

MISSION ACCOMPLISHED



Vision

To change the financial landscape of our country; bringing more people in more areas to become stakeholders of a national reawakening. We are driven by relentless passion to seek out people who need help.

Mission

Our work ethics involve working tirelessly to formulate and offer a financial product spread that understands the pulse of the people. Our search is for excellence in all we do, including accountability in financial stewardship and in our responsibility towards customers, stakeholders and our country.

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Our report, with additional updated information is available on our website:

<https://www.vallibelfinance.com/annual-report>

MISSION ACCOMPLISHED

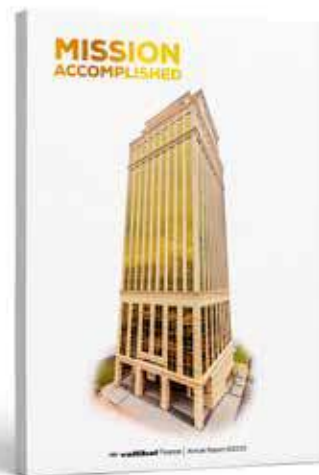
At Vallibel Finance, we are equipped with a spirit of dynamism and mastery, always reaching for the pinnacle of achievement. We have overcome multiple challenges to cement our leadership within the financial services sector, delivering innovative solutions and creating value for our stakeholders. We are rooted in the strength of our exceptional people and we have made it our purpose to build positive relationships with our partners; we are committed to nurturing our stakeholders and communities to create a fruitful tomorrow for all.

2023 marks an epoch in our purposeful journey, as we accomplish the mission of the last few years and step into a new chapter at our purpose-built corporate office, an impressive landmark in Colombo's skyline.

About Our Integrated Annual Report

The foundation of our Annual Reports lies in the commitment to transparency, as we share comprehensive information with our stakeholders about our unified efforts to create value. We highlight the achievements we have accomplished thus far and provide in-depth insights into the intricate relationships and interdependencies among our diverse stakeholder groups, shedding light on the diverse range of business strategies crafted to achieve our corporate goals while effectively meeting the expectations of our stakeholders.

Vallibel Finance PLC's management team remains committed to crafting our annual report in accordance with well-established sustainability and integrated reporting principles. The purpose of this report is to explain the significant value generated through our business activities to our stakeholders. The report presents a comprehensive overview of the Company's financial and operational performance for the financial year ended on 31st March 2023, including comparisons with the previous year. By doing so, we endeavour to offer readers a contextual understanding of the Company's sustainable growth while also providing relevant information on the potential direction of our future business operations and activities.



5th Integrated Annual Report of Vallibel Finance PLC

Preparation and Presentation:

- GRI Standards 2021: As published by the Global Reporting Initiative (GRI) for Sustainability Reporting
- Integrated Reporting (IR) Framework issued by the International Integrated Reporting Council (IIRC)

Evolution of Our Integrated Annual Reports (Boundary and Scope of Reporting)



Our 1st Integrated Annual Report for the FY ended 31st March 2018/19

Reporting Period:

1st April 2018 to 31st March 2019



Our 2nd Integrated Annual Report for the FY ended 31st March 2019/20

Reporting Period:

1st April 2019 to 31st March 2020



Our 3rd Integrated Annual Report for the FY ended 31st March 2020/21

Reporting Period:

1st April 2020 to 31st March 2021



Our most Recent Previous (4th) Integrated Annual Report for the FY ended 31st March 2021/22

Reporting Period:

1st April 2021 to 31st March 2022



Our current (5th) Integrated Annual Report for the FY ended 31st March 2022/23

Reporting Period:

1st April 2022 to 31st March 2023

Topics Covered

Vallibel Finance PLC has made significant efforts to include all relevant topics and descriptions in a concise manner, providing information about the Company's operations in the local market. The identification of material aspects and boundaries and the stakeholder engagement process follows the GRI Universal Standards 2021. The Company has taken great care to offer comprehensive information on the value creation process concerning various stakeholder groups and its impact on different types of capital, including Financial Capital, Human Capital, Manufactured Capital, Intellectual Capital, Social and Relationship Capital, and Natural Capital. The sections within this annual report provide in-depth details on the topics mentioned herewith.

The content of this annual report primarily focuses on providing qualitative and quantitative information pertaining to the financial year from 1st April 2022 to 31st March 2023, together with comparisons to the previous financial year, where applicable and possible. Additionally, the Company has included information about anticipated future developments that were deemed feasible at the time of publishing this annual report. Whenever applicable and pertinent, data from the past five years has been incorporated into this annual report.

Furthermore, the information contained in this annual report aims to adhere to the seven guiding principles outlined in the Integrated Reporting (IR) Framework. The report also offers comprehensive details to address the inquiries outlined by the eight content elements specified in the Framework.

Reporting Changes for the FY 2022/23

- No significant changes in the organisation type, structure, or ownership took place during the reporting period from 1st April 2022 to 31st March 2023.
- No significant changes were recorded within the Company's supply chain during the reporting period.
- For the year ended 31st March 2023, the Company's subsidiary, Vallibel Properties Ltd, has not conducted any business activities, and hence, no significant changes were added to the Company's Financial Statements and Capital reports during the reporting period.
- During the reporting period from 1st April 2022 to 31st March 2023, the Company identified and included one additional material topic, namely "Economic Instability," which is deemed significant to the Company's operations considering the crisis situation that prevailed in the Sri Lankan economy.
- The material topics of 'the impact of the COVID-19 pandemic on business operations' and 'customer health and safety' have been excluded, given that the current situation in Sri Lanka and globally indicates a controlled state of the pandemic and stakeholders' concerns regarding these material topics, as well as the impact on business operations, have diminished.
- Other material topics identified in the previous reporting period from 1st April 2021 to 31st March 2022 continue to remain relevant and have been included with relevant changes based on developments during the year under review.

Precautionary Approach

- The Company's risk management framework contributes to the Company's efforts to manage economic, social, and environmental risks.
- Given the nature of the Company's business operations, there is minimal impact on natural resources. However, as a responsible organisation, we have implemented systems and processes to actively minimise the utilisation of scarce natural resources whenever feasible.

External Assurance

- The Financial Statement and Non-Financial Information Sections included in this annual report have been audited by Messrs. KPMG who have expressed an opinion on the true and fair view of the Annual Financial Statements as shown on pages 196 to 295 of this annual report.
- Reasonable assurance of the financial highlights on page 10 and limited assurance on the non-financial highlights on page 12 has also been received.
- The external assurance report is available on pages 298 to 301 of this annual report.

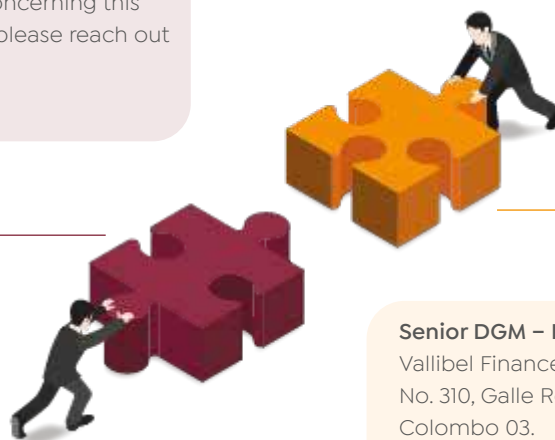
About Our Integrated Annual Report

Reporting Frameworks and Guidelines

The Company diligently follows the mandatory and voluntary reporting frameworks and guidelines listed below, ensuring an unbiased and comprehensive reporting environment.



For any feedback or inquiries concerning this annual report and its contents, please reach out to the following.

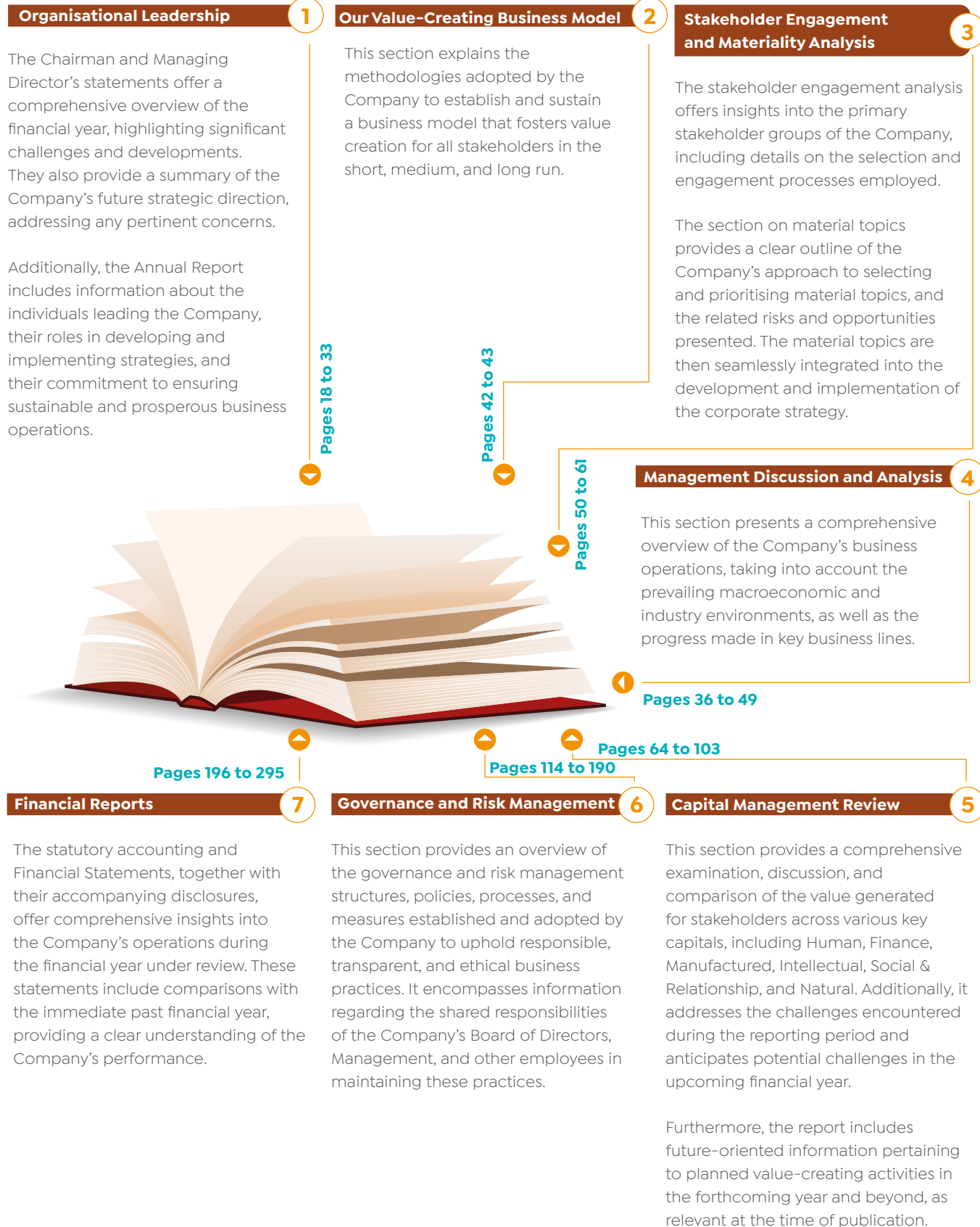


Senior DGM – Finance & Administration
 Vallibel Finance PLC
 No. 310, Galle Road,
 Colombo 03.
 Tel: 011-4393100

GRI Content Index

The GRI Content Index is available on pages 302 to 304 of this annual report.

Summary of the Company's Annual Report 2022/23



About Us

Today, the culmination of all our endeavours has established Vallibel Finance as a prominent brand throughout the nation. We have not only exceeded expectations but also remain steadfast in our pursuit of new milestones, to reach every household in the country. In all aspects, we wholeheartedly dedicate ourselves to fulfilling our corporate aspirations, upholding authenticity, honouring our commitments to the business and stakeholders, and demonstrating unwavering resilience when confronted with difficulties and challenges.

For the past 16 years, our unwavering purpose has been to serve the people of Sri Lanka and foster a financial landscape that promotes inclusion. We are dedicated to catering to the diverse needs, big and small, of our customers throughout the country by offering innovative and customised financial solutions.

To ensure widespread accessibility, we have strategically established a network of 58 branches across the Western, Central, Sabaragamuwa, Southern, North-Western, Uva, North Central, and Northern Provinces of Sri Lanka. This extensive presence allows us to reach and serve customers in various regions. Supporting our operations is a committed team of 1,220 employees who embody our pledge to provide the highest standards of customer service.

Together, we strive to empower individuals and businesses with the financial tools and support they need to thrive, enabling them to achieve their goals and contribute to the economic growth of Sri Lanka.

The remarkable journey of growth and excellence embarked upon by Vallibel Finance has witnessed tremendous strides over the past four decades. Originally known as Rupee Finance Pvt Ltd, the company truly realised its potential in 2005 after being acquired by the esteemed Vallibel Group and renamed Vallibel Finance PLC. In the subsequent 16 years, the company's performance has been nothing short of phenomenal, consistently achieving year-on-year growth despite the challenges prevailing in the operating landscape. This transformation can be attributed to our meticulous strategic decision-making process led by a highly experienced leadership team and the unwavering dedication of our employees.

Our unwavering focus enables us to remain steadfast in our vision and mission, as we strive to establish an inclusive financial environment while creating value for all stakeholders involved. At Vallibel Finance, we embody a spirit of dynamism and expertise, constantly pushing the boundaries of achievement. Our journey has not only forged a path of success but has also established a legacy of ethical practices, transparency, and precision in our business operations. We have surmounted numerous obstacles to establish our leadership position in the financial services sector; and take pride in delivering innovative solutions, shaping us into an organisation that thrives on

transforming the financial landscape of our nation by offering value-for-money financial solutions to our people.

Our employees lie at the core of our success and strength, and we are dedicated to fostering positive relationships and developing their skills and capabilities while meeting their professional needs. This commitment allows us to excel in our chosen industry and pursue endeavours with excellence.

We hold our customers, business partners, communities, and other stakeholders in high regard, recognising their vital role in the growth and success of our business. Their contributions and support are invaluable, and we are deeply committed to their well-being and prosperity.

To sustain our momentum and consistently enhance value creation for our stakeholders, we place a strong emphasis on the development of our organisational capabilities. We understand that continuous improvement and growth are essential to meet the evolving needs and expectations of our stakeholders. Therefore, we invest in fostering a culture of learning and innovation, empowering our employees to expand their skills and knowledge.

As we expanded and grew, we recognised the importance of a facility that aligns with our future plans and supports our sustainability agenda. In 2020, we confidently embarked on the development of our corporate office complex, establishing Vallibel Properties Ltd, a fully owned subsidiary entrusted with overseeing construction operations and future business activities. As we approach the completion of our state-of-the-art corporate office, a remarkable landmark that graces Colombo's skyline, the financial year 2023/24 will represent a momentous milestone in our purposeful journey. It signifies the realisation of the goals we have diligently pursued in recent years and ushers in a new chapter filled with even greater prosperity for Vallibel Finance.

Recognition of Success

We are immensely proud to have received recognition for our unwavering dedication and corporate initiatives in recent years, both from esteemed local and international organisations. Our relentless commitment to becoming a customer-centric organisation, understanding the unique needs of diverse communities and individuals, and creating enduring value for our employees and customers has been acknowledged and rewarded.

These prestigious accolades, bestowed upon us, serve as a testament to the trust and confidence that our stakeholders have placed in Vallibel Finance. We firmly believe that these accolades reflect the hard work and unwavering commitment demonstrated by our exceptional employees.

are proud to have witnessed a year-on-year increase in our deposit base, and an asset base that now stands at Rs. 82.32 Bn. These achievements exemplify our genuine dedication to creating value for our stakeholders and nurturing the key capitals of our Company.

As we move forward, we will continue to uphold our core values and leverage our strengths to fuel our progress. With a relentless focus on customer satisfaction, innovation, and responsible financial practices, we are confident in our ability to achieve sustainable growth and deliver excellence and generate value across all aspects of our business operations.



Our Products and Services

Vallibel **FD**

Vallibel **පීසී.එස්.එස්.එස්.**

Vallibel **Gold Loan**

Vallibel **AUTO Draft**

Vallibel **BONUS** Lease

Vallibel **MICRO**

Vallibel **PROPERTY LOAN**

Vallibel **පීසී.එස්.එස්.එස්.**

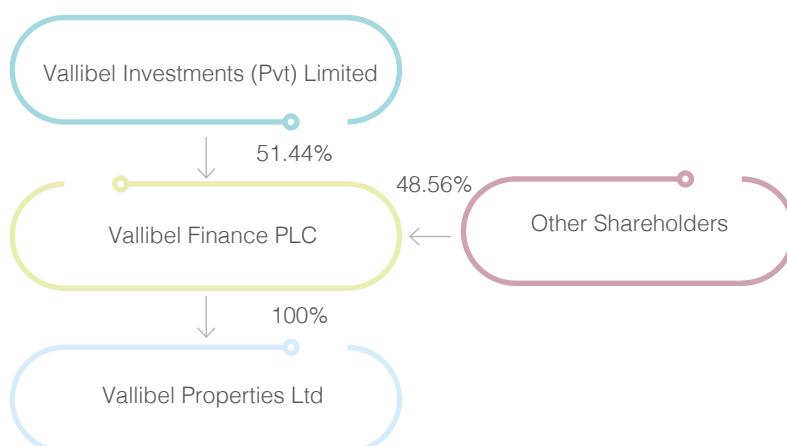
Vallibel **ඩ්‍රැෆ්ට්**

Forging the Way to Future Achievement

Every choice we have made and every business activity we have undertaken has played a pivotal role in shaping the trajectory towards a more prosperous future. With unwavering confidence, we will overcome unforeseen challenges and seize emerging opportunities, as a united team and family. Building upon our rich legacy is an ongoing journey, and we are fully committed to achieving success in all our endeavours.

At Vallibel Finance, we remain steadfast in our commitment to diversifying our innovative product portfolio and expanding our branch network across the nation. By doing so, we aim to provide ideal financial solutions that cater to the diverse needs of the Sri Lankan people. Despite being one of the most challenging financial years faced by the Company, we

Shareholding Structure





Organizational Overview

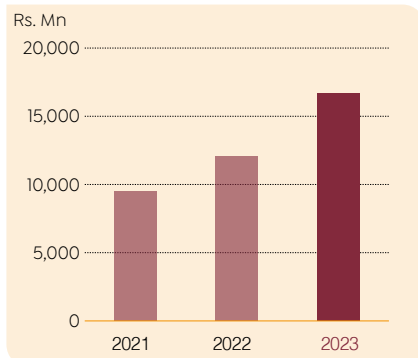
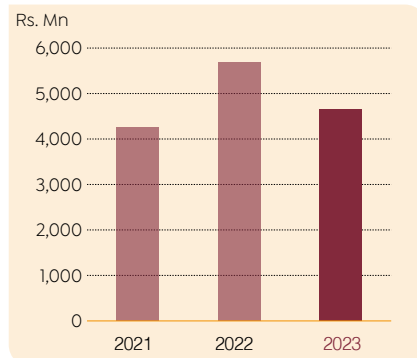
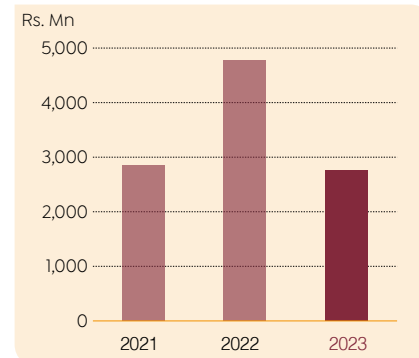
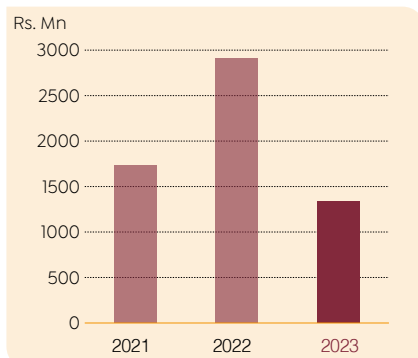
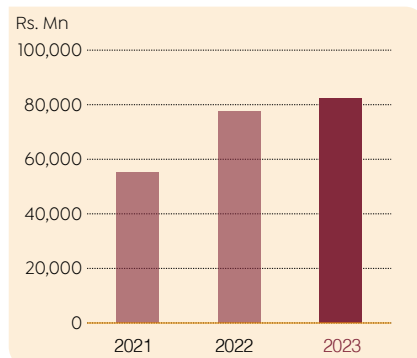
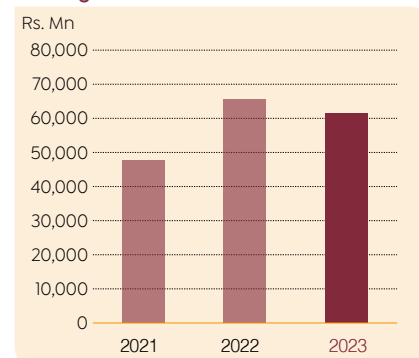
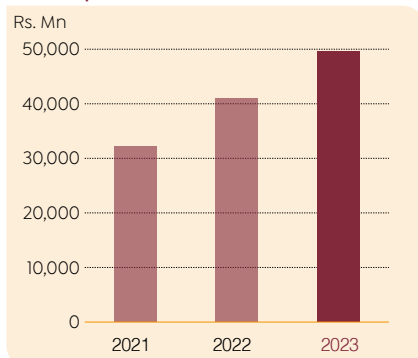
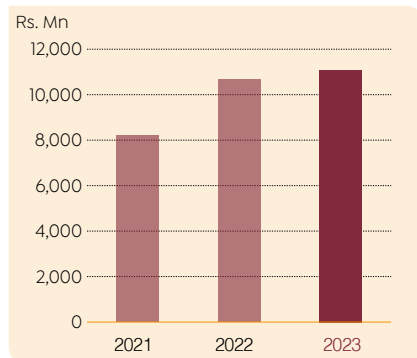
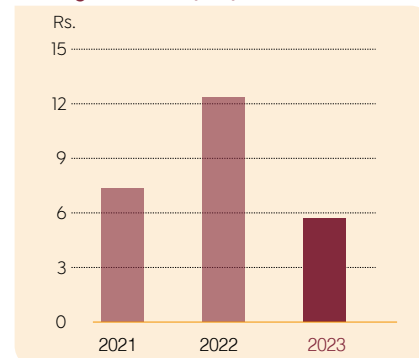
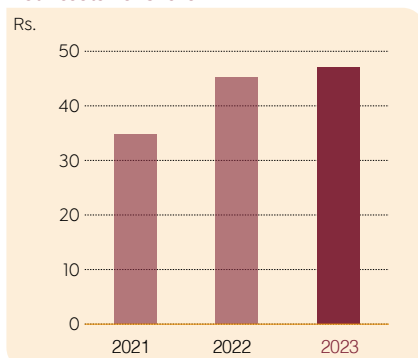
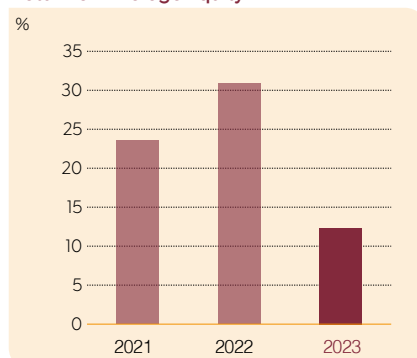
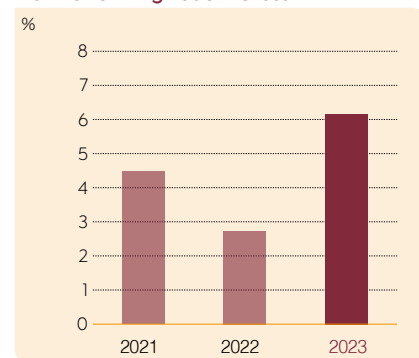
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RESOLUTE DEDICATION



Financial Highlights

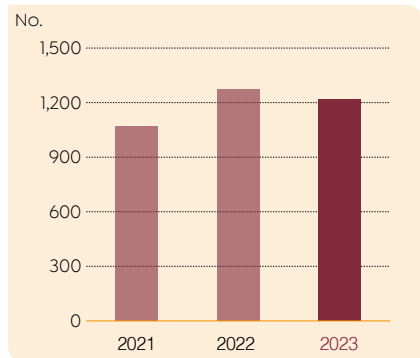
For the Year Ended / As at 31st March		2023	2022	Change %
Financial Performance				
Gross Income	Rs. thousand	16,704,448	12,066,211	38.4
Gross Interest Expense	Rs. thousand	11,013,954	4,234,572	160.1
Net Interest Income	Rs. thousand	4,661,764	5,695,526	(18.2)
Total Operating Income	Rs. thousand	5,690,494	7,831,639	(27.3)
Pre-Tax Profit	Rs. thousand	2,762,600	4,777,680	(42.2)
Income Taxation	Rs. thousand	725,908	1,081,972	(32.9)
Profit after Taxation	Rs. thousand	1,339,572	2,911,898	(54.0)
Financial Position				
Total Assets	Rs. thousand	82,324,075	77,690,211	6.0
Lending Portfolio	Rs. thousand	61,371,395	65,664,364	(6.5)
Total Deposit Base	Rs. thousand	49,659,457	41,021,170	21.1
Borrowings	Rs. thousand	18,613,426	23,109,731	(19.5)
Shareholder's Funds	Rs. thousand	11,086,926	10,655,150	4.1
Investor Information				
Earnings Per Share (EPS)	Rs. per share	5.69	12.37	(54.0)
Net Assets Per Share	Rs. per share	47.09	45.25	4.1
Market Value Per Share	Rs. per share	32.90	37.10	(11.3)
Market Capitalisation	Rs. thousand	7,746,417	8,735,321	(11.3)
Price Earning Ratio (PE)	Times	5.78	3.00	92.7
Dividend per share (DPS)	Rs. per share	-	2.00	(100.0)
Key Ratios				
Return on Average Equity	%	12.32	30.91	(60.1)
Return on Average Assets - After Tax	%	1.67	4.38	(61.9)
Interest Cover	Times	1.25	2.13	(41.3)
Equity / Assets	Times	0.13	0.14	(7.1)
Lending Portfolio / Deposits	Times	1.24	1.60	(22.5)
Debt plus Total Deposit to Equity	Times	6.16	6.01	2.5
Non Performing Ratio - Gross	%	6.16	2.73	125.6
Non Performing Ratio - Net	%	1.33	0.38	250.0
Statutory Ratios				
Liquid Assets	%	26.92	18.72	43.8
Core Capital Ratio - Minimum Required 8.50%	%	17.02	14.58	16.7
Total Risk Weighted Capital Ratio - Minimum Required 12.50%	%	22.26	18.52	20.2

Gross Income**Net Interest Income****Pre-Tax Profit****Profit after Taxation****Total Assets****Lending Portfolio****Total Deposit Base****Shareholder's Funds****Earnings Per Share (EPS)****Net Assets Per Share****Return on Average Equity****Non Performing Ratio - Gross**

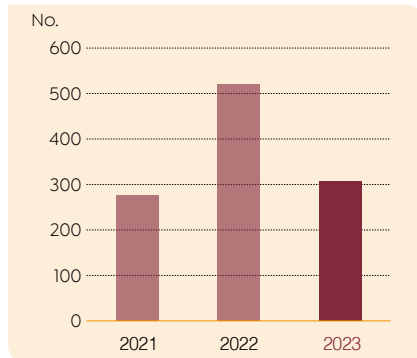
Non-Financial Highlights

For the Year Ended / As at 31st March			2023	2022
Capital Indicators				
Human Capital				
Total Workforce		number	1,220	1,271
New Recruits		number	306	520
Employees Completed 10 Years of Service		number	144	51
Investment in Training and Development		Rs. thousand	542	62
Employees Monetary Benefits		Rs. thousand	1,552,819	1,404,670
Staff Retention Ratio		%	77.97	70.38
Female Representation		%	35	32
Return to Work After Maternity Leave		%	63	100
Gender Diversity Ratio (Male : Female)		%	65:35	68:32
Revenue per Employee			Rs. thousand	13,692
Manufactured Capital				
Branches		number	58	54
New Branches Opened		number	4	8
Branches outside western province		number	28	25
Investment in Property Plant and Equipment		Rs. thousand	181,367	226,622
Investment in IT Development		Rs. thousand	31,448	62,871
Social and Relationship capital				
Economic Value Added		Rs. thousand	16,704,448	12,066,211
Economic Value Distributed To:				
Depositors and Lenders		Rs. thousand	10,417,334	4,209,440
Employees		Rs. thousand	1,552,280	1,404,607
Government		Rs. thousand	1,436,128	1,892,563
Providers of capital		Rs. thousand	1,067,526	378,312
Community Development Programmes		number	16	8
Total Loans Disbursed		Rs. thousand	24,155,350	48,252,787
Natural Capital				
Electricity Consumption - Head Office		KwH	252,550	233,657
Electricity Consumption - All Branches		KwH	1,006,808	952,410
Water Consumption - Head Office		m3	3,805	3,955
Water Consumption - All Branches		m3	11,070	11,685
Paper Cycled		Kg	2,402	3,916
A4 Paper Usage at Head Office		Packs	1,223	2,297
A4 paper purchased at Head Office		Packs	1,308	2,279
Fuel Usage		Litres	18,956	20,664

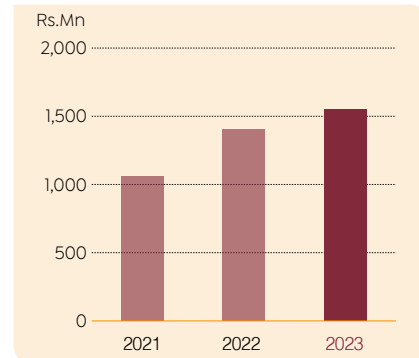
Total workforce



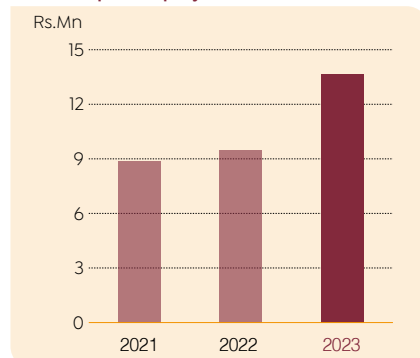
New Recruits



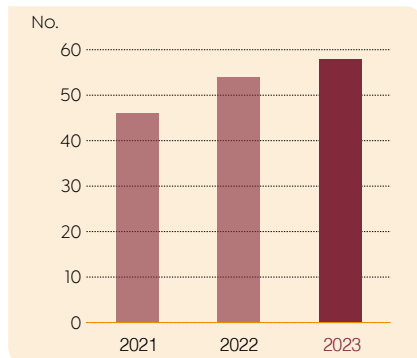
Employee Monetary Benefits



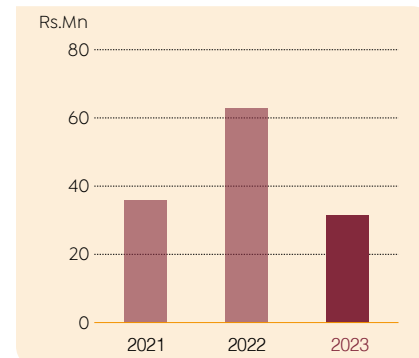
Revenue per Employee



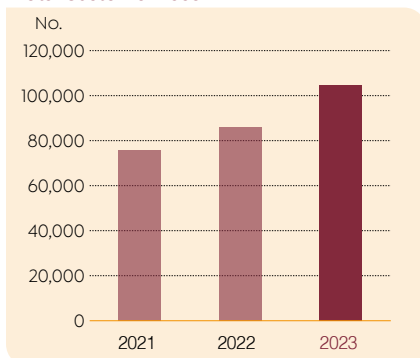
Number of branches



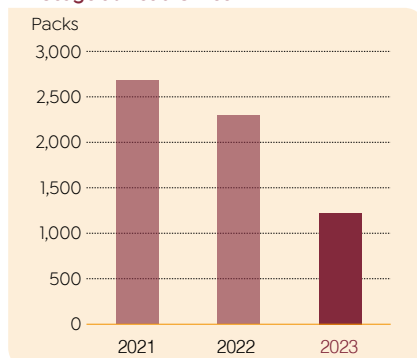
Investment in IT



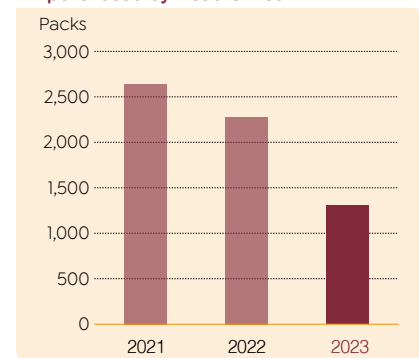
Total Customer Base



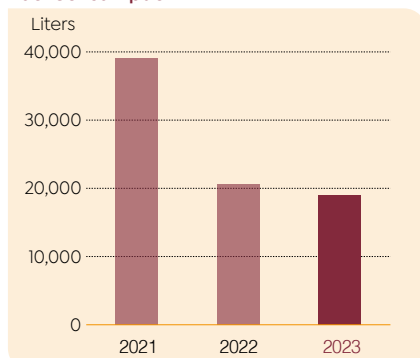
A4 Usage at Head Office



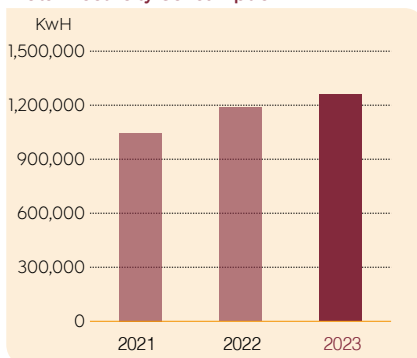
A4 purchased by Head Office



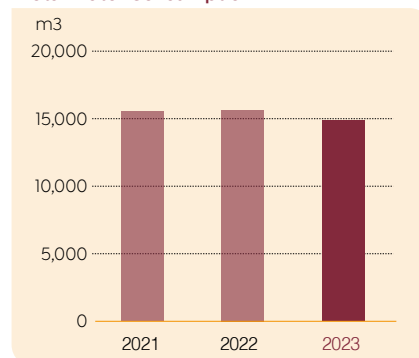
Fuel Consumption



Total Electricity Consumption



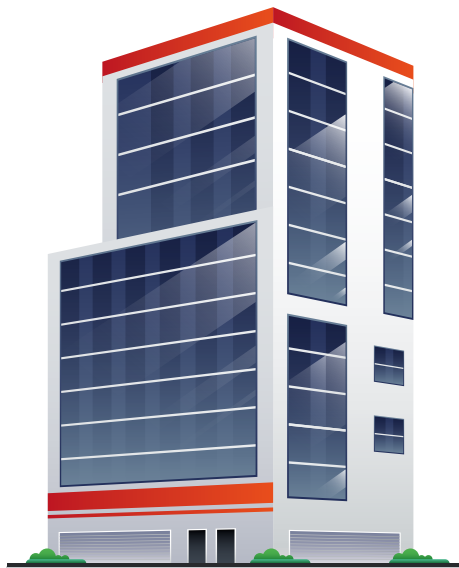
Total Water Consumption



Our Journey

2005 – 2010

Vallibel Finance, formerly known as Rupee Finance Company Limited, was acquired by the Vallibel Group of companies and rebranded in 2005. The Company then underwent a leadership restructuring aimed at achieving its future objectives of transforming Sri Lanka's financial sector. As a result of its achievements and promising prospects for growth, Vallibel Finance was listed on the Colombo Stock Exchange in 2010.



2011–2015

The Head Office was relocated to No. 310, Galle Road, Colombo 03.

Added Gold Loan facilities to our portfolio.

Appointed as an agent of Western Union – MBBL Money Transfers (Pvt) Ltd.

Opened the first Premier Centre in Nugegoda.

Rated A- and placed among the top 100 brands in Sri Lanka by the LMD Brands annual survey in 2015.

Joined Lanka Pay's national electronic fund transfer network.

Rs. 1 Bn Unsecured Subordinated Redeemable Listed Debentures were issued.

The total workforce surpassed 500 employees.

Vallibel Auto Draft and Business Loans were introduced to the product portfolio.

2016 – 2020

Received the Best Employer Brand Award in Sri Lanka in 2016.

10th-anniversary celebrations in 2017.

First finance company to open a branch in Uragasmanhandiya to serve customers in the surrounding vicinity.

Micro Financing was introduced to our product portfolio.

Vallibel Auto Draft recognised as the “Most Innovative Finance Product in Sri Lanka” in 2017.

Ranked as the “Fastest Growing Auto Financing Company in Sri Lanka” by the 2017 Global Banking & Finance Review Awards.

Awarded the status of “Most Respected Finance/Leasing Company” and “Sector Winner” under the Finance and Leasing Sector by LMD’s Most Respected Rankings in 2017.

Acknowledged as one of the fastest companies in Sri Lanka to cross Rs. 1 Bn in post-tax profits.

Certified as a Great Place to Work™ in Sri Lanka.

Selected as one of the ‘25 Best Places to Work in Sri Lanka’.

Ranked among the 100 Most Valuable Brands by LMD in 2019, with a brand value of Rs. 1,300 Mn.

The Gold Loan portfolio of Vallibel Finance reached Rs. 3 Bn.

Recognised as the Brand of the Year Sri Lanka under the Financial Services category by the Global Banking & Finance Review at the 10th Global Banking & Finance Awards ceremony in 2020.

The Vallibel Wheel Draft received the award for the Most Innovative Finance Product for 2020 in Sri Lanka by the Global Banking & Finance Review at the 10th Global Banking & Finance Awards ceremony.

The ground-breaking ceremony for Vallibel Finance’s new 16-story Corporate Office building in 2019.

2021 – 2023

ICRA Lanka upgraded the Company’s credit rating to [SL] BBB+ with stable outlook.

Honoured as the Best Auto Finance Company 2021 by the Global Banking & Finance Review at their 11th Awards ceremony.

Recognized as ‘Best Finance Company – 2022 Sri Lanka by The Global Economics Awards.

Re-certified as a Great Place to Work™.

Selected to be amongst the ‘40 Best Places to Work in Sri Lanka’.

Total workforce surpassed 1,000 employees.

Vallibel brand value increased by 26.56% for the year 2021.

Customer outreach points surpassed 50.

Gold Loan portfolio grew by 78% during the financial year 2023.

The new corporate office located at 480, Galle road Colombo 03 is nearing completion.

Awards and Accolades

One of Sri Lanka's Best Employer Brand – Best Employer Brand Awards
2016



Sector Winner of the Finance and Leasing Sector and awarded the Most Respected Finance/Leasing Company in Sri Lanka – LMD
2017



Ranked 22nd within the top 100 Most Respected Entities in Sri Lanka – LMD
2017



Fastest Growing Auto Financing Company in Sri Lanka – Global Banking & Finance Review Awards
2017



Vallibel Auto Draft awarded the Most Innovative Finance Product in Sri Lanka – Global Banking & Finance Review Awards
2017



Ranked amongst the Top 20 Most Admired Companies of Sri Lanka in 2018 – International Chamber of Commerce Sri Lanka & CIMA Sri Lanka
2018



Fastest Growing Auto Financing Company in Sri Lanka – Global Banking & Finance Awards
2018



Certified as a Great Place to Work™ in 2019/20 – Great Place Research & Consultancy (Pvt) Ltd
2019/20



Finance Services Brand of the Year in Sri Lanka – Global Banking & Finance Review Awards
2020



Most Innovative Finance Product in Sri Lanka (Vallibel wheel Draft) – Global Banking and Finance Review Awards
2020



Certified by Great Place to Work™ in 2020/21 – Great Place Research & Consultancy (Pvt) Ltd
2020/21



Received A+ Brand Rating from Brand Finance Sri Lanka



Ranked as one of the Top 25 Best Places to Work in Sri Lanka 2020 – Great Place Research & Consultancy (Pvt) Ltd
2020

Ranked as one of the Top 40 Best Places to Work in Sri Lanka 2021 – Great Place Research & Consultancy (Pvt) Ltd
2021

Best Finance Company – Sri Lanka Global Economics Awards
2021



Best Leasing Customer Service Company in Sri Lanka – Global Banking & Finance Review Awards
2018



Best Auto Finance Company – Global Banking and Finance Review Awards
2021



Best Finance Company – Sri Lanka Global Economics Awards
2022



Chairman's Statement



Sustainability has consistently been the cornerstone of our endeavours, fuelling Vallibel Finance's remarkable growth in just 16 years. Our unwavering commitment to long-term sustainability and viability has been crucial, especially during the challenges of recent years. We remain dedicated to creating value for shareholders, maintaining business operations, and resolutely pursuing strategic objectives.

K D A Perera
Chairman

Dear Shareholders,

It is my pleasure to present to you the Annual Report and Financial Statements of Vallibel Finance PLC for the year ended 31st March 2023 which have been prepared in line with the Integrated Reporting Framework established by the International Integrated Reporting Council (IIRC) and the GRI Universal Standards 2021 as created by the Global Reporting Initiative (GRI).

Sustainability has consistently been the foundation of our actions. This principle has enabled Vallibel Finance to achieve successive growth within a short span of 16 years. Furthermore, the Company's focus on remaining sustainable and viable for the future has proven invaluable during the last few years of operations. This conviction was particularly put to the test during the financial year under review, which presented significant challenges for the Company. Nonetheless, we remained committed to creating value for our shareholders, sustaining business operations, and steadfastly pursuing our strategic goals.

The economic, financial, and political instability experienced in Sri Lanka at the start of the calendar year 2022 disrupted business operations which were recovering following the containment of the COVID-19 pandemic. The negative economic aspects we experienced at the conclusion of the previous financial year were compounded in the first six months of the financial year under review. The country recorded steeply rising inflation rates, an increasing cost of living, rising interest rates, freefall depreciation of the Sri Lankan

rupee, and a severely depleted foreign exchange reserve situation. These deteriorating indicators were mainly due to the policy measures implemented by the government and the Central Bank of Sri Lanka (CBSL) to prevent a further decline in the economic situation and improve the prevailing condition of the economy.

These factors had a resulting impact on the financial services industry and consequently on Vallibel Finance. The tightening of the monetary market and the high inflation levels decelerated growth in the Company's deposit portfolio and negatively impacted loan portfolio growth. The deposit portfolio grew only by 21.06% during the year under review, while the growth of the loan portfolio recorded a negative growth of 7%.

Thus, the Company was faced with a situation of increasing interest expenses, high operational costs, and declining interest income, resulting in a reduced profit margin. The Company's profit before taxation declined to Rs. 2.77 Bn in the year under review compared to Rs. 4.78 Bn recorded in the previous financial year.

Despite these challenges, the Company was successful in increasing gross income to Rs. 16.70 Bn compared to Rs. 12.07 Bn earned in the previous financial year. The total assets of the Company also increased marginally to record Rs. 82.32 Bn by the financial year-end. The Company's shareholder's funds recorded a slight increase of 4.05% to a total of Rs. 11.09 Bn for the financial year under review, due to the adjustment for Surcharge Tax levied in the financial year. These supported the Company in sustaining a satisfactory performance level.

The Company's commendable performance is attributed to the commitment of the management and employees together with the diligent implementation of cost control mechanisms and the careful evaluation and adjustment of strategies to navigate

emerging challenges throughout the year under review. The Company's focus on the implementation of information technology and digitalisation, as well as streamlining processes, also supported effective cost management measures during period where prices of goods and services were increasing day by day. Consequently, despite the Company's expansion of business operations and the higher costs of operations, the total operating costs increased by 14.98%.

Furthermore, the Company's dedication to a customer-centric approach and the customisation of financial services to meet customer needs, combined with the strategic positioning of our 58 branches throughout the country, played a pivotal role in driving the growth of our deposit base while minimising the decline in the loan portfolio.

Vallibel Finance remains committed to conducting transparent business operations and rigorously adhering to good governance and risk management principles. Additionally, the Company maintains a strong commitment to adhering to all regulations set by the CBSL and other government regulatory bodies. As a responsible publicly listed entity, we prioritise fulfilling the requirements of the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange to ensure compliance and accountability.

The Vallibel Finance Code of Business Conduct and Ethics also serves as a crucial factor in ensuring proper employee conduct. The Company's commitment to the implementation of these measures resulted in the Company being granted a BBB+ credit rating by Lanka Rating Agency. Additionally, there were no reported violations contrary to the Company's ethical business practices which occurred during the financial year under review.

The forthcoming year holds greater promise compared to the one we have just concluded. The positive outcomes of economic reforms, coupled with improving economic indicators, create

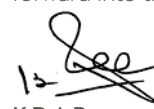
a favourable outlook for the country, the industry, and the Company. We have ongoing plans to expand our business operations and introduce innovative financial solutions to meet the evolving financial needs of the Company's customers, while also working towards bridging the gap of financial inclusivity that still exists in Sri Lanka.

The Company's steadfast commitment to our employees and customers, unwavering delivery of exceptional customer service, and focus on creating value for all stakeholder groups have been significant contributors to our success, particularly during challenging times. The planned move to our new corporate office in the heart of Colombo in the coming financial year will further solidify our commitment to them while enhancing our service delivery.

I take this opportunity to extend my heartfelt appreciation to Mr S.B. Rangamuwa, the Managing Director, his management team, and all employees of Vallibel Finance for their contribution to the Company in a year of untold challenges.

