary, at No. 40 Nawam Mawatha, Colombo 02 not later than 48 hours prior to the time appointed for the holding of the meeting in accordance with Article 23 (4) of the Articles of Association of the Company.
4. **All shareholders proposing to participate at the meeting are requested to share via email to the Company Secretary (shehani.benjamin@ndbbank.com) the following details on or before 12 noon on 23rd June 2023 in order that required arrangements can be made for the virtual AGM;**

Full Name
NIC
Residential Address
Telephone / Mobile phone number and
Email address

Please note that the above information is mandatorily required to be emailed to the Company Secretary.

5. Once the aforesaid required details are obtained the Company will get in touch with you within 24 hours of the meeting, providing to you the details to *login to the meeting on the said date.
6. In the event a Proxy is being appointed, please complete the Form of Proxy and the Company will be in touch with the Proxy holder via email, within 24 hours of the meeting, in order to provide details to *login to the meeting on the said date. For this purpose please ensure that the Form of Proxy is completely filled.
7. Any queries and matters to be recorded at the meeting could be shared with the Company Secretary in writing on or before 23rd June 2023 via email to shehani.benjamin@ndbbank.com or via post to reach the Company Secretary (at No. 40, Nawam Mawatha, Colombo 02) on or before 23rd June 2023 in order that responses could be made to all queries and concerns in the best interest of Shareholders and recorded as appropriate.

For further queries on the arrangements made by the Company you may contact one of the following persons who will be happy to assist you.

Name	Contact No.
Shehani Benjamin	01124488448 Ex35010
Gihan Weligamage	0112300385

Any additional arrangements made by the Company, apart from the details set out above, will be communicated via the website of the Company. We request all shareholders to check the Company Website accordingly.

*Login details are authorised only for the use by individual shareholders / Proxy holders and authorised representatives in the case of corporate / institutional shareholders. The Company will not be responsible or liable for the misuse of login details and access granted to the meeting.

FORM OF PROXY

NDB Capital Holdings Limited

I/We.....
 (NIC/s) of

 being a shareholder/shareholders of the above named company hereby appoint
 holder of NIC No
 of..... or failing him/her

Mr. Ashok Pathirage (Chairman)	of Colombo, or failing him
Mr. Sarath Wikramanayake	of Colombo, or failing him
Mr. Arjun Fernando	of Colombo, or failing him
Mr. Ananda Atukorala	of Colombo, or failing him
Mr. Dimantha Seneviratne	of Colombo, or failing him
Mr. Bernard Sinniah	of Colombo, or failing him
Mr. Senaka Kakiriwaragodage	(CEO/Director) of Colombo,

as my /our proxy to represent, vote and/or speak for me/us and on my/our behalf at the 39th Annual General Meeting of NDB Capital Holdings Limited to be held on 30th June 2023 and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preferences indicated below:

	For	Against
1. To re-elect in terms of Article 30 of the Articles of Association Mr. Dimantha Seneviratne who retires in terms of the said Article 30.		
2. To re-elect in terms of Article 30 of the Articles of Association Mr. Arjun Fernando who retires in terms of the said Article 30.		
3. To re-appoint Mr. Ananda Atukorala in terms of Section 211 of the Companies Act No. 07 of 2007 by passing the following resolution; "Resolved that Mr. Ananda Atukorala, who is 74 years of age is hereby elected a Director in terms of Section 211 of the Companies Act No 07 of 2007 and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No 07 of 2007 shall not apply to the said Mr. Ananda Atukorala"		
4. To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company as set out in section 154 of the Companies Act No. 07 of 2007 and to authorize the Directors to determine their remuneration.		
5. To authorize the Board of Directors to determine donations for the financial year 2023 under the Companies Donations Act No. 26 of 1951.		

As witness I /We have set my / our hand/s hereunto this.....day of Two
Thousand and Twenty Three (2023).

.....

Signature of the Shareholder / Shareholders

Telephone / Mobile no. of Shareholder

Email address of Shareholder

Telephone / Mobile no of Proxyholder

Email address of Proxyholder

Please note that the above information is mandatorily required.

INSTRUCTIONS FOR COMPLETION OF THE FORM OF PROXY

1. In order to appoint a proxy holder, this form duly completed must be emailed to the Company Secretary (shehani.benjamin@ndbbank.com) or deposited at the Registered Office of NDB Capital Holdings Limited (NCAP), addressed to the Company Secretary, at No 40, Nawam Mawatha, Colombo 02 not less than 48 hours before the time fixed for the meeting.
2. In perfecting the Form of Proxy, please ensure that all details are legible, including the full name and registered address of the member appointing the proxy.
3. The proxy holder appointed need not to be a Shareholder of NDB Capital Holdings Limited.
4. In the case of a Corporate Shareholder, the proxy must be executed under its common seal (if applicable) or by its authorized signatory or as prescribed by the Articles of Association of the Corporate Shareholder.
5. The first joint holder shall have the power to sign the proxy without the concurrence of the other joint holder/s.
6. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney, if executed prior to 25th October 2022, should be duly registered at the Registrar General's office (RGO) and if executed after 25th October 2022, should be duly executed and attested in terms of the Power of Attorney (Amendment) Act No 28 of 2022 and registered at the RGO. A certified copy thereof duly certified by the Registrar General, should also accompany the completed Form of Proxy.