Additionally, I express my gratitude to the Board of Directors for their guidance and support throughout the year, and I extend my sincerest appreciation to the founder Chairman, Mr. Dhammika Perera for his valuable advice and exemplary leadership.

Lastly, I thank all our shareholders for their staunch trust in the Company, and our customers for their continued reliance on Vallibel Finance to fulfil their financial needs and provide support during challenging times. I would also like to acknowledge the commitment of all other stakeholders who have remained loyal and contributed to the Company's ongoing success. On behalf of the Board and the Company, I eagerly anticipate your continued support and trust in Vallibel Finance PLC as we move forward into the future.


K D A Perera
Chairman

Managing Director's Message



The Company's growth trajectory, which had been steadily progressing over the past few years, was interrupted by the prevailing macroeconomic and industry conditions. Nonetheless, despite the multitude of challenges, diligent endeavours were made to align strategies with external market developments. Amidst these notable disruptions witnessed, the Company and the management stood firm and successfully achieved our objectives in maintaining a sustainable business operation.

S B Rangamuwa
Managing Director

The year under review proved to be one of the most challenging years I've witnessed in my career. The country, already experiencing various macroeconomic weaknesses, underwent significant disturbances resulting from the uprising of its citizens, triggered by increasing economic hardship and political issues.

The ensuing economic situation impacted the operations of the financial services sector and Vallibel Finance, mainly because of the steeply rising interest rates, increasing inflationary pressures, and the foreign exchange crunch. However, our resilient strategies together with the dedication of all employees, ensured Vallibel Finance made acceptable progress towards achieving our objectives amidst the various challenges faced.

A Challenging Macroeconomic Environment

The year 2022 was an exceptionally challenging year for Sri Lanka from a macroeconomic perspective. While the pandemic receded, its cascading impacts aggravated an already troubled economy leading to social unrest and political instability during the first few months of 2022. This had a significant impact on economic activity and growth with the Central Bank of Sri Lanka (CBSL) estimating the real GDP to have contracted by 7.8% in 2022, compared to the 3.5% growth recorded in 2021.

In response, the Sri Lankan Government, and the CBSL implemented immediate and coordinated policy measures to pre-empt a further escalation of the situation. This resulted in rising interest rates, a depreciating Sri Lankan rupee, steeply rising inflation, and a shortage of essential goods, medicine, and fuel. While these measures inconvenienced the citizens in the short term, they were necessary to safeguard the economy and prevent potentially devastating consequences of unrestrained economic instability.

The policy reforms implemented together with the intervention by the IMF supported economic stabilisation. As we closed the financial year under review, inflation is declining, interest rates are being adjusted downwards, and the exchange rate, which experienced a sharp depreciation in the first half of 2022, has stabilised and has been slowly appreciating against the USD due to the reintroduction of exchange rate flexibility from March 2023.

Impact on Industry Operating Conditions

The unconducive macroeconomic environment of 2022 resulted in the financial system encountering considerable pressure during the year. This had a cascading impact on the Licensed Finance Companies (LFC) and Specialised Leasing Companies (SLC) sector, which also faced many challenges. However, the sector experienced some growth despite credit contraction, declining profitability,

and increasing non-performing loans. The implementation of the master plan for consolidation of Non-Bank Financial Institutions preserved the financial system of this sector and safeguarded the interest of depositors in a year of financial challenges.

Company's Financial Performance

The prevailing macroeconomic and industry conditions interrupted the growth momentum enjoyed by the Company in the past few years. However, despite the many challenges, tireless efforts to align strategies with external market developments ensured a satisfactory performance for the year ending 31st March 2023.

The Company achieved quite an impressive revenue growth of 38.44% for the year under review, compared to the 27.42% growth recorded in the previous financial year. Additionally, the growth of our deposit base by 21.06% at a time when people were cash-strapped and struggling with rising prices of goods and services, showcases the confidence placed by customers in the Vallibel brand irrespective of external market developments.

Despite a 7% reduction in our lending portfolio for the year under review, this decline is significantly lower than what we had anticipated. We attribute this positive outcome to the effective strategies implemented by the Company and our established position within the industry throughout the years. The lending portfolio stood at Rs. 61.37

Bn as of 31st March 2023 compared to Rs. 65.66 Bn recorded as of 31st March 2022.

Prevailing circumstances also impacted the Company's NPL ratio. This was mainly due to the Company implementing relief measures to assist our customers in distressed times by extending moratoriums and offering concessions. In addition, the compulsory re-classification of the NPL effected from 1st April 2022 by the CBSL has also affected the Company's NPL ratio. Therefore, the Company's NPL increased to 6.16% as at the end of the year under review, albeit lower than the increase experienced by the industry. The Company's strict guidelines and established processes were critical factors in maintaining an acceptable NPL ratio.

The total assets grew by 5.96% to Rs. 82.32 Bn during the year under review. While this growth is substantially lower than the 40.68% growth achieved in the previous financial year, the Company perceives this as a positive outcome within the context of challenges faced in the operating environment during the year under review.

The most notable consequence resulting from external economic factors was the reduction observed in both pre- and post-tax profits during the year under review. The increasing interest expenses and a diminishing rate of interest income growth, together with increasing operational costs resulted in Vallibel Finance recording a 42.18%



21.1%

This commendable deposit base growth demonstrates the unwavering trust and confidence customers have in the Vallibel Finance brand, defying the impact of industry norms and external market dynamics.

Managing Director's Message

- The construction of the **New Corporate Office Complex** has reached its conclusion, and we have firm plans to transition into this cutting-edge facility by the end of the first quarter of FY 2023/24.
- The emphasis on expanding the **Gold Loan Portfolio** in recent years has yielded significant benefits and proved to be advantageous for the Company during the reviewed year, as it grew to comprise 23.80% of the total loans and advances portfolio.
- Being awarded a **credit rating of BBB+ by Lanka Rating Agency** is a testament to the Company's strong foundations and ethical business practices.

decline in pre-tax profits and a 54.00% decline in post-tax profits. Total post-tax profits earned for the financial year ended 31st March 2023 was Rs. 1.34 Bn compared to Rs. 2.91 Bn achieved in the previous financial year.

Company's Operational Performance

Notwithstanding the challenges and uncertainties in the operating environment, we pursued our strategy of branch expansions to accomplish our goal of financial inclusivity in the country. Accordingly, we inaugurated four new branches in Badulla, Kaduwela, Ambalangoda and Mawanella during the latter half of the financial year under review. Moreover, the construction of the Company's iconic corporate office complex is nearing completion.

Significant emphasis was placed on cost management and implementing control mechanisms during the year under review. We proactively undertook various measures to minimise expenses and, whenever feasible, replaced products and services to achieve cost savings without compromising quality.

Our goal to deliver exceptional customer service remained steadfast, and we worked towards cultivating robust relationships with our valued customers. Understanding that

customer satisfaction is pivotal to our success, we dedicated significant resources to meeting their needs, ensuring their experience with our company remained unparalleled despite the hardships faced by them. Through proactive communication, personalised assistance, and attentiveness to their feedback, we strived to not only meet but exceed their expectations.

Significant Achievements

A notable milestone for the Company has been our unwavering commitment to completing the construction of the corporate building without any additional delays. Despite initiating this project amidst the onset of the pandemic in 2020, which some deemed an unfavourable time, our conviction in the strategic decision to address the expanding requirements of our business and promote future success remained steadfast. Currently, the new corporate office complex is nearing completion, with the finishing stages underway. We have set our sights on relocating to this state-of-the-art facility by the beginning of the second quarter of the new financial year, marking a significant step forward in our journey.

Another noteworthy achievement by the Company during the year under review was being awarded a credit rating of BBB+ by Lanka Rating Agency

amidst the prevailing economic and financial crisis in Sri Lanka. This serves as a reaffirmation of our confidence in pursuing the right strategies and establishing a solid foundation to sustain our operations well into the foreseeable future.

The Company also achieved significant growth in our gold loan portfolio which recorded 78% by the end of the financial year under review. We attribute this success to our firm focus on meeting the needs of our customers during times of challenges and uncertainty. We recognised the importance of providing tailored solutions that addressed their specific requirements, which in turn contributed to the remarkable expansion of our gold loan portfolio.

Creating Value for Stakeholders

Amidst all these challenges the Company remained dutiful to our stakeholders, and maintained a resolute commitment to creating value for them. We pursued this objective by consistently working towards our corporate goals, implementing proactive strategies, and closely monitoring external market developments. By keeping communication channels open, we remained attuned to the evolving needs of our stakeholders.

By placing a strong emphasis on prioritising stakeholder value creation, our objective was to foster mutually beneficial relationships, build trust, and ensure long-term sustainability for all parties involved. We strived to demonstrate our dedication commitment to being there for our stakeholders during both favourable and unfavourable times. Through consistent support and collaboration, we aimed to instil confidence in our stakeholders, reinforcing the perception of the Company being a reliable financial partner dedicated to their success and well-being.

In keeping with this belief, Vallibel Finance has resumed its focus on Corporate Social Responsibility (CSR) projects which were halted due to the pandemic. However, the projected uptake was slower than planned, hampered by the financial crisis. Nevertheless, the Company plans to revitalise and accelerate these initiatives in the forthcoming year with a positive outlook on economic stability.

Future Outlook

During the last quarter of the year under review, notable reforms were witnessed in the pursuit of establishing economic stability. This creates a positive outlook towards effectively managing Sri Lanka's economic and financial crisis, with the assistance of international agencies and lending nations. Consequently, both the citizens and the business community have embraced a profound sense of optimism, fostering expectations of robust economic growth in 2023. Furthermore, this is anticipated to fortify the expansion of the financial services sector, provided that we effectively cater to the emerging and evolving needs of our customers.

Aligned with the positive economic and industry outlook, Vallibel Finance is strategically positioned to accelerate its expansion and growth prospects. The previously constrained branch expansion strategy is expected to gain momentum, with plans to open 09 new branches throughout the country.

Additionally, the Company plans to introduce innovative products to cater to evolving financial needs of individuals and to reassess and refine existing products to align with shifting customer demands.

The Company's unwavering commitment to prioritising and consistently pursuing excellence in customer service will persist without interruption. We will also continue to focus on cost management and operational excellence to maintain a viable and sustainable outlook for future growth and expansion. The transition to our new state-of-the-art corporate office complex is expected to strengthen customer experience, providing further support to these aspects.

Acknowledgements and Appreciation

I would like to take this opportunity to express my gratitude to each member of the senior management team and all employees of the Company for their invaluable contributions in overcoming numerous challenges and supporting seamless business operations throughout the year. The unwavering dedication and collective efforts of the team have played a pivotal role in creating value for Vallibel Finance and achieving remarkable performance during this period.

I would also like to express my sincere appreciation to the Chairman and the Board of Directors for their astute guidance, which has directed the Company through unforeseen circumstances and kept us on the right track. A special acknowledgement for Mr. Dhammika Perera, our esteemed Founder Chairman, for his exceptional leadership and unwavering guidance.

Furthermore, I would like to acknowledge and express gratitude to all our stakeholders for their trust,

loyalty, and constant belief in the Company. Your continued support has been instrumental in our progress and achievements to date.



S B Rangamuwa
Managing Director

Board of Directors



Mr. K D A Perera
Chairman



Mr. S B Rangamuwa
Managing Director



Mr. A Dadigama
Independent Non-Executive Director



Mr. J Kumarasinghe
Independent Non-Executive Director



Mr. S S Weerabahu
Executive Director



Mr. T Murakami
Non-Executive Director



Mrs. C P Malalgoda
Independent Non-Executive Director



Mr. Hiroyuki Ota
Alternate Director

Board of Directors

Mr. K D A Perera

Chairman

Mr. Anuradha Perera is a Director of Vallibel Leisure (Pvt) Ltd and also holds directorships in other private sector companies under the Vallibel Group.

Mr. S B Rangamuwa

Managing Director

A fellow of the Chartered Institute of Marketing (UK), and a Chartered Marketer. Mr. Rangamuwa is a member of the Institute of Management Accountants of Australia.

He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Certificate in Foundation Studies (Sports) from Unitec, New Zealand.

Mr. Rangamuwa obtained an MBA from the University of Southern Queensland as well as a postgraduate Diploma in Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

He started his career with Central Finance PLC after a stint at Ernst and Young. He is a former Director of Mercantile Investments PLC having held various key positions during his longstanding career until he joined to launch Vallibel Finance PLC in February 2007.

He is the Chairman of Pan Asia Bank and Director of Vallibel Properties Ltd.

Mr. S S Weerabahu

Executive Director

Mr. Sisira Sirimevan Weerabahu possesses 40 years' experience in the capacity of senior executive in both private and public sector. Studied at Royal College Colombo and entered the University of Moratuwa where he obtained a Bachelor's of Science Degree in Civil Engineering.

He is a Member of the Institute of Engineers of Sri Lanka and is a Fellow of the Chartered Institute of Management Accountants UK. He has followed the Master of Business Administration Degree programme at the postgraduate Institute of Management of the University of Sri Jayawardenepura and has obtained international training in Financial Management.

He served as the Head of Finance at the National Water Supply and Drainage Board and Lanka Cellular Services for more than 14 years and worked as the Consultant attached to the country infrastructure division of World Bank resident mission for two years.

Thereafter he joined the Millennium Group and was the Director/Chief Executive Officer of Millennium Housing Developers PLC, MC Urban Developers Ltd, Millennium Housing Ltd, MC Universal Ltd and Millennium Villa Housing Ltd for 19 years until he retired.

He has wide experience in project development, project financing, general management and finance and engineering.

He is a Director of Vallibel Properties Ltd.

Mr. T Murakami

Non-Executive Director

Mr. Toyohiko Murakami is the Chief Executive Officer of Bansei Group Japan. Mr. Murakami has over 35 years of experience in managing various business fields consisting of securities, finance, insurance and real estate.

Mr. Murakami has a Bachelor of Laws Degree from Kyoto University, Japan.

Mr. Murakami joined Bansei Securities Co., Ltd. in November 2005. He was appointed as the Executive Vice President in February 2006 and he was appointed the President and CEO of the Company in June 2009.

He is also the Chairman of Bansei Hoken (Insurance) Community Co. Ltd. which is a sister company of Bansei Securities Co. Ltd.

Formerly Mr. Murakami was with Zenkoku Hosho Co. Ltd. from November 2005 to February 2006 and as a Director of H.S. Securities Co. Ltd. from October 2000 to August 2005.

He is the Chairman of Bansei Holdings LK (Pvt) Ltd and Bansei and NWS Consultancy (Pvt) Ltd, Deputy Chairman of Bansei Royal Resorts Hikkaduwa PLC, Director of Bansei Securities Finance (Pvt) Ltd, and Hikkaduwa Hotel Holdings (Pvt) Ltd.

Mr. A Dadigama**Independent Non-Executive Director**

Mr. Aravinda Dadigama is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA in Finance from University of Southern Queensland, Australia. Further, he is a degree holder (BBA) of University of Colombo.

He is specialized in finance, treasury, risk management and formulating strategic business plan and counts over 25 years of experience in different entities including finance companies and exporting companies.

At present, Mr. Dadigama is the Group CEO/ Managing Director of Alugrow Group of Companies.

Mr. J Kumarasinghe**Independent Non-Executive Director**

Mr. Janaka Kumarasinghe is a Human Resource Management (HRM) professional who has served local and international positions. He is Past President of CIPM (Chartered Institute of Personnel Management) Sri Lanka and Asia Pacific Federation of Human Resource Management (APFHRM). He has earned his B.Com from the University of Colombo and master's from the National University of Singapore. Also, he has completed CMA (Australia) and is a Certified Member of SLIM. As a key member of the training team he has been instrumental in re-introducing Outward Bound training to Sri Lanka after receiving training in Malaysia, Singapore and the USA through a Government scholarship.

Mr. Kumarasinghe has been awarded the prestigious CIPM Sri Lanka Gold Medal in 2009 for his outstanding contribution to the field of HRM.

A senior visiting lecturer in HRM in the University of Moratuwa in its Master's programs, Mr. Kumarasinghe currently serves as the Chief Operating Officer of One Billion Tech (Pvt) Ltd., and Director of Kent Ridge (Pvt.) Limited a consulting Company he has co-founded.

Mrs. C P Malalgoda**Independent Non-Executive Director**

Mrs. Champika Priyadarshanee Malalgoda graduated from Law School in Sri Lanka Law College obtaining the Attorney-at-Law qualification in 1984. She possesses a MSc in Human Resource Management from Robert Gordon University, UK. Mrs Malalgoda joined the Board of Investment (BOI) of Sri Lanka in 1991 and served as the Senior Advisor and the Director General of BOI, Sri Lanka's Premier Investment Agency.

Mrs. Malalgoda has a wealth of knowledge and experience on Regional and Bilateral Agreements related to both Trade and Investment and was a member of the Sri Lankan Delegation in International Trade and Investment Treaty negotiations in negotiating and drafting investment treaties. Further, she possesses Professional Chartered Membership in Chartered Institute of Professional Development, UK.

Mr. Hiruyuki Ota**Alternate Director**

Mr. Hiruyuki Ota is the Managing Director of Bansei Securities Finance (Pvt) Ltd and counts over 34 years of experience in finance business in the areas of commercial banking, trust banking, lease finance and securities business. Mr. Ota holds a Bachelor of Laws Degree from Kyoto University (Japan).

He has been the Managing Director of Bansei Securities Capital (Pvt) Ltd since 2015, and has been dedicated towards collaborations between Sri Lanka and Japan in Financial Business. Mr. Ota is also acknowledged by the Bansei Group as Managing Director who contributed towards strengthening and making the Bansei Group profitable.

He previously worked for the Long Term Credit Bank of Japan (Now called Shinsei Bank) (1982-2000), Mitsui Sumitomo Trust & Banking (2000-2011) and Ricoh Co. Ltd (2011-2014).

He is the Director/Chief Executive Officer of Bansei Royal Resort Hikkaduwa PLC and a Director of Bansei Securities Capital (Pvt) Ltd, Bansei & NWS Consultancy (Pvt) Ltd, Bansei Holdings LK (Pvt) Ltd and Hikkaduwa Hotel Holdings (Pvt) Ltd.

Corporate Management Team



Sisira Weerabahu
Executive Director



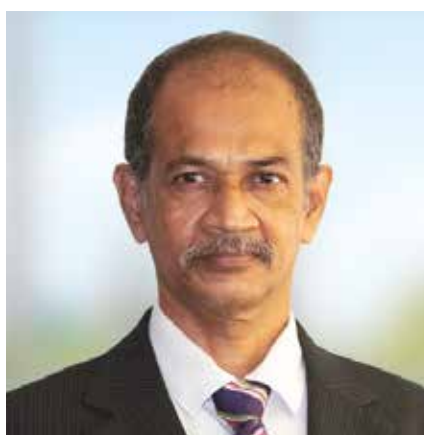
Niroshan Perera
Senior Deputy General Manager -
Credit



Menaka Sameera
Senior Deputy General Manager -
Finance & Administration



Lakshman Waniarachchie
Deputy General Manager -
Branch Operation & Channel
Development



Nanda Bandara
Deputy General Manager -
Internal Audit



Rohan de Silva
Assistant General Manager -
Metropolitan Branches



Aruni Nawarathne
Assistant General Manager -
Legal



Thilak Nanayakkara

Senior Deputy General Manager -
Collections



Tharaka Amaraweera

Deputy General Manager -
Asset Management



Shanka Dissanayake

Deputy General Manager -
Credit



Kelum Warnakula

Assistant General Manager -
Sabaragamuwa Branches



Lakmal Gabadage

Assistant General Manager -
Southern Branches



Eranga Nalin Gunerathne

Assistant General Manager -
Human Resources

Senior Management Team



Suren Abeywickrama

Senior Manager -
Branches



Ruchira Bandara

Senior Manager -
Finance



Bathiya Samaraweera

Senior Manager



Ruwan Wijesooriya

Senior Manager -
IT Operations



Dilhani Wijayathilaka

Senior Manager -
Compliance



Chandima Ganesh

Senior Manager -
Marketing Communication



Dinesh Siriwardhana

Chief Manager (Grade 01) -
Credit



Chamara Priyadarshana

Chief Manager (Grade 01)



Mahesh Gulawita

Chief Manager (Grade 01)



Jagath Mendis

Chief Manager (Grade 01) -
Galle



Priyantha Rathnayake

Chief Manager (Grade 01) -
Malabe



Rangana Rupasingha

Chief Manager (Grade 01) -
Anuradhapura



Rukmal Mendis
Senior Manager -
Administration



Ranil Wickramaratne
Senior Manager -
Credit Administration



Manjula Pushpakumara
Senior Manager -
Gold Loan



Dinesh Samaranayake
Chief Manager (Grade 01) -
Recoveries



Prasanna Ranasinghe
Chief Manager (Grade 01) -
Recoveries



Kasun Harischandra
Chief Manager (Grade 01) -
Recoveries



Asinil Perera
Chief Manager (Grade 01) -
Kurunegala Metro



Ajith Rathnamalala
Chief Manager (Grade 01) -
Gampaha



Janaka Kumara
Chief Manager (Grade 01) -
Matara



Dilhan Liyanage
Chief Manager (Grade 01) -
Rajagiriya



Madhura Jayasekara
Chief Manager (Grade 01) -
Nugegoda



Asela Bandara
Chief Manager (Grade 01) -
Kandy

Senior Management Team



Amali De Silva

Chief Manager (Grade 02) -
Fixed Deposits



Harshaka Perera

Chief Manager (Grade 02) -
Operations



Sampath Gunasekara

Chief Manager (Grade 02) -
Personnel Administration



Ranjith Gunaratne

Chief Manager (Grade 02) -
Rathnapura



Chithraka Hettiarachchi

Chief Manager (Grade 02) -
Aluthgama



Ravindra Kumara

Chief Manager (Grade 02) -
Panadura



Chamara Perera

Chief Manager (Grade 02) -
Kuliyapitiya



Priyankara Gamlath

Chief Manager (Grade 02) -
Kegalle



Kelum Udayanka

Chief Manager (Grade 02) -
Payments



Roshan Indika

Chief Manager (Grade 02) -
Special Channels



Jayantha Soysa

Chief Manager (Grade 02) -
Corporate Communications



Sanjaya Jayarathna

Chief Manager (Grade 02) -
Avissawella



Ranjith Kumara

Chief Manager (Grade 02) -
Insurance



Lakmal Marasinghe

Chief Manager (Grade 02) -
Gold Loan



Wasantha Senanayake

Chief Manager (Grade 02) -
Chilaw



Prabath Dissanayake

Chief Manager (Grade 02) -
Warakapola



Sudheera Sampath

Chief Manager (Grade 02) -
Borella



Gayan Kumarasinghe

Chief Manager (Grade 02) -
Wattala



Chamaka Kumarasinghe

Chief Manager (Grade 02) -
Recoveries



Kumara Thennekumbura

Chief Manager (Grade 02) -
Mt. Lavinia



Chanaka Lagath

Chief Manager (Grade 02) -
Special Channels



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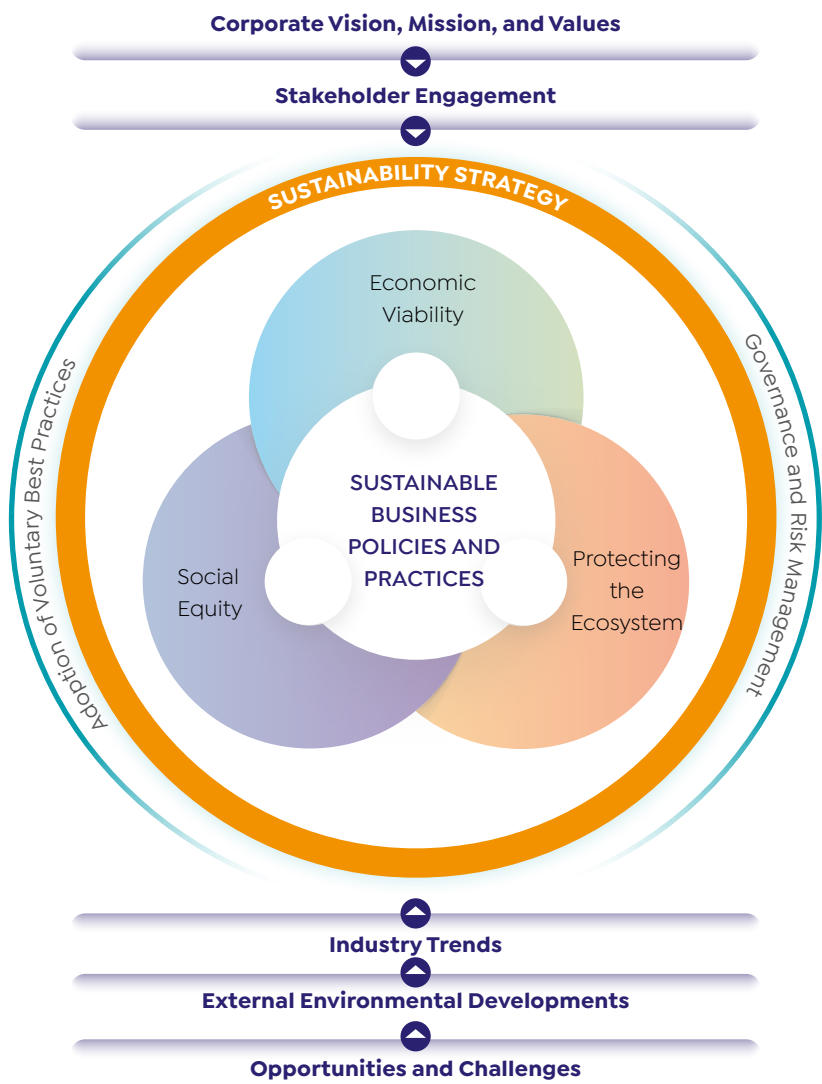
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EMPOWERING CHANGE



Unleashing Our Vision: Executing Our Plan

In the face of a rapidly changing business environment and various challenges in the economic landscape, Vallibel Finance has established a well-defined and coordinated approach to strategic delivery to ensure uninterrupted business operations. Our strategy is built on strategic planning, goal setting, and optimised resource allocation, supported by timely delivery and continuous monitoring, allowing us to stay relevant in a dynamic operating environment. Furthermore, in delivering strategy and maintaining sustainable business practices, the Company considers economic viability, social and human responsibility, and environmental conservation within a collaborative integrated framework.



We also maintain flexibility by regularly reassessing our future expectations and realigning our growth plans to strike a balance between stability and sustainability, while actively pursuing viable growth opportunities to maintain our position in the financial industry and create value for stakeholders. Effective communication and alignment of the strategy across all levels of the organisation, including regular updates,

clarifying expectations, addressing concerns, and fostering a culture of accountability and ownership, are crucial to our approach. Evaluation and continuous improvement are also integral to our strategy delivery to meet the expectations of our stakeholders.

Inputs for Strategy Setting

The Company's corporate strategy formulation process considers a variety of factors when formulating the strategy. To ensure appropriate prioritisation and avoid overlooking any key elements, the Company has divided bases its strategy formulation process on six strategic pillars. These pillars are the foundation of our success in crafting a strong strategy that effectively addresses challenges in the operating environment and delivers desired outcomes.

As we strive to become a leading financial institution and maintain a prosperous business enterprise, we navigate various paths by leveraging these interconnected pillars to create an overarching strategy that drives growth for both the present and the future. These pillars also consider and incorporate key elements from laws and industry regulations, best practices, and voluntary sustainability and corporate governance guidelines.

Vallibel Finance's approach to executing plans while considering the impact on the ecosystem, communities, and the bottom line has resulted in significant benefits. The Company's inherent success is evidenced by the sustainable value created over time, as reflected in our key financial and operational metrics.



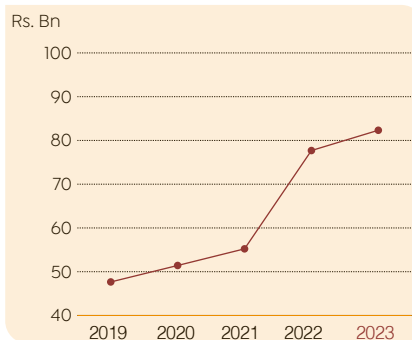
Sustainable Business Growth

Key Highlights

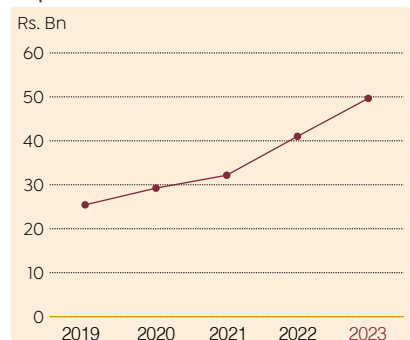
- Offering customised financial services to mitigate the negative effects of economic instability.
- Seizing growth opportunities in specific business segments.
- Maintaining strong capital and liquidity positions to remain well-capitalised and retain optimal liquidity levels.

Key Performance Indicators FY 2022/23

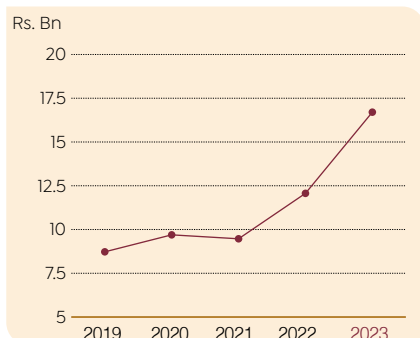
Total Assets



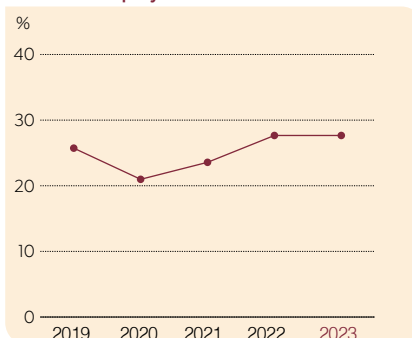
Deposit Base



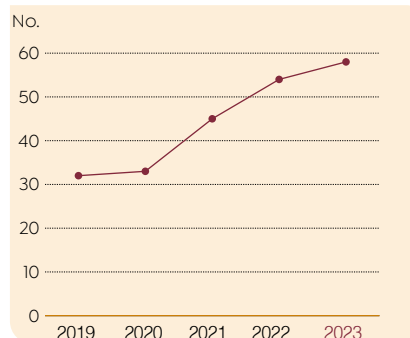
Revenue Growth



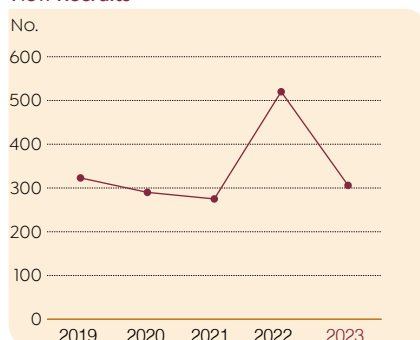
Return on Equity



Branch Growth



New Recruits



Future Focus

- Unwavering commitment to maintaining high portfolio quality.
- Strategic marketing efforts tailored to pre-identified customer segments.
- Creating sustainable long-term value by prioritising the interests of all stakeholders.

Unleashing Our Vision: Executing Our Plan

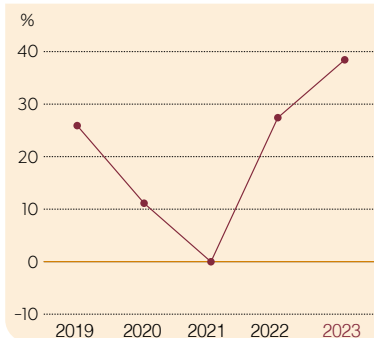
Strong Financial Performance

Key Highlights

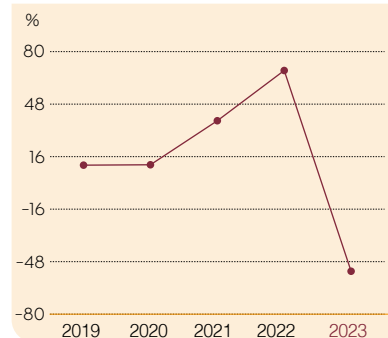
- Pioneering industry leadership in the face of volatile market conditions.
- Upholding robust capital management and optimal liquidity levels.
- Prudent risk management through strengthened risk governance and asset quality enhancement to minimise operational losses.

Key Performance Indicators FY 2022/23

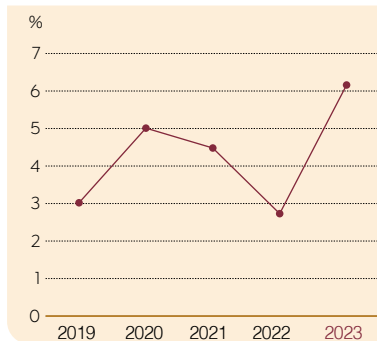
Growth in Gross Income



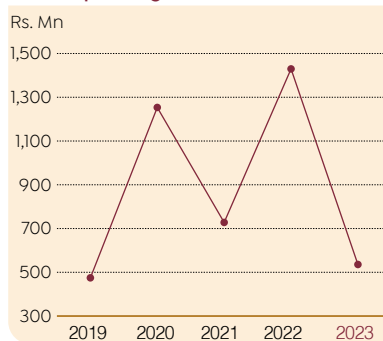
Growth in Net Profit



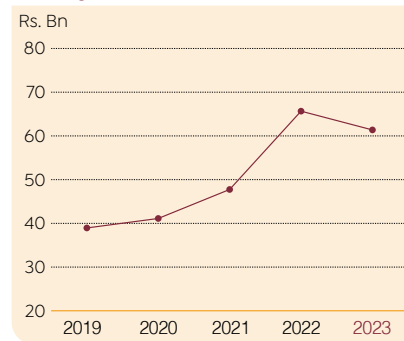
NPL Ratio



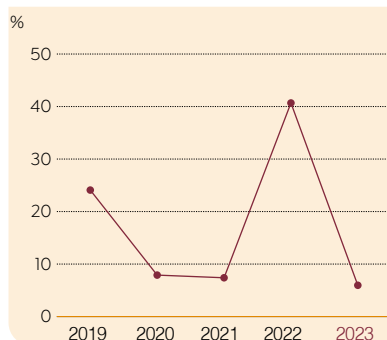
Other Operating Income



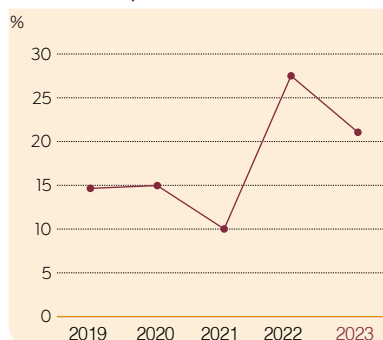
Lending Portfolio



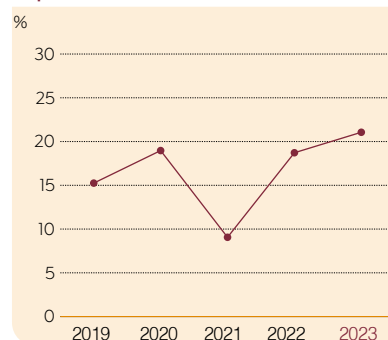
Growth in Assets



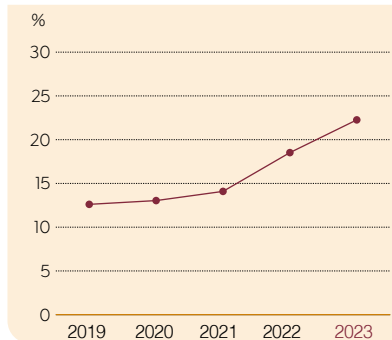
Growth in Deposits



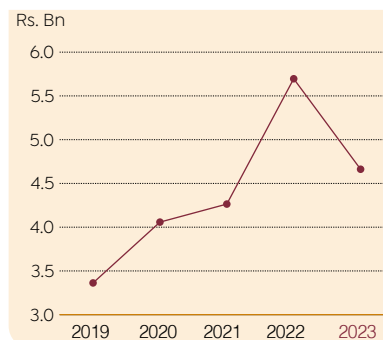
Liquid Asset Ratio



Total Capital Ratio



Net Interest Income



Future Focus

- Employing a strategic approach to cost management and investments to unlock future growth opportunities.
- Ensuring financial stability through a strong liquidity position.
- Promoting diversification for an optimal business balance across any specific geography, customer segment, or business sector.

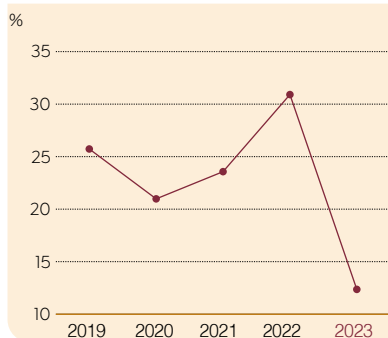
Internal Process Efficiencies

Key Highlights

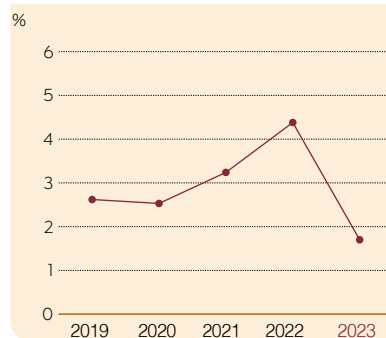
- Persistent investments in network stability and security.
- Continuous enhancement of Corporate Governance.

Key Performance Indicators FY 2022/23

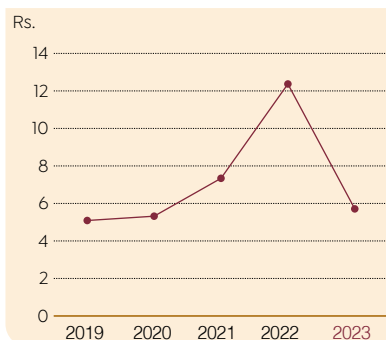
Return on Average Equity



Return on Average Assets



EPS



Future Focus

- Enhancing operational efficiencies through the digitalisation of back-end processes.
- Strengthening digital leadership by leveraging platforms and technologies to align with evolving customer aspirations.

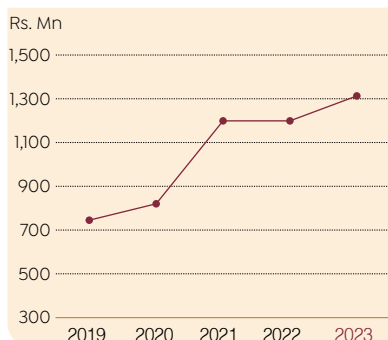
Employee Satisfaction

Key Highlights

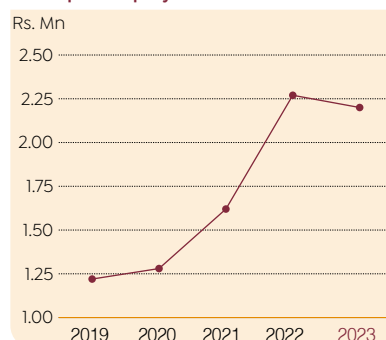
- Enhanced remuneration practices in consideration of current conditions.
- Ensuring diversity, equity, and inclusion in all aspects of operations.
- Inculcating a performance-driven work culture

Key Performance Indicators FY 2022/23

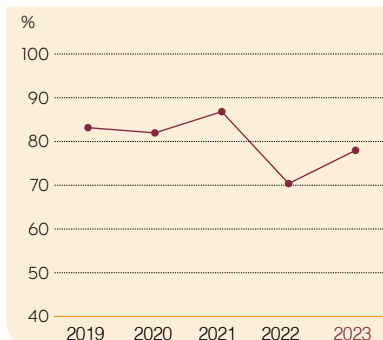
Investment in Salaries & Bonus



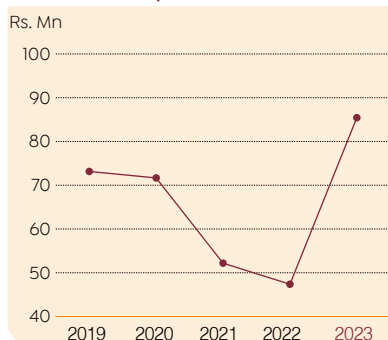
Profit per employee



Retention Ratio



Staff Welfare Expenses



Future Focus

- Continuing investment in employee training and development, including leadership, technical, and soft skills.
- Creating succession development plans to nurture talent and ensure continuity.
- Cultivating an innovative and learning-oriented organisational culture.

Unleashing Our Vision: Executing Our Plan

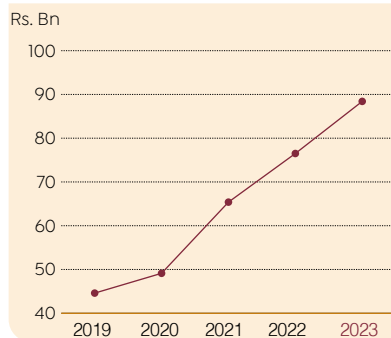
Enhanced Customer Experience

Key Highlights

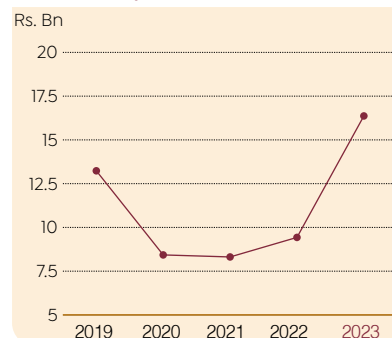
- Tailoring products to meet unique customer needs through customisation.
- Ongoing enhancement of processes to drive continuous improvement.

Key Performance Indicators FY 2022/23

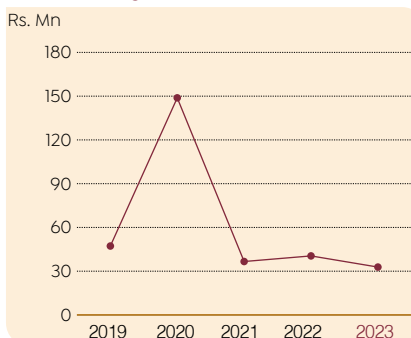
Growth of Lending Customers



Growth in Deposit Customers



Brand Building



Future Focus

- Continuous engagement by our customer-facing employees.
- Heightened focus on information security and system stability.
- Providing ongoing support to customers amidst prevailing economic conditions and other challenges.

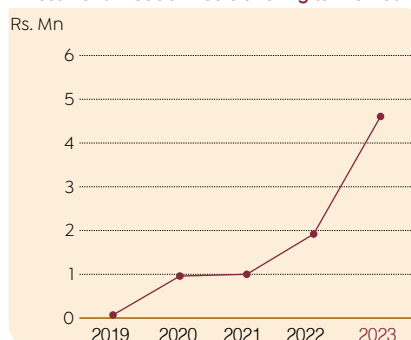
Delivery and Distribution

Key Highlights

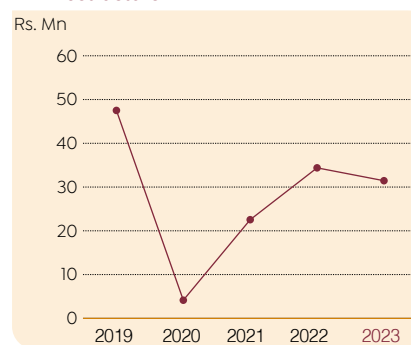
- Strengthened the marketing team with the addition of 306 new members.
- Ongoing expansion of the Company's physical branch network.
- Focused on local procurement and strengthening supplier relationships.

Key Performance Indicators FY 2022/23

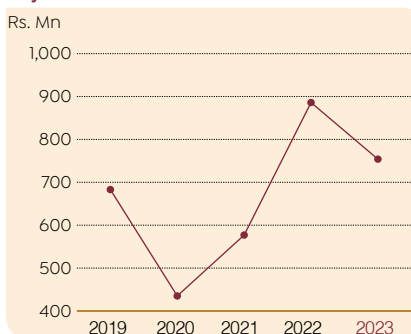
Investment in Social Media and Digital Marketing



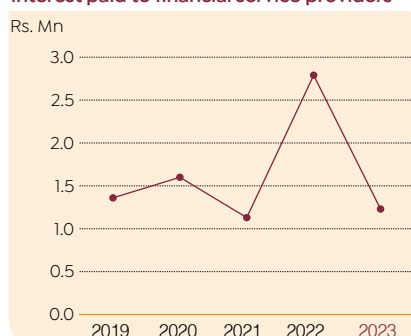
IT Infrastructure



Payments made to Business Partners



Interest paid to financial service providers



Future Focus

- Improving our digital footprint.
- Increasing marketing and advertising efforts on digital and social media.
- Scouting new locations for increasing branches across the country.

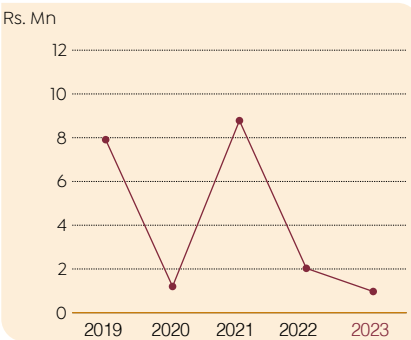
Giving Back to Society

Key Highlights

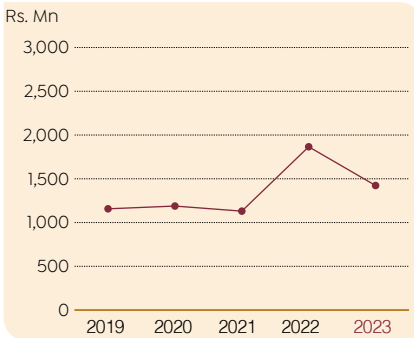
- YOY increasing returns to government in terms of tax payments.
- Ongoing Corporate Social Responsibility (CSR) activities despite economic crisis.
- Increasingly focused on lending and financing organisations and individuals involved in promoting sustainable businesses.

Key Performance Indicators FY 2022/23

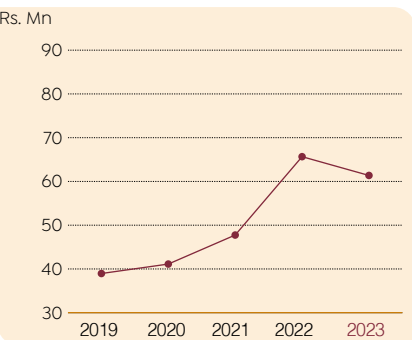
Investment in CSR



Taxes paid



Loans portfolio



Future Focus

- Increase focus on lending products and supporting the finance needs of organisations and individuals promoting sustainable products and services, or for activities related to sustainable business operations.
- Support the upliftment of communities and the society at large.
- Identify methods to further improve our efforts to reduce natural resource consumption and promote environmental conservation.

Our Integrated Value Creation Business Model

INPUTS



Financial Capital

The sources of funding from investors and customers.

- I. Shareholders' Funds – **Rs. 11.09 Bn**
- II. Deposits – **Rs. 49.66 Bn**
- III. Assets – **Rs. 82.32 Bn**
- IV. Borrowings – **Rs. 18.61 Bn**



Manufactured Capital

Acquiring and maintaining the necessary Property, Plant, and Equipment (PPE) for conducting business.

- I. Investment in PPE – **Rs. 181.37 Mn**
- II. Investment in IT – **Rs. 31.45 Mn**
- III. No. of island-wide branches – **58**



Intellectual Capital

Our brand image and organisational capabilities.

- I. Credit Rating – **(SL) BBB+**
- II. The team's collective tacit knowledge comprises of **1,220** individuals



Human Capital

The proficiency, expertise, and dedication of the Vallibel Finance Team empower us to maintain competitiveness and successfully deliver our vision and corporate strategy.

- I. **1,220** Employees
- II. **306** New Recruits
- III. Increase in Salaries and Benefits – **10.55%**
- IV. Total Training programs for employees- **30**



Social & Relationship Capital

The relationships and partnerships built with our stakeholders.

- I. No. of Deposit Customers – **16,368**
- II. No. of Lending Customers – **88,412**
- III. Payments to Suppliers – **Rs. 753.79 Mn**



Natural Capital

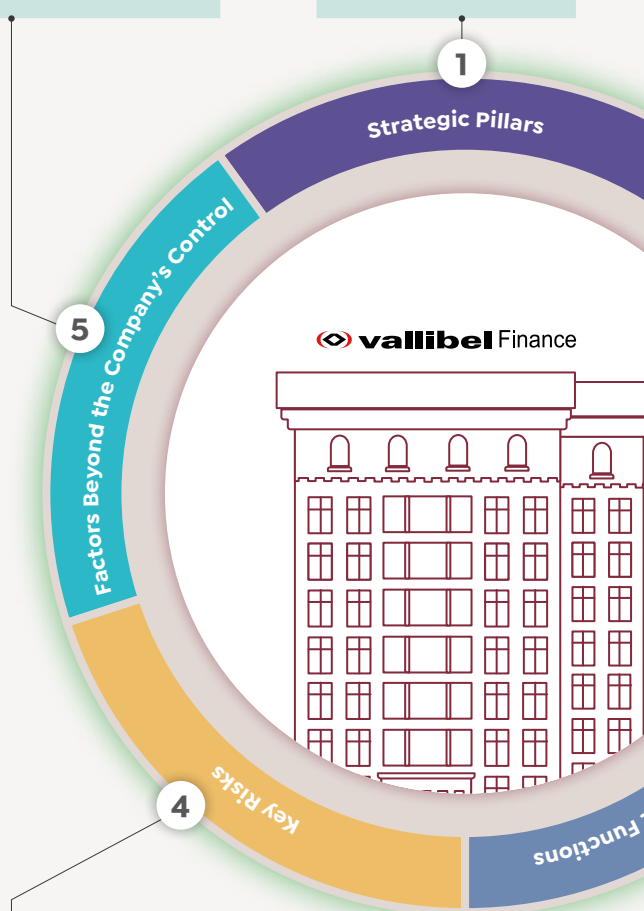
The consumption of natural resources such as energy, water, and paper required for sustaining business operations.

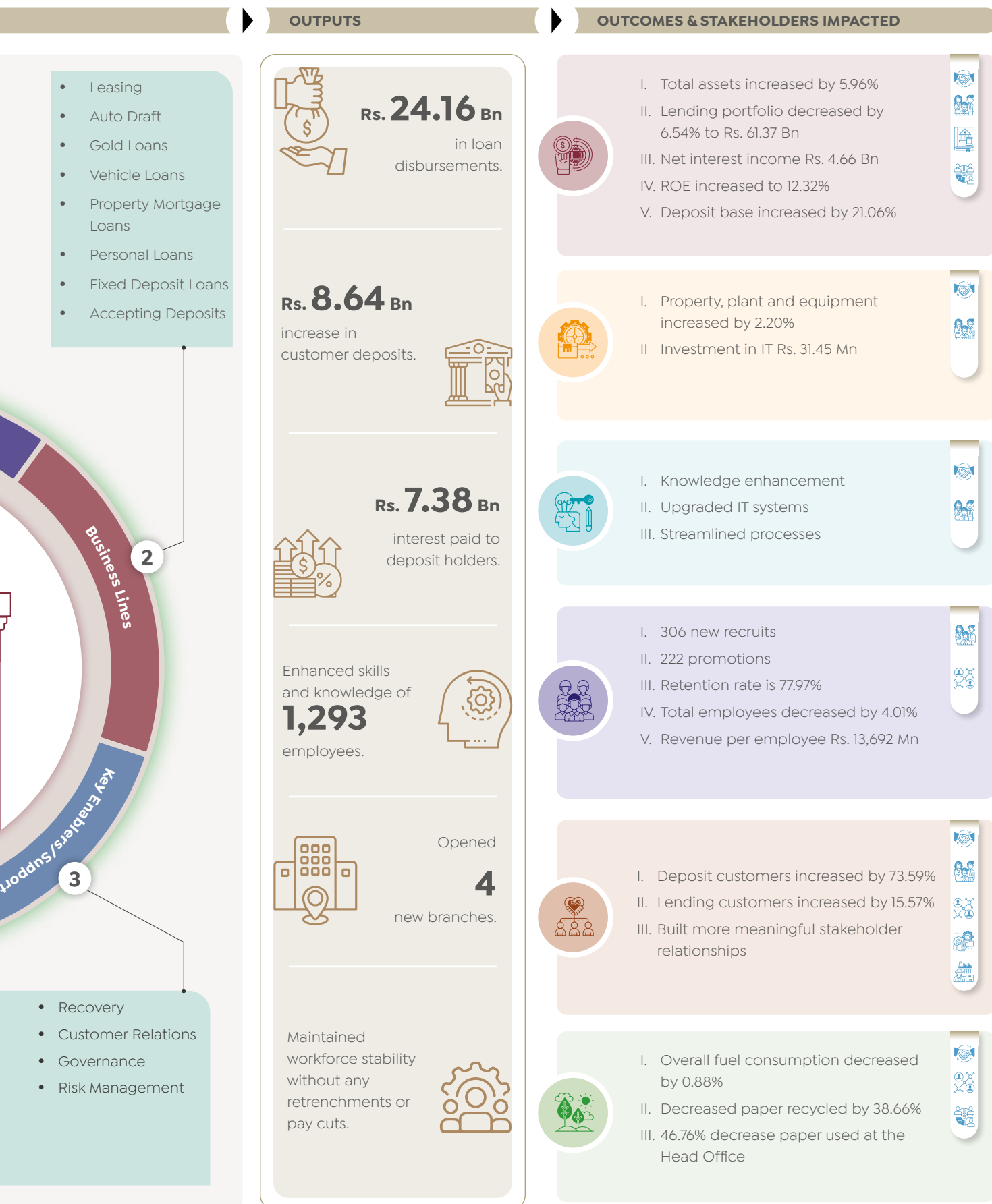
- I. Electricity Consumption – **1,259,358 KWH**
- II. Water Consumption – **14,875 m3**
- III. A4 Used at the Head Office – **1,223 packets**

VALUE CREATION PROCESS

- Depreciation of the Sri Lankan Rupee
- Diminished Foreign Exchange Reserve
- Political instability of the country
- Rapidly rising commodity prices
- Mass migration of professionals seeking overseas employment

- Financial Stability
- Governing Principles
- Risk Management
- Corporate Values
- Regulatory Compliance
- Sustainable Business Practices





Operating Environment Overview

Global Economic Performance

In 2022, global economic activity experienced a significant slowdown due to the synchronised tightening of monetary policy by central banks worldwide. This policy tightening was aimed at curbing high inflation caused by the Russia-Ukraine war and a resurgence of COVID-19 cases in China. According to the World Economic Outlook (WEO) update released by the IMF in January 2023, global economic growth for 2022 was forecasted at 3.4%, a notable decline compared to the estimated growth of 6.2% in 2021.

Advanced economies faced deteriorating economic conditions in 2022 as high inflation eroded household purchasing power and consumer confidence, while rapid monetary tightening dampened demand. The Russia-Ukraine war resulted in severe energy supply disruptions in the Euro region, leading to increased energy and food prices, hampering production and consumption, and causing uncertainty. China also experienced an economic slowdown due to repeated COVID-19 outbreaks and associated lockdowns.

The emerging market and developing economies also faced a sharp deceleration in economic activity in 2022 due to tight global financial conditions, reduced consumer spending amidst high inflation, weakened external demand, and spillover effects from the Russia-Ukraine conflict.

Looking ahead to 2023, global economic activity is expected to be impacted by the continued tightening of financial conditions to reduce inflation and overcome the issues posed by the continuing Russia-Ukraine conflict. However, the reopening of China is anticipated to partially offset this impact. According to the IMF's WEO update in April 2023, global economic growth is projected to decline to 2.8% in 2023 with a modest increase to 3% in

2024. Inflation worldwide is expected to decline, although at a slower pace than originally anticipated, from 8.7% in 2022 to 7% in 2023 and further declining to 4.9% in 2024.

Advanced economies are predicted to experience a drastic decline in growth in 2023. Nonetheless, modest growth is expected to pick up in advanced economies in 2024 as monetary policy tightens and energy markets stabilise. The European region is projected to decline to 0.7% in 2023 before rebounding to 1.8% in 2024. Growth is projected to decline in the United Kingdom to minus 4% in 2023, before picking up to 2% in 2024. Nonetheless, modest growth is expected to pick up in advanced economies in 2024 as monetary policy tightens and energy markets stabilize. Meanwhile, the emerging market and developing economies are projected to experience a marginal increase in economic activity from 2.8% in 2022 to 4.5% in 2023.

The subdued economic activity in advanced economies could have adverse effects on Sri Lanka's exports, particularly in textiles, garments, and tourism, as these economies serve as major export destinations. Furthermore, lower income growth in advanced economies may lead to reduced global tourist movements from those regions.

Sri Lankan Economic Performance

In recent years, Sri Lanka has been facing economic challenges, including high public debt, a large budget deficit, and a trade imbalance. The COVID-19 pandemic further exacerbated these issues, leading to a contraction in the economy in 2020 and 2021. By the end of 2021, the economic recovery of Sri Lanka was dependent on various factors such as the successful management of the pandemic, implementation of structural reforms, revival of economic activity, and global economic conditions. However, the failure to

implement relevant reforms promptly and effectively resulted in Sri Lanka experiencing its worst economic crisis in 2022. Thus, in 2022, the Sri Lankan economy experienced its highest contraction, with a decrease of 7.8% compared to the previous year.

Initially, the crisis caused supply disruptions, including shortages of consumer goods, fuel, electricity, and inputs for industries, due to a sharp decline in foreign exchange liquidity. To address these issues, the Central Bank of Sri Lanka (CBSL) and the Government introduced necessary but painful measures, such as adjusting policy interest rates and prioritising essential imports to conserve foreign exchange. These actions helped to stabilise the economy by reducing inflationary pressures, minimising supply disruptions, and improving the availability of essential imports.

All major economic sectors, including Industry, Services, and Agriculture, contracted in 2022. The decline in manufacturing, construction, mining, and quarrying activities contributed to the contraction in the industry sector. Services activities were negatively affected by contractions in real estate, insurance, and financial services, despite some recovery in tourist arrivals. Agriculture activities were dampened by fuel and animal feed shortages, as well as a lack of fertiliser, leading to a decline in fishing, animal production, and crop growth. Consequently, labour productivity decreased despite some positive labour market indicators.

In terms of expenditure, both consumption and investment increased significantly due to the high price levels which prevailed. However, when adjusted for inflation, both consumption and investment recorded contractions, as purchasing power decreased and high borrowing costs deterred investment. Conversely, net external

demand improved at current prices, with the export of goods and services experiencing substantial growth, supported by the depreciation of the Sri Lankan rupee. Import growth was relatively slower due to limited forex liquidity, restrictions on non-essential imports, the depreciation of the rupee, and tight monetary policy measures.

By the end of 2022, the tight monetary conditions introduced by the CBSL and supply-side improvements helped contain price pressures, although government borrowing remained high due to limited access to foreign financing. Yields on government securities remained elevated, but some moderation occurred towards the end of the year with positive market sentiment surrounding the IMF's Extended Fund Facility. Market interest rates gradually declined in response to the CBSL's communication and measures to ease liquidity stress.

In March 2023, the CBSL raised policy interest rates to fulfil an IMF requirement, further reducing the spread between policy rates and market rates. Market interest rates continued to decline in line with the CBSL's guidance. Headline inflation is expected to return to single-digit levels by late 2023, and the decreasing trend in market interest rates is likely to continue. This will be supported by decreasing inflation, clarity on domestic debt optimisation, and the enactment of new CBSL legislation. These developments will help alleviate tight monetary conditions and improve credit access for the private sector.

Headline Inflation

Headline inflation experienced a significant acceleration during the nine months ending in September 2022, reaching an exceptionally high level before gradually declining.

During the latter half of 2022, the transport sector observed inflation of over 100%, peaking at 150.4% in September 2022, while food inflation reached its highest point at 94.9% in the same month, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2013=100). However, as the effects of monetary policy tightening started to be felt and food and energy inflation softened, demand pressures began to ease, resulting in a deceleration of headline inflation from the latter part of 2022. By September 2022, headline inflation, as measured by the year-on-year change in the CCPI (2013=100), increased to 69.8% compared to 12.1% recorded at the end of 2021. However, this level moderated to 57.2% by the end of 2022. In 2022, annual average inflation based on the CCPI (2013=100) rose to 46.4% compared to 6% in 2021.

A similar trend was observed in year-on-year headline inflation based on the National Consumer Price Index (NCPI, 2013=100), which peaked at 73.7% in September 2022 compared to 14% at the end of 2021. The NCPI also moderated to 59.2% by the end of 2022. Annual average inflation based on the NCPI (2013=100) soared to 50.4% in 2022 compared to 7% in 2021. The deceleration of inflation that began in October 2022 continued into early 2023.

To accommodate changing expenditure patterns and incorporate shifts in goods and services available in the market, the Department of Census and Statistics (DCS) revised the base year for both CCPI and NCPI from 2013 to 2021. However, despite this base year revision, the overall trend of decelerating inflation remained largely unaffected in both series. Consequently, year-on-year headline inflation, based on the CCPI (2021=100), decelerated to 50.6% in February 2023, while the NCPI (2021=100) recorded an inflation rate of 53.6% in the same month.

Core Inflation

Driven by underlying demand pressures, core inflation also experienced an acceleration during the nine months ending in September 2022 before gradually moderating, although at a slower pace compared to headline inflation. The increase in core inflation can be primarily attributed to pent-up demand resulting from the lagged effects of previous monetary accommodations and price hikes in imported goods. Additionally, the rising costs in non-food categories like restaurants and hotels, health, and education contributed to the rise in core inflation. Both the CCPI and the NCPI recorded peak year-on-year core inflation in September 2022, followed by a moderation in subsequent periods.

The deceleration of core inflation was slower than that of headline inflation due to the exclusion of volatile food and energy components from the measurement of core inflation. The contraction in demand resulting from monetary policy tightening played a significant role in this deceleration. By September 2022, year-on-year core inflation based on the CCPI (2013=100) increased from 8.3% at the end of 2021 to 50.2% but then moderated to 47.7% by the end of 2022. In 2022, the annual average core inflation based on the CCPI (2013=100) reached 34.6% compared to 4.4% in 2021. Similarly, year-on-year core inflation based on the NCPI (2013=100) accelerated from 10.8% at the end of 2021 to 64.1% in September 2022, however, then moderated to 57.5% by the end of 2022. The annual average core inflation based on the NCPI (2013=100) recorded 43.9% in 2022 compared to 5.5% in 2021.

Like headline inflation, core inflation also continued its downward trend in early 2023. Year-on-year core inflation, based on the CCPI (2021=100), decelerated to 43.6% in February 2023, while year-on-year core inflation, based on the NCPI (2021=100), decelerated to 50.1% in the same month.

Operating Environment Overview

Exchange Rate

The contracting economy resulted in a significant shortage of liquidity in the domestic foreign exchange market, thereby exerting immense pressure on the exchange rate. In response, the Monetary Board made a measured adjustment to the exchange rate in early March 2022. However, due to market speculation, the exchange rate overshot its target. As a result, the Sri Lanka rupee depreciated by a substantial 41.4% against the US dollar by the end of April 2022.

Starting in mid-May 2022, the CBSL took measures to curb excessive speculation and intraday volatility by providing market guidance. They began publishing a middle rate and a variation margin for the interbank weighted average spot exchange rate. This move successfully stabilised the exchange rate and helped mitigate the negative macroeconomic consequences of excessive depreciation and volatility.

As a result of these developments, both the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) indices, which gauge the movement of the Sri Lanka rupee against a basket of currencies and its external competitiveness, experienced notable declines in 2022. Overall, the REER indices fell significantly below the threshold of 100 index points, indicating that the exchange rate remained sufficiently competitive for international trade.

The successful monetary policy measures adopted throughout 2022, enabled the CBSL to reinstate exchange rate flexibility from early March 2023. Thus, by the end of March 2023, the Sri Lanka rupee experienced a 10.9% appreciation against the US dollar, and this trend of appreciation has continued up until the time of writing this report.

Interest Rate

Considering the significant acceleration of inflation in the country since August 2021, and the disparity between policy interest rates and market interest rates amid external and fiscal imbalances, the CBSL continued implementing the tight monetary policy approach it had adopted by raising both the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 10% by the end of 2022. Much of this change, specifically 7%, took place in April 2022. This was later followed by an additional 100 basis points upward adjustment in interest rates in July 2022. Thus, by the end of 2022, the SDFR stood at 14.5% compared to the 5% recorded at the end of 2021. The SLFR closed the year at 15.5% compared to the 6% recorded at the end of 2021.

These measures aimed to curb demand-driven inflationary pressures, pre-empt the escalation of adverse inflation expectations, ease pressures on the external sector, and correct the imbalance in the interest rate structure. The removal of maximum interest rates on selected lending products and foreign currency deposits facilitated the effective transmission of policy interest rate changes to tighten monetary conditions.

Date	Implemented Changes to Interest Rates by the CBSL
• 19th Aug 2021	• SDFR and SLFR increased by 50 basis points to 5% and 6%, respectively.
• 20th Jan 2022	• SDFR and SLFR increased by 50 basis points to 5.50% and 6.50%, respectively.
• 4th Mar 2022	• SDFR and SLFR increased by 100 basis points to 6.50% and 7.50%, respectively.
• 8th Apr 2022	• SDFR and SLFR increased by 700 basis points to 13.50% and 14.50%, respectively, to be effective from the close of business on 8th April 2022.
• 7th Jul 2022	• SDFR and SLFR increased by 100 basis points to 14.50% and 15.50%, respectively.
• 3rd Mar 2023	• SDFR and SLFR increased by 100 basis points to 15.50% and 16.50%, respectively, to be effective from the close of business on 3rd March 2023.

(Source: Extracted from CBSL Annual Report 2022, Chapter 7)

LFCs and SLCs Sector Performance

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector sustained its expansion amidst the economic downturn experienced in 2022. Growth was mainly recorded in assets and deposits whilst credit and profitability growth declined, and Non-Performing Loans (NPLs) recorded increases. The LFCs and SLCs sector however managed to maintain adequate capital and liquidity reserves. The implementation of the Masterplan for consolidation of Non-Bank Financial Institutions (NBFIs) which aims to establish resilient and reliable LFCs in the medium term supported this growth, ensuring the protection of depositors' interests and maintaining financial system stability.

LFCs and SLCs Sector: Five-Year Performance (Source : CBSL Annual Report 2022)

	2022	2021	2020	2019	2018
Assets					
Total Assets (Rs. Bn)	1,611.20	1,487.70	1,401.60	1,432.70	1,431.30
Loans and Advances (Net) (Rs. Bn)	1,199.20	1,142.50	1,039.80	1,102.70	1,137.00
Gross Non-Performing Advances to Total Advances (%)	17.5	11	13.9	10.6	7.7
Net Non-Performing Advances to Total Advances (%)	12.3	2.7	4.2	3.4	2.4
Liquidity					
Total Deposits (Rs. Bn)	864.50	783.30	748.60	756.70	716.80
Total Borrowings (Rs. Bn)	322.60	325.90	328.00	405.60	463.80
Regulatory Liquid Assets to Total Assets (%)	11.5	9.7	9.2	8.6	7.6
Regulatory Liquid Assets to Deposits & Borrowings (%)	15.6	14.1	13.0	11.3	9.6
Capital					
Capital (Rs. Bn)	364.1	304.00	248.10	203.20	183.70
Core Capital (%)	20.6	15.5	14.5	11.1	9.9
Total Risk-Weighted Capital (%)	22	17	15.7	12.5	11.2
Earnings					
Interest Income (Rs. Bn)	271.7	217.00	228.50	259.80	241.50
Net Interest Income (Rs. Bn)	115.2	131.40	111.20	117.40	108.80
Profit Before Tax (Rs. Bn)	64.4	82.70	26.60	32.80	39.70
Return on Assets (Annualised) (%)	3.7	5.4	1.7	1.4	2.7
Return on Equity (Annualised) (%)	12.6	20.2	6.1	7.5	12.1

Total Assets

By the end of 2022, the sector experienced a notable 8.3% increase in total assets, reaching Rs. 1,611.2 Bn, surpassing the 6.1% growth achieved in 2021, which amounted to Rs. 1,487.7 Bn. In 2022, the sector's total assets constituted 5.2% of Sri Lanka's financial system, slightly lower than the 5.6% recorded in 2021. The expansion of assets was primarily propelled by the growth in the loans and advances portfolio, accounting for 74.4% of the sector's total assets, followed by an increase in investments and liquid assets.

Loans and Advances Portfolio

The loans and advances constituted 74.4% of the sector's total assets in 2022, grew by 5% to Rs. 1,199.2 Bn in 2022, compared to a growth of 9.9% to Rs. 1,142.5 Bn recorded in 2021. The growth in the loans and advances portfolio was mainly driven by a significant uptake of gold loans which were considered a more feasible option amidst the prevailing economic conditions. The gold loans increased by 77.5% by the end of 2022.

Although finance leases maintained the largest share of the loans and advances portfolio, finance leasing experienced a contraction in 2022. Hence, the overall share of the portfolio declined to 41.6% by the end of 2022, compared to the 48.3% share recorded in 2021. This decrease in the leasing portfolio's share is attributed to the continuous government restrictions on motor vehicle imports, implemented as a measure to manage foreign currency outflows.

Operating Environment Overview

Investment Portfolio

The investment portfolio of the LFCs and SLCs sector comprises equities, corporate debt instruments, government securities, and investment properties. In 2022, the investment portfolio recorded a substantial growth of 19.3%, amounting to Rs. 199.6 Bn, compared to a marginal increase of 5.4% to Rs. 167.4 Bn during 2021. This significant growth is attributed to increased investments in government securities with maturities of less than 12 months, driven by increased interest rates in short-term maturities. Additionally, other assets, including cash and balances with banks and financial institutions, also experienced a noteworthy growth of 19.4% in 2022, compared to a contraction of 12.4% in 2021. This growth was primarily influenced by increased placements with Licensed Commercial Banks (LCBs).

Deposit Base and Other Liabilities

Customer deposits remained the primary component of liabilities in the LFCs sector, representing 53.7% of the total liabilities of the sector. Deposits recorded a significant increase, reflecting year-on-year growth of 10.4% to Rs. 864.4 Bn, compared to the 4.6% growth to Rs. 783.3 Bn observed in 2021. However, borrowings recorded a declining trend of 1%, amounting to Rs. 322.6 Bn in 2022.

Income

Despite a substantial 25.2% growth amounting to Rs. 54.7 Bn in interest income, the sector experienced a 12.3% decrease in net interest income to Rs. 115.2 Bn in 2022. This contrasts with the significant growth of 18.2% recorded in 2021. This decline is attributed to a substantial 82.8% increase in interest expenses amounting to Rs. 70.9 Bn in 2022 due to the significant rise in interest rates resulting from the

prevailing macroeconomic conditions. Consequently, the sector's net interest margin declined from 8.6% in 2021 to 6.7% in 2022, contributing to a decrease in sector profitability.

Non-interest income experienced a notable 12.1% decrease compared to the 54.5% growth to Rs. 49.5 Bn recorded in 2021. Non-interest expenses recorded a marginal increase of 0.7% in 2022 compared to the 11.1% increase to Rs. 87.1 Bn experienced in 2021. The loan loss provisions made against non-performing loans (NPLs) decreased by Rs. 4.5 Bn, primarily driven by reversals of loan loss provisions during the initial months of 2022.

Profitability

The sector experienced a decline in profitability in 2022 compared to 2021. The profit after tax of the sector decreased by 21%, amounting to Rs. 43.9 Bn in 2022 compared to Rs. 55.6 Bn recorded in 2021. This decline is primarily attributed to a significant increase in interest expenses.

The sector's Return on Equity (ROE) declined to 12.6% compared to 20.2% recorded in 2021. The Return on Assets (ROA) before tax also declined to 3.7% in 2022, in contrast to the 5.4% recorded in 2021. Additionally, the cost-to-income ratio increased to 87.3% in 2022, compared to 72.6% recorded in 2021, while the efficiency ratio rose to 68.9% during 2022.

Non-Performing Loans

On a year-on-year basis, the total gross Non-Performing Loans (NPLs)/Stage 3 loans saw a significant increase of 66.1% by the end of 2022, in contrast to the decrease of 13.9% recorded at the end of 2021. The classification of NPLs based on time was replaced with the

classification of SLFRS 9 Stage 3 Loans on 1st April 2022. LFCs were required to adopt a 120-day past-due date for the classification of Stage 3 loans, compared to the previous classification of 180 days.

This change in loan classification methodology, together with lapsed debt moratoria and the impact of adverse macroeconomic conditions, resulted in a substantial rise in the sector's Gross Stage 3 Loans Ratio. Therefore, the gross NPL ratio increased to 17.5% by the end of 2022, compared to the 11% recorded at the end of 2021. Similarly, the net Stage 3 NPL ratio also rose to 12.3% by the end of 2022, compared to the 2.7% recorded at the end of 2021.

Capital Structure

The sector demonstrated resilience by maintaining a capital level well above the minimum regulatory requirement throughout 2022. The capital base strengthened to Rs. 317.5 Bn by the end of 2022, compared to Rs. 251.6 Bn recorded at the end of 2021. This improvement was primarily driven by retained profits from several large LFCs in the previous financial year, the suspension of the license of an LFC with a significant negative net worth, and capital enhancement resulting from the completion of various consolidation transactions.

Although six LFCs did not meet the minimum core capital requirement and/or capital adequacy requirements, the sector displayed significant improvements in its core capital and total capital ratios. By the end of 2022, the core capital ratio reached 20.6% compared to 15.5% recorded at the end of 2021. The total capital ratio reached 22% compared to 17%, recorded at the end of 2021.

The financial performance of Vallibel Finance during the year ending on 31st March 2023 was primarily affected by fluctuations in interest rates. The notable rise in interest rates had an impact on the Company's interest income and the interest expenses paid to depositors. As a result, the Company observed a declining leasing portfolio and slower growth in the deposit portfolio.



The overall economic and industry trend was evident in the growth and performance of Vallibel Finance for the financial year ending on 31st March 2023. Although the Company experienced an increase in revenue and deposit base, the growth rate was much slower than experienced in the previous years. The rising interest rates resulted in increasing interest expenses and negatively impacted profitability. While the economic and financial crisis required the Company to extend loan repayment and moratoriums offered, which increased loan loss provisions and the NPLs of the Company.

Despite these challenges, Vallibel Finance's strong foundation and proactive strategies, developed over the years, allowed the Company to maintain NPLs below the industry average. This resilience and forward-thinking approach to managing business operations within extremely challenging operating environments showcases the Company's ability to adapt to and overcome difficulties while maintaining a stance of sustainable growth for the future.

Engaging with Stakeholders

Stakeholder Engagement

Vallibel Finance PLC is dedicated to comprehending and being responsive to the interests and expectations of our stakeholders as we continue to partner with them to discover sustainable solutions for shared value creation through stakeholder engagement and collaboration. The Company has incorporated proactive and continuous stakeholder engagement as integral to our business operations and long-term sustainability. Managing our stakeholders is perceived as a function for minimising business risks and, more significantly, for generating shared value for the wider society while meeting the needs and rightful expectations of our key stakeholder groups.

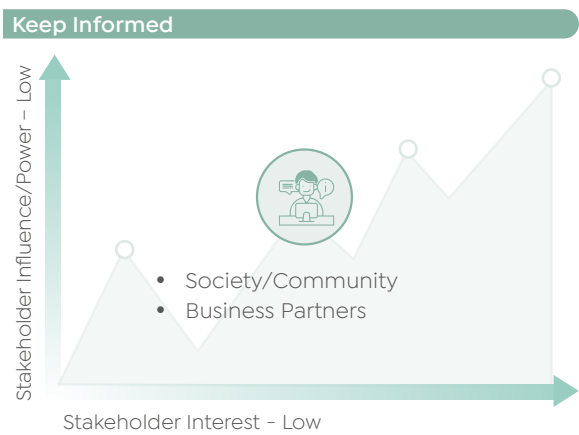
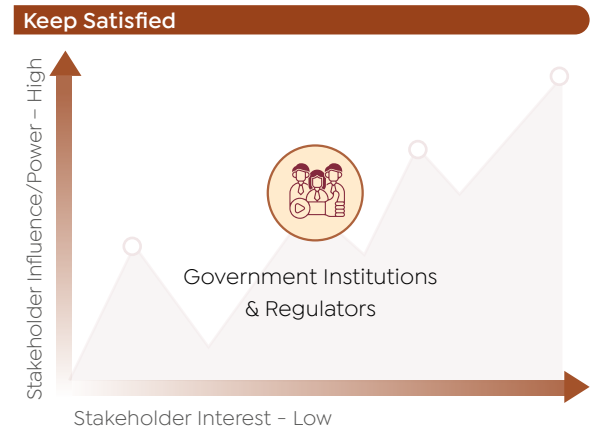
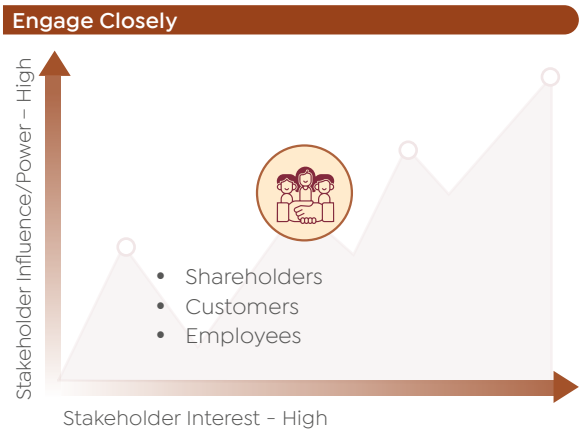
Our Approach to Stakeholder Engagement

The Company follows a six-step process for stakeholder engagement that includes identification, planning, implementation, reviewing, reporting, and feedback. We first identify our key stakeholders and assess their level of interest and influence on Vallibel Finance PLC. Based on this analysis, we plan our engagement objectives, scope, and resources to meet their needs and expectations. Thereafter, we implement our engagement activities using

appropriate communication methods and tools to listen to, collaborate with, or inform our stakeholders of key developments within the Company and in relation to external developments impacting business operations. We then monitor and review our engagement outcomes and impacts regularly, and report them to our internal and external audiences. We also solicit feedback from our stakeholders to improve our engagement practices, improve communications, and build sustainable and respectful relationships which will last into the future.



Overview of Stakeholder Influence and Interest



Engaging with Stakeholders

Overview of Our Stakeholder Engagement 2022/23



Shareholders

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- Annual General Meeting and Annual Report - Interim Financial Statements - Corporate Website - Press Releases - Announcements to CSE	- Business Continuity - Sustainable Growth - Innovative and Competitive Business Strategies - Corporate Governance - Risk Management Framework	Corrective actions to further improve credit recovery and risk management	- Financial Capital - Social and Relationship Capital - Intellectual Capital	- Return of Equity - Price-to-Earnings Ratio



Employees

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- Open Door Policy - Performance Appraisals - Grievance Handling - Multi-Level Staff Meetings - Social Media	- Job Security - Career Growth - Work-Life Balance - A Safe and Healthy Work Environment	- Competitive remuneration - Equal opportunity employment - Opportunities for skill development and career progression	- Human Capital - Social and Relationship Capital	- Employee Turnover - Employee Retention - Quality of Work - Employee Satisfaction



Customers

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- Social Media - Call Centre - Corporate Website - Advertisements - On-on-One Communication in person, via telephone, SMSs, emails	- Convenience and Accessibility - Innovative Product Offerings - Sustainable Business Growth and Stability - High Quality of Service - Corporate Reputation and Brand	- Attractive terms and rates in accordance with government policies and regulations - Highest level of service quality and customer concern - Island-wide network of 58 customer touch points in convenient locations to provide all products and services under one roof	Social and Relationship Capital	- Brand Value - Customer Complaints - Repeat Customers - Length of Customer Relationship



Business Partners

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- Direct Communication - Social Media - Industry Events - One-on-One Meetings	- Opportunities for Economic Development - Sustainable and Profitable Business Relationships - Professionalism - Competitive Advantage - Ethical Conduct	Maintain long-term partnerships based on mutual trust and understanding	- Social and Relationship Capital - Manufactured Capital	- Lifetime Value - Return on Investment - Return on Spend - Service Offerings



Suppliers

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- Direct Communication - Social Media	- Profitable and continuous business opportunities - On-time payments and settlement of dues - Ethical Conduct	- Build trusting relationships - Ensure timely payments and offer the required support - Dedicated team to engage with and exchange effective services	- Social and Relationship Capital - Manufactured Capital	- Service Levels - Lead Times - Defect Rates



Community/Society

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- Social Media - Press Releases - Word-of-Mouth - Advertising and Marketing	- Give back to the community/society - Support community development	- Local hires from different cities and provinces of the country - CSR activities	Social and Relationship Capital	- Complaints - Community Support



Government Institutions & Regulators

Engagement Channels	Expectations	VFIN Response	Capitals Impacted	Key Metrics
- CBSL Audits - Press Releases - Regulatory Reporting - Direct communication	- Good Governance and compliance - Sustainable business practices	- Following all stipulated compliance obligations. - Submissions of timely and accurate reports and documentation - Facilitate onsite examinations, as required	- Social and Relationship Capital - Manufactured Capital	- Payment of Taxes - Capital Adequacy Requirements - Liquidity Position

Identifying Our Material Topics

Vallibel Finance PLC evaluates material topics to identify and prioritise sustainability issues which are most significant for the Company and our stakeholders. This materiality analysis process supports the Company's continuous efforts to understand and improve our sustainability practices within our business operations and to satisfy stakeholder expectations.

Process to Identify Material Topics

The year under review commenced with new obstacles following the COVID-19 pandemic. Sri Lanka's economy encountered a crisis marked by political and social turmoil as well as a significant decline in foreign currency reserves. These circumstances significantly affected the intended plans and activities of Vallibel Finance, given our position within the financial services industry.

To manage the emerging challenges, the Company leveraged our materiality identification process to sustain our resilience through proactive measures. We concentrated on maintaining seamless business operations and generating value for our business and stakeholders. Throughout this endeavour, the management upheld our mission and values, which involve delivering accessible financial services to all citizens of the country without bias or discrimination.

Topic Identification



The Company uses several methods to identify material topics to be considered. These are:

- The stakeholder engagement process which provides details on the importance of topics to our various stakeholders.
- The Company's risk assessment and management processes.
- Studying multiple peers, standards, and indices to ensure capturing key criteria of operating in the financial services sector.
- Researching and identifying the impact of external market and economic developments. This includes reviewing developments in the political, economic, social, technological, environmental, and legal/regulatory spheres.

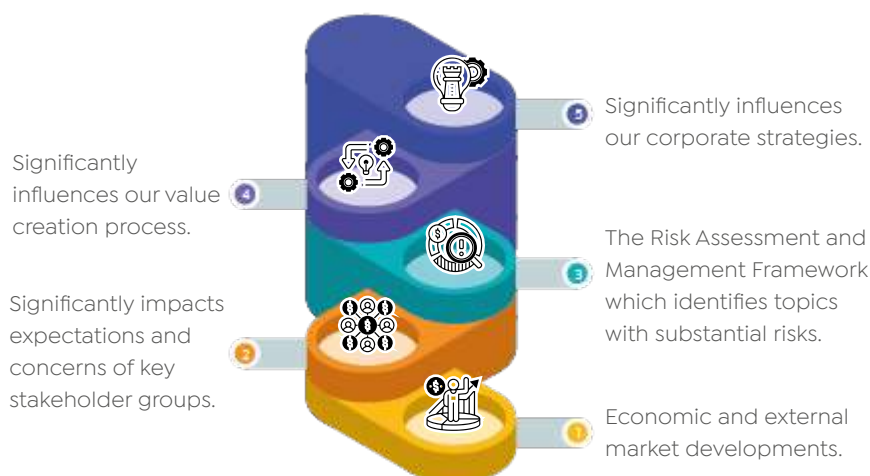
Topic Prioritisation



The Company places emphasis on resolving issues that affect our ability to execute our strategy and provide long-term value for all stakeholders.

We consider the importance of these topics to the Company and our stakeholders.

The materiality analysis matrix is utilised to rank material topics and ensure accurate prioritisation in a sustainable business context.



Approach Adopted by the Company for Materiality Analysis

The Company's method of identifying material topics centres on meeting stakeholders' expectations while also creating shared value. To achieve this, the Company manages its material topics through a strategic planning process that involves assigning responsibility to relevant senior management and allocating resources based on the significance of each topic. Furthermore, by considering

Topic Validation



The Company utilises various methods to validate the selected material topics, ensuring their relevance in the given context. These methods include:

- Feedback received from employees, customers, and other external stakeholders.
- Internal and external audits.
- Company and performance ratings received by third parties.
- Assessing impacts of external developments on business activities and performance.
- Issues and concerns identified through grievances and complaints received.

Topic Integration and Implementation



Identified topics are then integrated into our strategy formulation process, incorporated into our business objectives, and considered when developing business-level and employee-level KPIs.

- Material topics are used to guide employee behaviour.
- The Company's resource allocation is also founded ensuring key aspects of the material topics are addressed

The Company conducts an annual review of its materiality analysis and material topic identification process, making changes based on feedback, issues, and challenges encountered during the previous year's process. The processes also get updated to reflect changing conditions within the business and in its external operating environment.

During the year under review, the Company identified 14 material topics as having an impact on our business and stakeholders. Of these 11 were the same topics identified for the year ending 31st March 2022. However, due to several developments in the external operating environment and the plunging of Sri Lanka into an economic crisis, Economic Instability was added as a material topic for the year ending 31st March 2023.

Furthermore, the topics of 'the impact of the COVID-19 pandemic on business operations' and 'customer health and safety' were excluded from the material topics, as the pandemic situation is presently under control in Sri Lanka and across the world, reducing the concern of stakeholders on these material topics as well as the impact business operations.

and incorporating material topics when setting goals and targets for our business divisions and branches and when developing KPIs for the management and employees, we ensure that materiality aspects are captured across all Company operations. Additionally, the regular review of KPIs ensures they are aligned with current business developments and all material topics.

The risk assessment and management approach by the Company while providing input regarding materiality topics also guide the Company in identifying the opportunities and threats that each topic may encounter in the external market environment.

The Company provides its management and employees with guidance on how to manage material topics effectively, emphasising the need to handle all identified material aspects responsibly, transparently, and ethically.