FOR FURTHER DETAILS PLEASE CAREFULLY READ THE NOTES TO THE NOTICE OF MEETING ENCLOSED
HEREWITH.

CORPORATE INFORMATION

Name

NDB Capital Holdings Limited

(The Company was registered under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No 07 of 2007 on 26th December 2007. The Company name was changed from NDB Capital Holdings PLC to NDB Capital Holdings Limited with effect from 2nd March 2015 subsequent to the Company de-listing from the official list of the Colombo Stock Exchange).

Legal Status

Public Limited Liability Company

Incorporation

12th October 1983

Registered No

PQ 110 PB

Stated Capital

Rs. 328,570,037

Board of Directors as at the latest information available

Mr. Ashok Pathirage (Chairman)

Mr. Sarath Wikramanayake

Mr. Ananda Atukorala

Mr. Arjun Fernando

Mr. Dimantha Seneviratne

Mr. Bernard Sinniah

Mr. Senaka Kakiriwaragodage

Company Secretary

Ms. Shehani Benjamin

Registered Office

40, Nawam Mawatha, Colombo 02

Contact Details

NDB Capital Holdings Limited.

Level 1,

NDB Capital Building,

No. 135, Bauddhaloka Mawatha,

Colombo 04.

Tel: +94 11 2300385/ Fax: +94 11 2300393

Auditors

Messrs. Ernst & Young (Chartered Accountants)
201, De Saram Place, Colombo 10

Bankers

National Development Bank PLC
No. 40, Nawam Mawatha, Colombo 2

Subsidiary/Associate companies as at the latest information available

NDB Investment Bank Limited

Directors

Mr. Sarath Wikramanayake (Chairman)
Mr. Dimantha Seneviratne
Mr. Bernard Sinniah
Mr. K.V. Vinoj
Mr. Jehan Peruma
Mr. Darshan Perera
Mr. Senaka Kakiriwaragodage

Contact Details

Level 1,
NDB Capital Building,
No. 135, Bauddhaloka Mawatha,
Colombo 4.
Tel: +94 11 2300385/ Fax: +94 11 2300393

NDB Wealth Management Limited

Directors

Mr. Sarath Wikramanayake (Chairman)
Mr. Dimantha Seneviratne
Mr. Sanjaya Perera
Mr. Bernard Sinniah
Mr. Senaka Kakiriwaragodage

Contact Details

Level G,
NDB Capital Building,
No. 135, Bauddhaloka Mawatha,
Colombo 4.
Tel: +94 11 2303232/ Fax: +94 11 2303237

NDB Securities (Private) Limited

Directors

Mr. Arjun Fernando (Chairman)
Mr. Ananda Atukorala
Mr. Dimantha Seneviratne
Mr. Deepal Akuretiyagama
Mr. Bernard Sinniah
Mr. Senaka Kakiriwaragodage

Contact Details

Level 2,
NDB Capital Building,
No. 135, Bauddhaloka Mawatha,
Colombo 4.
Tel: +94 11 2131000/ Fax: +94 11 2314181

NDB Zephyr Partners Limited – Mauritius

Directors

Mr. Thomas Barry
Mr. Mukul Gulati
Mr. Arjun Fernando
Mr. Ananda Atukorala
Mr. Dimantha Seneviratne
Ms. Dilshaad Rajabalee
Mr. Arunagirinatha Runghien

Contact Details

Sanne Mauritius
Sanne House, Bank Street
Twenty Eight, Cybercity
Ebene 72201,
Republic of Mauritius
Tel: +230 467 3000/ Fax: +230 467 4000

NDB Zephyr Partners Lanka (Pvt) Limited

Directors

Mr. Sarath Wikramanayake (Chairman)
Mr. Thomas Barry
Mr. Mukul Gulati
Mr. Dimantha Seneviratne
Mr. Bernard Sinniah

Contact Details

No. 48/5/1 (West Wing), Parkway Building,
Park Street, Colombo 02.

Tel: +94 11 2303810 - 12/ Fax: +94 112307155

NDB Capital Limited – Bangladesh

Directors

Mr. Sarath Wikramanayake (Chairman)

Mr. Kazi Farhan Zahir

Mr. Mohommad Al Maruf Khan

Mr. Chaklader M Alam

Mr. Zakia Chowdhury

Mr. Hafiz Firoz Choudhury

Mr. Dimantha Seneviratne

Mr. Darshan Perera

Mr. Bernard Sinniah

Contact Details

Bilquis Tower (5th Floor)

Plot 06, Gulshan 2

Dhaka-1212, Bangladesh

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Fax: +880 2 22288906

Web: www.ndbcapital.com