Material Topic	Impact on Business Operations and Stakeholder Groups	Risks	Opportunities	Company Response	Related Capital
Customer Satisfaction  Guiding GRI Principle: 417	Customer satisfaction is a prerequisite for customer loyalty which is the basis on which we operate our business. Any shortfall in satisfaction levels will result in reducing profits, slowing down the value creation processes, and creating a disparity in achieving our sustainability objectives.	• Inability to fulfil customer needs. • Inability to offer services conveniently and seamlessly to satisfy new customers. • Customers who are indecisive in their wants and needs.	• Technology adoption and increased digitalisation to replace outdated systems. • Investing in reskilling employees for the digital age to better engage with the new generation of customers.	The Company's Customer Relationship Management structure and dedicated processes support all efforts to fulfil customer needs and expectations and resolve any issues immediately. This focus enables the Company to fulfil customer needs and keep them satisfied with our financial services offerings.	   Link to Stakeholder:  
Company Brand and Reputation  Guiding GRI Principle: 206	Any impact on the brand will result in the Company's failure to operate competitively in the market, eroding revenues and profits, and negatively impacting the Company's brand value and goodwill, as well as the trust placed on us by our customers and other stakeholders.	• Inability to meet customers' financial needs due to external market factors. • Potential customers perceiving the Company as untrustworthy due to the prevailing sentiment in the industry.	• Creating innovative financial products to address evolving financial needs of customers. • Increasing presence on social media to effectively communicate brand messages. • Obtaining new corporate certifications and company ratings.	• Strictly adhere to ethical business practices, implement good corporate governance practices, and keep open channels of communication with stakeholders, especially employees to ensure they understand our business values and ethics. • Engage in brand awareness and corporate value campaigns. • Communicate honestly with customers to enable them to make informed decisions that fulfil their financial needs.	Related Capital   Link to Stakeholder:  

 Financial Capital

 Human Capital

 Manufactured Capital

 Intellectual Capital

 Social & Relationship Capital

 Natural Capital

 Shareholders

 Business Partners

 Employees

 Suppliers

 Customers

 Community/Society

 Government Institutions & Regulators

Identifying Our Material Topics

Material Topic	Impact on Business Operations and Stakeholder Groups	Risks	Opportunities	Company Response	Related Capital
Ethics, Compliance and Good Governance  Guiding GRI Principle: 205, 307, 408, 109, 418, 419	The absence of these optimal procedures and practices could lead to a loss of customer confidence and hinder business success.	- Increasing costs of implementing, modifying, and monitoring processes. - Inadequate disclosure of information. - The possibility of unintentionally violating regulations, as well as the risk of non-compliance.	- A strong foundation of good governance enabling the Company to remain sustainable in the long term. - Ability to increase stakeholder trust by maintaining and improving good governance and ethical practices.	- Sustain and enhance ethical business operational norms. - Strictly follow responsible lending practices. - Proactively manage risks. - Fair and equitable treatment of all stakeholders while ensuring the preservation of their human rights. - Comply with legal and regulatory frameworks. - Adopt voluntary best practices.	    Link to Stakeholder:     
Managing Human Resources  Guiding GRI Principle: 205, 2-30, 401, 402, 404, 405, 406	Displeased and unsatisfied employees will lead to a decrease in employee motivation which will result in an adverse impact on business performance and customer and supplier interactions.	- Greater difficulties in recruiting and retaining employees. - Employees who are resistant adapt to the Company culture. - New or changing employment regulations. - Shrinking workforce as younger generations migrate. - Inflation and rising costs.	- Attracting and retaining employees due to increasing brand reputation. - Technology adoption enables more focused management of people. - Ample opportunities to train and re-skill employees to increase their motivational levels and loyalty to the Company.	- Fair treatment of all employees without discrimination - Remuneration aligned to above market rates. - Rewards and benefits for employees in recognition of their efforts on behalf of the Company. - The Company has created a structured career path for employees to progress in their careers. - Learning initiatives to develop employees' skills and knowledge and support their career advancement ambitions.	Related Capital  Link to Stakeholder:   

Material Topic	Impact on Business Operations and Stakeholder Groups	Risks	Opportunities	Company Response	Related Capital
Commitment to the Environment  Guiding GRI Principle: 302,303,306	Not considering the environmental impact of doing business could lead to an adverse impact on corporate reputation and result in negative stakeholder views.	- Engaging in activities that could potentially harm the environment and natural resources. - Not having in place appropriate safeguards to protect the environment resulting in penalties for non-compliance with laws and regulations.	Employing innovative technologies and methodologies aimed at minimising the ecological footprint of business activities and promoting the conservation of scarce natural resources.	The Company has embedded procedures to evaluate the impact of our business activities, financial products, and services on the environment within the strategic decision-making process.	  Link to Stakeholder:     
Community Upliftment  Guiding GRI Principle: 413	Widespread digital connectivity has increased emphasis placed on awareness of socially accepted standards that businesses are expected to follow. If such expectations by stakeholders are not managed appropriately, the Company could face a loss of social acceptance resulting in difficulty in conducting business operations.	The Company may not be able to complement the increasing expectations of people regarding corporate social responsibility and community support driven by ideology.	The Company's strong commitment to uplifting the surrounding communities and society in general.	Taking a wider view of the community within which we operate, the Company endeavours to create value for society by supporting them to uplift their lives and livelihoods through our CSR programs.	Related Capital  Link to Stakeholder: 
Inclusive Finance  Guiding GRI Principle: 201,203,413	The Company is working to promote financial inclusion and reduce poverty in segments of society that have yet to gain the benefits of financial services, particularly in rural and less financially savvy areas. This effort not only enhances the Company's reputation but also creates value for the community and creates a pipeline of future financially sound customers. This endeavour will also improve economic opportunities, increase income, and build assets for the society.	- Balance financial inclusion with the risk of diverting scarce resources to low-value-creating activities. - The increasing and high costs of designing and delivering accessible and affordable financial products. - Difficulty in targeting the right-fit financial services to the correct emerging market segment.	Increasing awareness of financial products enabling greater financial inclusivity.	- As a leading financial services institution, we must ensure that we promote inclusive financial services. Accordingly, we: - Continue to expand our financial services portfolio. - Ensure access to finances by operating in over 57 cities in the country. - Have reasonable, albeit stringent processes for loan approvals.	Related Capital    Link to Stakeholder: 

Identifying Our Material Topics

Material Topic	Impact on Business Operations and Stakeholder Groups	Risks	Opportunities	Company Response	Related Capital
Technology-Driven Innovation  Guiding GRI Principle: 418,404	- Operating in a digital era where new customers anticipate digital services and processes, neglecting the adoption of technology will undermine our competitive edge in the market and lower customer satisfaction levels. - Adopting technology involves a significant capital investment with limited lifecycles, necessitating strategic decision-making to achieve maximum return on investment within a short timeframe.	- Increasing costs of digitalisation and technology upgrades. - Shortcomings in keeping up with technology trends. - Inefficiencies in allocating adequate resources due to the financial crisis and the need to conserve financial resources. - Failure of systems leading to inability to continue business as normal.	- Increased efficiencies leading to greater customer satisfaction. - Improved decision-making due to the availability of real-time data. - Ability to enhance business model and reach new markets. - Utilising various technologies and digital platforms to enhance brand visibility and customer engagement.	- Assess and implement suitable technology to align with business requirements within a reasonable timeframe. - Enhancing the efficiency of operational processes and workflow systems by utilising automated tools.	  Link to Stakeholder:  
Complaint Management  Guiding GRI Principle: 418	Receiving complaints and grievances from stakeholders, particularly employees and customers is the norm for any business. To mitigate the adverse effects of such issues, it is crucial to address them promptly.	Grievances leading to larger issues due to an unexpected delay in response.	Ability to acquire more insight on material topic selection and prioritisation.	- The Company has established a grievance-handling process that enables the efficient resolution of complaints and issues. - We also investigate the root cause of the complaint or issue and take measures to bridge gaps and prevent any potential reoccurrence.	Related Capital    Link to Stakeholder:  
Employee Health and Safety  Guiding GRI Principle: 416	An unsafe work environment can cause financial strain on the Company and emotional distress among employees.	Failing to ensure employee health and safety could have negative impacts on employee work-life balance, productivity, and the Company's operational efficiency which may result in a negative impact on reputational risk.	Increased focus on employee health and safety.	Ensure a safe work environment that is free from stress and discrimination, while promoting respect for all individuals, to minimise employee absenteeism due to physical or mental health issues.	Related Capital   Link to Stakeholder:  

Material Topic	Impact on Business Operations and Stakeholder Groups	Risks	Opportunities	Company Response	Related Capital
Economic Instability  Guiding GRI Principle: 201	The current economic crisis prevailing in the country has resulted in a tightening of monetary policies which has negatively impacted the Company's operations as loans and other lending products have become more unsustainable from a consumer perspective, especially for fixed income earners. The current high-interest rate environment is detrimental to the lending portfolio growth as customers opt for other means of financing than loans. The Company's outgoing interest payments to deposit customers have drastically increased affecting incomes and revenue. The reduced credit rating of Sri Lanka impacts the stability of the financial services industry and has a cascading effect on the Company's credit rating. This can result in a negative impact on our reputation and our ability to attract potential customers and obtain international credit lines. Customers and employees also face a situation of diminishing purchasing power impacting their ability to save and manage finances. Value creation processes are also affected as costs must be controlled to manage in a high-inflation operating environment to ensure acceptable returns for shareholders and minimal impact on direct and indirect economic value generated.	Business growth being impeded, leading to lower value creation and subsequently inability to meet stakeholder expectations.	Proactive leadership and management team adjusting strategies and aligning with changing external environmental developments. Being ready to address the potential surge in demand that may occur when the situation returns to normalcy.	The Company monitors the external environment and endeavours to put in place cost and expense control processes to manage the challenges to garner maximum return while minimising spending. Slow down spending on non-essential expenses and focus on creating value through innovative methods to support business sustainability. Pursue a selective financing strategy targeting specific high-net-worth customer segments. Given the prevailing economic situation of the country, the Company directed its efforts towards promoting Gold Loans, as it was deemed to be a more appropriate product for our customers. Focus on maintaining the creditworthiness of the business despite the declining country credit rating to maintain an acceptable financial position for long-term viability.	   Link to Stakeholder:      



Capital Management Review

Human Capital	64
Financial Capital	72
Manufactured Capital	82
Intellectual Capital	88
Social and Relationship Capital	92
Natural Capital	100

EMPOWERING CHANGE





Human Capital

Overview

Key Priorities for FY2022/23

Retaining Top Talent



Developing and Training Employees



Fostering Employee Motivation and Satisfaction



Ensuring Employee Well-being and Mental Health



Enhancing Awareness as an Equal Opportunity Employer

Identified Risks



Reputational Risks



Human Resource Risks

Link to Material Aspects



Ethics, Compliance and Good Governance



Managing Human Resources



Company Brand and Reputation



Employee Health & Safety

Performance for FY2022/23

1,220
2022/23

1,271
2021/22

Staff Strength

306
2022/23

520
2021/22

New Recruits

77.97%
2022/23

70.38%
2021/22

Employee Retention Ratio

10.55%
2022/23

31.43%
2021/22

Increase in Monetary Benefits to Employees

2,882 hours
2022/23

2,944 hours
2021/22

Invested in Training and Development



Associated Stakeholders



Employees



Community/
Society

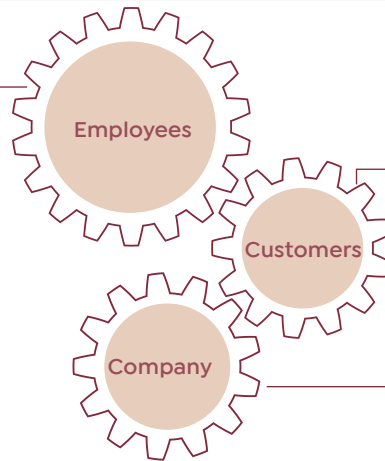


Government
Institutions and
Regulators

Comprehensive learning programs for skills development.

Non-monetary benefits to address employees' day-to-day needs in a challenging economic environment.

Emphasis on career advancement through professional development and succession planning.



A workforce that possesses the necessary skills, knowledge, and motivation.

A workforce that will be loyal to the Company and support sustainable growth.

Ability to provide high service levels and customer satisfaction in every interaction.

Knowledgeable employees offering responsible financial and product advice.

28.58%
2022/23

27.03%
2021/22
Employee
Turnover

421 (35%)
2022/23

401 (32%)
2021/22
Female
Representation
of the Total
Workforce



Challenges Faced in FY 2022/23

To attract and retain key employees in the highly competitive non-banking financial services sector

Continue to uphold our reputation as an established employer brand

Prioritise employee engagement, motivation, and mental health in the prevailing economic crisis situation

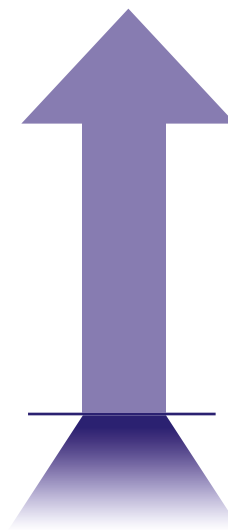


The Way Forward

Implementing improved systems and processes for performance-based rewards and recognition

Evaluate creative ways to generate value for employees while maintaining a fair and equitable human resource management approach for long-term sustainability.

Differentiate our unique value proposition to successfully attract and retain new generations of employees.



Human Capital

Management Approach

The Vallibel Finance success story has reached great heights founded on the collective knowledge, skills, experience, and positive attitudes of our people. Our people remain the critical success factor in enabling the Company to maintain its customer focus and deliver exceptional services even during challenging times.

By integrating our HR strategies, policies, and practices with our vision, mission, and our corporate objectives, we have successfully created a culture that thrives on open communications and knowledge sharing.

We prioritise providing our employees with access to our HR policies, employee handbook, and HR information systems so that they have access to all pertinent information to be able to work in the Company according to the Company’s expectations. Additionally, the Company Code of Business Conduct and Ethics details the behaviours and actions of the directors, senior management, and employees in line with our expectations. This Code is also accessible to all employees.



At Vallibel Finance, we prioritise transparency and open communication with our employees. We regularly communicate with them to keep them well-informed about organisational developments and any significant changes to our operations. This helps them stay prepared and ready to adapt to new tasks and challenges.

Key Areas Covered by the Vallibel Finance Code of Business Conduct and Ethics



- Conflict of interest
- Bribery and corruption
- Entertainment and gifts
- Accurate accounting and record
- Fair and transparent procurement

- Corporate opportunities
- Confidentiality
- Fair dealing
- Protection and proper use of Company assets
- Compliance with laws, rules and regulations
- Encouraging the reporting of any illegal, fraudulent, or unethical behaviour

The Company continuously develops and deploys a range of learning initiatives to facilitate career growth for employees. Furthermore, the Company’s recruitment, training, performance management, and reward policies and procedures are geared towards creating value for our employees while attracting and retaining highly qualified and competent personnel.

All these aspects have synergistically combined to enable the Company to successfully create and enhance stakeholder value in a highly competitive and ever-changing operating environment. Furthermore, we strive to create mutually beneficial outcomes for our employees and the Company by considering their professional goals, social aspirations, and development opportunities.

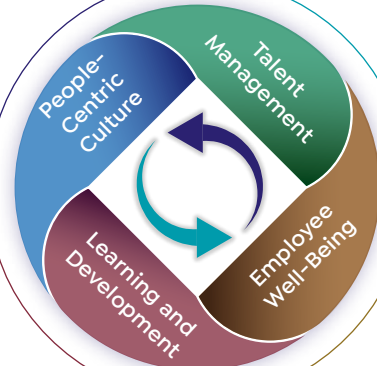
An Integrated Approach to Managing Human Capital

By embracing equal opportunities for all, upholding human rights, ensuring fair and equal treatment of all employees, and complying with employment laws

Through the adoption of innovative recruitment and on-boarding policies, we aim to provide employees with opportunities for professional growth and career advancement, complemented by competitive compensation and benefits packages.

Our investment in learning and development initiatives and our focus on succession planning not only supports the professional growth and career progression of our employees, but also enhances their sense of self-worth.

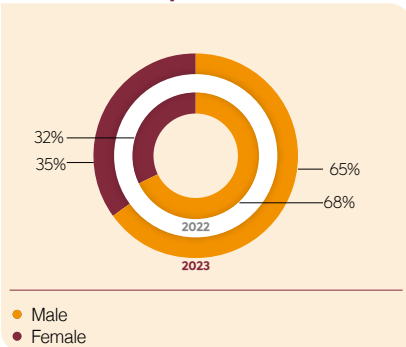
Through prioritising the health and safety of our employees, fostering positive employee-management relationships, and proactively addressing grievances and issues, we strive to promote employee motivation and engagement.



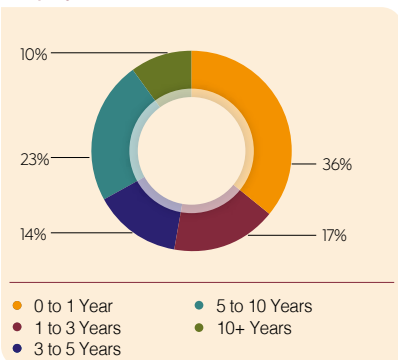
Our Team

The Vallibel Finance team is composed of a diverse and dedicated workforce of 1,220 employees who are the cornerstone of our many accomplishments. All our employees are engaged on a full-time basis, and our Senior Management team is exclusively comprised of Sri Lankans.

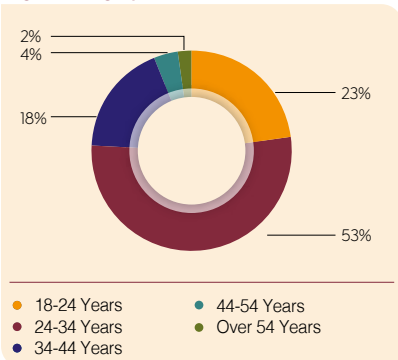
Total Workforce by Gender



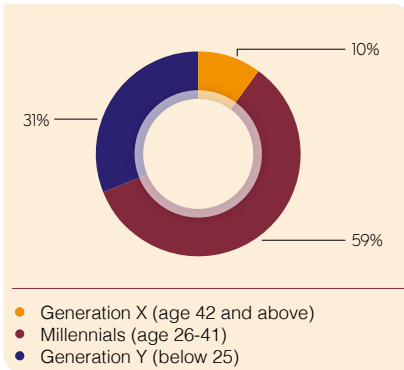
Employees Years of Service



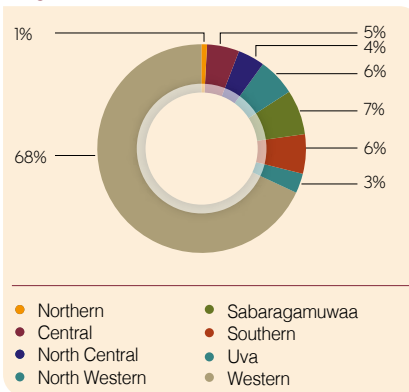
Age Demographics



Employees by Demographic Categorisation



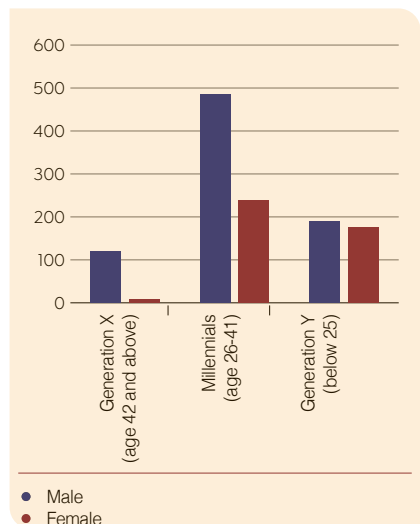
Employee Categorisation by Region



Employee Growth Over the Years



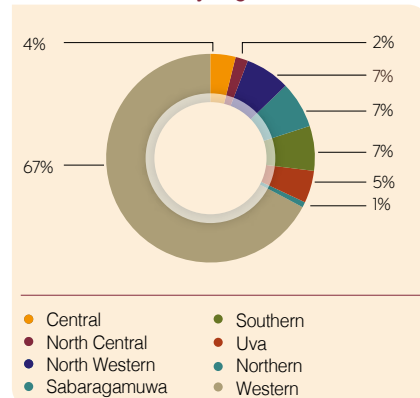
Employees by Demographic Categorisation



Recruitment and On-Boarding

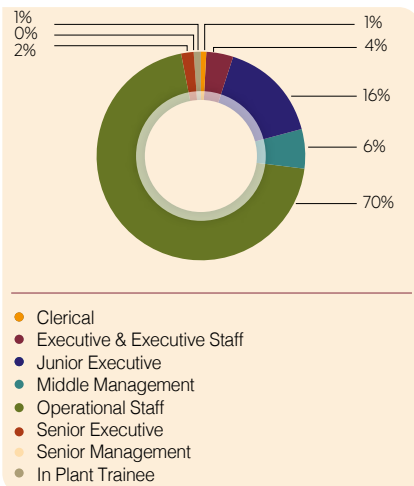
In the face of today's challenges, having the right talent is a critical element in remaining competitive within our industry. Accordingly, at Vallibel Finance, we prioritise attracting and retaining highly skilled professionals to preserve our valuable talent pool. Our management team actively seeks out young and ambitious individuals who bring fresh and innovative ideas to the table. In turn, the Company provides them with the necessary training and mentoring to develop their careers. We also offer opportunities for prospective employees to join our closest branches, fostering strong relationships with the communities within which we operate.

New Recruitment by Region

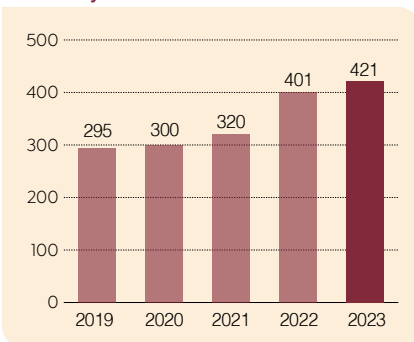


Human Capital

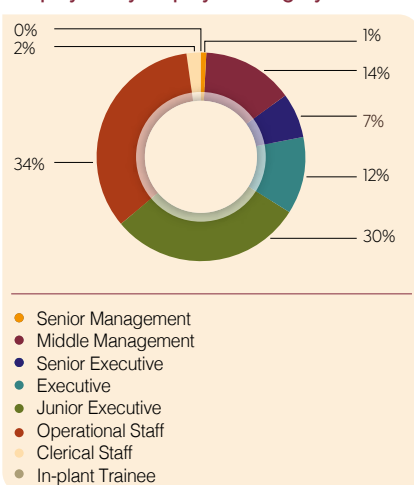
New Recruitment by Employee Category



Composition of Female Employees over the years



Employees by Employee Category

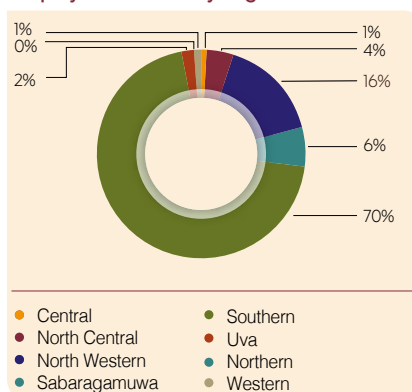


During the year under review, the Company hired 306 employees from various regions, ethnicities, age groups, and genders. This recruitment initiative not only supports the economic development of the country but also strengthens our commitment by Vallibel Finance to promoting diversity and creating job opportunities for all.

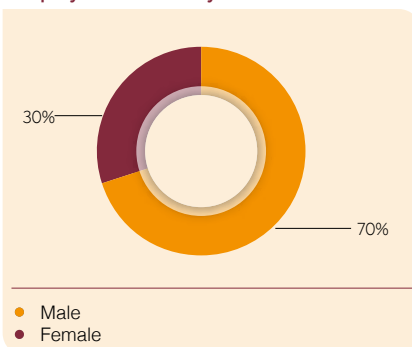
Employee Turnover

Employee turnover is a natural and expected aspect of any organisation's business activities. During the year under review, the Company experienced a turnover of 356 employees, mostly due to reasons such as migration, employees seeking to pursue new career paths, higher education overseas, or other personal reasons. Additionally, retirements were also considered a part of turnover by the Company.

Employee Turnover by Region



Employee Turnover by Gender



Complying with Legal Requirements and Regulations

Vallibel Finance is committed to developing its corporate human resource policies in accordance with local laws, industry regulations, and other relevant standards. This ensures that we treat all our employees fairly and ethically, respecting their rights to equal opportunity employment, collective bargaining, and unionisation. These practices have earned us a reputation as a fair employer with a people-centric culture and open communication channels between the management and employees.

As a Non-Banking Financial Institution in Sri Lanka, we are governed by the Shop and Office Act and its amendments, as well as the regulations of the Central Bank of Sri Lanka, the Colombo Stock Exchange, and the Securities and Exchange Commission of Sri Lanka.

The Company provides all employees with an 'Employee Handbook' that covers all our human resource policies, processes, and systems when they join us. This Handbook serves as a guide for our human resource practices and helps our employees uphold the highest standards of ethical and professional behaviour that reflect well on our brand and reputation, both at work and in the community.

▶ Trade Unions and Collective Bargaining Agreements

Vallibel Finance does not have any collective bargaining agreements with its employees. However, the Company respects the rights of each employee to join unions and negotiate their employment conditions as they wish. Vallibel Finance ensures this freedom for all employees.

The Company ensures employees receive compensation in line with market and industry norms.



▶ As an Equal Opportunity Employer, the Company values diversity and inclusion in its workforce and does not tolerate any form of discrimination or harassment based on caste, ethnicity, gender, religion, age, political beliefs and/or disability.

Therefore, the Company offers various learning programs that help employees improve their skills and knowledge on an ongoing basis. During the year under review, the focus was on shifting people from online training programs to in-person bringing back the culture of personal interaction post the COVID-19 pandemic. Accordingly, we invested Rs. 0.541 Mn in conducting 30 training programs for 1,293 employees out of which 21 were virtual and 09 were class room style.

The average training hours per employee increased by 2% compared to the previous year.

Respecting Employees' Human Rights

At Vallibel Finance, we respect and uphold the human rights of our employees as a core value of our human resource management. We believe that employees deserve fair treatment and recognition of their rights as human beings in all aspects of our business operations. We also ensure that employees have a voice, that their work-related concerns are addressed, and that they are not coerced to perform tasks that violate their personal, professional, or religious convictions.

We comply with international human rights standards and do not tolerate any form of child labour. We only employ people who are 18 years or older, in accordance with the laws that prohibit child labour.

Accepting Workforce Individuality and Diversity

As an Equal Opportunity Employer, the Company values diversity and inclusion in its workforce and does not tolerate any form of discrimination or harassment based on caste, ethnicity, gender, religion, age, political beliefs and/or disability.

The Company fosters a work culture where employees can express their

opinions, share ideas, and make suggestions to improve our work processes and systems. We also encourage employees to embrace diversity and empowerment, which contribute to both personal growth and organisational efficiency.

The Company's human resource policies are founded on the premise of maintaining a professional, respectful, and safe work environment for all our employees. We respect the right of an employee to seek legal counsel if needed, and we do not discriminate or retaliate against anyone who exercises this right.

We are committed to eliminating discrimination in the workplace and promoting a diverse workforce that reflects the different backgrounds, skills, and experiences of our employees. We believe that diversity drives innovation and gives us a sustainable competitive edge. We did not have any incidents of discrimination reported during the year under review.

Training and Development

The Company is committed to continuous learning and development as a way of enhancing the performance and career growth of our employees, as well as their success as individuals.

Remuneration and Benefits

The Company's remuneration and benefits are aimed at rewarding our employees fairly, equitably and without bias. This considers three factors: the job role, the level of responsibility, skills and competencies, and the work experience of each employee. We also keep track of industry trends and labour market changes in our sector to ensure we are offering our employees competitive remuneration and benefits.

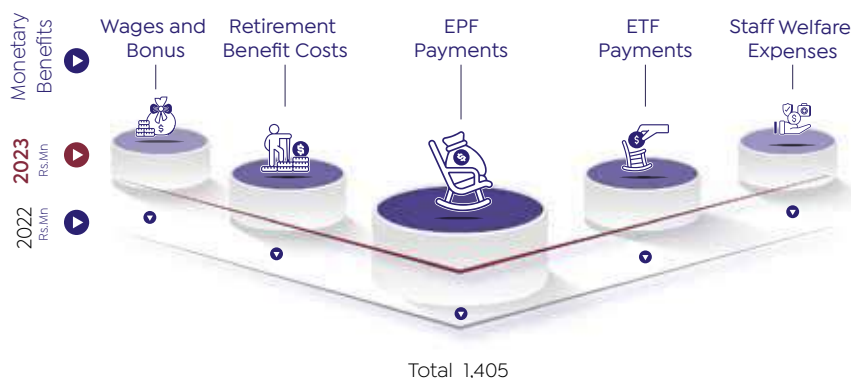
Vallibel Finance is one of the few companies in Sri Lanka to offer paternity leave to our employees in addition to the statutory maternity leave as per Sri Lanka's employment laws. In the year under review, a total of 36 employees took parental leave, of whom 19 took maternity leave and 17 took paternity leave. All 17 male employees resumed work after their paternity leave of 03 days. Of the 19 female employees, 12 returned to work after their maternity leave during the year under review. The remaining 07 employees are expected to return to work in the financial year 2023/24.

The return to work rate was 63% for the year.

Of the 21 employees who took maternity leave in the financial year 2021/22, 16 are still working for the Company and have completed 12 months of work after their maternity leave.

Human Capital

The remuneration and benefits offered to all employees of the Company are detailed below.



Non-Monetary Benefits

The Company grants various types of non-monetary benefits to full-time permanent employees to reward them for their dedication to the Company.

Insurance

Medical insurance (OPD and hospital stay cover) for employees and their family members with compensation packages based on employee categories are provided to all full-time employees of the Company.

Paid Leave

The Company provides various types of leave demonstrating our commitment to employee well-being and work-life balance, and in support of their well-being and productivity. Study leave is granted to attend lectures and examinations, enabling employees to improve their skills and knowledge. Male employees are eligible for three days of paternity leave to support their families during a significant life event. With senior management approval employees can take a maximum of eight days leave upon their marriage.

The Company also allows part-time athletes leave to attend practices and matches, which enables them to pursue their passion while maintaining a balance with their work.

Additionally, extended sick leave is available to employees suffering from severe or major illnesses. Employees suffering from COVID-19 in the past few years were given this special leave.

Donations and Assistance

Special assistance in the form of a death donation is given in the unfortunate event of the death of an employee or their immediate family. The Company also has a loan scheme in place for approved staff categories, allowing them to access loans if needed.

Outings and Events

The Company organises several events to bring its employees together and foster a sense of community. One such event is the annual employees' get-together, which is a chance for all employees to come together and celebrate their accomplishments. In addition to this, branch-wise employee outings are also organised, providing opportunities for colleagues from different branches to interact with each other in a relaxed and informal setting. These events not only help to build stronger relationships among employees but also create a positive and fun work environment.

Employee Wellness and Well-Being

The Company remains vigilant about adhering to the health and safety protocols recommended by the health

authorities, even in the post-pandemic era. We have implemented appropriate measures and systems to protect our employees as they carry out their duties.

Furthermore, we have shifted our focus towards promoting the well-being and mental health of our employees, particularly in the current economic climate where high inflation and living costs have affected all members of our workforce. The Company made sure to avoid pay cuts and ensured that employees received their full salaries. Additionally, employees were given their bonuses and annual increments as per the usual practice. Furthermore,

An Engaged Team of Employees

The true spirit and culture of the Vallibel Finance workforce were showcased when our employees chose to engage in community events under the Company banner.

July 3, 2022

To mark the 9th anniversary of the Vallibel Finance Moratuwa branch, a blood donation campaign was organised by the branch employees. More than 122 pints of blood were collected from employees and other generous donors.



we promoted employees and provided them with the appropriate benefits that come with their new positions in the Company. It must be noted that as a financial institution, our employees do not face serious risks of work-related injuries or illnesses. Thus, there were no significant incidents of work-related injuries reported during the year under review.

Grievance Handling

The Company fosters a culture of open communication, encouraging employees to report any instances of misconduct or policy violations. By providing a safe space for employees

to express their concerns and issues, we strive to maintain a positive and satisfied workforce.

Employees can report their concerns to their immediate supervisor or the HR division, who will handle them in accordance with the Company's Grievance Handling Procedure. If the concerns are not resolved satisfactorily, they can be escalated to higher levels of management.

Vallibel Finance also has in place a Board approved Whistleblower Policy that protects employees who disclose any suspected wrongdoing

We have shifted our focus towards promoting the well-being and mental health of our employees, particularly in the current economic climate where high inflation and living costs have affected all members of our workforce. The Company made sure to avoid pay cuts and ensured that employees received their full salaries.

November 4-5, 2022

The Vallibel Finance team in Galle supported the restoration of the Hewisigala Aranya Senasanaya in Udugama by sponsoring the painting of the temple.



December 22, 2022

The employees of the Vallibel Finance Kalutara branch organised an event named "Lama Badaginna Niwamu" to provide lunch and school materials to the Vegan Tamil-friendly school in Matugama.



by anyone in the Company from any retaliation or unfair treatment. The Whistleblower Policy covers matters such as illegal conduct, fraud, bribery, financial irregularities, breach of legal or regulatory requirements, and danger to the public or financial system.

Employee Events

Vallibel Finance conducted selective events during the year under review due to the financial crisis which prevailed for most of 2022. The major event we organised was the Annual mid-year Business Review Meeting at the Movenpick Hotel in Colombo on the 2nd December 2022, where key employees and decision-makers discussed the challenges and opportunities facing the Company and devised a sound corporate strategy for the upcoming financial year. The Company also organised a cricket tournament for the Metropolitan region branches on 27th December 2022.



Financial Capital

Overview

Key Priorities for FY2022/23

Ensuring Steady
Returns



Sustainable Business
Growth



Safeguarding Assets
and Portfolio Quality

Identified Risks

Liquidity Risk

Credit Risk

Interest Rate
Risk

Link to Material Aspects

Sustainable Growth
of Earnings

Economic
Instability

Performance for FY2022/23

Rs. 11.09 Bn
2022/23

Rs. 10.66 Bn
2021/22
Shareholder Funds

Rs. 64.48 Bn
2022/23

Rs. 68.60 Bn
2021/22
Lending Portfolio

12.32%
2022/23

30.91%
2021/22
Return on Equity

6.16%*
2022/23

2.73%
2021/22

NPL
*Increase due
to classification
change made by
CBSL



Associated Stakeholders



Shareholders



Business
Partners



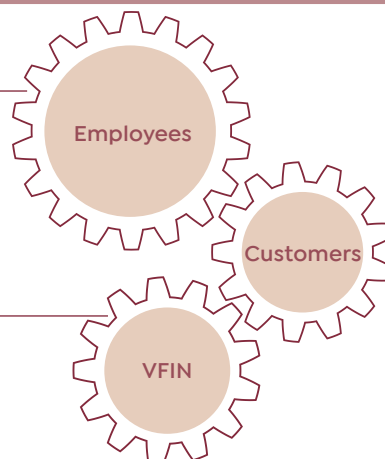
Customers



Government and
Regulators

Producing favourable returns on shareholder funds while ensuring predictability of investment returns.

Achieve financial excellence and consistently enhance all key financial indicators on a year-on-year basis.



Ability to offer a range of financial services.

Enabling value for money financial services.

Ability to offer delayed loan payments and moratoriums in case of inability to meet leasing or loan terms.

Rs. 82.32 Bn
2022/23

Rs. 77.69 Bn
2021/22
Total Assets

Rs. 49.66 Bn
2022/23

Rs. 41.02 Bn
2021/22
Deposit Base

Challenges Faced in FY 2022/23

Macroeconomic and financial crisis.

Sluggish credit expansion due to increasing interest rates.

Managing rising inflation levels and controlling overhead costs.



The Way Forward

- Prioritising effective management of interest costs and operational expenses to preserve healthy profit margins.
- Implementing effective strategies to maintain business volumes
- Improving operational efficiencies through process enhancements.
- Enhancing the collection monitoring process and improving recovery efforts.
- Further strengthening liquidity management processes.
- Further diversifying funding sources.
- Maintaining a cautious approach to lending and strict adherence to processes.
- Continue to strengthen credit evaluation and client investigation processes.
- Careful monitoring of prevailing and emerging economic conditions.



Financial Capital

Management Approach

The Company's management of financial capital is closely tied to the regulations governing the financial sector, particularly those applicable to the Licensed Finance Companies (LFCs) sector. Compliance with Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, the Listing Rules of the Colombo Stock Exchange (CSE), and the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka (CBSL) is given significant importance.

Vallibel Finance adopts sustainable financial strategies aimed at facilitating business operations, generating long-term returns, and fostering year-on-year earnings growth. Prudent financial resource management measures are implemented by the Company, allowing for necessary changes to key financial capital components when required. Qualified financial professionals guide the Company's financial management, utilising modern tools, methodologies, and financial reporting measures. The Company is committed to incorporating changes and updates to accounting policies and industry regulations as a responsible and accountable financial services company.

The focus for the year under review was on managing and streamlining operational expenses to address rising costs of operations resulting from high inflation rates and other challenges arising due to the prevailing external market and economic conditions. While we focused on managing our financial assets, the Company ensures transparent, ethical, and sustainable business practices were upheld.

These efforts enabled the Company to overcome challenges and achieve acceptable business growth while creating sustainable value for our shareholders and other stakeholders.

Financial Performance

The year under review was marked by numerous challenging circumstances arising from the macroeconomic and financial crisis which prevailed in Sri Lanka for the majority of 2022. This resulted in the government and the CBSL further tightening macroprudential measures throughout the year, leading to high interest rates and price inflation, while import restriction of motor vehicles continued and the Sri Lankan rupee continued to steeply depreciate against the U.S. dollar. These factors impacted the financial services sector and resultantly the financial performance of Vallibel Finance. Consequently, the Company witnessed a slowdown in growth momentum and a contraction of our lending portfolio, in contrast to the previous periods of business expansion. Nevertheless, despite the challenging economic and financial constraints, the Company is satisfied with our achievements and the value created for stakeholders.

Total Income

The Company's total income increased notably by 38.4% during the financial year under review despite the many challenges that existed in the operating environment. Total income as of 31st March 2023 amounted to Rs. 16.70 Bn compared to Rs. 12.07 Bn earned in the previous financial year. The primary driver behind this growth was the income from loans and advances where the income from Gold Loans took precedence.

The total interest income derived from the loans and advances portfolio saw a significant increase of 44.97% to Rs. 13.95 Bn in comparison to the previous financial year's earnings of Rs. 9.62 Bn. Additionally, interest income from other investments observed a substantial increase of 461.24%, amounting to Rs. 1,726.29 Mn during the year under review, compared to the previous financial year's earnings

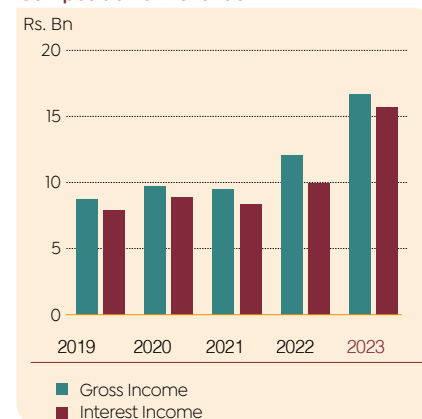
Rs. 16.70 Bn
2022/23

Rs. 12.07 Bn
2021/22

38.4% increase in revenue

of Rs. 307.58 Mn. Furthermore, there was a 51.84% decrease to Rs. 1.03 Bn in the total non-interest income earned during the financial year under review, compared to the previous financial year's earnings of Rs. 2.14 Bn.

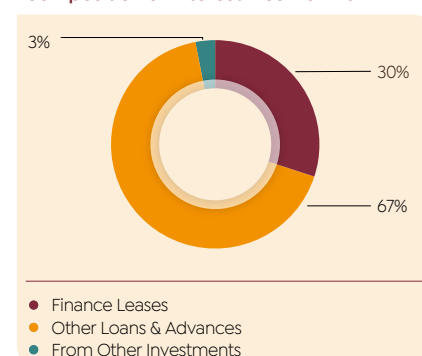
Composition of Revenue



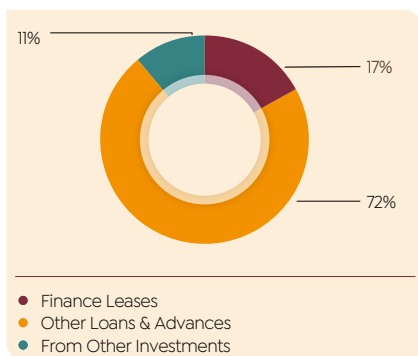
Interest Income

The Company's interest income grew by 57.86% to Rs. 15.68 Bn during the financial year under review compared to Rs. 9.93 Bn recorded in the previous financial year. Finance leases and other loans and advances were the key contributors to this notable growth.

Composition of Interest Income - 2022



Composition of Interest Income - 2023



Finance leases continued their downward trajectory, experiencing a decline of 27.94% during the year ending 31st March 2023. As a result, its contribution to the total interest income was reduced to 17%. The interest income generated from finance leases decreased by 11.21% to Rs. 2.63 Bn during the year under review, in comparison to the Rs. 2.97 Bn recorded in the previous financial year. This decline in the lease component's share can be primarily attributed to the economic and financial crisis which prevailed together with high-interest rates, low liquidity levels, and restrictions on vehicle imports aimed at managing foreign exchange reserves and limiting foreign currency outflows from Sri Lanka.

The interest income derived from other loans and advances recorded a higher contribution of 72% during the year under review, as opposed to the 67% recorded in the previous financial year. Notably, the total interest income from other loans and advances experienced a substantial increase of 70.01% to reach Rs. 11.31 Bn during the year under review, compared to the previous financial year's earnings of Rs. 6.66 Bn. Vehicle loans, gold loans, auto drafts, and fixed deposit loans were the key contributors to interest income growth from other loans and advances.

Other interest income, which includes interest earned on placements with banks and other finance companies,

as well as interest income from investments in government securities such as Treasury Bills and Treasury Bonds, reached Rs. 1,726.29 Mn during the financial year under review. This represents a remarkable increase of 461.24% compared to the previous financial year.

The Company persisted in applying a discerning approach when evaluating new loan applications and upheld a stringent credit evaluation and client investigation process. This approach aimed to maintain a sustainable loan portfolio and foster income growth. Additionally, enhanced recovery efforts and reinforced recovery processes played a significant role in supporting the expansion of interest income during the financial year under review.

The Company anticipates that the current mix of factors will persist in the upcoming financial year, although the rate of growth may be influenced by changes in interest rates which are expected to decline in the forthcoming year. However, investor and business confidence must be monitored as they could potentially have a lasting impact on interest income, while a wider gap between interest income and interest expenses may emerge, purely dependent on market interest rates.

The Company will persist in closely monitoring external market dynamics while maintaining a strong emphasis on safeguarding the loans and advances portfolio to achieve the targeted interest income. Concurrently, the Company will continuously assess and enhance the efficiency of our risk management and optimisation strategies for loans and leasing operations, ensuring they align with any evolving economic circumstances.

Interest Expense

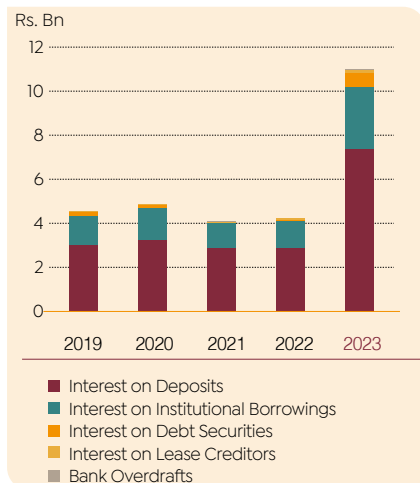
Total interest expenses, including interest payable to customers and banks, debt issued, and other borrowed funds, witnessed a notable increase of 160.10% during the year under review, in contrast to the 4.11% increase observed in the previous financial year. The primary reason is attributed to the prevailing high-interest environment during the financial year under review. Thus, the total interest expenses for the financial year ending on 31st March 2023, amounted to Rs. 11.01 Bn, compared to the previous financial year's expenses of Rs. 4.23 Bn.

Interest expenses incurred on deposits represent 66.99% of the total interest expenses. In the year under review, interest expenses on deposits increased significantly by 158.79% to Rs. 7.38 Bn. In contrast, interest expenses declined by 0.83% to Rs. 2.85 Bn in the previous financial year. This downward trend is attributed to the low interest rate environment which continued from 2020 until August 2021.

Interest expenses related to institutional borrowings, including bank overdrafts, bank term loan facilities, and securitised borrowings, recorded a significant increase of 126.34% to reach Rs. 2.79 Bn during the financial year under review, in contrast to the previous financial year's expenses of Rs. 1.23 Bn. The Company obtained new loan facilities worth Rs. 749 Mn and repaid Rs. 9.73 Bn in loans during the year under review. As a result, the total institutional borrowings decreased by 30.7% to Rs. 13.89 Bn for the year under review, compared to Rs. 20.03 Bn recorded during the previous financial year. Furthermore, interest expenses on commercial papers amounted to Rs. 74.39 Mn, while interest expenses on the subordinated term loan obtained in February 2022 totalled Rs. 596.62 Mn.

Financial Capital

Composition of Interest Expense



Net Interest Income

The net interest income declined by 18.15%, amounting to Rs. 4.66 Bn during the year under review compared to Rs. 5.70 Bn earned in the previous financial year. This decline is mainly attributed to increased interest expenses and the lower levels of interest income earned during the year under review. The Company deployed several strategies to manage net interest income growth, including product re-pricing aligned with market fluctuations and adjusting the funding structure to secure funds at favourable rates amidst the high-interest rate regime which prevailed in the country.

	2018	2019	2020	2021	2022	2023
Total Interest Income (Rs Mn)	6,257	7,888	8,912	8,331	9,930	15,676
Total Interest Expense (Rs Mn)	3,500	4,525	4,855	4,068	4,235	11,014
Net Interest Income (Rs Mn)	2,757	3,363	4,058	4,264	5,696	4,662

Other Operating Income

The Company recorded a decline of 51.84% in other operating income, also referred to as non-interest income, amounting to Rs. 1,208.73 Mn during the year under review. In comparison, the previous financial year had recorded an income of Rs. 2,136 Mn. Non-interest income encompasses various sources such as fee and commission income, early termination income, gains or losses from property, plant, and equipment disposals, as well as gains or losses from financial investments and other income.

Among these sources, the largest contribution to the operating income was derived from fee and commission income and early termination income, accounting for a combined share of 75.82% of the total other operating income.

Total Operating Income

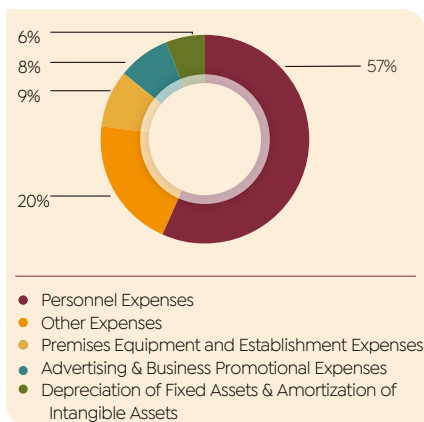
The components of operating income include net interest income and other income. The Company achieved a total operating income of Rs. 5.69 Bn for the financial year ending on 31st March 2023, in contrast to the earnings of Rs. 7.83 Bn in the previous financial year. The earnings from other income constituted 9.41% of the Company's total operating income.

Operating Expenses

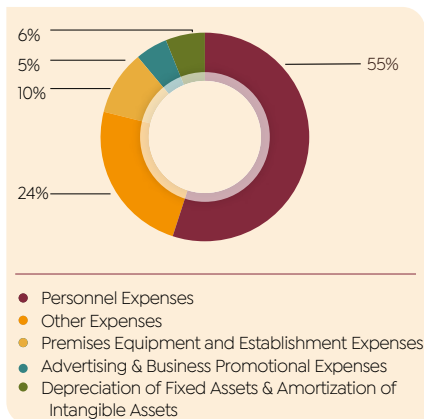
The Company recorded a 14.98% increase in total operating expenses to Rs. 2.83 Bn during the financial year under review, compared to Rs. 2.46 Bn incurred in the previous financial year. Within the operating expenses, premises, equipment, and establishment expenses increased by 31.77% to Rs. 291.60 Mn. This increase is attributed to the Company's branch expansion.

Personnel expenses recorded a 10.55% increase to Rs. 1.55 Bn, primarily driven by new recruitments and rising employment benefits amidst a high-inflation operating environment. Additionally, advertising and business promotional expenses accounted for 5.09% of the total operating expenses, amounting to Rs. 144.05 Mn for the year under review.

Composition of Operating Expenses - 2022



Composition of Operating Expenses - 2023



Cost-to-Income Ratio

The cost-to-income ratio serves as a valuable indicator of the Company's efforts in managing costs and enhancing operational efficiency. In the financial year under review, the cost-to-income ratio recorded a notable increase of 58.25%, reaching 49.74%, in comparison to the previous year's ratio of 31.43%. This increase is primarily attributed to rising costs of operations driven by rising prices of goods and

services due to the high inflation level which prevailed during the reviewed year. The Company's focus on cost control and management measures supported the management of this ratio at lower levels than anticipated, highlighting the management's commitment to continually improving operational efficiencies.

Impairment Charges

Impairment charges recorded a significant decline by 83.53% to Rs. 97.58 Mn during the year under review, compared to Rs. 592.49 Mn recorded in the previous financial year. This notable reduction is attributed to the effective management of gross non-performing loans even amidst the economic crisis. Despite the challenges posed by the adverse external operating environment, the Company's efforts in mitigating risks and maintaining asset quality have played a crucial role in achieving this considerable decrease in the impairment charge.

Taxation

The Company's tax charges encompass various types of taxes, including direct and indirect taxes such as corporate income tax, financial service taxes, Value-Added Taxation (VAT), and withholding tax. For the financial year ending 31st March 2023, the effective tax rate was 51.51%, representing an increase from the 39.05% rate applicable for the financial year ending 31st March 2022.

The Company's total tax liability decreased by Rs. 442.75 Mn, amounting to Rs. 1,423.03 Mn during the financial year under review. This decrease in tax liability is mainly attributed to the Company's reduced taxable income, which is attributed to higher levels of operating expenses incurred in the prevailing high inflation environment during the year under review. The total corporate income tax expenses amounted to Rs. 725.91 Mn, compared to the Rs. 1,081.97 Mn paid in the previous financial year. Additionally, the tax on

financial services amounted to Rs. 697.12 Mn for the financial year under review, in contrast to the Rs. 783.81 Mn incurred in the previous financial year.

Taxation Charges for the year ended 31st March	2021	2022	2023
Income Tax (Rs Mn)	662	1,082	726
Value-Added Tax on Financial Services (Rs Mn)	469	784	697
Total (Rs Mn)	1,130	1,866	1,423

Profitability

The Company experienced a significant decline in profitability during the year under review due to the adverse impact of the prevailing macroeconomic and financial crisis. The total net profit decreased by 54% to Rs. 1.34 Bn, contrasting with the double-digit net profit growth of 68.50% to Rs. 2.91 Bn achieved in the previous financial year. The Company's profit before taxation decreased by 42.2% to Rs. 2.76 Bn for the financial year under review.

The Company's return on average assets (ROA) calculated on profit after tax declined by 61.79% to recorded 1.67% as of 31st March 2023 compared to 4.38% as of 31st March 2022. The return on average equity (ROE) decreased by 60.13% to record a decline of 12.32% as of 31st March 2023.

	2018	2019	2020	2021	2022	2023
Profit Before Taxation (Rs Mn)	1,894	2,286	2,442	2,859	4,778	2,763
Taxation (Rs Mn)	876	1,157	1,188	1,130	1,866	1,423
Net Profit (Rs Mn)	1,018	1,129	1,253	1,728	2,912	1,340

Financial Position

Vallibel Finance's growth and success can be credited to the collaborative efforts invested in crafting precise sustainable financial strategies that push boundaries and foster efficient and effective growth. The Company's resolute commitment to establishing and pursuing specific objectives is clearly demonstrated by our ability to enhance credit quality and expand the deposit portfolio, despite numerous challenges existing in the macroeconomic environment. These challenges include diminished money market liquidity and a climate that discourages consumer spending. This accomplishment serves as a testament to the unwavering determination of the leadership, management, and employees to overcome obstacles and propel the Company towards sustainable growth and success.

Total Assets

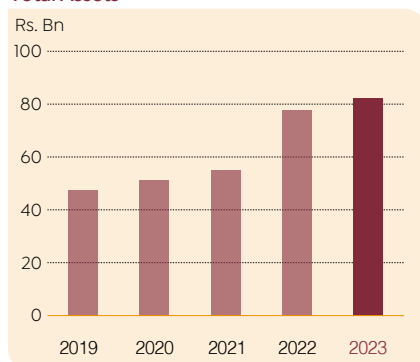
During the year under review, the Company's total assets recorded a modest 6% increase to Rs. 82.32 Bn as of 31st March 2023. Despite being significantly lower than the remarkable 40.68% increase to Rs. 77.69 Bn recorded as of 31st March 2022, the Company's achievement is considered satisfactory, primarily due to the prevailing constrained operating conditions and financial liquidity in the market during the year under review.

The Company's commitment to implementing strong strategies for expanding the loans and advances portfolio, coupled with our ability to navigate emerging

Financial Capital

challenges, played a vital role in driving the growth of total assets during the year. Furthermore, the Company maintains a rigorous monitoring process for the asset mix and takes appropriate measures to ensure effective management of assets. These initiatives contribute to the stability of the asset base, facilitate optimised asset growth, and help maintain a high-quality asset portfolio.

Total Assets



Liquidity Position

As of 31st March 2023, the Company's total liquid assets, including cash, short-term funds, government securities (treasury bills and treasury bonds), and placement with commercial banks, increased to Rs. 13.61 Bn, compared to Rs. 8.07 Bn recorded as of 31st March 2022. The ratio of liquid assets to total deposits reached 26.92%, surpassing the required 10% set by the CBSL.

This significant increase in liquid assets places the Company in a stable and strong position to withstand liquidity shocks within the current constrained operating environment. It also ensures a robust liquidity position, enabling the pursuit of a sustainable competitive advantage that generates long-term value for shareholders and other stakeholders.

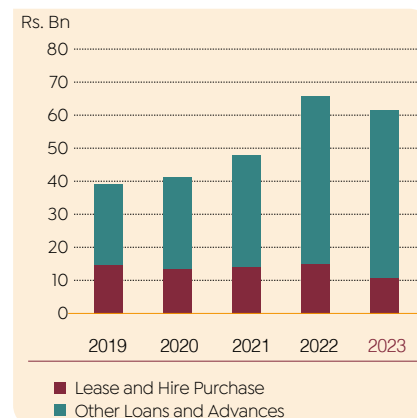
Lending Assets

During the year under review, the Company's net lending portfolio experienced a slight decrease of 6.54%,

totalling Rs. 61.37 Bn, compared to Rs. 65.66 Bn recorded in the previous financial year. The total finance lease net portfolio also declined by 27.94% to Rs. 10.79 Bn as of 31st March 2023, compared to Rs. 14.97 Mn as of 31st March 2022. Net hire purchase receivables continued its downward trend, amounting to a nil figure as of 31st March 2023, compared to Rs. 1.47 Mn as of 31st March 2022.

Among the lending portfolio components, other loans and advances remained the largest contributor, accounting for 82.42% of the portfolio, while lease rentals and hire purchase receivables together constituted 17.58%. This mix in the lending portfolio has been consistent over the past five years.

Lending Portfolio Distribution for Last Five Years



Composition of other loans and advances

	2018	2019	2020	2021	2022	2023
Gold Loans (Rs. Mn)	1,510	2,513	3,527	5,385	8,602	15,154
Loans Against Fixed Deposits (Rs. Mn)	388	532	500	652	1,133	968
Other Loans & Advances (Rs. Mn)	16,175	21,287	23,599	27,623	40,956	34,459
Total other Net Loans & Receivables (Rs. Mn)	18,073	24,332	27,626	33,660	50,691	50,582

The category of gross other loans and advances encompasses various types of loans and receivables such as auto drafts, vehicle loans, gold loans, mortgage loans, personal loans, fixed deposit loans, group personal loans, business loans, and microfinance. During the financial year ending 31st March 2023, gross loans and receivables to other customers recorded a slight increase of 0.24%.

The net portfolio of other loans and receivables also marginally declined by 0.22% to Rs. 50.58 Bn as of 31st March 2023, compared to Rs. 50.69

Bn recorded as of 31st March 2022. Notably, the significant growth of the gold loan portfolio and growth of the fixed deposit loans portfolio played a crucial role in mitigating the decline of the gross other loans and advances to a relatively low level.

Credit Quality

The maintenance of a high-quality credit portfolio is a crucial factor for the growth and success of LFCs. One key indicator of credit quality is the Non-Performing Loans (NPL) ratio, which measures the proportion of loans that

have not been recovered from the total loan portfolio. In the year under review, Vallibel Finance demonstrated excellent credit quality and further improved its performance. The significant increase in the NPL ratio by 125.64% to 6.16%, compared to the 2.73% ratio in the previous financial year, was primarily due to a reclassification mandated by CBSL guidelines. It is important to note that Vallibel Finance has consistently maintained a lower NPL ratio compared to the industry average over the past two years. As of 31st December 2022, the industry's gross NPL ratio stood at 17.5% (Source: CBSL Annual Report 2022).

The Company's ongoing initiatives to enhance the loan recovery process and carefully assess loan applicants have played a significant role in reducing NPLs. The Vallibel Credit Department and Recovery Department have remained dedicated to minimising credit risks and ensuring that the NPL ratio remains within acceptable levels for both the Company and the industry. These efforts have positively impacted the overall credit quality and risk management practices of the Company.

As we look ahead to the coming financial year, the current economic crisis presents challenges that could possibly lead to loan defaults. However, it is important to note that if loan applications continue their declining path due to high-interest rates, the NPL ratio may artificially improve. Nevertheless, this could still indicate a decline in the overall performance of the Company and the LFCs sector.

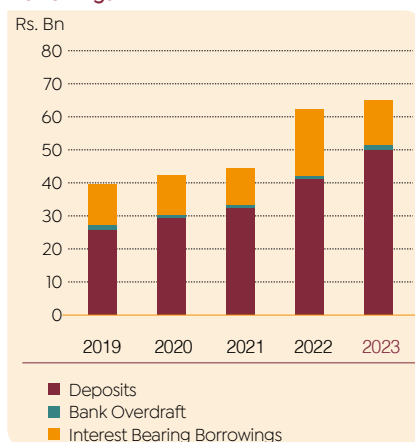
The Company will remain vigilant and continue to prioritise NPL management in the forthcoming financial year while maintaining a focus on acceptable risk levels and mitigating undue credit risks to navigate through these challenging times effectively.

Total Liabilities

The Company's total liabilities encompass the deposit base, bank overdraft facilities, term loan facilities from banks, securitised borrowings, debt securities, and other liabilities. Total liabilities recorded a 6.27% increase to reach Rs. 71.24 Bn as of 31st March 2023 compared to Rs. 67.04 Bn recorded as of 31st March 2022. Public deposits, constituting 69.71% of the total liabilities as of March 31, 2023, witnessed a significant growth of 21.06%, up from 27.5% in the previous financial year. Retail deposits played a key role in driving this increase in public deposits.

The Company secured loan facilities from leading banks in Sri Lanka by Rs. 749 Mn to manage operations during the year under review. However, Rs. 9.73 Bn in borrowings was also settled during the year under review. Thus, the Company's bank borrowings, including term loans, bank overdrafts, and securitised borrowings, decreased by 30.67% to Rs. 13.89 Bn as of 31st March 2023, in contrast to the Rs. 20.03 Bn recorded as of 31st March 2022. Therefore, as of 31st March 2023, bank borrowings accounted for 19.50% of the total liabilities, compared to the 29.89% recorded as of 31st March 2022.

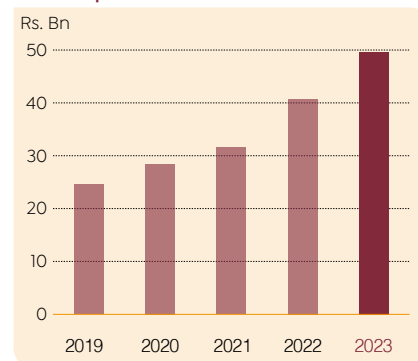
Deposit Base, Overdraft, & Interest Bearing Borrowings



Total Fixed Deposits

The Company achieved a notable increase of 21.1% in its public deposits, reaching Rs. 49.66 Bn as of 31st March 2023, compared to Rs. 41.02 Bn as of 31st March 2022. This achievement is mainly due to high interest rates that prevailed in the country. The growth in public deposits serves as a reaffirmation of the Company's position within the financial services community and highlights our reputation as a leading and ethical financial institution. It is a testament to the trust placed by the public in the Vallibel Finance brand.

Fixed Deposits

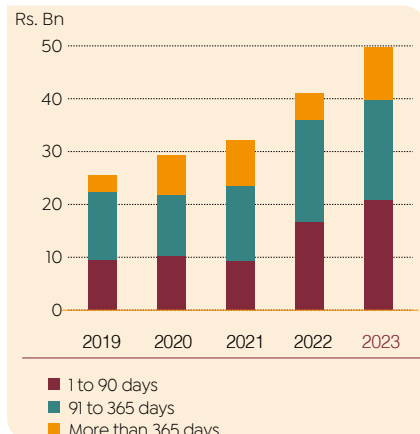


Deposits by Maturity

The Company's deposit base consists of 79.97% of deposits with a maturity of less than one year, while the remaining 20.03% of deposits have longer-term maturities. This deliberate mix is maintained to prioritise obtaining medium and long-term funding, thereby minimising potential mismatches between interest-bearing assets and liabilities. By providing competitive rates, this approach not only supports the Company's goal of enhancing customer service levels but also contributes to overall system efficiency.

Financial Capital

Analysis of Deposits by Maturity Date



Capital Adequacy

Capital adequacy is a measure of a company's financial strength, expressed as a ratio of its capital to its risk-weighted assets. It demonstrates the company's ability to maintain sufficient equity and supplementary capital to withstand unexpected losses.

In the LFCs and SLCs sector, organisations with an asset base below Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 7% and a total capital ratio of 11% under the capital adequacy framework. However, effective from 1st July 2022, the Tier I capital adequacy ratio increased to 8.5% and the total capital ratio to 12.5%.

As of 31st March 2023, Vallibel Finance maintained a Tier I capital ratio of 17.02% and a total risk-weighted capital ratio of 22.26%. In the prior period, the Company's core capital ratio was 14.58% and the total risk-weighted capital ratio was 18.52%. The core capital and capital funds of the Company amount to Rs. 10.71 Bn and Rs. 14.00 Bn, respectively, comfortably exceeding the regulatory requirements set by the CBSL.

For a detailed breakdown of the capital adequacy ratio computation, refer to Note 56 of the Financial Statements.

Shareholders' Fund

Creating value for shareholders remains a primary focus for Vallibel Finance, and therefore, strategies are implemented to achieve a continual increase in retained earnings, which serves as the primary source of capital infusion.

At the end of the financial year under review, the Company's retained earnings grew by 1.98% to Rs. 7.83 Bn, compared to Rs. 7.68 Bn in the previous financial year. This contributed to a 4% growth in the total shareholders' fund, which amounted to Rs. 11.09 Bn as of 31st March 2023, compared to Rs. 10.66 Bn as of 31st March 2022.

However, the return on average shareholders' funds decreased to 12.32% as of 31st March 2023, compared to 30.91% recorded as of 31st March 2022. This was due to reduction in the Profit after Tax.

During the financial year under review, the Company's revaluation reserve decreased by 7.9%, amounting to Rs. 157.39 Bn.

The Company's ability to maintain growth in shareholders' funds despite prevailing challenges in the macroeconomic environment is attributed to our legacy of financial stability, ethical business practices, and a strong commitment to achieving sustainable long-term growth.

Review of Key Ordinary Share Indicators

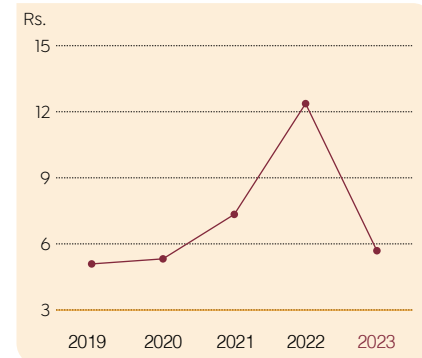
The Company's ordinary shareholding was 235,453,400 as of 31st March 2023, the same as that as of 31st March 2022.

Earnings Per Share*

The Company experienced a significant decline in Earnings Per Share (EPS) during the 12 months ending on 31st March 2023, with a decline of 54.00% to Rs. 5.69 compared to Rs. 12.37 recorded during the 12 months ending on 31st March 2022. This decline in EPS

is primarily due to a decrease in the earnings of the Company.

Earnings per Share

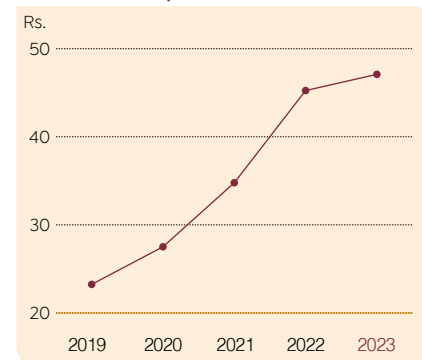


*The EPS for the year under review and the previous years explained in the write-up and depicted in this graph are re-stated based on the division of shares and to account for the higher number of shares as stated above.

Net Asset Value Per Share*

The Company's consistent efforts to enhance the financial capital value and generate value for shareholders are evident in the increasing net assets value per share. The net asset value per share witnessed a growth of 4.05% to reach Rs. 47.09 as of 31st March 2023, compared to Rs. 45.25 reported on 31st March 2022.

Net Asset Value per Share



*The net assets value per share for the year under review and the previous years explained in the write-up and depicted in this graph are re-stated based on the division of shares and to account for the higher number of shares as stated above.

Price Earnings (P/E) Ratio

The Company recorded a significant increase in the P/E ratio, which rose by 92.67% to 5.8 times as of 31st March 2023, compared to 3 times reported on 31st March 2022. This increase was primarily due to the drop in earnings per share and market price.

Price to Book Value Ratio

The price-to-book value ratio witnessed a decline of 14.77% (0.82 times) to reach 0.70 times as of 31st March

2023, compared to the 8.35% increase recorded in the previous financial year. This decline is due to low profitability during the year under review.

Economic Value-Added and Distributed to Stakeholders

The value-added statement gives insight into the financial value generated for all stakeholders of the Company. During the financial year ending 31st March 2023, the Company witnessed a significant increase of

38.44% in the total value created across all stakeholder groups. Consequently, there was an increase in the value distributed to shareholders, business partners, customers, and employees.

The information about the non-financial value creation for the Company's stakeholders is presented in the Capital Review Reports from pages 64 to 103 of this annual report.

Value Created to Stakeholders

For the year ended 31st March	2023		2022	
	Rs.	%	Rs.	%
Direct Economic Value Generated				
Interest Income	15,675,717,444	93.84%	9,930,097,982	82.30%
Fee Commission Income	511,805,140	3.06%	672,707,103	5.58%
Net Gain/(loss) From Trading	124,887,604	0.75%	33,837,952	0.28%
Other Operating Income	392,038,236	2.35%	1,429,568,039	11.85%
Total Economic Value Generated	16,704,448,424	100.00%	12,066,211,076	100.00%
Economic Value Distributed				
To Employees				
Employees Salaries & Benefits	1,552,279,947		1,404,607,466	
	1,552,279,947	9.29%	1,404,607,466	11.64%
To Depositors and Lenders				
Interest Expenses	10,417,334,259		4,209,439,712	
	10,417,334,259	62.36%	4,209,439,712	34.89%
Payments to Providers of Capital				
Dividend to Shareholders	470,906,800		353,180,100	
Interest to Debenture Holders	596,619,670		25,132,055	
	1,067,526,470	6.39%	378,312,155	3.14%
Payment to Government				
Income Tax Expenses	725,907,981		1,081,971,589	
VAT on Financial Services	697,119,801		783,809,641	
NBT on Financial Services	-		-	
Social Security Contribution Levy	-		-	
Crop Insurance Levy	13,100,000		26,781,781	
	1,436,127,782	8.60%	1,892,563,011	15.68%
To Community				
Social Responsibility Projects	966,430		2,025,674	
Donations	30,300		79,532	
	996,730	0.01%	2,105,206	0.02%
Operating Costs				
Depreciation & Amortisation Set Aside	174,772,941		142,345,261	
Impairment Charge for Loans and Other Losses	97,575,003		592,488,831	
Training Cost	541,750		62,330	
Other Operating Expenses	1,088,086,441		885,506,554	
	1,360,976,135	8.15%	1,620,402,976	13.43%
Economic Value Retained	869,207,101	5.20%	2,558,780,550	21.21%
Total Economic Value Distributed	16,704,448,424	100.00%	12,066,211,076	100.00%



Manufactured Capital

Overview

Key Priorities for FY2022/23

Enhanced Financial
Accessibility



Digitalisation for
Increased Efficiencies



Improving Customer
Convenience



Strengthening Data
Security

Identified Risks



Reputational
Risks



Operational
Risk

Link to Material Aspects



Inclusive
Finance



Technology
Driven
Innovation

Performance for FY2022/23

Rs. 31.45 Mn
2022/23

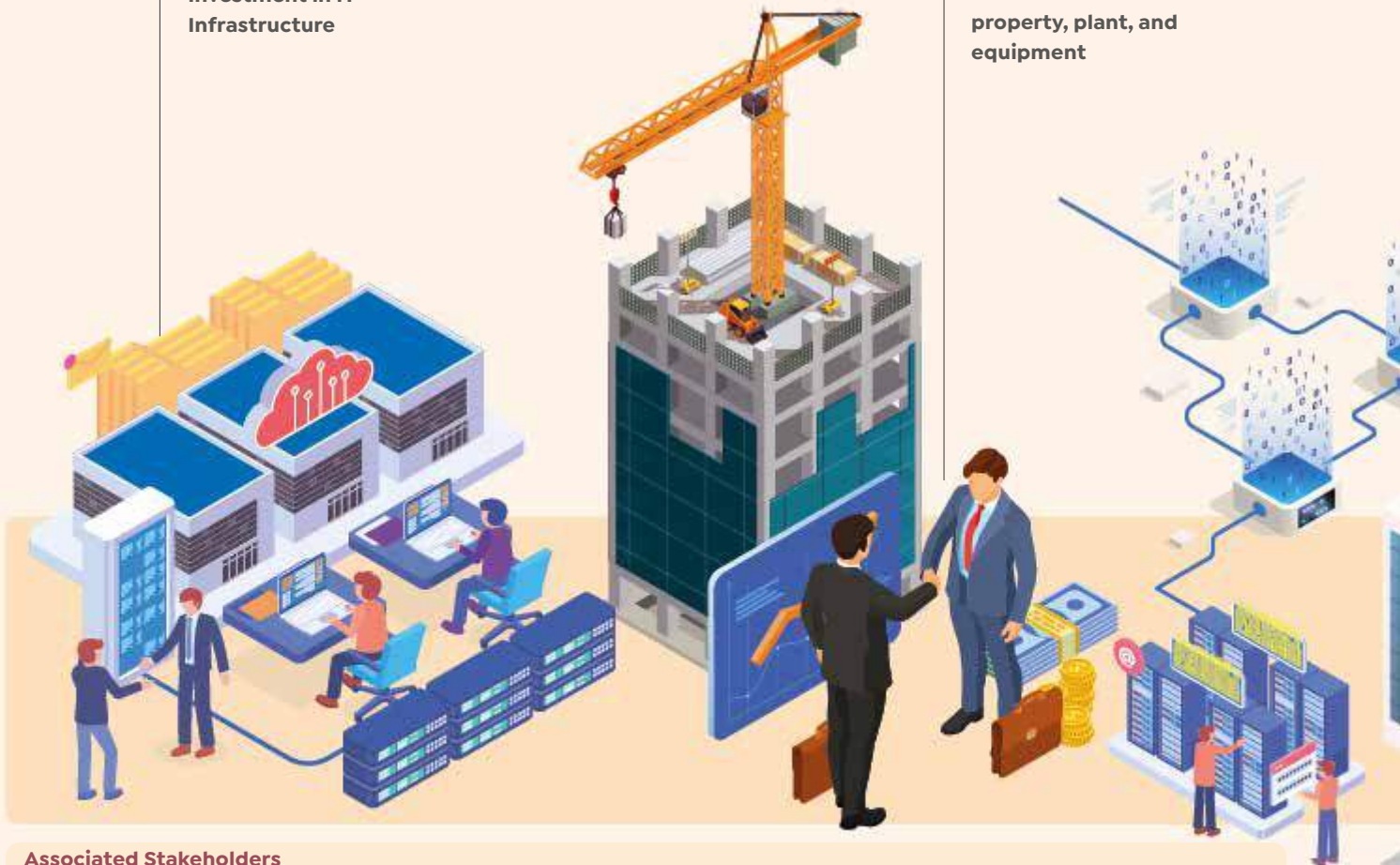
Rs. 34.39 Mn
2021/22

Investment in IT
Infrastructure

Rs. 181.37 Mn
2022/23

Rs. 226.62 Mn
2021/22

Investment in
property, plant, and
equipment



Associated Stakeholders



Shareholders



Business
Partners



Customers

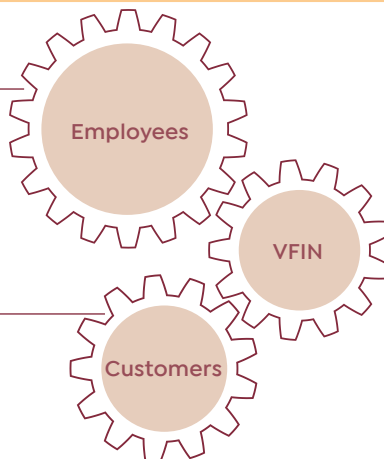


Community/
Society

The skills and know-how gained from working for a forward-thinking and inventive financial organisation.

By catering to the preferences of a cross-section of customer segments.

Offering products and services that fit customer needs within a changing operating environment.



The Company's credibility and competitive position in the marketplace are reinforced by a widespread branch network across the country.

4
2022/23

8
2021/22
New Branches



Challenges Faced in FY 2022/23

Adopting strategies to operate within the prevailing unstable economic conditions to reduce impact on business growth and expansion opportunities.

Implementing a flexible planning approach to adjust to changes in the operating environment caused by external market forces

Managing costs associated with staying up-to-date with evolving and advancing technologies.



Staying ahead of the competition in a saturated local market.

The Way Forward



- Establish and grow a robust digitally enabled financial institution.
- Enhance infrastructure to prepare for future opportunities.
- Improve operational efficiencies to increase the deployment of generated resources.
- Plan for an optimistic future, but review and revise plans in short intervals.

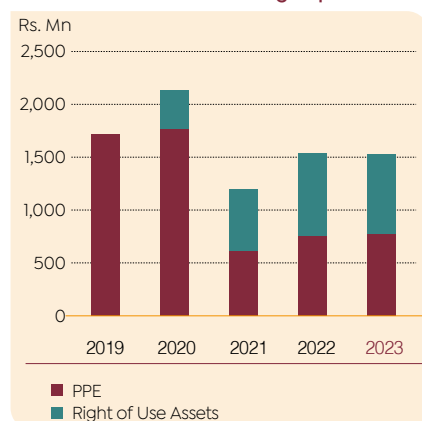
Manufactured Capital

Management Approach

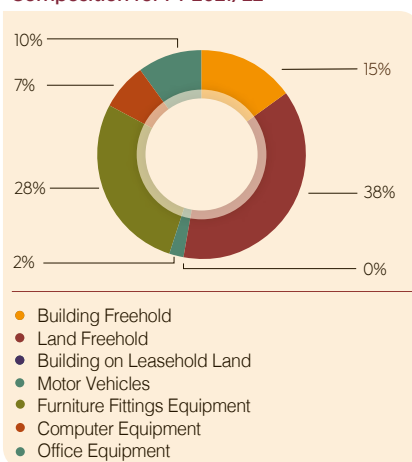
Vallibel Finance uses a planned approach to invest in initiatives and assets that enhance our manufactured capital value as it supports our operations and promotes sustainable growth in the long term. Our efforts are focused on expanding geographic reach by opening new branches and using information technology (IT) to digitalise internal and external processes for greater efficacy of operations. The Company also focuses on enhancing customer convenience and broadening the reach of our services across various customer segments.

This approach has ensured that every investment made in manufactured capital assets delivers multiple benefits across different stakeholder groups, fostering synergistic value creation that capitalises on existing and emerging opportunities while fulfilling our commitments to employees and customers. These efforts have enriched our value proposition to stakeholders, providing us with a competitive edge in the marketplace.

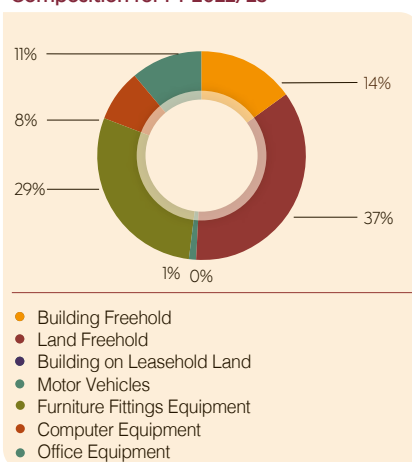
Investment in Manufacturing Capital



Property, Plant and Equipment Composition for FY 2021/22



Property, Plant and Equipment Composition for FY 2022/23



Expanding Our Geographic Reach

Vallibel Finance operates with a network of 57 strategically located branches across the country supported by a marketing team of 264 people. During the year under review, the Company continued to enhance our branch network by investing in physical and digital infrastructure to enable our customers to have improved access to financial services and to enable our employees to provide superior customer service. Through branch upgrades and updates, the Company also ensures employees are given adequate facilities and an attractive and safer workplace for future professional growth.

The Company began on an optimistic note with plans to expand to new towns with minimum access to financial services. However, the prevailing uncertainties in the macroeconomic environment and the political and economic instability during the year under review, resulted in a mid-level re-evaluation of our plans. Hence, Vallibel Finance only commenced operations at four new branches in the second half of the financial year. These branches were opened in Badulla, Kaduwela, Ambalangoda and Mawanella considering the need to cater to the increasing demand for financial services in these areas and to support higher levels of financial security for the people. The total cost of new branch openings amounted to Rs. 75.08 Mn.



As a developing economic center, the town of Badulla aligns with Vallibel Finance's corporate objectives of expanding its financial solutions offerings to a larger population. These offerings include Fixed Deposits, Leasing, Auto Draft, Gold Loans, and Micro-Finance products, all supported by a state-of-the-art technological framework.



Vallibel Finance operates with a network of 58 strategically located branches across the country supported by a marketing team of 264 people.

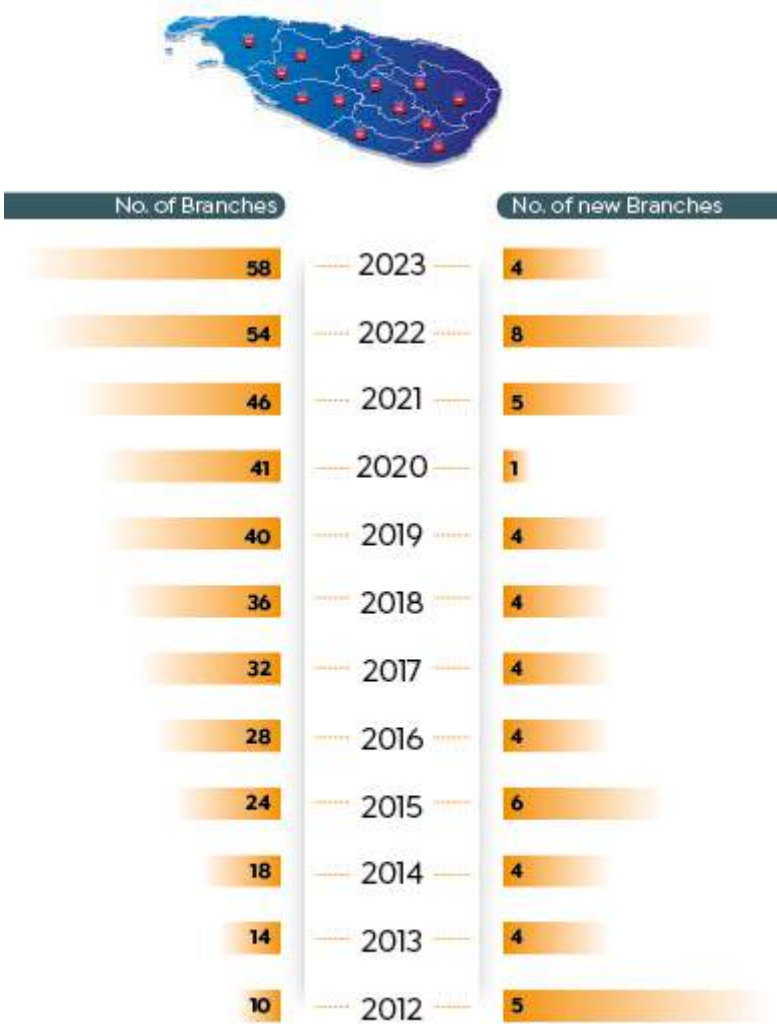
Being a crucial economic centre, the town of Kaduwela presents significant potential for the high demand of Vallibel Finance's comprehensive range of financial services, creating new opportunities for the Company's growth and expansion.



The establishment of this branch will expand Vallibel Finance's geographic reach making its comprehensive range of financial solutions accessible to the town's residents and to those individuals who need financial assistance in the surrounding areas.

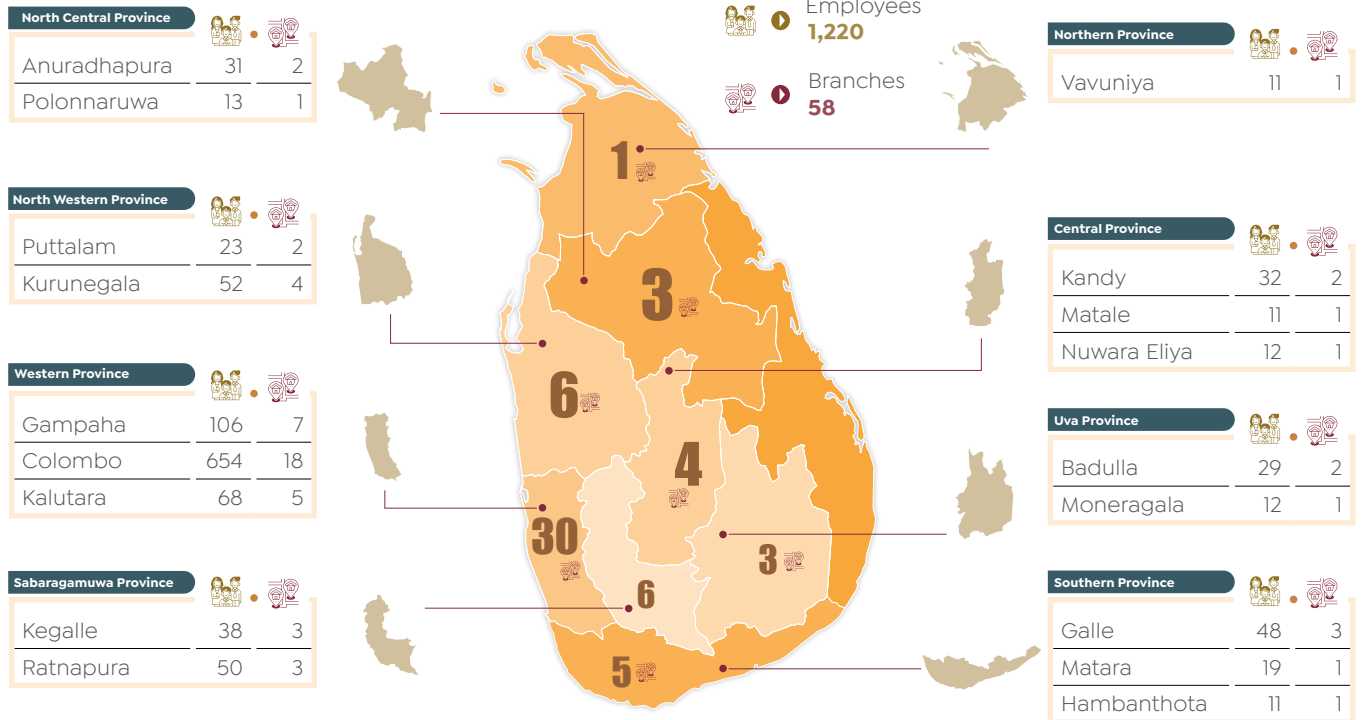


Expanding Branch Network



Manufactured Capital

Branch Map



New Corporate Office



During the 2019/2020 fiscal year, Vallibel Finance initiated the construction of a new 16-story Head Office complex in the centre of Colombo. The primary

objective of this project was to provide our employees with a modern, fully equipped workspace to serve our customers effectively. Additionally, the new building is intended to be a one-stop location for customers to access all their financial services needs under a state-of-the-art facility.

The Company's new corporate office complex, designed with contemporary architectural and sustainable building concepts, will contribute to the Company's reduced carbon footprint in the long run. Additionally, the utilisation of state-of-the-art information technology and electronic systems will enable efficient operations through digitalisation. Vallibel Properties Limited, our subsidiary, will oversee the management and maintenance of this complex.

Construction work began at the beginning of the 2020/21 financial year, with the original plan to complete the new corporate office within two years. However, due to the COVID-19

pandemic outbreak and the current economic and political instability in the country, construction progress was slowed down. Nonetheless, it is expected that the construction will be finished shortly.

Digital Infrastructure

The Company maintains a strong commitment to expanding our digital infrastructure, particularly considering the post-pandemic environment where digital channels have become increasingly critical. Having recognised the significance of system resilience in achieving optimal efficiency and effectiveness, the Company has and continues to implement robust IT protocols to manage our resources effectively. During the year under review, we launched additional initiatives to strengthen our network support systems and digital infrastructure, with the goal of reducing disruptions to our workflow systems and preventing system downtime.

- Implemented the Human Resource Management (HRM) System
- Implemented the Document Management System (DMS)
- Modular enhancement to Core Financial Management Systems

- Internally developed a bespoke Management Information System (MIS)
- Introduced the branch-less banking solution using Point of Sale (POS) terminals
- Modular enhancement to Core Financial Management Systems

- Implemented a Disaster Recovery Data Centre in Sri Lanka's First Tier III Certified Data Centre
- Implemented Next-Generation Antivirus (NGAV) Solution
- Deployed software-defined wide area network (SD-WAN) for improved management and optimisation of the IT network
- Implemented Information Systems (IS) Audit process

- Implemented Anti Money Laundering system
- Implemented Work Flow Management System
- Implemented User Registration System
- Implementation of the Savings system implemented and started
- Implemented CEFT facility
- Implemented IT Helpdesk system

2016

2023

2022

2015

2014

- Implemented SLIPS Transactions with Lanka Clear

2013

- Set-up the Disaster Recovery Site

2021

- Enforced a Business Intelligence system, Artificial Intelligence system and a Forecasting Project

2019

- Set-up Call Centre Operations
- Implemented the Customer Relationship Management System

2012

- Implemented the Data Centre
- Implemented the Online Branch Network System
- Implemented the Core Application with Integrated General Ledger Module

2017

- Implementation of a Virtual Data Centre

2018

- Implemented the Enterprise-Grade Backup and Recovery Solution
- Improved Disaster Recovery (DR) Site capabilities
- Upgraded Security Systems
- Revamped Corporate Website
- Enhanced Social Media presence





Intellectual Capital

Overview

Key Priorities for FY2022/23

Innovating
Processes



Establishing
Brand Identity



Upholding Ethics
and Integrity



Ensuring Regulatory
Compliance



Enhancing
Goodwill and Trust

Identified Risks



Reputational
Risks



Technology
Risks

Link to Material Aspects



Company
Brand &
Reputation



Customer
Satisfaction



Inclusive
Finance



Technology
Driven
Innovation

Performance for FY2022/23

Rs. 35.58 Mn
2022/23

Rs. 69.01 Mn
2021/22

Investments
in Process
Improvements

BBB+
2022/23

BBB+
2021/22
Credit Rating



Associated Stakeholders



Customers



Employees



Community/
Society

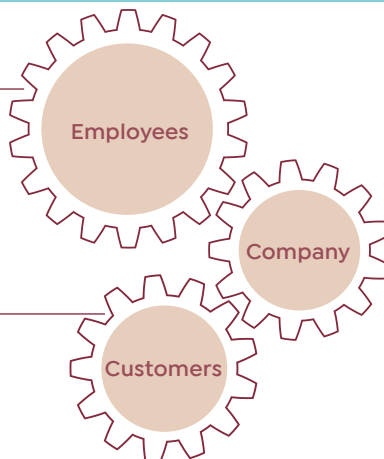


Government
Institutions and
Regulators

The valuable insights and specialised skills acquired through experience in a cutting-edge digital work environment.

An inclusive and versatile multi-channel ecosystem which caters to the diverse preferences of all customer segments.

Elevated customer perception of trustworthiness and reliability, fostered by external recognition and awards.



Building trustworthy relations across stakeholder groups supports business growth.

Higher degree of credibility in the marketplace enables customer satisfaction and retention.

The use of technology and digital tools reinforces our competitive position and ensures we remain inline with current stakeholder expectations.

Rs. 0.542 Mn
2022/23

Rs. 0.062 Mn
2021/22

**Tacit Knowledge
Enrichment**



Challenges Faced in FY 2022/23

Enhancing brand value and brand presence in a saturated market

Circumventing competition and moving ahead in the digital finance arena

Adding to and enriching the Company's tacit knowledge base

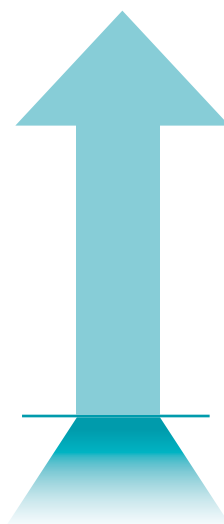


The Way Forward

Enhancing internal processes and business framework to bolster external trust and recognition.

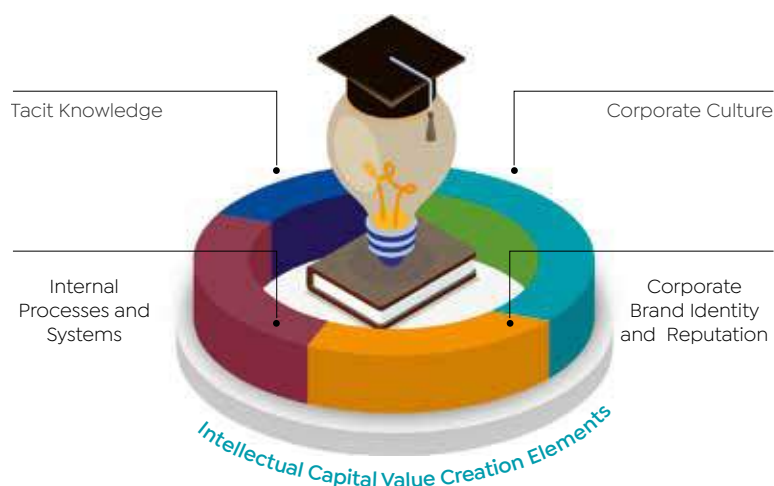
Strengthening our culture to increase and retain the tacit knowledge driven by loyalty and trust

Creatively distinguish our unique value proposition to gain a competitive edge.



Intellectual Capital

Management Approach



As a leading non-bank finance company, Vallibel Finance emphasises integrating intellectual capital within our business culture. We do this by integrating intellectual capital elements within our business through good governance, risk management, ethical practices, and transparency. Our expertise and knowledge are seamlessly integrated into our strategic processes and operations, whilst our systems, processes, and digitalisation efforts are geared towards delivering stakeholder value and adding more value for intellectual capital.

During the year under review, despite the various economic and operational challenges faced, the Company remained focused on building our brand reputation, further enhancing process efficiencies, and implementing system upgrades to create sustainable stakeholder returns.

We are committed to upholding competition and anti-corruption laws and were not alleged or fined for any anti-competitive or corrupt behaviour during the year under review. Furthermore, the Company and our employees are bound to prevent bribery and corruption in all our business operations across jurisdictions.

The Company's total investments in enhancing intellectual capital value through systems upgrades, brand building, and employee development amounted to Rs. 35.58 Mn for the financial year ended 31st March 2023.

Tacit Knowledge

Tacit knowledge, which is accumulated through years of experience, is a valuable component of Vallibel Finance's intellectual capital. With a tradition of nurturing and mentoring employees for over 16 years, the Company recognises the immeasurable value of tacit knowledge. We believe that a skilled and experienced workforce is crucial for sustainable value creation. Many of our long-term employees have passed on the Company's culture of enhancing our tacit knowledge base to new employees, fostering an ethos of continuous learning, development, and knowledge sharing. We prioritise upgrading the skills of our employees to further nurture the Company's tacit knowledge and promote a culture of ongoing improvements in a dynamic operating environment.

The Vallibel Culture

Vallibel Finance recognises that corporate culture shapes our Company's identity, and accordingly adopts an open and collaborative culture that reinforces our values. We understand the importance of balancing stakeholder concerns and adapting as needed, especially during times of extreme stress, as evident in the past three years. The Company prioritises customer centricity whilst maintaining a strong focus on process and risk awareness. Our employees are encouraged to voice their concerns and take ownership of driving change in our continuously evolving organisation. Our culture is enriched by the diversity of skills, locations, genders, ethnicities, religions, ages, and other criteria, as we work together harmoniously towards achieving the Vallibel Finance vision, mission, and goals.

Brand Equity

The Company recognises that nurturing brand equity is a top priority, as it is a crucial element of our intellectual capital that creates sustainable value for the Company and our stakeholders. The creation of brand equity value is dependent on various factors, including our products, services, process efficiencies, business conduct, and interactions with stakeholders. How Vallibel Finance is perceived by the public also significantly impacts our brand value and equity creation.

Over the past decade, Vallibel Finance has diligently nurtured and strengthened robust relationships with multiple stakeholder groups, which has contributed to our brand value derived from market opinion and marketplace perceptions. Today, we are widely recognised as a stable, customer-friendly, trusted, ethical, and reliable financial services provider, offering inclusive financing for all.

During the reviewed year, the Company remained committed to investing in activities that aimed to strengthen our

brand presence in the market. Below are the details.

- Telecasting Gold Loan and Fixed Deposit promotion ads during prime time on leading television channels: Hiru TV, Sirasa TV, and TV Derana.
- Publishing product advertisements in both English and Sinhala in the weekend newspapers: Lankadeepa and Sunday Times.
- Posting promotion details of Gold Loans, Fixed Deposits, and Auto Draft facilities on social media platforms.
- Advertising vehicle auctions and sales on both social media and print media.
- Publishing quarterly performance reports on both social and print media to inform stakeholders of the brand's performance and attract potential new customers.

Credit Rating

The credit rating of the Company is contingent upon the acceptance of the Vallibel Finance brand in the

marketplace, as well as the financial position and strength that the Company has established through 16 years of growth and success.

Vallibel Finance already received its credit rating from ICRA Limited. However, upon the termination of ICRA operations in Sri Lanka, the Company chose to obtain a brand rating from Lanka Rating Agency Limited (LRA). In February 2023, LRA assigned Vallibel Finance's credit rating to BBB+ with a Negative Outlook from the previous BBB+ Stable Outlook rating. The continuous achievement despite the challenging economic conditions is a testament to the management's capacity to steer the Company through volatile macroeconomic conditions, while upholding regulatory mandates and safeguarding the quality of its assets.

Maintaining Robust Organisational Procedures

Amidst turbulence and unpredictability, ensuring smooth operations and dependable information systems for timely reporting and coordination is paramount for the Company to remain

sustainable. Access to accurate and relevant information at the right time enables effective decision-making and optimal management of the Company. Vallibel Finance boasts a robust array of processes, systems, and procedures that delineate responsibilities and establish guiding principles for decision-making, aligning with our business strategy and delivering on our commitments. During the year under review, the Company undertook proactive measures to upgrade its IT systems and fortify compliance processes and internal control frameworks, demonstrating our unwavering commitment to excellence and adaptability in an ever-evolving business landscape.

The Company implemented a Disaster Recovery Data Centre within our Tier III Certified Data Centre, the first of its kind in Sri Lanka. This assures business continuity and protection against potential disasters. Moreover, through the adoption of a cloud-based Next-Generation Antivirus (NGAV) solution powered by Artificial Intelligence (AI) and machine learning algorithms, the Company achieved a robust defence against both known and unknown threats.

Our Corporate Values

Ensures that we adhere to honesty when we interact with our stakeholders while undertaking day-to-day business operations with the premise of expecting the same from others



Ensured our processes remain simple while providing the best in speed and quality

Helps us to develop and maintain long-term relationships with all our stakeholders

Allows us to meet the needs of our stakeholders while still adhering to internal controls and procedures.

Furthermore, the implementation of an Information Systems (IS) audit process has played a pivotal role in enhancing organisational processes and evaluating the value of the Company's IT systems. In addition, we implemented software-defined wide area networking (SD-WAN) technology to optimise the performance of our wide area networks (WANs). This implementation is designed to enhance the efficiency and effectiveness of our network infrastructure, enabling us to achieve optimal performance across our WANs.



Social and Relationship Capital

Overview

Key Priorities for FY2022/23

Enhancing Customer Satisfaction



Fostering Community Growth



Maintaining Good Relations with Key Stakeholders

Identified Risks



Reputational Risks



Operational Risk

Link to Material Aspects



Company Brand & Reputation



Customer Satisfaction



Community Upliftment



Complaint Management

Performance for FY2022/23

Rs. 1,423.03 Mn
2022/23

Rs. 1,865.78 Mn
2021/22

Paid to the Government as Taxes

88,412
2022/23

76,502
2021/22

Total Lending Customers

Rs. 49.66 Bn
2022/23

Rs. 41.02 Bn
2021/22

Deposit Base

16,367
2022/23

9,429
2021/22

Deposit Customers

Rs. 7.38 Bn
2022/23

Rs. 2.85 Bn
2021/22

Interest paid to Deposit Customers



Associated Stakeholders



Government Institutions and Regulators



Business Partners



Customers



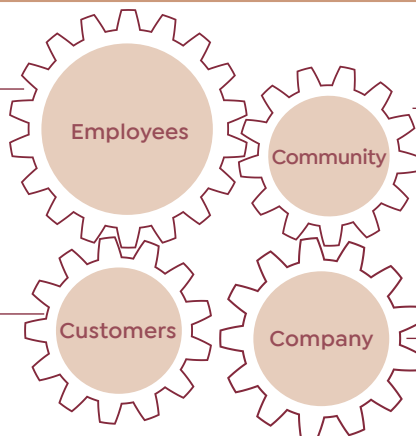
Community/Society

Continued employment and on-time payment of salaries amidst the crisis
Potential for creating enduring long-term relations

Consistent earnings in the face of unpredictability

Uninterrupted services to support their financial needs

An established business framework that fosters trust and reliability



Support community projects

Conduct community-specific programs aimed at well-being and community development

Capability to secure superior goods and services at competitive rates through sustained contractual agreements

Guarantee of uninterrupted business operations

Rs. 2.79 Bn
2022/23

Rs. 1.23 Bn
2021/22
Interest Paid to Financial Service Providers

Rs. 753.79 Mn
2022/23

Rs. 885.65 Mn
2021/22
Payments to Business Partners

Rs. 0.97 Mn
2022/23

Rs. 2.03 Mn
2021/22
Investments in CSR Projects



Challenges Faced in FY 2022/23

Managing customer inquiries and potential complaints

Identifying strategic partnerships to enhance value creation for all stakeholder groups

Investing in community development projects



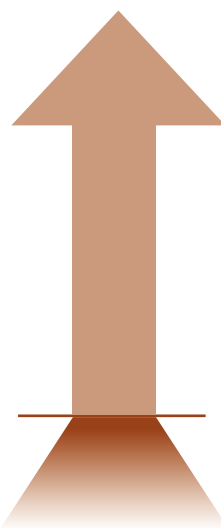
Implementing process improvements for ongoing business advancement

The Way Forward

Strengthening customer relationship management for better customer retention.

Expanding branding initiatives to raise awareness of the Company's values and service offerings.

Sustaining corporate social responsibility (CSR) endeavours to increase reach across a wider community.

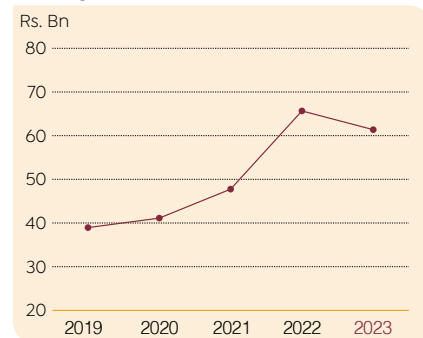


Social and Relationship Capital

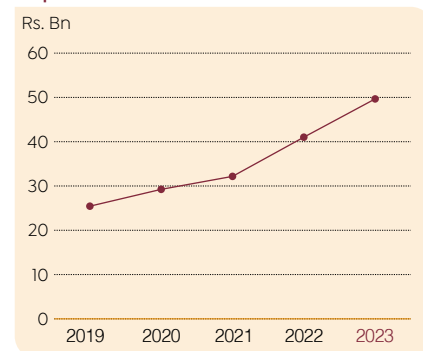
Management Approach

Vallibel Finance follows a unified approach when creating social and relationship capital value that involves meeting the needs and expectations of our key external stakeholders. To streamline this process, we identify relevant stakeholders and strive to fulfil their specific requirements. We also conduct external market research to stay abreast of emerging developments and trends, which can be leveraged for the effective management of social and relationship capital inputs to create value for both the Company and our stakeholders.

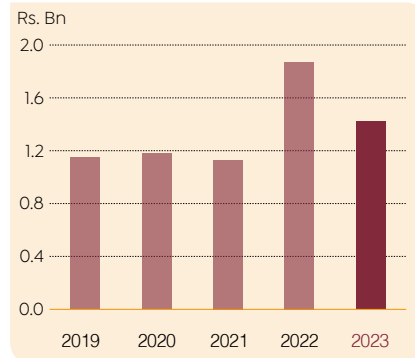
Lending Portfolio



Deposit Base



Taxes paid to Government



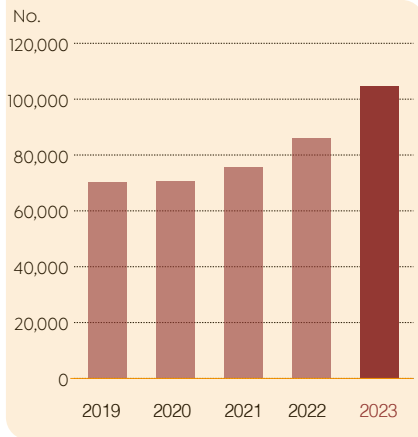
Creating Value for Customers

Vallibel Finance takes pride in serving a diverse customer base across Sri Lanka, including individuals and corporate entities. The Company's commitment is to understand their unique needs and aspirations; and work collaboratively with them to achieve their desired outcomes. We operate in strict adherence to all regulatory frameworks applicable to the Non-Banking Financial Institution (NBFI) sector, ensuring that our products comply with all applicable laws and regulations.

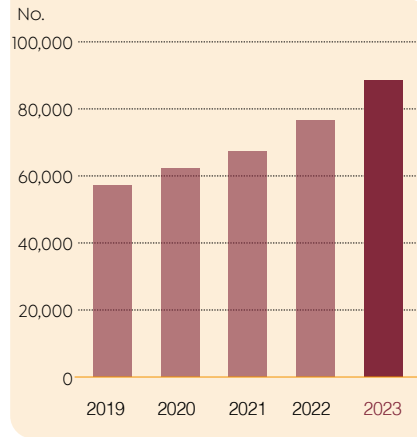
Our Approach to Creating Stakeholder Value

Stakeholders	Activities	How Value is Created
 Shareholders	Adequate returns	- Wealth created through optimised and sustainable business operations - Transparent and ethical business operations
 Customers	- Product development - Product enhancement - Branch network expansion - Marketing activities	- Serving a wider customer base through a focused segmentation strategy - Continually increasing customer convenience
 Business Partners & Suppliers	- Business agreements - Timely payments - Continuous business	- Business development & growth - Adhering to agreed payment plans - Advance notice regarding deviations or issues
 Government Institutions & Regulators	- Compliance to laws and regulations - Timely payment of taxes and other dues	Transparent and ethical business operations
 Community/ Society	- Community projects - Donations and sponsorships - Branches in remote and rural areas	- Helping communities to meet their social needs - Assisting the growth and upliftment of communities - Supporting the growth and progress of small towns

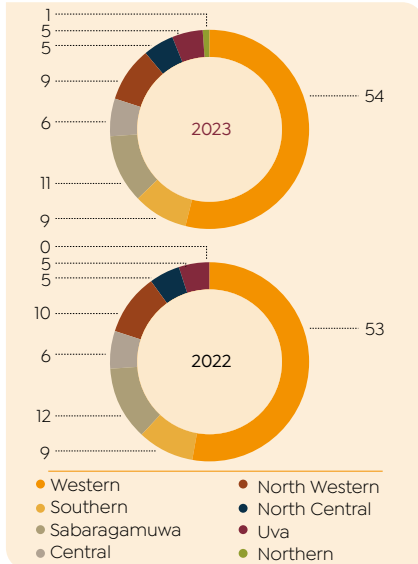
Total Customer Base



Number of Borrowers



Customers by Region



Customer Communications

The Company practices transparency in communicating relevant information to our customers, such as interest rates, maturity periods, and other terms and conditions, in a language (Sinhala, English, or Tamil) of their choice. Our front office employees are trained to clearly explain our products to customers. Moreover, our marketing communications strictly adhere to all required regulations, and all our business dealings are conducted with high ethical standards.

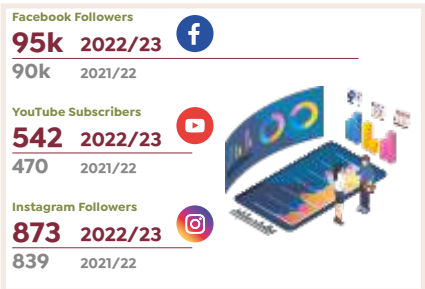
During the year under review, the Company reviewed and updated the communications policy to facilitate meaningful and necessary communication across our customer base. This communications policy outlines how Vallibel Finance shall communicate with all customers and sets out processes for managing the flow of communication with this stakeholder group.

The Company utilises various communication channels to efficiently engage with our existing and potential customers, ensuring our messages are effectively delivered through their preferred channels of communication.

Communication Channels

	Internet
	Newsletters
	Public Media
	Publications
	Brochures & Leaflets
	Emails
	Meetings
	Advertisements
	Social Media

Social Media Reach as of present



The Company would like to report that we have had no incidents of non-compliance regarding product and service information and labelling, marketing communications, or breaches of customer privacy and loss of customer data.



Our valued customers are a crucial stakeholder group that inspires us to constantly innovate and deliver enhanced and more effective product and service offerings. Their feedback and support drive us to continuously improve and meet their evolving needs.

Social and Relationship Capital

Compliance with Regulations

As part of our commitment to best practices in marketing communications, the Company diligently adheres to the codes of best practices for marketing, advertising, and public announcements.

The Company would like to report that we have had no incidents of non-compliance regarding product and service information and labelling, marketing communications, or breaches of customer privacy and loss of customer data. Furthermore, as a responsible corporate citizen with a strong foundation in good corporate governance, we have not incurred any fines or non-monetary sanctions for non-compliance with national and industry laws and regulations related to socioeconomic aspects.

We are committed to maintaining our reputation for compliance and customer satisfaction while we serve to support the upliftment of the Sri Lankan people by fulfilling their financial needs.



▶ Vallibel Finance is committed to addressing customer complaints in a timely and effective manner, and our branch managers and relevant authorities are dedicated to resolving any issues raised by our valued customers.

Managing Customer Grievances

Customer complaints are an inherent aspect of operating any business. It is common for customers to provide feedback or raise concerns about products, services, or interactions with the Company. Customers may also lodge complaints regarding the loss of customer privacy or mishandling of their confidential information. As a responsible financial services provider, Vallibel Finance understands the importance of promptly addressing

and resolving customer complaints. We view complaints as an opportunity to learn, improve our processes, and enhance customer satisfaction. Our dedicated customer service team diligently handles customer complaints and takes appropriate actions to resolve them in a timely and efficient manner. We value customer feedback and use it to continuously enhance our products, services, and overall customer experience.

In cases where customer complaints arise, we have a systematic process in place. The Branch Manager at each branch is responsible for addressing and resolving customer complaints directly raised by customers in their respective locality. Every customer complaint is recorded and if necessary, complaints are escalated to higher authorities for review and decision-making. The Company strives to ensure prompt response and resolution of customer grievances.

The Company has implemented several mechanisms where customers can lodge complaints and raise issues. Vallibel Finance has also developed a process for customer grievance handling which considers the severity of the complaint and its impact on the Company and its relationship with the customer.

Customer Grievance Handling Process



Receive Complaint

- Through any of the methods mentioned below:
- Contacting the call centre at +94 11 7 480 480
- Sending an email to tellus@vallibelfinance.com
- Submitting a written complaint to the Chief Manager-Corporate Communications, Vallibel Finance PLC, No. 310, Galle Road, Colombo 03
- Sending a message through the 'Contact Us' page on our website www.vallibelfinance.com
- Using the 'Chat window' on our website www.vallibelfinance.com

Process Complaint

- The Head of Department/ Regional Head received complaint details via email for review and processing.
- Directed to the relevant Branch Manager for necessary actions and prompt resolution of the matter.

Customer Communication

- Initiate direct customer communications to provide status updates

Resolution

- Resolve the complaint to the satisfaction of both the Company and the customer.
- Once the matter is addressed and resolved, the Branch Manager will inform the team and provide a detailed report of the action taken for record-keeping purposes.

During the year under review, the Company did not receive any complaints concerning breaches of customer privacy or losses of customer data.

During the year under review, the Company has not identified any non-compliance with regulations or voluntary codes regarding the health and safety impacts to customers from our products or services.

Creating Value for Business Partners

Vallibel Finance has an extensive network of business partners providing a range of ancillary services which support us to deploy financial services to our customers. We collaborate with our extensive network of business partners to enhance mutual value and achieve shared goals while operating a successful business that generates value for all. The Company maintains open communications with our business partners and focuses on building strong and strategic relationships beyond transactional interactions to create value that goes beyond price negotiations and cost reductions. We recognise the crucial role our business partners play in the Company's supply chain and their contribution to our business goals and success.

Our business partners consist of banks, software solutions providers, Fintech companies, other payment portal operators, other financial institutions, and international lending agencies.

Creating Value for Suppliers

The Company works with various suppliers to fulfil the day-to-day needs of the business. The Company also prioritises giving back to society and strives to engage local suppliers whenever feasible. Over the years, we have nurtured robust relations with our suppliers, transcending mere

transactional exchanges, to generate value that extends beyond price negotiations and cost reductions.

The Company's commitment to ethical and transparent business operations, combined with our strong brand presence in the marketplace, has led to consistent value creation for our suppliers, who have grown alongside Vallibel Finance. A crucial aspect of this value creation is our timely and reliable discharge of debt and credit obligations as per agreed-upon terms. Despite challenges prevailing in our operating environment during the year under review, Vallibel Finance prioritised supplier invoice settlements promptly and as agreed, ensuring the continuity of trustworthy relationships with our valued suppliers.

Vallibel Finance understands the importance of promptly addressing and resolving customer complaints. We view complaints as an opportunity to learn, improve our processes, and enhance customer satisfaction.

► Procurement Process

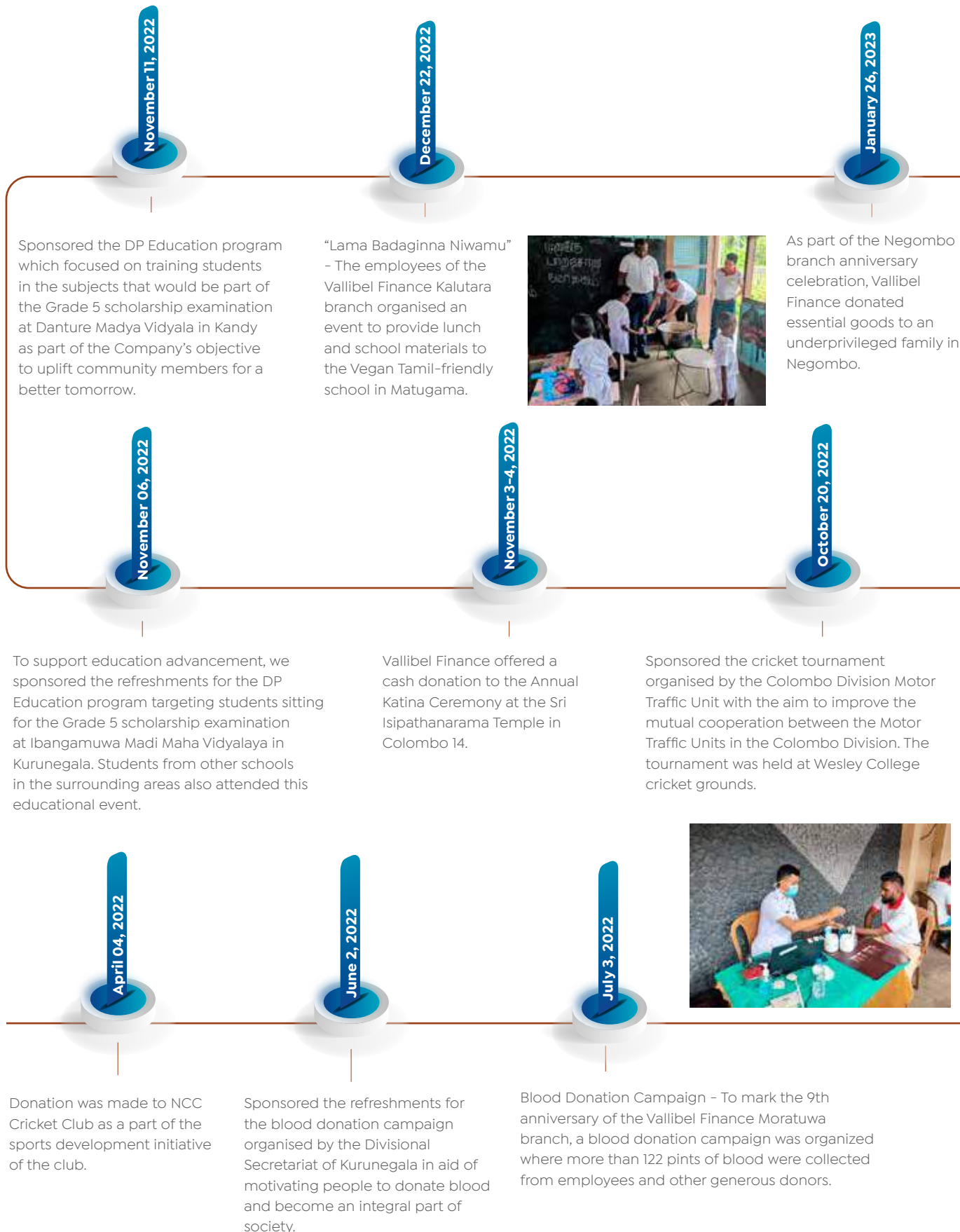
Vallibel Finance has established a procurement process based on the principles of supply chain management, with a focus on minimising waste, obtaining competitive prices, ensuring the quality of goods, and promoting ethical business practices among business partners and suppliers. The Company's procurement guidelines emphasise equal opportunities and fair treatment for all suppliers and business partners, regardless of organisational size or the value of the purchase.

Our procurement strategy gives priority to vendors who share our values and go beyond minimum standards in their supply chain practices. We cultivate strong relationships with our suppliers and business partners, actively promoting positive changes in their operations and products for the betterment of the environment and society as a whole.

Community Empowerment and Value Creation

Vallibel Finance is widely recognised as a responsible corporate citizen, with a strong reputation for ethical conduct and unwavering commitment to social and community development. During the year under review, the Company organised several CSR initiatives and projects designed to address societal needs while considering their overall impact on the society and communities surrounding our business operations.

Social and Relationship Capital



January 27, 2023

Donation to Duruthu Perahera - Vallibel Finance made a donation to support the Duruthu Perahera of Kuliapitiya Assaduwa Sri Shasanalankara Temple.

February 28, 2023

Sponsorship made for the Mathematics Day celebration of Ananda College in Colombo 10. This was the first International Mathematics Day celebration done by a school in Sri Lanka, to commemorate the International Mathematics Day. In parallel to this event, an interschool and intra-school mathematics competition was held to embrace the knowledge of students interested in mathematics from around the country.

February 28, 2023

Sponsorship made for the annual cricket tournament of the Anuradhapura Central College 2001 batch. Over 50 teams participated for this event and at the end of the two day event there was a musical event organized. This event served as a marketing promotion opportunity to all those who sponsored the event.

October 1, 2022

Sponsored the 'Mayurans Night Live' concert, a fundraiser, organised by the Past Pupils Association of the Narammala Mayurapada Central College. The event was held at the Srimali Grand Meridian in Narammala.

September 10, 2022

Sponsored the Championship Trophy for the Volleyball Tournament organised by the Horana Police Station in celebration of the 156th National Police Day. The event was held at Mangalasiripura Volleyball Ground.

August 6, 2022

Donation made to the annual installation ceremony of the Rotaract Club of Kelaniya.

September 8, 2022

As part of the National Police Day Celebration, Vallibel Finance supported the Dambulla Police Station in distributing stationery items to 22 underprivileged school children by donating school bags.

Creating Value for Government Institutions and Regulators

Vallibel Finance demonstrates its commitment to abide by country laws and industry regulations promptly, adding value to the stakeholder group that includes government and regulatory authorities. We ensure compliance with minimal capital requirements and timely payment of taxes. During the year under review, the Company contributed Rs. 1.42 billion in taxes to the Government.

Creating Value for Shareholders

Creating value for shareholders is a key priority for Vallibel Finance, and it is achieved through the Company's growth and success, as well as effective management practices leading to higher revenues and profits. The Company's commitment to ethical and transparent business practices, building enduring customer relationships, implementing good governance measures, and effective risk management processes all work harmoniously to enhance value for our shareholders. For comprehensive information on the value created for our shareholders, please refer to the Financial Capital refer to pages 72 to 81 of this Annual Report.



Natural Capital

Overview

Key Priorities for FY2022/23

Reducing Energy Usage



Preserving Natural Resources

Identified Risks



Reputational Risks



Operational Risk

Link to Material Aspects



Commitment to the Environment

Performance for FY2022/23

2,402 Kg
2022/23

3,916 Kg
2021/22

Paper Recycled

1,223 packs
2022/23

2,297 packs
2021/22

A4 paper usage
at Head Office

252,550 Kwh
2022/23

233,657 Kwh
2021/22

Electricity
Consumption at
Head Office



Associated Stakeholders



Customers



Employees



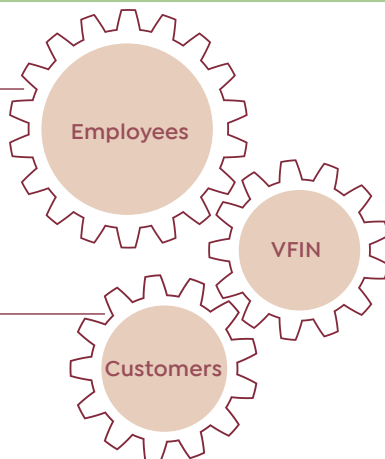
Society/
Community



Government and
Regulators

Safeguarding the ecosystem and natural resources to contribute to employee welfare by providing access to green spaces and natural environments, which can reduce stress levels, enhance mental health, and boost physical activity

Offering conscientious customers the option to choose sustainable financial solutions



Improved Company reputation as seen as an eco-friendly corporate

Attracting a niche consumer base interested in and adopting green financing and sustainable financial solutions resulting in business growth

18,956 litres
2022/23

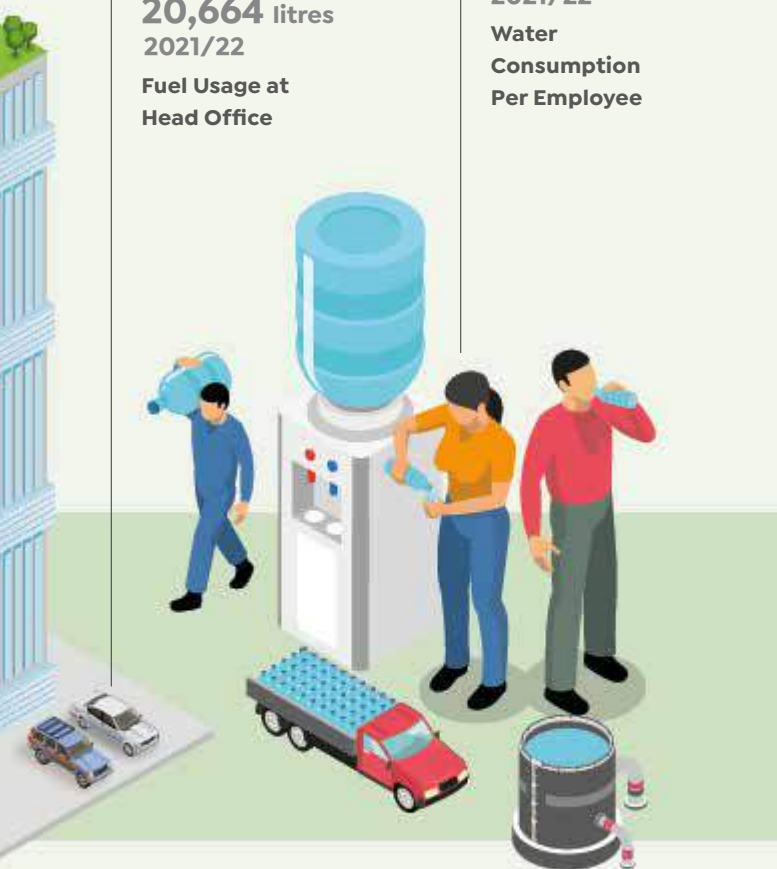
20,664 litres
2021/22

Fuel Usage at Head Office

0.92%
2022/23

15.42%
2021/22

Water Consumption Per Employee



Challenges Faced in FY 2022/23

Minimising paper consumption

Lowering electricity usage amidst business expansion, branch openings, and adoption of digitalisation

Increasing uptake of green financing amidst the prevailing economic crisis



The Way Forward



Continue to invest in enhancing processes that mitigate the Company's carbon footprint.

Intensify the emphasis on environmental sustainability within business operations.

Natural Capital

Management Approach

Vallibel Finance adopts a dual strategy to generate value for natural capital, comprising a direct and an indirect approach. The direct approach entails targeted actions to reduce the use of non-renewable natural resources, such as fuel, water, electricity, and paper. To achieve this, the Company follows the well-established “reduce, reuse, and recycle” methodology, which has enabled us to decrease consumption over time. Additionally, we raise awareness among our employees and internal teams about the significance of conservation efforts in the context of natural resource usage.

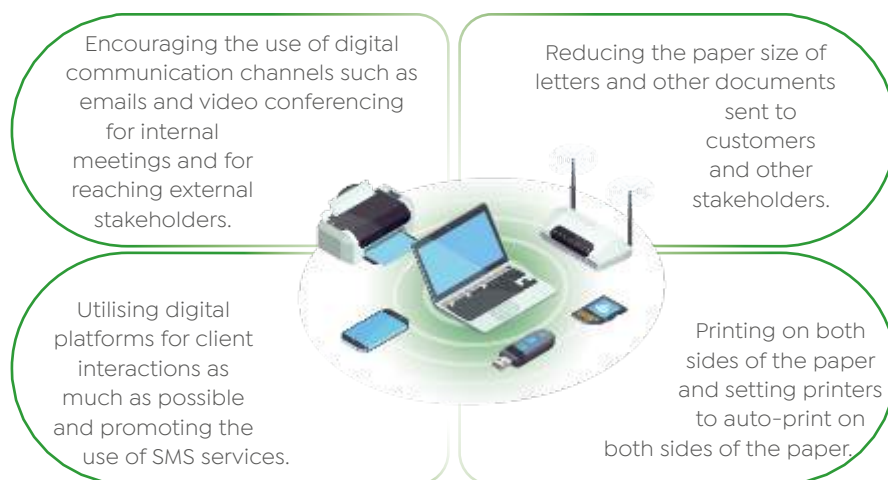
Environmental Compliance

During the financial year under review, the Company did not incur any fines or non-monetary penalties for non-compliance with Sri Lankan environmental laws or regulations.

The Company’s indirect approach to natural capital value creation is integrated into our business operations, as we offer green lending facilities to eligible customers. By employing this approach, we expand our outreach to communities and support environmentally conscious individuals in pragmatically managing their environmental impact. Additionally, by transitioning to more digital processes and embracing technology, we are not only aiming for efficiency but also indirectly contributing to reducing our carbon footprint, minimising fuel usage, and mitigating pollution.

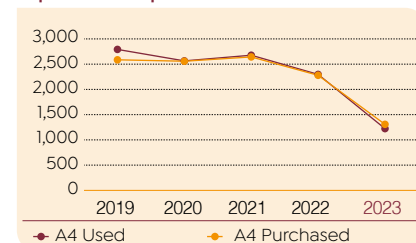
Paper Usage

Paper remains one of the most used materials in the Company with a significant portion dedicated to customer engagement processes such as onboarding, collections, routine communication, internal communication, and back-end processes. Considering this, we strive to limit paper usage and promote a paperless environment.



We measure the effectiveness of our efforts by monitoring the purchase of A4, A5, and Legal sized paper packs by the Head Office. During the year under review, the Company’s paper usage reduced by 46.76%, with the total number of paper packs decreasing from 2,297 used during the financial year 2021/22 to 1,223 for the year ended 31st March 2023.

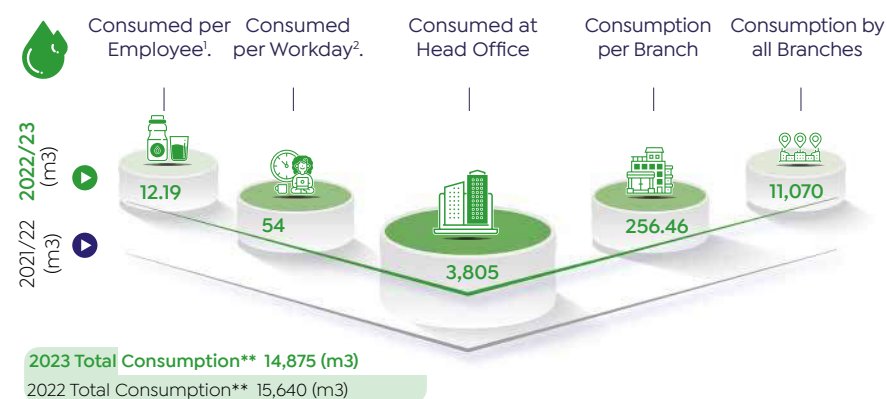
Paper Consumption at Head Office



Water Usage

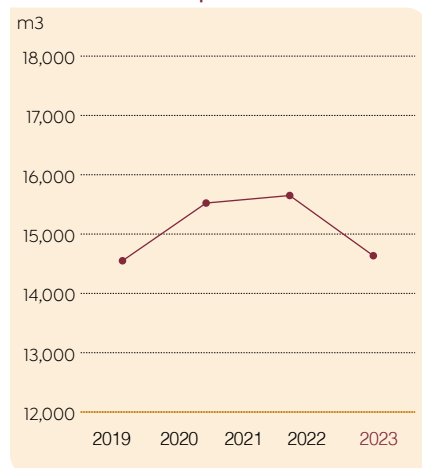
Given the nature of our business operations, water consumption is not considered materially significant for Vallibel Finance. We primarily source water for our daily needs from the National Water Supply and Drainage Board, while outsourced companies supply our drinking water. Our employees are encouraged to implement sustainable and environmental best practices by promoting water conservation across all our operating locations. Moreover, the Company is proactive in promptly addressing repairs and maintenance needs to minimise water wastage or leakage as required.

Due to the growth in the number of employees and branches, the Company has not achieved a significant reduction in our annual water consumption.



- The total consumption per employee is calculated based on the number of employees as of 31st March 2023.
 - There were 275 working days from 01st April 2022 to 31st March 2023. Hence, the total consumption was divided by 275. It is calculated as 24 working days per month (including ½ day on Saturday).
- ** Consumption varies between months due to the addition of three branches as well as changes in the employee base at the head office and branches. Thus, consumption is calculated as an average for the financial year.

Total Water Consumption

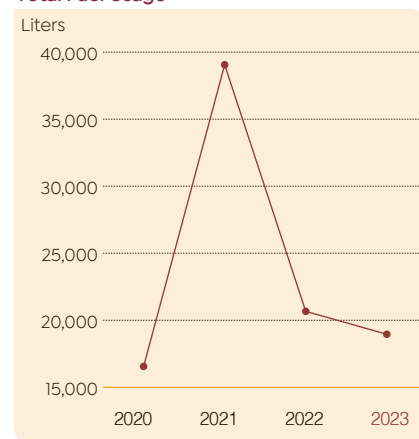


in our branch network and the business growth experienced in the year.

The Company's fuel consumption primarily relates to business travel, employee commuting, and backup purposes. In the year under review, the Company utilised 15,422 litres of Diesel and 3,534 litres of Petrol, reflecting an increase of petrol consumption by 22.06% and decrease on Diesel consumption by 13.21%.

To address the fuel crisis that prevailed for the first half of the financial year, the Company adopted additional measures such as utilising public transport for outstation visits and conducting online meetings to minimise both fuel consumption and fuel expenses.

Total Fuel Usage



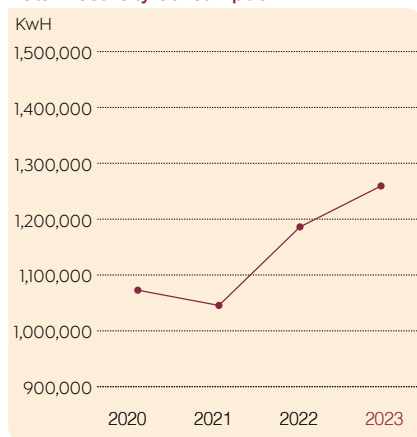
Energy Consumption

Electricity and fuel are the primary sources of energy consumption for the Company.

We source electricity from the National Grid and remain committed to our energy-saving initiatives by utilising energy-efficient electrical appliances such as inverter air conditioners, photocopiers, printers, laptops, computers, and LED lighting across our premises.

Despite our efforts, the electricity consumption by the Company increased by 6.18% during the year under review due mainly to the increase

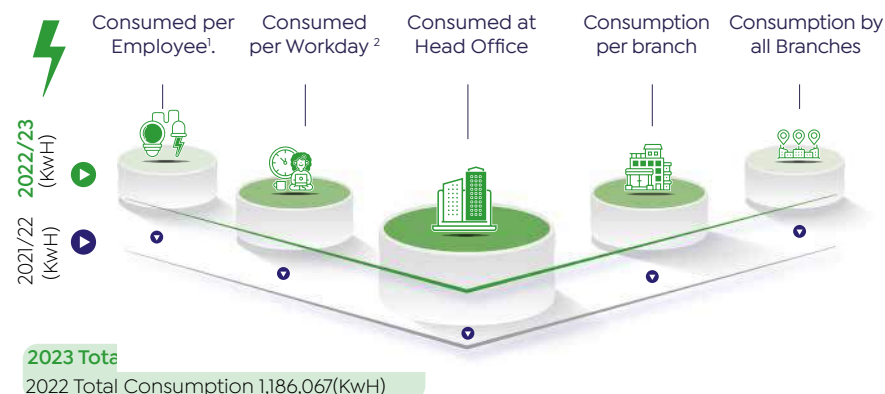
Total Electricity Consumption



Environmental Awareness programs

Creating awareness and educating our customers and business partners on the benefits of environmental and social sustainability and supporting them is an important way in which we can have a positive impact on our community. During the reporting year we engaged in two such awareness programs.

1. [April, 08 2022] – Vallibel Finance became the Bronze Sponsor for the One Drop 4.0 project organized by the Leo Club of the University of Colombo. The core objective of the project is focused on clean water and energy conservation.
2. [March 30, 2023] – The Moratuwa and Mt. Lavinia branch staff along with several Head Office staff members got together to conduct a beach cleanup in Panadura.



Continuous Awareness

To demonstrate our commitment, we undertake to promote sustainability knowledge among our customers and communities through social media to inform the importance of environment protection and conservation.

1. The Energy Intensity is calculated based on the number of full time employees as of 31st March 2023.
 2. There were 275 working days from 01st April 2022 to 31st March 2023. Hence, the total consumption was divided by 275. It is calculated as 24 working days per month (including ½ day on Saturday).
- ** Consumption varies between months due to the addition of three branches as well as changes in the employee base at the head office and branches. Thus, consumption is calculated as an average for the financial year.

Performance of Business Segments

The existing challenges in the operating environment affected the performance of the Company's various business lines. Consequently, the retail segment initiated efforts to streamline operations, enhance efficiencies,

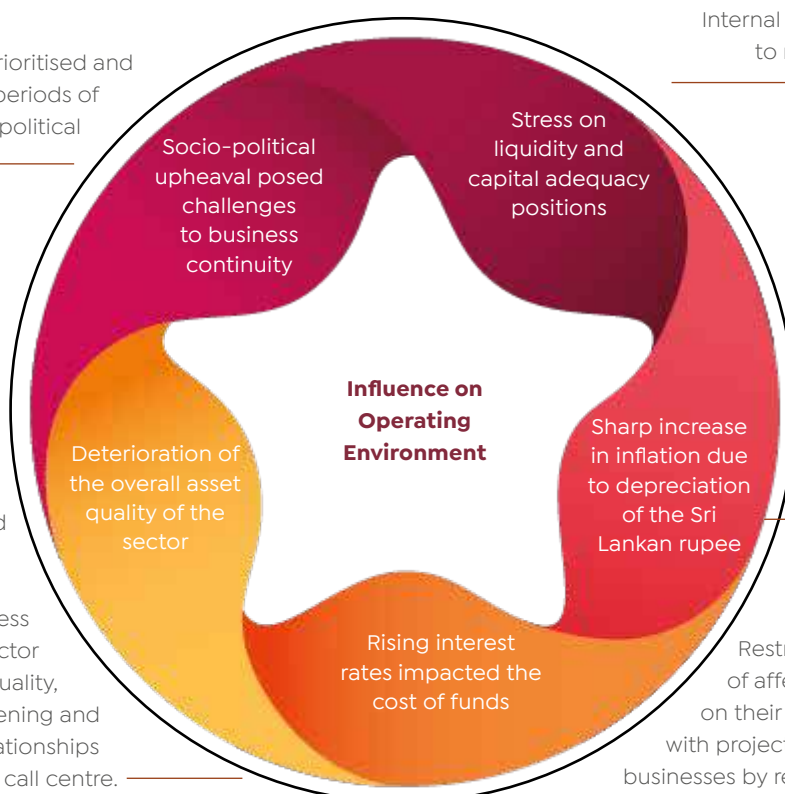
and implement cost controls. Simultaneously, support activities for both businesses and individual customers were given greater emphasis during the year under review.

Vallibel Finance demonstrated a high level of adaptability and responsiveness to these obstacles through the implementation of effective management approaches and proactive strategies.

Business continuity was prioritised and maintained, even during periods of fuel shortages and socio-political unrest.

Internal controls were strengthened to meet audit and compliance requirements.

Reviewed and rationalised strategic objectives to ensure the long-term sustainability of the business and stability within the sector by increasing the credit quality, increasing customer screening and by maintaining strong relationships with the customer via the call centre.



Employee roles, remuneration, and benefits were carefully reviewed and adjusted to adapt to the evolving challenges in the operating environment.

Restructured the facilities of affected borrowers based on their requests, aligning with projected cash flows for their businesses by re-pricing the portfolio and changing the product mix to face the high interest cost.

Product Portfolio



Portfolio Growth Highlights

Gold Loans

Rs. 15.34Bn

- ▶ Grew by 77.71% in FY 2022/23, compared to Rs. 8.63 Bn in FY 2021/22

Fixed Deposits

Rs. 49.66Bn

- ▶ A growth of 21.06% in FY 2022/23, compared to Rs. 41.02 Bn in FY 2021/22

Total Loans

Rs. 61.37Bn

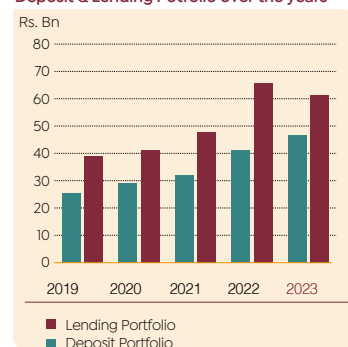
- ▶ A decline of 6.54% in FY 2022/23, compared to Rs. 65.66 Bn in FY 2021/22

Overview of the Deposits and Lending Portfolios

The expected recovery of business operations following the pandemic was impeded by the economic and financial crisis experienced in Sri Lanka during the year under review. The rising inflation rates and more stringent monetary policies posed challenges to

the expansion of our lending portfolio. However, the higher interest rates had a relatively positive effect on deposits, and the elevated gold prices led to an increase in loans secured by gold.

Deposit & Lending Portfolio over the years



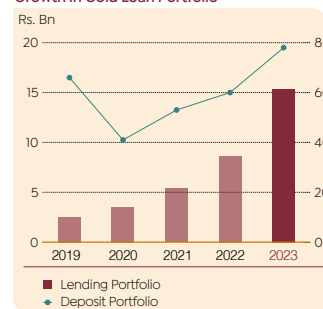
Gold Loan Portfolio

In the year under review, the Company's gold loan portfolio achieved a remarkable milestone. The significant surge in gold prices contributed to the growth of the gold loan market. Despite facing fierce competition from the Non-Banking Financial Institution (NBFI) sector, the

Company implemented a strategy to prioritise both acquiring new customers and retaining existing ones.



Growth in Gold Loan Portfolio



Key Features

The loan amount will be equivalent to the gold's value when obtaining the funds.

The terms and conditions are regularly revised to align with evolving consumer requirements.

The process of acquiring cash quickly is hassle-free, convenient, and straightforward.

The Company maintains high service standards for customers.

Performance for FY 2022/23

Gold loans continued to contribute significantly to the Company's year-on-year lending portfolio growth, increasing by 77.71% to exceed Rs. 15 Bn. The prevailing economic conditions and the focused strategy of targeting customer segments with a preference for obtaining loans secured against gold have yielded exceptional results in the year under review. Gold loans accounted for 23.73% of the total lending portfolio as of 31st March 2023. The total gross gold loan portfolio reached Rs. 15.34 Bn as of 31st March 2023 compared to Rs. 8.63 Bn recorded in the previous financial year. The interest income earned from the gold loans portfolio was Rs. 3.90 Bn, a 181.62% increase compared to the previous financial year.

Outlook for FY 2023/24

The Company plans to expand the gold loan product to all new locations due to the anticipated continued rise in demand. Given the prevailing economic conditions, there is a growing preference among the public to opt for gold loans instead of structured loan facilities. Recognising this trend, the Company has prioritised the development of the gold loan offering.

Performance of Business Segments

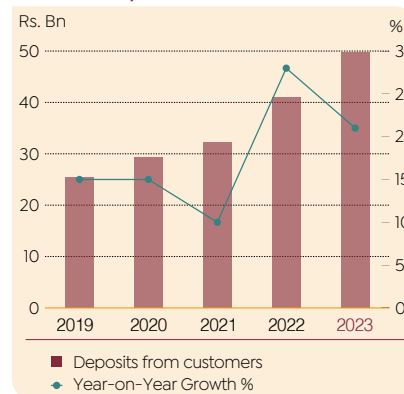
Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
An extensive branch network provides convenient access to a wide range of products and services.	In the year under review, an additional 04 branches of the Company incorporated the gold loan into their lending portfolio, expanding the availability of the gold loan facility to a total of 58 branches.	Furthermore, the Company intends to actively promote this product and sustain transparent processes to enhance customer confidence and drive further growth in the medium term. Plans are also in place to explore untapped market segments and capitalise on new opportunities while maintaining the successful strategies implemented thus far.

Deposits Portfolio

Despite the existing obstacles posed by high inflation and increasing living costs, the Company witnessed a commendable growth of 21.32% in the deposit base. This achievement reflects the significant level of trust placed in Vallibel Finance by our customers, as well as the strength of the Company's investment commitment. It also highlights the Company's proactive approach to adapting to a dynamic environment characterised by fluctuating interest and exchange rates.



Growth in Deposit Base

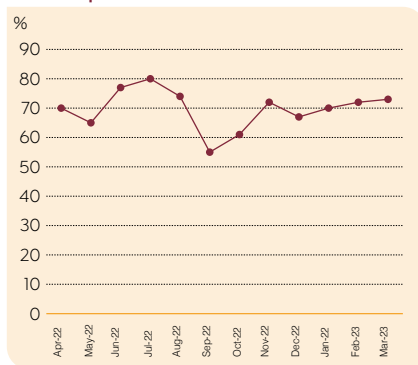


Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Assured investment returns.	During FY 2022/23, the Company witnessed notable expansion in its overall deposit base. This growth was primarily driven by the implementation of higher interest rates throughout the year, which prompted the public to focus on augmenting their savings through fixed deposits. Thus, by 31st March 2023, the total deposits reached Rs. 49.66 Bn, showcasing a sizable rise from the Rs. 40.76 Bn recorded as of 31st March 2022. This increase amounted to a growth rate of 21.82%, despite the not-so-favourable operating environment.	The Company anticipates the forthcoming financial year to demonstrate greater resilience and positivity, primarily driven by the stabilisation of key economic indicators and improvements in inflation rates, as well as the appreciation of the Sri Lankan rupee. These developments are expected to contribute to accelerated growth in deposits, as customers will have more liquid cash at their disposal. Nevertheless, if the current high-interest rate regime set by the CBSL persists, the Company anticipates a rise in interest expenses. However, it is worth noting that the progress made in debt restructuring endeavours is expected to lead to a reduction in interest rates in the upcoming financial year.
Opportunity to secure a pre-approved loan using a fixed deposit, with interest charged only on the utilised amount.		
Options for deposits range from 01 month to 60 months.		
Flexible terms for interest payments.		
Complimentary investment guidance and advisory services.		
Higher interest rates for eligible senior citizens on fixed deposits.	Recognising this trend, the Company adjusted interest rates to comply with CBSL guidelines, thereby providing maximum benefits to customers. However, because of this decision, the Company witnessed a substantial increase in interest expenses by 158.70% to Rs. 7.38 Bn in the year under review compared to Rs. 2.85 Bn recorded in the previous financial year.	Vallibel Finance holds a strong belief that our esteemed customers will continue investing with our Company and demonstrate unwavering loyalty. Accordingly, the Company will diligently monitor economic and external market trends, proactively adjusting our strategies to ensure the sustained viability of our business and effectively cater to the evolving needs of our customers, while maintaining transparency and fairness in our dealings with them.
Insurance coverage through the Sri Lanka Deposit Insurance Scheme for eligible deposits.		
Commitment to maintaining high customer service standards.		
Convenient access through an extensive branch network.		

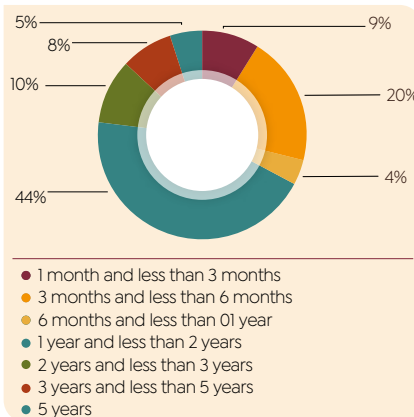
Despite market constraints and the rise in inflation rates, the Company demonstrated a commendable ability to maintain a high renewal ratio for fixed deposits. The increase in interest rates played a significant role in encouraging customers to renew their fixed deposits during the financial year under review. As a result, the Company achieved an average fixed deposit renewal ratio of 70% for FY 2022/23.

In the face of a challenging operating environment, the Company remained focused on cultivating small and long-term fixed deposits. From a value perspective, there was a 10% decrease in high net-worth deposits, characterised by customers holding deposit accounts with a value exceeding Rs. 10 Mn. However, a 5% increase was recorded in deposits ranging from Rs. 1 Mn to Rs. 10 Mn. These customers accounted for 50% of the overall deposit portfolio.

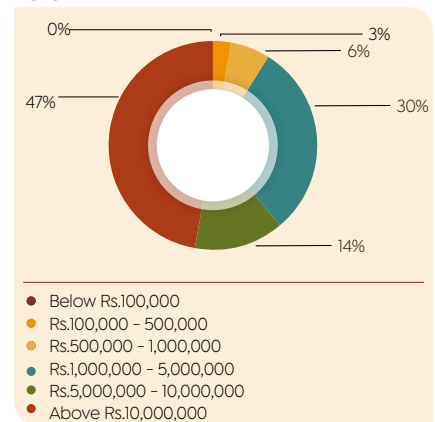
Fixed Deposit Renewal Ratio



Tenure-wise Fixed Deposits Base as at 31st March 2023



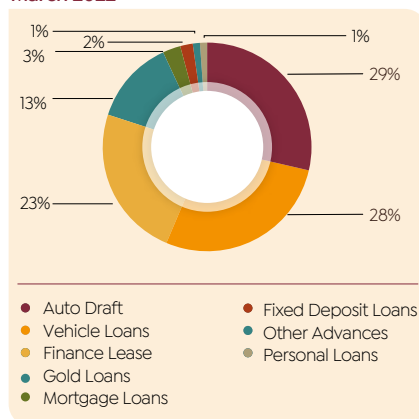
Amount-wise Deposits Base as at 31st March 2023



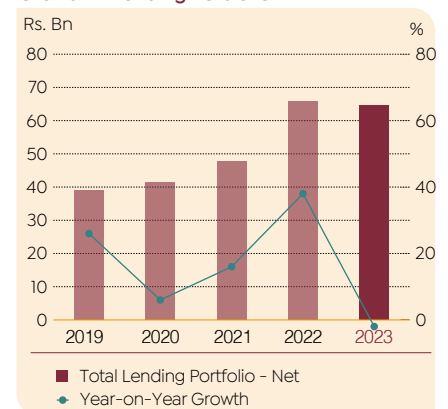
Lending Portfolio

The economic and financial crisis and the consequent regulatory and monetary policy measures adopted by the CBSL together with liquidity controls, capital adequacy requirements, and more stringent provision requirements, had a significant impact on the Company's lending portfolio. However, the highest impact arose due to the significant increase in interest rates, which resulted in declining business volumes and the subsequent decrease in the overall lending portfolio. However, the Company's adoption of proactive and responsive measures to overcome these challenges resulted in a relatively modest decline of 6.53% of the lending portfolio.

Lending Portfolio Composition as at 31st March 2022



Growth in Lending Portfolio



Performance of Business Segments

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Attractive interest rates. Continuously adapted product features to meet evolving consumer demands. Adjustable terms and conditions to accommodate customer requirements as agreed upon when obtaining the loan. Clearly defined and predetermined recovery terms at the time of obtaining the loan. Exemplary service standards. Convenient availability through a wide-reaching branch network.	In FY 2022/23, the total lending portfolio experienced a decline of 6.54%, amounting to Rs. 61.37 Bn compared to the 37.53% growth to Rs. 65.66 Bn achieved in FY 2021/22. The decline in the portfolio can be attributed to specific product categories, namely, auto drafts, vehicle loans, and lease facilities.	While certain challenges are expected to persist as the economy stabilises, as evident from the beginning of the calendar year 2023, the Company holds a positive outlook for business growth in the upcoming financial year. As the possibility of the CBSL reducing interest rates in the near future becomes apparent, there is an optimistic outlook for the Company to enhance our lending portfolio by attracting new business opportunities and customers. Regardless of any short-term impacts on business growth rates, the Company remains determined to fulfil our commitment to support our customers. Our track record of success even in challenging times serves as a driving force for maintaining an optimistic stance regarding future growth. The Company will persist in exercising caution while formulating strategies and setting goals. We will diligently assess loan applications, optimise our business operations, and implement efficient cost-control measures. At the same time, our focus will remain on meeting the distinct requirements of our target customers, thereby ensuring the sustainability of our business operations, and creating value for our stakeholders.

Leasing Portfolio

The leasing portfolio of the Company is divided into two distinct categories: general leasing and micro leasing. General leasing facilities cater to the funding requirements of individuals or businesses seeking to acquire high-value products. On the other hand, micro-leasing facilities provide for the acquisition of low-investment vehicles, such as three-wheelers and motorbikes with customised payment options and competitive interest rates.

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Products are regularly updated to align with evolving consumer needs.	Leasing facilities declined by 26.20% amounting to Rs. 11.95 Bn for the financial year under review compared to Rs. 16.19 Bn recorded in the previous financial year. This decline is attributed to several factors, including the continuous increase in vehicle prices, import restrictions, and the significant rise in interest rates. These challenges were compounded by the overall economic instability, resulting in a decrease in demand for leasing services. The sharp rise in interest rates has particularly impacted the attractiveness and affordability of leasing options, contributing to the decline in the utilisation of leasing facilities. Resultantly, the total leasing portfolio accounted for 18.53% of the total lending portfolio, a substantial reduction compared to the 23.60% recorded in the previous financial year. Interest income from finance leases amounted to Rs. 2.63 Bn compared to Rs. 2.96 Bn earned in the previous financial year.	The Company foresees favourable improvements in macroeconomic conditions, enhanced stability of the financial sector, and an anticipated decrease in interest rates in the forthcoming financial year supporting the renewed growth of the leasing portfolio. However, we will closely monitor external market developments and adopt a cautious approach in pursuing rapid expansion of the leasing portfolio in the short term, considering the early phase of economic recovery. Nevertheless, our focus remains on enhancing growth levels by implementing precise strategies that identify promising customer segments while improving cost efficiencies. Our priority is to maintain optimal risk levels and mitigate the potential for defaults. To achieve this, we will continue to follow a selective lending strategy and adapt it to align with changing market conditions as the year progresses.

Vehicle Loan Portfolio

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Flexibility through a customisation policy.	The vehicle loans portfolio witnessed a decline of 16.57% to reach Rs. 15.86 Bn as of 31st March 2023, compared to Rs. 19 Bn recorded in the previous financial year. This decrease can be attributed to various factors, including import restrictions on vehicles, the devaluation of the rupee, high inflation, and persistently high levels of interest rates.	The ongoing efforts to stabilise the economy are projected to have a lasting impact on the import of vehicles. Furthermore, the devaluation of the rupee will affect the pricing of these vehicles. Although there have been some advancements, it is unlikely that high-value assets like vehicles will revert to their previous price levels. As a result, the Company anticipates that these factors will constrain the growth of the vehicle loan portfolio in the forthcoming financial year.
Faster and more convenient loan processes.		
Regularly updated to align with changing consumer needs.		
Exceptional customer service levels.		
Our extensive branch network ensures convenient access.		
		The Company's primary focus will be on preserving the current portfolio by implementing timely interventions and renegotiating terms with selected customers. We will maintain a cautious approach by conducting thorough screenings of new customers. The Company remains committed to upholding rigorous procedures and processes, supported by effective monitoring mechanisms.

Mortgage Loan Portfolio

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Flexible with the ability to be customised to the financial situations and needs of individuals.	The Company experienced a significant decline in its mortgage loan portfolio, which decreased by 62.02% to reach Rs. 0.21 Bn, compared to the decrease of 25.78% to Rs. 0.56 Bn achieved in the previous financial year.	The Company remains committed to sustainably managing the existing portfolio and prioritises the prevention of any defaults on repayments in the medium term.
Regularly upgraded to align with changing consumer needs.	Mortgage loans comprise 0.33% of the total lending portfolio.	
High service standards.	The declining trend is primarily attributed to a noticeable shift of consumers opting for financial products that are quicker and easier to obtain. Additionally, the prevailing adverse economic and financial conditions which led to a decline in consumer liquidity levels, accelerated the process.	
Easy access to products and services through an extensive branch network.		
	As a result, the Company has placed a lower focus on the mortgage loans portfolio, with the possibility of discontinuing it in the future.	



Property Mortgage Loan Portfolio

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Adaptable to accommodate the financial circumstances and specific needs of individual customers.	The Company's property mortgage loans recorded a decline of 11.06% to Rs. 1.4 Bn compared to Rs. 1.6 Bn recorded in the previous financial year.	The Company will persist in efforts to expand the property mortgage loans portfolio, considering the growing demand witnessed recently. However, the current context of high-interest rate regimes may pose challenges to the growth momentum in the coming financial year.
Continuously updated to align with evolving consumer demands.		
Delivers exceptional service quality.		
Provides convenient access through an extensive network of branches.		

Performance of Business Segments

Vallibel Auto Draft Portfolio

Vallibel Auto Draft offers individuals the option to make monthly interest payments, with the full repayment of the principal amount due at the end of the loan term. This product has been designed to be a cost-effective alternative to obtaining a bank overdraft facility, although it does require providing collateral in the form of a motor vehicle or a personal guarantor.

Vallibel **AUTO Draft**

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Enhanced convenience and a streamlined loan alternative.	As of 31st March 2023, the Company's Auto Draft portfolio stood at Rs. 17.24 Bn, reflecting a decrease of 12.47% compared to the Rs. 19.69 Bn recorded in the previous financial year. The decrease in the Auto Draft facility can be attributed to the prevailing economic conditions.	The anticipated growth of this portfolio is likely to be impeded by the ongoing import restrictions on vehicles, which are expected to persist into the forthcoming financial year. Additionally, the financial turmoil, a high-interest rate environment, and increased living expenses have placed significant financial strain on the target market for this product. Thus, the Company has taken a strategic decision to temporarily slow down three-wheeler and two-wheeler auto drafts facilities which will impact growth rates in the short to medium terms.
Highly competitive interest rates.		
Unparalleled and personalised repayment terms.		
Regularly reviewed and upgraded to align with changing consumer demands.		
Exceptional service level standards.		
Easy access through an extensive branch network.		

Vallibel Wheel Draft Portfolio

The Vallibel Wheel Draft product is specifically aimed at owners of registered and un-registered three-wheelers.

Vallibel **වීද් Draft**

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Customised repayment period depending on the value of the loan facility.	As of 31st March 2023, the wheel draft portfolio amounted to Rs. 0.33 Bn, reflecting a decrease from Rs. 0.36 Bn recorded in the previous financial year. The Company's decision to reduce the offering of this product was driven by the prevailing economic and financial challenges, specifically, the high costs of leasing and the restriction on the importation of vehicles that were prevalent during the year under review.	The Company will closely monitor economic developments to gain a deeper understanding of market conditions which are favourable for this product. The current economic conditions, characterised by high-interest rates and rising costs of three-wheelers, make this product unsustainable for the business in the short to medium term. However, since this product is a highly popular offshoot of the Auto Draft loans line, Vallibel Finance will be vigilant to evolving market conditions and reassess the focus on this product in the latter part of the forthcoming financial year.
The customer has the flexibility to agree upon a capital repayment period, which can extend up to a maximum of 12 months.		
Regularly upgraded to align with changing consumer needs.		
Offers excellent service standards.		
Easy access through an extensive branch network.		

Personal Loan Portfolio

The personal loan product is designed to offer customers financial assistance for any personal requirement.

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Highly competitive interest rates.	The personal loan portfolio continued its declining trend, decreasing by 17.59% to Rs. 0.70 Bn during the financial year under review.	The Company will maintain its provision of loans to customers upon request, although the emphasis will be on promoting other lending products. It is anticipated that the persistently high market interest rates will continue to adversely affect the demand for personal loans in the coming financial year.
Easy and convenient application and settlement process.		
Regularly upgrade to align with changing consumer needs.		
Offers high service standards.		
Easy access through an extensive branch network.		

Loans against Fixed Deposits Portfolio

Vallibel Finance provides a distinctive product named "Loans against Fixed Deposits," which serves as a value-added service exclusively available to the Company's esteemed fixed deposit customers.

Key Features	Performance for FY 2022/23	Outlook for FY 2023/24
Cost-effective in comparison to alternative lending products.	Despite representing a mere 1.5% share of the Company's overall lending portfolio, loans against fixed deposits experienced a decline of 14.53% during FY 2021/23.	Anticipating the prevailing economic conditions, the Company foresees a surge in demand for loans against fixed deposits in the coming financial year, as our deposit customers seek to address their financial requirements. We are committed to accommodating this service for as many customers as possible while ensuring the sustainability of our business operations.
Regularly upgrade to align with changing consumer needs.		
A short-term solution to meet urgent financial needs.		
Exemplary standards of customer service.		
Easy access through an extensive branch network.		



GOVERNANCE

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RESOUNDING SUCCESS

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Corporate Governance

Approach to Corporate Governance

Corporate governance is an integral part of Vallibel Finance PLC's (Vallibel Finance) business model incorporating a set of rules, regulations, and business processes to enable the Company to comply with government and industry regulatory requirements; and manage business operations to sustainably benefit all stakeholders. The Company's corporate governance framework embeds the principles of accountability, transparency, and ethical business practices and considers both external and internal rules and regulations which can impact the governance policies and systems. Moreover, the Company not only adheres to mandatory rules and regulations but supplements them with the adoption of voluntary best practices when implementing corporate governance across our business operations. Over the years, the focused approach in developing and implementing corporate governance principles has enabled us to maintain the highest standards of corporate conduct and ethical and transparent business operations.

The Board of Directors (BOD) of Vallibel Finance retain oversight for all governance-related matters on behalf of the Company. They are responsible for setting governance policies and facilitating the governance process by mandating accountability and reporting lines across the organisational hierarchy. To aid the smooth process for implementing, controlling, and monitoring the corporate governance systems across the Company, the BOD has delegated responsibilities to Board Sub-Committees and the Management Committee. A corporate governance framework is in place which facilitates the defining of roles and responsibilities, establishment of clear reporting lines, and enables the systematic review of external and internal environmental impacts on business operations. These aspects also support the improvement of the Vallibel Finance reputation and brand value within the industry.

Our corporate governance framework enables us to embed governance practices within the Company's operating processes by integrating the relevant practices and systems of control and monitoring within our business strategies. This ensures that corporate governance principles are firmly embedded in the strategic decision-making process and when undertaking day-to-day business operations. Furthermore, the Company's corporate governance framework guides and directs the management and employees which leads to an integrated value creation approach for business sustainability, development, and success.

The Company also views the corporate governance framework and system as needing continual improvement to ensure integrating with emerging internal and external developments. Furthermore, as a public company listed on the Colombo Stock Exchange, we believe that it is our duty to continue to enhance our corporate governance framework to retain the trust of our shareholders and other stakeholders. As a financial services institution working with public deposits and disbursing funds to those in need, a comprehensive and robust governance system builds long-term trust, accountability, and acceptability by these key stakeholders.

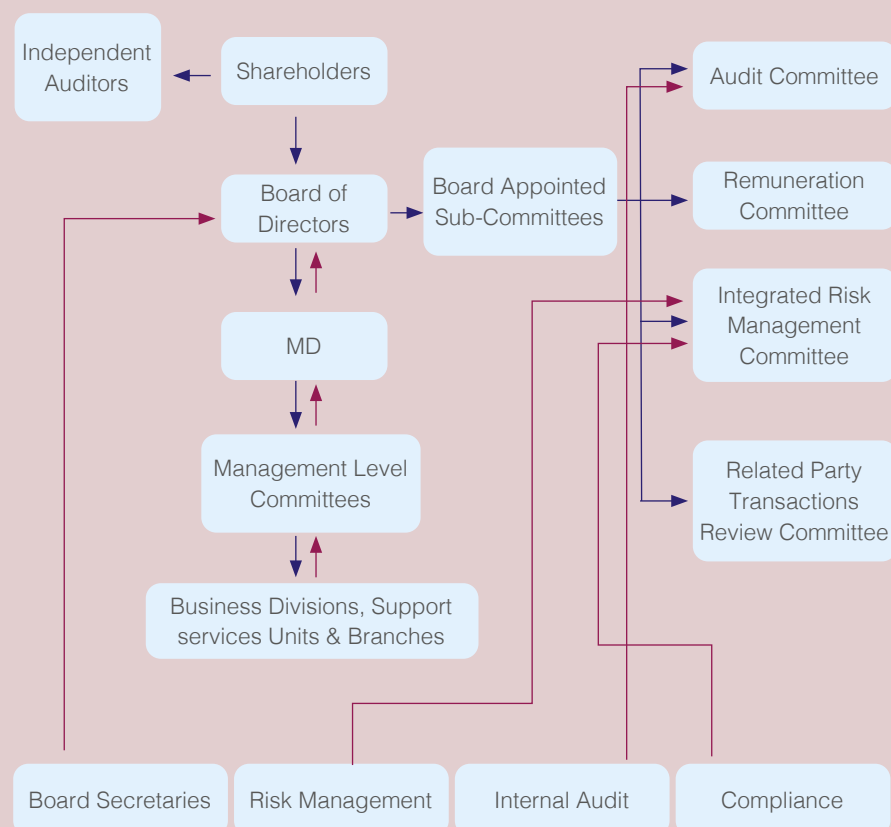
The focus on improving corporate governance mechanisms has enabled the Company to increase emphasis on ethical business practices while ensuring integrity and transparency in all the Company's dealings with stakeholders. These measures have also resulted in the creation of financial and non-financial value to all stakeholders. The Company continuously reviews, updates, and refines its corporate governance structure, systems, and processes to align internal governance practices with evolving regulations and

External Regulatory Framework

- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Finance Business Act (Corporate Governance) Direction No.05 of 2021 issued by Monetary Board of the Central Bank of Sri Lanka (subject to transitional provisions mentioned therein)
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Listing Rules of Colombo Stock Exchange (CSE)
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 36 of 1987 (as amended)
- Acts, Circulars and Gazettes issued by the Taxation Authorities
- Shop and Office Employees Act No.19 of 1954 and amendments
- Requirements under Sri Lanka Accounting and Auditing Standards Monitoring Board.

newly emerging best practices. This reflective process helps the Company to have a clearly defined and relevant governance framework to adhere to the mandate of being accountable to its stakeholders.

CORPORATE GOVERNANCE FRAMEWORK



Internal Control and Monitoring Mechanisms

- Vision, Mission and Corporate Values
- Articles of Association
- Charters of Board Sub-committees
- Organisational Structure
- Policies, Guidelines and Manuals
- Risk Management Procedures
- Internal Control Procedures and Processes
- Code of Ethics for all Employees

- Appointment flow
- Reporting flow

Working within the concepts of Accountability, Transparency and Ethical Business Practices

Application of Corporate Governance Practices at Vallibel Finance

Vallibel Finance considers all mandatory regulations in approaching corporate governance. The section which follows describes and details the application of corporate governance practices within the Company for the financial year ended 31st March 2023.

Board of Directors

The Board is the highest governing body of Vallibel Finance that carries out the responsibilities of directing the Company's business operations. The responsibilities of the Board include making an accurate assessment of the Company's position, taking strategic decisions, holding regular meetings of the Board and Board Sub-Committees, ensuring good governance, and overseeing the risk management of the Company.

Composition and Independence

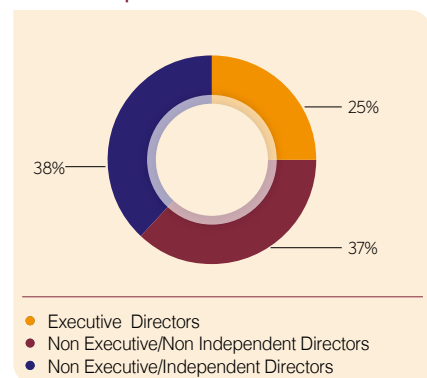
The Board comprises Seven (07) members, five (05) of whom including, the Chairman, are Non-Executive Directors with a balance of skills and experience which is appropriate for the business carried out by the Company.

Corporate Governance

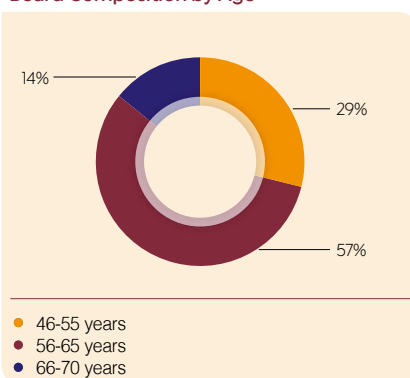
No.	Name of Director	Status	Date of Appointment to the Board
01	Mr. K D A Perera	Chairman – Non-Executive Director	12.08.2014 <i>Appointed as Chairman w.e.f. 24.01.2023</i>
02	Mr. S B Rangamuwa	Managing Director	14.03.2007
03	Mr. T Murakami	Non-Executive Director	16.07.2014
04	Mr. A Dadigama	Senior Independent Non-Executive Director	15.09.2014 <i>Appointed as the Senior Independent Director w.e.f 18.12.2021</i>
05	Mr. S S Weerabahu	Executive Director	20.04.2018 <i>Appointed as an Executive Director w.e.f 19.12.2019</i>
06	Mr. J Kumarasinghe	Independent Non-Executive Director	01.02.2019
07	Mrs. C P Malagoda	Independent Non-Executive Director	01.12.2021
	Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive Director	10.12.2015

Based on declarations submitted by the Non-Executive Directors, the Board has determined that three (03) Non-Executive Directors, namely Mr. A Dadigama, Mr. J Kumarasinghe and Mrs. C P Malagoda are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No. 05 of 2021.

Board Composition



Board Composition by Age



Chairman and Managing Director

The functions of the Chairman and the Managing Director are separate with a clear distinction drawn between responsibilities, which ensure balance of power and authority. Mr. K D A Perera serves as the Chairman and Mr. S B Rangamuwa serves as the Managing Director.

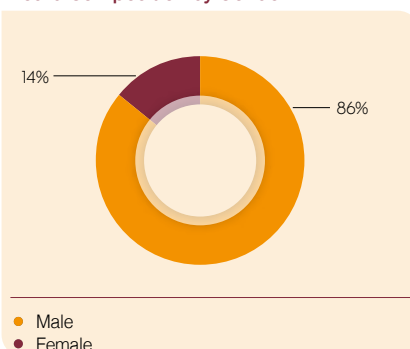
Tenure, Retirement and Re-election of Directors

At each Annual General Meeting one of the Directors for the time being, shall retire from office and seek re-election by the shareholders.

The provisions of the Company's Articles of Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Tenure	No. of Directors
Less than three years	1
3 to 5 years	2
Above 5 years	4

Board Composition by Gender



Board Meetings

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter that require the attention of the Board. The Board meets once a month, and wherever necessary Special Meetings of the Board are held.

During the year ended 31st March 2023, twelve (12) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K D A Perera	Non-Executive Director	12/12
Mr. S B Rangamuwa	Executive Director	12/12
Mr. Dhammika Perera*	Executive Director	2/2
Mr. T Murakami	Non-Executive Director	12/12
Mr. A Dadigama	Senior Independent Non-Executive Director	12/12
Mr. S S Weerabahu	Executive Director	12/12
Mr. J Kumarasinghe	Independent Non-Executive Director	12/12
Mrs. C P Malalgoda	Independent Non-Executive Director	12/12
Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive Director	-
*Resigned w.e.f. 10th June 2022		

Audit Committee

An Audit Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committee and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. A Dadigama	Senior Independent Non-Executive Director	6/6
Mr. J Kumarasinghe	Independent Non-Executive Director	6/6
Ms. C Malalgoda	Independent Non-Executive Director	5/6

The Report of the Audit Committee is given on page 182.

Remuneration Committee

A Remuneration Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committee and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. J Kumarasinghe	Independent Non-Executive Director	2/2
Mr. K D A Perera	Non-Executive Director	2/2
Mr. A Dadigama	Senior Independent Non-Executive Director	2/2

The Report of the Remuneration Committee is given on page 181.

Related Party Transaction Review Committee

A Related Party Transaction Review Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committees and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. A Dadigama	Senior Independent Non-Executive Director	4/4
Mr. J Kumarasinghe	Independent Non-Executive Director	4/4
Ms. C Malalgoda	Independent Non-Executive Director	4/4

The Report of the Related Party Transaction Review Committee is given on page 184.

Corporate Governance

Integrated Risk Management Committee

An Integrated Risk Management Committee functioned under the Chairmanship of Mr. J Kumarasinghe and consisted of senior management personnel supervising broad risk categories. The names of the Directors and Officers who serve on the said Committees and attendance at meetings are given below.

Name of the member	Position	Meeting Attendance
Mr. J Kumarasinghe	Independent Non-Executive Director	4/4
Mr. S B Rangamuwa	Executive Director	4/4
Mr. A Dadigama	Senior Independent Non-Executive Director	4/4
Mr. S S Weerabahu	Executive Director	3/4
Ms. C P Malalgoda	Independent Non-Executive Director	3/4
Mr. Niroshan Perera	Senior Deputy General Manager – Credit	3/4
Mr. K D Menaka Sameera	Senior Deputy General Manager – Finance & Administration	4/4
Mr. T U Amaraweera	Deputy General Manager – Asset Management	4/4

The Report of the Integrated Risk Management Committee is given on page 185.

Compliance Officer

Ms. D D Wijayathilaka functions as the Compliance Officer to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and business activities undertaken by the Company in general.

The Management

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Managing Director. They ensure that risks and opportunities are identified and required steps are taken to achieve targets within defined time frames and budgets.

Financial Disclosures and Transparency

The financial statements of the Company are prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), the Companies Act, the Finance Business Act and the directions and rules issued thereunder. As a listed Company, Vallibel Finance publishes unaudited quarterly/half yearly Financial Statements and audited Financial Statements in compliance with the Listing Rules of the Colombo Stock Exchange and Finance Companies (publication of half yearly Financial Statements) Guideline.

Messrs KPMG, Chartered Accountants, act as Independent Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of Directors to express an opinion on the financial statements of the Company. All the required information is provided for examination to the Auditors.

Ethical Standards

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and committed group of employees.

Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.19, Employee Benefits.

Compliance Statement

We confirm that throughout the year ended 31st March 2023 and as at the date of this Annual Report, the Company was compliant with the Listing Rules of the Colombo Stock

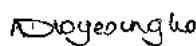
Exchange, the Finance Companies Direction No. 03 of 2008 on Corporate Governance and amendments thereto and the subsequent Finance Business Act Direction No. 05 of 2021 which came into effect on 1st July 2022 (subject to the transitional provisions mentioned therein).

In addition, tables set out in pages 140 to 153 depict the extent of adherence with the Code of Best Practice on Corporate Governance 2017 issued by the Institution of Chartered Accountants of Sri Lanka (CA Sri Lanka). Further, the Company has complied with the provisions of the Companies Act No. 07 of 2007 and other statutes as applicable to the Company.

Accountability and Disclosure

The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.

By Order of the Board
VALLIBEL FINANCE PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

6th June 2023

Section one

The Finance Business Act (Corporate Governance) Direction No. 5 of 2021 for Licensed Finance Companies in Sri Lanka issued by Monetary Board of the Central Bank of Sri Lanka:

The disclosures below reflect the Company's compliance and the extent of its compliance with the above Direction (subject to transitional provisions mentioned therein) which comprises of sixteen subsections, namely:

1. Board's overall responsibilities
2. Governance Framework
3. Composition of the Board
4. Assessment of Fitness and Propriety Criteria
5. Appointment and resignation of directors and senior management
6. The Chairperson and the Managing Director
7. Meetings of the Board
8. Company Secretary
9. Delegation of Functions by the Board
10. Board Sub - Committees
11. Internal Controls
12. Related Party Transactions
13. Group Governance
14. Corporate Culture
15. Conflicts of Interest
16. Disclosure

Directions		Extent of Compliance
1. Board's overall responsibilities		
1.1	Assume overall responsibility and accountability for the operations of the Company, by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements	Complied with. The Board has the overall responsibility and accountability for the operations of the Company and carried out functions listed in 1.2 to 1.7 of the Direction.
1.2 Business Strategy and Governance Framework		
a	Approving and overseeing the implementation of the Company's overall business strategy with measurable goals for next three years and update it annually in view of the developments in business environment	Complied with. A Board approved strategic plan is in place addressing the Company's overall business strategy. The Board provides direction in the development of short, medium and long term strategies of the Company. The Board approves and monitors the annual budget with updates on execution of the agreed strategies.
b	Approving and implementing the Company's governance framework	Complied with. Board approved Governance Framework is in place commensurate with the Company's size, complexity, business strategy and regulatory requirements.
c	Assessing the effectiveness of the Governance Framework periodically	Complied with. The Governance Framework is reviewed annually according to the changes in operating environment or as and when required according to the regulatory developments and changes.
d	Appointing and defining the roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO)	Complied with. The Chairman and the Managing Director have been appointed by the Board. The Chairman provides leadership to the Board and the Managing Director is responsible for effective management of the Company's operations. Roles and responsibilities of the Chairman and the MD have been defined and approved by the Board.

Corporate Governance

Directions		Extent of Compliance
1.3 Corporate Culture and Values		
a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour	Complied with. Vallibel Finance strives to build a sound corporate culture which reinforces ethical, prudent and professional behaviour.
b	Playing a lead role in establishing the Company's corporate culture and values including developing a code of conduct and managing conflicts of interest	Complied with. Corporate values are incorporated in the Board approved strategic plan and these have been communicated to the staff. The Company has developed a Code of Conduct and Ethics which applies to all employees and directors and this is posted on the internal web portal and is accessible by all employees. A policy on management of conflicts of interest is in place.
c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies	Complied with. The Company has continued to take progressive action to manage our direct and indirect environmental, social and governance impact. A Sustainable Finance Policy is in place in this regard.
d	Approving the policy of communication with all stakeholders in the view of projecting a balanced view of the company's performance, position and prospects in public and regulators	Complied with. The Board approved Communication Policy is in place which covers all stakeholders including depositors, shareholders, borrowers and other creditors.
1.4 Risk Appetites, Risk Management and Internal Controls		
a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework	Complied with. A Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.
b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently	Complied with. Identifying major risks, establishing governance structures and systems to measure, monitor and manage those key risks are carried out mainly through the Integrated Risk Management Committee. Risk Reports are submitted to the Committee by the Management on a quarterly basis. The decisions and action taken to mitigate possible risks are submitted for Board's information where necessary. Please refer Risk Management report on pages 159 to 176 and Integrated Risk Management Committee report on page 185 for further details.

Directions		Extent of Compliance
c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically	Complied with. Adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board Audit Committee. The Committee is assisted in this function by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of internal control systems and management information systems, the results of which are reported to the Audit Committee. The Committee appraises the scope and results of internal audit reports and system reviews. The decisions and actions taken are submitted for Board's information and/or action (if deemed necessary).
d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances	Complied with. Board approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place.
1.5 Board Commitment and Competency		
a	Devote sufficient time on dealing with the matters relating to affairs of the Company	Complied with. Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.
b	Possess necessary qualifications, adequate skills, knowledge, and experience	Complied with. Members of the Board possess experience, qualifications, adequate skills, and knowledge in the relevant fields.
c	Regularly review and agree the training and development needs of all the members	Complied with. The Board being the highest governing body recognises the need of training and development and enhancing knowledge on business environment. A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company. Any training programmes relevant to the Board are communicated to the Board for the Directors' participation. Further, the annual self-assessment scheme by Directors covers aspects on training to identify training needs of Directors.
d	Adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments	Complied with. The Company has adopted a scheme of annual self-assessment to be undertaken by each Director, and of its Boards as a whole and that of its committee and filed with the Company Secretaries.
e	Obtain external independent professional advice to the Board to discharge duties to the Company	Complied with. The Board is permitted to seek independent professional advice on any matters when deemed necessary. A Board approved procedure is in place for this purpose.

Corporate Governance

Directions		Extent of Compliance
1.6 Oversight of Senior Management		
a	Identifying and designating senior management who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management	Complied with. The Board has identified and designated the Senior Management, as defined in the Section 17 of the Finance Business Act Directions No.05 of 2021 on Corporate Governance.
b	Defining the areas of authority and key responsibilities for the senior management	Complied with. The key responsibilities of the senior management are defined in the job descriptions of each member and have been approved by the Board.
c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the Company's strategic objectives	Complied with. Members of the Senior Management possess experience, qualifications, adequate skills, and knowledge in the relevant fields.
d	Ensuring there is appropriate oversight of the affairs of the Company by senior management	Complied with. The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the MD. Affairs of the Company handled by the Corporate Management are reviewed and discussed at the monthly Board Meetings. Further, Board sub-committees and other management committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.
e	Ensuring the Company has an appropriate succession plan for senior management	Complied with. A succession plan for senior management personnel is in place.
f	Meeting regularly with the Senior Management	Complied with. The members of the senior management regularly make presentation and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.
1.7 Adherence to the Existing Legal Framework		
a	Ensuring that the Company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders	Complied with. The Company operates within the Board approved Governance Framework and the interests of depositors, shareholders and other relevant stakeholders are considered in conducting business operations.
b	Adhere to the regulatory environment and ensure compliance with relevant laws, regulations, directions and ethical standards	Complied with. The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. A Code of Business Conduct and Ethics is also in place for all employees and Directors.

Directions		Extent of Compliance
c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	Complied with. Fit and Proprietary of the Board of Directors is assessed annually and new appointment of the Board and Senior Management (as defined in Corporate Governance Direction No. 05 of 2021) is made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
2. Governance Framework		
2.1	Develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021 on Corporate Governance	Complied with. A Board-approved Governance Framework is in place.
3. Composition of the Board		
3.1	A balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company	Complied with. The Board possesses adequate skills and experience in the relevant fields. Please refer pages 26 and 27 for the Profiles of the Directors.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13	Complied with. The Board comprised of Seven Directors as 31st March 2023.
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4	Complied with. The total period of service of all Non-Executive Directors is less than 9 years as at date.
3.4	Requirement of eligible Non-executive directors to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions	Not applicable for the period under review as none of the Non-Executive directors of the Company have exceeded nine years of service as at 31st March 2022.
3.5 Executive Directors		
a	Appointment, election or nomination of an employee as a Director	Complied with. The Board consists of seven members of whom two are Executive Directors. Accordingly, the number of Executive Directors does not exceed one-third of Directors of the Board.
b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management.	No such situations have arisen.
c	CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	Complied with. Mr. S B Rangamuwa holds the positions of Managing Director.
d	Executive Directors shall have a functional reporting line in the organization structure of the Company.	Complied with. Mr. S S Weerabahu has a functional reporting line reporting to the Managing Director.
e	The Executive Directors are required to report to the Board through the CEO.	

Corporate Governance

Directions		Extent of Compliance
f	Executive Directors shall refrain from holding executive directorships or senior management positions in any other entity.	Complied with. Mr. S B Rangamuwa and Mr. S S Weerabahu do not hold any executive directorships or senior management positions in any other Company.
3.6 Non-Executive Directors (NEDs)		
a	NEDs shall possess credible track records and necessary skills, competency and experience to bring an independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	Complied with. The Non-Executive Directors of the Board are eminent personnel and they possess extensive knowledge, expertise and experience in different business fields. Their detailed profiles are given in pages 26 and 27.
b	A non-executive director cannot be appointed or function as the CEO/Executive Director.	Complied with.
3.7 Independent Directors		
a	The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	Complied with. The Board comprises of three Independent Non-Executive Directors. Accordingly, the number of Independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board.
b	Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records, and sufficient experience.	Complied with. All Independent Non-Executive Directors of the Company are of the highest calibre with professional qualifications, a proven track records, and sufficient experience in the given fields.
c-e	Criteria of non-executive director for independence.	Complied with. Based on declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors, namely Mr. A Dadigama, Mr. J Kumarasinghe and Mrs. C P Malalagoda and are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No.05 of 2021 on Corporate Governance.
3.8 Alternate Directors		
a	Criteria to represent through an alternate director	Complied with. Mr. Hiruyuki Ota has been appointed as an alternate director to Mr. T Murakami who is unable to attend to meetings consecutively due to being abroad with the prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions.
b	The existing directors of the company cannot be appointed as an alternate director to another existing director of the company.	Complied with. No such situations have arisen.
c	A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	
d	An alternate director cannot be appointed to represent an executive director.	
e	Appointment of Alternate Director to represent an Independent Director.	Not applicable as no Alternate Directors have been appointed to represent Independent Non-Executive Directors.

Directions		Extent of Compliance
3.9 Cooling off Periods		
No such appointments have been made during the period under review.		
3.10 Common Directorships		
	Director or a senior management shall not be nominated, elected, or appointed as a director of another Finance Company subject to exception mentioned in the Direction 3.10.	Complied with. No Directors or Senior Managers held positions in other Finance Companies during the year 2022/2023.
3.11	A Director shall not hold office as a Director or any other equivalent position in more than 20 Companies / Societies / bodies, including subsidiaries and associates.	Complied with. No Director holds directorships in excess of 20 companies/ societies/ bodies/institutions.
4. Assessment of Fitness and Propriety Criteria		
4.1	No person shall be nominated, elected or appointed as a director or continue as a director unless that person is a fit and proper person to hold office as a director in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied with. The appointments, resignations or continuation of the Directors are made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
4.2	The age of a Director shall not exceed 70 years.	Complied with. All Directors are below the age of 70 years as at 31st March 2023.
4.3	Criteria to hold office as a director, exceeding 70 years of age up to maximum of 75 years of age.	No such appointments occurred during the year 2022/2023.
5. Appointment and resignation of directors and senior management		
5.1	The appointments, resignations or removals of Directors or Senior Management shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied with. The appointments, resignations or removals of Directors or Senior Management are in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
6. The Chairperson and the CEO/Managing Director		
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	Complied with. The positions of the Chairman and the Managing Director are separate and performed by two different individuals and responsibilities of the Chairman and the MD have been defined and approved by the Board.
6.2	The chairperson shall be an independent director, subject to 6.3 below.	Complied with. Mr. K D A Perera who is a Non-Executive Director was appointed as the Acting Chairman of the Company with effect from 18th December 2021 and at present serves as the Chairman with effect from 24th January 2023.
6.3	Appointment of an Independent Director as a Senior Director when the Chairperson is not independent. In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	Accordingly, Mr. A Dadigama who is an Independent Non-Executive Director was appointed as the Senior Independent Director of the Company with effect from 18th December 2021.

Corporate Governance

Directions		Extent of Compliance
6.4	Responsibilities of the Chairperson	Complied with. The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. There is a constructive relationship among all Directors and they work together in the best interest of the Company. The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretaries circulate formal agenda prior to the Board Meeting. The Chairman does not engage in direct supervision of senior management or any other day to day operational activities. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
	Responsibilities of the CEO/Managing Director	Complied with. The Managing Director functions as the apex Executive-In-Charge of the day-to-day management of the Company's operations and business. The Board approved responsibilities of the Managing Director are in place.
7. Meetings of the Board		
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied with. Board meetings are held at monthly intervals, mainly to review the performance of the Company and other relevant matters referred to the Board. Circulation of resolutions/papers to obtain Board's consent is minimized and resorted only when absolutely necessary.
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Complied with. Annual calendar of Board meetings is issued at the beginning of the each calendar year enabling them to include matters and proposals in this regard. Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	Complied with. Notice of Meeting is circulated to the Directors at last 3 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.

Directions	Extent of Compliance
7.4 A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied with. Directors devote adequate time for Board meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification. The views of the Board of Directors on issues under consideration are ascertained and records of such deliberations are reflected in the minutes.
7.5 A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	Complied with. At all Board meetings held during the year 2022/2023, more than one fourth of the numbers of Directors were independent Non-Executive Directors.
7.6 The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	Complied with. Meetings are held only with the participation of the Non-Executive Directors, without the Executive Directors being present.
7.7 A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with. Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.
7.8 A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.	Complied with. All Directors have attended at least two-thirds of the meetings held during the year and no Director has been absent from three consecutive regular Board meetings during the year 2022/2023.
7.9 Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Meetings were held through the electronic means during the year 2022/2023.

Corporate Governance

Directions		Extent of Compliance
8. Company Secretary		
8.1	a) The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations. b) The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	Complied with. Secretary to the Board is P W Corporate Secretarial (Pvt) Ltd, a Company registered with the Registrar General of Companies as a qualified secretary under Registration No SEC/(2)2008/216. Secretary's primary responsibilities involve handling of secretarial services to the Board and shareholders meetings and carrying other functions specified in related laws and regulations. A transitional period until 01st July 2024 has been granted to comply with the same. The Company would comply with the direction by appointing an in-house Company Secretary considered as Senior Management by 01st July 2024.
8.2	All directors shall have access to advice and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	Complied with. All Directors have access to the advice and services of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are followed.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Complied with. The Company Secretaries has been delegated with the responsibility of preparing the agenda for the Board meeting.
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied with. Minutes of Board Meetings are maintained by the Company Secretaries. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.	
8.6	Minutes of the Board meetings shall be recorded in sufficient detail, as specified in the Direction, so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties.	Complied with. Detailed minutes are maintained by the Company Secretaries covering all requirements of this direction.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with. Minutes are open for inspection by any Director.
9. Delegation of Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.	Complied with. The Board approved delegation authority limits is in place.

Directions		Extent of Compliance
9.2	In the absence of any of the sub-committees, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Not applicable as Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied with. Assets and Liabilities Management Committee and Credit Committee are in place.
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with. The Board is empowered by the Articles of Association to delegate any of their powers other than those exercisable exclusively by the Directors. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the MD and Senior Management. All delegations are made in a manner that would not hinder the Board's ability to discharge its functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	Complied with. The delegation process is periodically reviewed by the Board based on business requirements.
10. Board Sub- Committees		
A transitional period till 01.07.2024 is applicable for the Section 10 of the Direction and during the transitional period provision contained in "Section 8: Board appointed committees" of the Finance Companies (Corporate Governance) Direction No. Of 2008 is applicable.		
10.1. Board Appointed Committees		
	Establishing Board committees, their functions and reporting	Complied with. The following Board Sub - Committees have been appointed by the Board; 1). Remuneration Committee 2). Audit Committee 3). Integrated Risk Management Committee 4). Related Party Transactions Review Committee Each committee reports directly to the board. The Company Secretaries functions as the Secretary to these Committees. The Reports of the Remuneration Committee, Audit Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are given on pages 181, 182, 184 and 185 of this Annual Report.
10.2 Audit Committee		
a	The Chairman to be a non-executive director who possesses qualifications and experience in accountancy and/or audit	Complied with. The Chairman of the Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience. Qualifications and experience are disclosed in page 27 of the Annual Report.

Corporate Governance

Directions		Extent of Compliance
b	All members of the Committee to be Non-Executive Directors	Complied with. All the members of the audit committee are Non-Executive Directors.
c	Functions of Audit Committee; (i) the appointment of the external auditor; (ii) the implementation of the Central Bank guidelines; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor	Complied with. In accordance with the Terms of Reference, the Committee has made the following recommendations: 1). The appointment of Messrs KPMG, Chartered Accountants as the External Auditor for audit services to be provided in compliance with the relevant statutes. 2). The implementation of CBSL Guidelines applicable to the Auditors. 3). Application of relevant Accounting Standards 4). The service period, audit fee and any resignation or dismissal of the auditor Complied with the requirement that the engagement of the audit partner does not exceed five years.
d	Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes	Complied with. The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes. The Audit Committee also reviews the nature and scope of the external audit taking in to account of the regulations and guidelines.
e	Develop and implement a policy on the engagement of an external auditor to provide non-audit services	Complied with. In the instances where non-audit services are obtained from the External Auditor, prior approval is obtained from the Audit Committee. The Audit Committee evaluates the Company's requirement, nature of the non-audit service required by the Company, fee structure, skills and the experience required to perform the said service of such Auditors. If the Audit Committee is of the view that the independence is likely to be impaired with the assignment of any non-audit service to External Auditors, no assignment will be made to obtain such services.
f	Determine the nature and the scope of the External Audit	Complied with. The Committee has discussed and finalized the nature and the scope of audit, with the External Auditors before the audit commences.
g	Review the financial information of the Company	Complied with. Meetings of the Audit Committee are convened for this purpose. The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.

Directions		Extent of Compliance
h	Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor	Complied with. During the year under review the Committee met the External Auditors to discuss issues, problems and reservations relating to audit.
i	Review of the external auditor's management letter and the management's response	Complied with. The Committee has reviewed the external auditor's Management Letter and the management response thereto. Follow up actions were taken accordingly.
j	Review of the Internal Audit Function; (i) Review scope, function and resources; (ii) Review of Internal Audit Programme; (iii) Review of Internal Audit Department; (iv) Recommendations on Internal Audit functions; (v) Appraise the resignation of senior staff of Internal Audit and any outsourced service providers; (vi) Independence of Internal Audit functions	Complied with. The Company has established an own in-house Internal Audit Department and moreover, Ernst & Young Advisory Service (Pvt) Limited provides assistance in carrying out branch and specialised audit assignments through a co-sourcing arrangement. The Internal Audit plan is reviewed and approved by the Audit Committee at the beginning of each financial year. Audit reports are tabled at the Audit Committee meeting by the Internal Auditors and the relevant items are discussed in detail with suitable actions agreed upon. Where required, the Management is invited to attend the meeting to provide clarifications. Performance of Internal Auditors is reviewed by the Audit Committee. The Internal Audit function is an independent function which directly reports to the Board Audit Committee and the audits are performed with impartiality and due professional care.
k	Consider the major findings of internal investigations and management's response	Complied with. Significant findings of investigations carried out by the Internal Auditors along with the responses of the Management are tabled and discussed at Audit Committee meetings.
l	Participants of Audit Committee meetings	Complied with. The Managing Director, Senior Deputy General Manager - Finance & Administration, representatives of the Internal Auditors (in-house internal auditor and outsourced) generally attend meetings. Where it is deemed necessary, other members of the corporate management are invited to attend the meeting. During the year under review the Committee met twice with the External Auditors, without the presence of Executive Directors.

Corporate Governance

Directions		Extent of Compliance
m	Explicit authority, adequate resources, access to information and obtain external professional advice wherever necessary	Complied with. The terms of reference of the Board Audit Committee which reviewed in July 2022 includes scope and responsibilities of the Committee. The Audit Committee is authorised to obtain external professional advice and to invite outsiders with relevant experience to attend meetings if necessary. The Committee also has full access to information in order to investigate into matters relating to any affair within its terms of reference.
n	Meetings of Audit Committee	Complied with. The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings are maintained by the Company Secretaries.
o	Disclosures in the Annual Report	Complied with. The Report of the Board Audit Committee is on page 182 and includes the detailed activities, meetings held during the year and the Directors attendance at the Audit Committee Meetings.
p	Recording and maintenance of minutes of meetings	Complied with. The Company Secretaries functions as the Secretaries to the Committee and records and maintains detailed minutes of the Committee meeting.
q	Whistle-blowing policy and relationship with External Auditors	Complied with. A Whistle Blower Policy is in place which covers these aspects. The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on periodic basis to discharge this function.
10.3 Integrated Risk Management Committee		
The following shall apply in relation to the Integrated Risk Management Committee (IRMC):		
a	Composition of Integrated Risk Management Committee	Complied with. Committee consists of three Independent Non - Executive Directors, two Executive Director including Managing Director, Senior Deputy General Manager - Credit, Senior Deputy General Manager - Finance & Administration and Deputy General Manager - Asset Management who supervises broad risk categories as detailed in this Direction. Any other key management personnel and staff are invited as and when the Committee needs their presence.

Directions		Extent of Compliance
b	Periodical risk assessment	Complied with. Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Integrated Risk Management Committee at quarterly intervals for necessary guidance. Please refer Risk Management Report on page 159 to 176 for further details.
c	Review the adequacy and effectiveness of Management level committees	Complied with. Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.
d	Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee	Complied with. All risk indicators which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action. The progress of rectification of the position and implementation of the recommendations are also being monitored closely by the Committee.
e	Frequency of meetings	Complied with. The Integrated Risk Management Committee meetings are held at quarterly intervals.
f	Action against officers for failure to identify specific risks and take prompt corrective action	Complied with. The Internal Audit identifies lapses of this nature and makes recommendations to the Board Audit Committee to initiate action against officers where material failures to meet risk management responsibilities are observed.
g	Submission of risk assessment report to the Board	Complied with. The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendation and risk reports.
h	Establishment of a compliance function	Complied with. The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Company has appointed a Compliance Officer and the Compliance Officer submits a Compliance Report to the Board at its meetings held monthly and quarterly to the Integrated Risk Management Committee.

Corporate Governance

Directions		Extent of Compliance
11. Internal Controls		
11.1	The Company shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied with. The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. The Committee is assisted in this function by Internal Audit Department.
11.2	A proper internal control system shall, - Promote effective and efficient operations - Provide reliable financial information - Safeguard assets; - Minimise the operating risk of losses from irregularities, fraud and errors; - Ensure effective risk management systems; - Ensure compliance with relevant laws, regulations, directions and internal policies.	The Company has obtained a certificate on the Effectiveness of internal control over financial reporting, which is given on page 189.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12. Related Party Transactions		
12.1	The Board shall establish a policy and procedures for related party transactions, which covers the following.	
	(a) Shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	Complied with. The Board has established a Board Related Party Transactions Review Committee, and it is comprised of three Independent Non- Executive Directors.
	(b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties.
	(c) The business transactions with a related party that is covered in this Direction	
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the categories of persons defined in the Direction who shall be considered as "related parties". In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.	The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" as defined in this Direction. Information relating to related party transactions, is disclosed in Note 52 on "Related Party Disclosures" in the Financial Statements and Section 16 of this report.
12.3	The Committee shall ensure that the Company does not engage in business transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Company.	

Directions		Extent of Compliance
13. Group Governance		
13.1	Responsibilities of the Company as a Holding Company	A Company under the name of “Vallibel Properties Ltd” was incorporated on 5th March 2020, as a fully owned subsidiary of Vallibel Finance PLC (Parent) in order to Engage in administration of construction, development and maintenance of the Corporate Office of Vallibel Finance PLC.
13.2	Responsibilities as a Subsidiary	The Company is not a direct Subsidiary of any Group Company.
14. Corporate Culture		
14.1	A Finance Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Complied with. The Company has developed a Code of Business Conduct and Ethics for all employees covering the areas of conflict of interest, Bribery and corruption, accurate accounting and record keeping, confidentiality, fair dealing, protecting and proper use of the Company’s assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.
14.2	The Finance Company shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied with. Any lapse or a breach of the provisions stipulated in Code of Business Conduct and Ethics by any employee of the Company would constitute a ground for disciplinary action.
14.3	A Finance Company shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with. A Board approved Whistle Blowing Policy is in place. This Whistleblowing Policy encourages all personnel to raise concerns, expose irregularities, help uncover financial malpractices and prevent frauds without any fear of revenge or adverse consequences.
15. Conflicts of Interest		
15.1	a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with. The Directors make declarations of their interests at appointment, annually and whenever there is a change in same. Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.
	b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties.	Complied with. A Policy on managing conflicts of interest is in place.

Corporate Governance

Directions	Extent of Compliance
16. Disclosures	
16.1 The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.	Complied with. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the website of CSE.
The Board shall ensure that at least following disclosures are made in the Annual Report of the Company.	
(i) Financial statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. • A statement of responsibility of the Board in preparation and presentation of financial statements.	Complied with. Relevant disclosures are included in page 190 of the Annual Report under “Statement of Directors Responsibilities” and page 177 of the “Annual Report of the Board of Directors on the state of affairs of the Company”.
(ii) Chairperson, CEO/Managing Director and Board related disclosures • Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director who is serving as the senior director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other directors of the Company. • Names of other companies in which the director concerned serves as a director and whether in an executive or non-executive capacity. • Number/percentage of board meetings of the Company attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member.	Complied with. Profiles of Directors are given on pages 26 to 27. Relevant disclosures are included in page 116 to 118 of the “Corporate Governance Report”.

Directions	Extent of Compliance						
(iii) Appraisal of board performance An overview of how the performance evaluations of the Board and its committees have been conducted.	Complied with. The Company has adopted a scheme of self-assessment, to be undertaken by each Director, annually. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the Board as a whole and the records of such assessments are maintained by the Company Secretary.						
(iv) Remuneration - A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) - The aggregate values of remuneration paid by the Company to its directors and senior management.	Complied with. Disclosed in the page 181 of the 'Remuneration Committee Report'. Aggregate values of remuneration paid for Directors and Senior Management for the Year 2021/2023 – Rs. 258.69 Mn						
(v) Related party transactions - The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO/Managing Director and the relationships among members of the Board. - Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital. - The aggregate values of the transactions of the FC with its senior management during the financial year set out by broad categories such as accommodation granted, and deposits or investments made in the Finance Company.	Complied with. The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the Managing Director. No relationships prevail among the other members of the Board, other than for Directors who are common Directors of certain Companies. There were no accommodations outstanding in respect of related parties. The aggregate values of the transactions of the Company with its senior management during the year under review are given below. <table> <tr> <th></th><th>Rs. Mn</th></tr> <tr> <td>Accommodation granted</td><td>-</td></tr> <tr> <td>Deposits held</td><td>44.16</td></tr> </table>		Rs. Mn	Accommodation granted	-	Deposits held	44.16
	Rs. Mn						
Accommodation granted	-						
Deposits held	44.16						
(vi) Board appointed committees The details of the chairperson and members of the board committees and attendance at such meetings.	Complied with. Relevant disclosures are included in page 117 to 118 of the "Corporate Governance Report" and page 177 of the "Annual Report of the Board of Directors on the state of affairs of the Company".						
(vii) Group Structure - The group structure of the FC within which it operates. - The group governance framework	Complied with. Disclosed in the page 204 of the Notes to the Financial Statements.						

Corporate Governance

Directions	Extent of Compliance
(viii) Director's report A report, which shall contain the following declarations by the Board - The Company has not engaged in any activity, which contravenes laws and regulations. - The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested. - The Company has made all endeavours to ensure the fair treatment for all stakeholders, in particular the depositors. - The business is a going concern with supporting assumptions; and - The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.	Complied with. Disclosed in the page 177 of the 'Annual Report of the Board of Directors on the Affairs of the Company'
(ix) Statement on Internal Control - A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. - The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. - A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. - A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, and rules and directions.	Complied with. Directors' Statement on Internal Control System Over Financial Reporting" is given on page 189. The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting. This has been disclosed under the "Corporate Governance Report" and "Annual Report of the Board of Directors on the affairs of the Company" There were no significant supervisory concerns on lapses in the Company's risk management system or non-compliance with these Directions that have been pointed out by the Director of the Non-Bank Supervision Department of the CBSL and requiring disclosure to the public.

Directions	Extent of Compliance
(x) Corporate governance report Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Complied with. The Corporate Governance Report is given on pages 114 to 158 of the Annual Report. The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above.
(xi) Code of Conduct - The Company's code of business conduct and ethics for directors, senior management and employees. - The Chairperson shall certify that the company has no violations of any of the provisions of this code.	Complied with. The Company has developed a Code of Business Conduct and Ethics for all employees. The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by the Company. Refer the Chairman's Statement in the Annual Report for details.
(xii) Management Report - Industry structure and developments - Opportunities and threats - Risks and concerns - Sustainable finance activities carried out by the company - Prospects for the future	Complied with. Please refer 'Management Discussion and Analysis' on pages 36 to 61.
(xii) Communication with shareholders - The policy and methodology for communication with shareholders. - The contact person for such communication.	Complied with. The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Shareholders, borrowers and other creditors. The Company Secretary communicates with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.

Corporate Governance

Section Two

Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);

The disclosures below reflect the Company's compliance and the extent of the above Code of Best Practice which comprises of eight subsections, namely:

- A Directors
- B Directors' Remuneration
- C Relations with Shareholders
- D Accountability and Audit
- E Institutional Investors
- F Other Investors
- G Internet of Things and Cyber Security
- H Environment, Society and Governance (ESG)

Code Ref.	Principle	Extent of Compliance
A. Directors		
A.1 The Board		
A.1	Effective Board, which should direct, lead and control the Company	Complied with. As at the end of the year under review, the Board comprised of two Executive and five Non-Executive Directors who are eminent professionals with extensive experience in the different business sectors, including leaderships in quoted companies. Mr. S B Rangamuwa is the Managing Director to whom the day-to-day management of the Company's operations and business has been delegated. The Board has appointed Sub-Committees to assist in discharging its responsibilities and also approve policies, governance structures and the delegation of authority to provide a conducive business environment for effective performance of the Company.
A.1.1	Board meetings	Complied with. Regular Board meetings are held at monthly intervals and the Board met 12 times during the year under review. See 'Board Meetings' on page 117.
A.1.2	The role and responsibilities of the Board Formulation and implementation of a sound business strategy;	Complied with. The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings. Please refer response to requirement 1.2 a) of Section One, the Finance Business Act Directions No.05 of 2021 on Corporate Governance on page 119 for details.

Code Ref.	Principle	Extent of Compliance
	Appointing the chair and the senior independent directors if relevant;	Mr. K D A Perera who is a Non-Executive Director was appointed as the Chairman of the Company with effect from 24th January 2023. Previously, he was the Acting Chairman. Accordingly, Mr. A Dadigama who is an Independent Non-Executive Director services as the Senior Independent Director of the Company.
	CEO/Managing Director and management team possess the skills, experience and knowledge to implement the strategy;	The Board has put in place a Corporate Management team led by the MD who possess required skills, experience and knowledge necessary to implement the strategy.
	The adoption of an effective CEO/Managing Director and Key Management Personnel succession strategy;	A succession plan for key management personnel is in place.
	Approving budgets and major capital expenditure;	Budgets and major capital expenditure are reviewed and approved by the Board.
	Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation;	The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the Managing Director and other key management personnel.
	An effective system to secure integrity of information, internal controls, business continuity and risk management;	The Board reviews effectiveness of internal control and risk management system on a continuous basis through the Audit Committee and Integrated Risk Management Committee. Please refer 'Director's Statement on Internal Control Over Financial Reporting', 'Audit Committee Report' and 'Integrated Risk Management Committee Report' on pages 189, 182 and 185 for details.
	Compliance with laws, regulations and ethical standards;	Compliance function is in place to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business.
	All stakeholder interests are considered in corporate decisions;	The views/impact on all stakeholders is considered when corporate decisions are made at Board meetings.
	Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "Integrated Reporting";	The corporate strategy followed by the Company is directed at creating long term sustainable growth and enhancing stakeholder value and the Company has adopted integrated reporting framework to provide effective disclosure on its value creation.
	Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations;	The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
	A process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks; A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Regular meetings are held by the Managing Director with the corporate management team and other key officers to monitor progress on strategy implementation, budgets, plans and related risks. Financial reports are prepared on monthly basis and circulated to the Board for their review and necessary actions. Further quarterly financial statements, bi-annual and annual financial statements are prepared and published in line with CSE and CBSL regulations. The Board is committed to fulfilling such other functions that are required according to the business environment.
A.1.3	Compliance with laws and seeking independent professional advice	Complied with. The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense as and when such advice is required.
A.1.4	Access to the advice and services of the Company Secretary	Complied with. All Directors have access to the advice and services of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are followed. Minutes of Board Meetings are maintained by the Company Secretaries. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director. The removal of the Company Secretary is a matter to be considered by the Board as a whole.
A.1.5	Independent judgment of Directors	Complied with. Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6	Dedication of adequate time and effort by the Board	Complied with. Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.
A.1.7	Call for resolution	Complied with. Such situation did not arise during the year.
A.1.8	Training for Directors	Complied with. A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company.

Code Ref.	Principle	Extent of Compliance
A.2 Chairman & CEO/Managing Director		
A.2	Separation of the roles and responsibilities of the Chairman and CEO/Managing Director to ensure a balance power and authority, such that no one individual has unfettered powers of decision	Complied with. The positions of the Chairman and the CEO/Managing Director have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Managing Director (MD) is the Chief Executive Officer who is responsible for managing the Company's business.
A.2.1	Justification to combine the posts of Chairman and CEO/Managing Director	Not applicable.
A.3 Chairman's Role		
A.3.1	Role of the Chairman	Complied with. The Chairman provides leadership to the Board and encourages an active contribution of both Executive and Non-Executive Directors to the Board's affairs and maintains balance of power between Executive and Non-Executive Directors. The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretaries circulate formal agenda prior to the Board Meeting. Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting. All Directors are encouraged to actively participate in Board's affairs. There is a constructive relationship among all Directors and they work together in the best interest of the Company. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
A.4 Financial Acumen		
A.4	Financial acumen and knowledge	Complied with. The Board has adequate number of Directors who have financial acumen and knowledge to contribute and offer guidance to the Board on matters of finance. Please refer pages 26 and 27 for the Profiles of the Directors.
A.5 Board Balance		
A.5.1	Have a balance of Executive & Non-Executive Directors	Complied with. Board maintains the required balance of Executive and Non-Executive Directors on the Board. The Board consists of two Executive Directors and five Non-Executive Directors of whom three are independent as well. As the majority of the Board comprises Non Executive Directors, their opinions and views carry significant weight in the Board's decisions.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
A.5.2 & A. 5.3	Independence of Non Executive Directors	Complied with. Three Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4 & A.5.5	Board to determine annually as to the Independence or Non-Independence of Non-Executive Directors	Complied with. The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No.05 of 2021 on Corporate Governance.
A.5.6	Appointment of Alternate Director	Complied with. No Alternate Directors have been appointed to represent Independent Non-Executive Directors.
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	Complied with. Mr. A Dadigama who is an Independent Non-Executive Director serves as the Senior Independent Director of the Company.
A.5.9	Meetings only with Non-Executive Directors	Complied with. Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	Complied with. The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board.
A.6 Supply of Information		
The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied with. Timely and adequate information is provided by Management to the Board which is circulated to the Directors in advance for regular meetings. The Management also provides additional information as and when required by the Board members.
A.6.2	Adequate Notice for Board Meetings	Complied with. Annual calendar of Board meetings is issued at the beginning of the each calendar year enabling them to include matters and proposals in this regard. Notice of Meeting is circulated to the Directors prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.
A.7 Appointments to the Board		
A.7.1 & A.7.2	Formal and transparent procedure for appointment of new Directors to the Board and Assessment of Board composition	The requirement of establishment of the Nomination Committee has not yet been adopted. The Board as a whole decides on the selection of new Directors. All new appointments to the Board are subject to regulatory provisions.

Code Ref.	Principle	Extent of Compliance
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with. Details of new Directors are disclosed to the shareholders through an announcement made to the Colombo Stock Exchange (CSE) at the time of their appointment.
A.8 Re-election		
A.8.1 & A.8.2	All Directors should be subject to re-election by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	Complied with. Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.
A.8.3	At the resignation the Director should submit a written communication to the board of his reasons for resignation in the event of resigning prior to completion of his appointed term.	No such situations have arisen.
A.9 Appraisal of Board performance		
A.9.1 – A.9.4	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	Complied with. The Company has adopted a scheme of self-assessment to be undertaken by each Director annually and filed with the Company Secretaries.
A.10 Disclosure of Information in respect of Directors		
Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	Disclosure of information on Directors in the Annual Report	Complied with. Information pertaining to Directors is disclosed in the following sections of this Annual Report. (1) Name, qualifications, expertise, material business interests and brief profiles on pages 26 to 27. (2) Related party transactions are given in Note No 52 to the Financial Statements on pages 271 to 276. (3) Membership of Sub-Committees and attendance at Board Meetings on pages 117 & 118.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
A.11 Appraisal of CEO/Managing Director		
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO/Managing Director	Complied with. Managing Director's performance targets are aligned with the short, medium and long term objectives of the Company. Targets are set at the beginning of every financial year by the Board and at the end of each financial year the Board evaluates the set targets and the actual performance.
B Directors' Remuneration		
B.1 Remuneration Procedure		
The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Establishment of a Remuneration Committee	Complied with. The Board has established a Remuneration Committee to make recommendations to the Board in determining remuneration of the Managing Director. No Director is involved in deciding his own remuneration.
B.1.2	Remuneration Committee to comprise exclusively of Non-Executive Directors	Complied with. All members of the Committee are Non-Executive Directors. The committee members are; (1) Mr. J Kumarasinghe – Independent Non-Executive Director (Chairman) (2) Mr. K D A Perera – Non-Executive Director (3) Mr. A Dadigama – Independent Non-Executive Director
B.1.3	Membership to be disclosed in the Annual Report	Complied with. Disclosed in the page 177 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
B.1.4	Remuneration of Non- Executive Directors	Complied with. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee whenever they serve on Board sub-committees.
B.1.5	Consultation with Chairman and/ or CEO/Managing Director for remuneration proposals and access to professional advice	Complied with. Chairman and Managing Director are consulted for proposals relating to the compensation packages of other Executive Directors and independent advice is also resorted as deemed necessary.
B.2 Level and make up of Remuneration		
Levels of remuneration of both Executive and Non - Executive Directors should be sufficient to attract and retain the Directors. Proportion of Executive Directors' remuneration should be linked to corporate and individual performance.		
B.2.1 - B.2.10	Level and make up of remuneration of Executive Directors including performance element in pay structure	Complied with. The Remuneration Committee recommends the remuneration payable to the Managing Director and Executive Directors. The Board makes the final determination after considering such recommendations.
	Executive Directors remuneration to promote the long-term success of the company	The Remuneration Committee assesses on the sufficiency of remuneration of Executive Directors including the Managing Director to ensure current remuneration levels are competitive and promote long-term retention.
	Remuneration packages in line with industry practices and transparent - performance related elements	The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/ industry rates.
	Executive share option	No share options schemes have been offered to the Executive Directors.

Code Ref.	Principle	Extent of Compliance
	Non Executive Directors remuneration	Non-Executive Directors of the Company are paid a fee in line with the market practices.
B.3 Disclosure of Remuneration		
Requirement for Annual Report to contain a Statement of Remuneration Policy and details of Board's remuneration as a whole.		
B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to Executive and Non- Executive Directors	Complied with. Refer 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 180 for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company. The remuneration paid to the Board of Directors is disclosed in aggregate in Note No 52 to the Financial Statements on page 271.
C. Relations with Shareholders		
C.1 Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings		
The Board should use the Annual General Meetings to communicate with shareholders and encourage their active participation.		
C.1.1	Notice of Annual General Meeting to be sent to shareholders with other related papers as determined by statute, before the meeting.	Complied with. Notice of the AGM, Form of Proxy and a copy of the Annual Report are sent to all shareholders at least 15 working days prior to the meeting in accordance with the provisions of the Companies Act of 2007, CSE Rules and the Articles of Association of the Company.
C.1.2	Separate resolutions for each substantially separate issue	Complied with. A separate resolution is proposed at the AGM for each item to be voted on. Forms of Proxy allow shareholders the option to direct their proxy holder to vote for or against each resolution or to withhold their vote on any matter.
C.1.3	Properly recording and counting of proxy votes	Complied with. All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.
C.1.4	Heads of Board Sub-committees to be available to answer queries	Complied with. In the absence of the Chairman of the respective Committee, a co-member will attend to queries raised.
C.1.5	Summary of procedures governing voting at general meetings to be circulated.	Complied with. Notice of Annual General Meeting and proxy form provides instructions for shareholders about voting procedures.
C.2 Communication with Shareholders		
C.2.1 – C.2.7	The Board should implement effective communication with shareholders.	Complied with. The main communication method with the shareholders is the Annual Report and AGM. Information is provided to the shareholders prior to the AGM, enabling them to raise / submit their views, suggestions and observations relating to the Company. A person to contact in relation to shareholders is the Company Secretary. The Company Secretary shall maintain a record of all correspondence received and will convey such correspondence to the Board.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
C.3 Major and Material transactions		
Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.		
C.3.1	Disclosure to shareholders of all material facts concerning any proposed transaction involving acquisition, sale or disposition of greater than one third of the value of the Company's assets.	There were no major transactions necessitating disclosure of this nature.
C.3.2	Comply with the disclosure requirements and shareholders' approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	No such requirement materialized during the year under review.
D. Accountability And Audit		
D.1 Financial Reporting		
D.1	Requirement for Board to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	Complied with. The Annual Report of the Company contains the audited Financial Statements together with comprehensive disclosures on the financial position, performance, business model, risk management, governance, internal controls and prospects of the Company to ensure disclosure of a balanced, complete and understandable assessment of the Company.
D.1.1	Present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Complied with. The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.
D.1.2	Present interim and other price sensitive public reports and mandated reports to regulators by statute	Complied with. The Board's responsibility over financial reporting is stated in the 'Statement of Directors' Responsibilities' on page 190. In the preparation of quarterly and annual financial statements, the Company complies with the requirements of the Companies Act No 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto, and financial statements are prepared and presented in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). The Company complies with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.

Code Ref.	Principle	Extent of Compliance
D.1.3	Chief Executive Officer's and Chief Financial Officer's Declaration on Financial Statements	Complied with. Prior to approving the Financial Statements for a financial period, the Board obtains the declaration of the Managing Director and the Senior Deputy General Manager – Finance & Administration on their responsibility in respect of financial reporting.
D.1.4	Declarations by Directors in the Directors' Report	Complied with. Declarations/confirmations pertaining to this Principle are disclosed in the 'Annual Report of the Board of Directors on the affairs of the Company' on pages 177 to 180.
D.1.5	Statements by Directors and Auditors on Responsibility for Financial Reporting	Complied with. The 'Statement of Directors' Responsibilities' is given on page 190 and 'Directors' Statement on internal control system over financial reporting' is given on page 189. See 'Independent Auditor's Report' on pages 192 and 195 for the reporting responsibility of Auditors.
D.1.6	Include a Management Discussion and Analysis	Complied with. Please refer 'Management Discussion and Analysis' on page 36 to 61 and 'Financial performance Review' on pages 72 to 81.
D.1.7	Remedial action at an Extra ordinary General Meeting if net assets fall below 50% of value of shareholders' funds	This situation has not arisen.
D.1.8	Disclosure of Related Party Transactions adequately and accurately in the Annual Report	Complied with. Related Party Transactions as defined in Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures' is disclosed in Note No 52 to the Financial Statements on page 271 to 276 . Please refer responses to requirements of section 12 of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance on page 134 for further details.
D.2 Internal Control		
D.2	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied with. The Board is responsible for determining the risk appetite for achieving the strategic objectives of the Company and establishing and overseeing the adequacy and integrity of the Company's risk management processes and internal control systems. The Audit Committee assists the Board in discharging its duties in relation to internal control systems. Internal Audit reviews of the adequacy and effectiveness of the internal control systems are reported on a regular basis to the Board Audit Committee. The overall risk management has been assigned to the Integrated Risk Management Committee of the Board.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
D.2.1	Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	Complied with. Adequacy and integrity of the Company's internal control systems is reviewed by the Board Audit Committee and the Integrated Risk Management Committee assesses all aspects of risk management on a quarterly basis or more frequently as it deems necessary. The minutes of the Board Committee meetings are tabled at the meetings of the Board of Directors for their information and action. The Board's Statement on the effectiveness of the Company's internal control mechanism is presented in the 'Directors' Statement on internal control system over financial reporting' in this Annual Report. The Company obtained the External Auditors' Certification on the effectiveness of the internal control mechanism over financial reporting.
D.2.2	Robust assessment of the principal risks faced by the Company	Complied with. The risk management report given on pages 159 to 176 provides an assessment of the risks faced by the Company and the process of risk identification, measurement and control. The 'Integrated Risk Management Committee Report' is given on page 185.
D.2.3	Internal audit function	Complied with. The Company's Internal Audit function is carried out by in-house internal audit department and the outsourced service provider - Ernst & Young Advisory Service (Pvt) Limited, who provides assistance in carrying out branch and specialized audit assignments. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings.
D.2.4	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and document to the Board	Complied with. Described in response to D.2.1 above.
D.3 Audit Committee		
Formal and transparent arrangements to be in place for selection and application of accounting policies, financial reporting & internal control principles and maintaining appropriate relationship with the Company's Auditors.		
D.3.1	Composition of the Audit Committee	Complied with. All members of the Board Audit Committee, including the Chairman are Non-Executive Directors and all members are Independent Non-Executive Directors as well.

Code Ref.	Principle	Extent of Compliance
D.3.2	Duties of the Audit Committee	Complied with. The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee. The Audit Committee monitors and reviews the scope, results and effectiveness of the audit and the independence and objectivity of the External Auditors. Please refer responses to requirements of section 10 (2) of the Finance Business Act Directions No.05 of 2021 on Corporate Governance on page 129 for further details.
D.3.3	Disclosures of the Audit Committee	Complied with. Please refer 'Audit Committee Report' on page 182 of this Annual Report.
D.4 Related Party Transactions Review Committee		
Transactions with related parties should be in manner that would not grant "more favourable treatment" than that accorded to third parties in the normal course of business.		
D.4.1	Related party transactions to be as defined by LKAS 24	Complied with. Related party transactions are defined in accordance with the LKAS 24, CBSL and CSE regulations.
D.4.2	Establishing a Related Party Transaction Review Committee with a minimum of three Non-Executive Directors.	Complied with. The Related Party Transactions Review Committee was established in August 2015 in line with the Listing Rules of the Colombo Stock Exchange. Please refer 'Related Party Transactions Review Committee Report' on page 184 of this Annual Report for detailed Committee information.
D.4.3	RPT Review Committee's Written terms of reference	Complied with. The Related Party Transactions Committee operates under Terms of Reference and a Board approved Related Party Transactions Policy.
D.5 Code of Business Conduct and Ethics		
Requirement to adopt a Code of Business Conduct and Ethics for Directors, Key Management Personnel and all other employees with due disclosures of waivers.		
D.5.1	Disclosure whether the Company has a Code of Business Conduct and Ethics for directors and key management personnel	Complied with. The Company has developed a Code of Business Conduct and Ethics for all employees.
D.5.2	Material and Sensitive information is promptly identified and reported	Complied with. Material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
D.5.3	Policy, process for monitoring and disclosure of shares purchased by Directors, Key Management Personnel or employees	Complied with. All the share dealings of the Directors are disclosed to the CSE promptly as per the CSE Listing Rules.
D.5.4	Chairman to affirm that code of conduct and ethics has been introduced companywide and he/she is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Complied with. The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or Key Management Personnel of the Company. Refer the Chairman's Statement in the Annual Report for details.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
D.6 Corporate Governance Disclosures		
Requirement to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.		
D.6.1	Disclosure of Corporate Governance	Complied with. This requirement is met through the presentation of this report.
E. Institutional Investors		
E.1 Shareholder Voting		
Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.1.1	Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders' views to the Board.	Complied with. The Annual General Meeting is the forum utilized by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).
E.2 Evaluation of Governance Disclosures		
Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.2	Encourage Institutional investors to give due weight to relevant governance arrangements	Complied with. Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.
F. Other Investors		
F.1 Investing/Divesting Decision		
F.1	Adequate analysis or seek independent advice	Complied with. Individual shareholders investing directly in the company are encouraged to carry out adequate analysis in investing or divesting decisions.
F.2 Shareholder Voting		
F.2	Individual shareholder voting	Complied with. Individual shareholders are encouraged to participate at Annual General Meeting and exercise their voting rights.
G. Internet Of Things And Cyber Security		
G.1 – G.5	Internet Of Things And Cyber Security	Complied with. Comprehensive IT policy is in place covering network access controls, closer monitoring of the usage of the internet, email and mail server, use of antivirus and firewall servers and software, etc. The functions of the Chief Information Security Officer have been delegated to Chief Manager – IT Operations. Risks relating to IT matters including that arising from cyber security are discussed at Board meetings and Board Sub – Committee meetings and the review of information security is carried out by the Auditors periodically. Refer Risk Management Report on pages 159 to 176 on disclosure of details relating to cyber security risks.

Code Ref.	Principle	Extent of Compliance
H. Environment, Society And Governance (ESG)		
H.1	ESG Reporting	Complied with. ESG principles are embedded in business operations and considered in formulating our business strategy. This Annual Report has been prepared in accordance with the IIRC Framework and the GRI Guidelines. All efforts are taken to ensure that the Annual Report includes sufficient information in order to assess how ESG risks and opportunities are recognised, managed, measured and reported. Information required by the Code is given in the following sections of the Annual Report: (1) Management Discussion and Analysis on pages 36 to 61 (2) Corporate Governance on pages 114 to 158 (3) Risk Management on pages 159 to 176

Corporate Governance

Section Three

Requirements on the Content of the Annual Report in Rule 7.6 and Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange:

The disclosures below reflect the Company's compliance with the Requirements on the Content of the Annual Report in Rule 7.6 of the Listing Rules of the Colombo Stock Exchange.

Rule Reference	Requirement	Extent of Compliance
7.6 (i)	Names of persons who held the positions of Directors during the financial year	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 177.
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 177 and Section 1.2 of the Notes to the Financial Statements on page 204.
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied with. Please refer 'Information on Ordinary Shares' on page 312 and 313. The Company has not issued any non-voting shares.
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Entity complies with the Minimum Public Holding requirement	Complied with. Please refer 'Information on Ordinary Shares' on page 312.
7.6 (v)	The statement of each Directors' holding and CEO/Managing Director's holding in shares of the Entity	Complied with. Please refer page 177 of 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied with. Please refer 'Risk Management' report on page 159 to 176.
7.6 (vii)	Details of material issues relating to employees and industrial relations of the Company	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied with. Information in this regard, is disclosed in Note 36 on 'Property, Plant and Equipment' in the Financial Statements and page 177 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied with. Please refer Note 48 on 'Stated Capital' in the Financial Statements on page 268.
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied with. Please refer 'Information on Ordinary Shares' on page 312.

Rule Reference	Requirement	Extent of Compliance
7.6 (xi)	Ratios and market price information on Equity and Debt	Complied with. Please refer 'Financial Highlights' on page 10, 'Information on Ordinary Shares' on page 312.
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs sustainability from the book value	Complied with. Please refer Note 36 on 'Property, Plant and Equipment' in the Financial Statements and page 177 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	There were no any share issues, rights issues or private placement during the year under review.
7.6 (xiv)	Information in respect of Employee Share Option /Purchase Schemes	No share options schemes have been offered by the Company.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules	Complied with. Please refer 'Corporate Governance' report on page 114 to 158.
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Complied with. Please refer Note 52 on 'Related Party Disclosures' in the Financial Statements.

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange which comprises of five subsections, namely:

- 1 Non – Executive Directors
- 2 Independent Directors
- 3 Disclosures Relating To Directors
- 4 Remuneration Committee
- 5 Audit Committee

Rule Reference	Requirement	Extent of Compliance
7.10.1 Non-Executive Directors		
7.10.1 (a)	The board of directors of a Listed Entity shall include at least, two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher.	Complied with. The Board consists of seven members of whom five are Non-Executive Directors. Accordingly, the number of Non-Executive Directors exceeds one-third of the total number of Directors on the Board.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with. The Board comprised of seven Directors as at the conclusion of the immediately preceding Annual General Meeting.

Corporate Governance

Rule Reference	Requirement	Extent of Compliance
7.10.1 (c)	Changes to this ratio shall be rectified within ninety days from the date of change.	No such situation has arisen.
7.10.2 Independent Directors		
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board, whichever is higher, should be independent.	Complied with. Based on declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors are independent.
7.10.2 (b)	Each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in Rule 7.10.4.	Complied with. All Non-Executive Directors have submitted their independence declaration as per the requirements for the Financial Year under review.
7.10.3 Disclosure Relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Complied with. Disclosed in the page 177 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.10.3 (b)	In the event a director does not qualify as independent as per the rules on corporate governance but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless independent, the board shall specify the criteria not met and the basis for its determination in the annual report.	No such circumstance has occurred during the financial year 2022/2023.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report which includes information on the nature of his/her expertise in relevant functional areas.	Complied with. Please refer pages 26 and 27 for the Profiles of the Directors.
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	Complied with. All new appointments to the Board are announced to the CSE together with the profiles of the Directors, when appointments are made to the Board.

Rule Reference	Requirement	Extent of Compliance
7.10.5 Remuneration Committee		
A listed Entity shall have a Remuneration Committee.		
7.10.5 (a)	The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with. The Remuneration Committee comprises of two Non-Executive Directors and the Chairman is an Independent Non-Executive Director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO/ Managing Director, to the Board.	Complied with. The Remuneration Committee recommends the remuneration payable to the Managing Director and other management personnel. The Board makes the final determination after considering such recommendations.
7.10.5 (c)	The Annual Report shall set out: (1) The names of the Directors that comprise the Remuneration Committee (2) A Statement of remuneration policy (3) Aggregate remuneration paid to Executive and Non-Executive Directors	Complied with. The names of the Directors that comprise the Remuneration Committee and the Statement of Remuneration Policy are given on page 177 of the 'Annual Report of the Board of Directors on the Affairs of the Company'. Aggregate fees and expenses paid to the Board of Directors have been disclosed in Note 52 to the Financial Statements.

Corporate Governance

Rule Reference	Requirement	Extent of Compliance
7.10.6. Audit Committee		
A listed Company shall have an Audit Committee.		
7.10.6(a)	The Audit Committee shall comprise of a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.	Complied with. All the members of the Audit Committee are Independent Non Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	The Chairman of the Audit Committee is an Independent Non Executive Director and possesses required qualifications and this is disclosed in page 27 of the Annual Report.
	The CEO/Managing Director and Chief Financial Officer shall attend Audit Committee meetings.	The MD and Chief Financial Officer attend the Audit Committee meetings by invitation.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10.6 of the Listing Rules.	Complied with. Please refer 'Audit Committee Report' on page 182 and responses to requirements of section 8 (2) of the Finance Companies Corporate Governance Direction on page 129 to 132 for further details.
7.10.6 (c)	The Annual Report shall set out: (1) The names of the Directors comprising the Audit Committee. (2) The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. (3) A report by the Audit Committee setting-out the manner of compliance of the functions set out in 7.10 of the Listing Rules, during the period to which the annual report relates.	Complied with. Please refer 'Audit Committee Report' on Page 182.

Risk Management Report

Our Approach

At Vallibel Finance, we adopt a holistic approach to risk management. Our Enterprise Risk Management (ERM) framework encompasses a broad range of global, local, operational, and emerging risks. We identify, assess, and mitigate risks within this framework for sustaining viable business operations. Risk management is seamlessly integrated strategic planning and implementation processes, with a strong emphasis on the implementation of risk management across all levels of business operations, extending from the Head Office to the branches, to ensure comprehensive coverage and effectiveness. The Company's risk governance structure promotes interactive communication, as we believe in the value of lateral communication for broader reach.

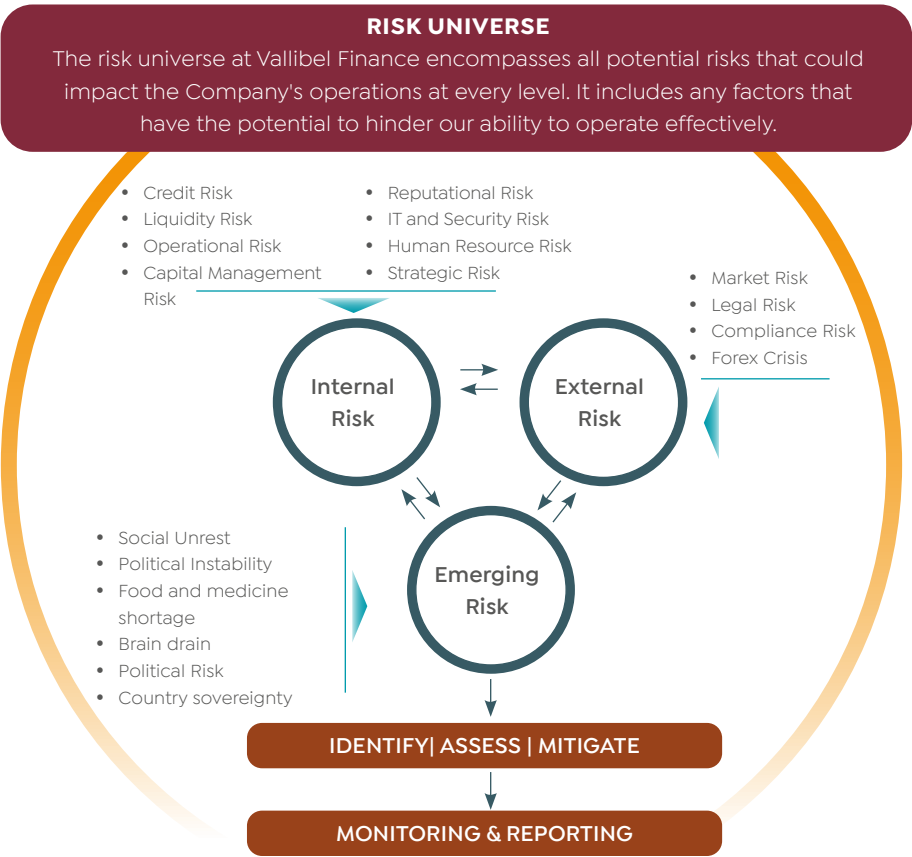
Risk Appetite

Vallibel Finance establishes our risk appetite as the maximum level of residual risk acceptable in pursuit of our business objectives. This risk appetite outlines the maximum allowable risk for the specific business units and operations. The Board of Directors, in collaboration with Integrated Risk Management Committee (IRMC), establishes the risk appetite parameters, striking a balance between potential benefits and drawbacks.

Identified Risk Universe for FY 2022/23

Despite the uncertainties prevailing in the macroeconomic environment and the challenges which arose within the Company's business operating environment, Vallibel Finance persevered in pursuing our business objectives as an emerging financial institution. The year under review presented many challenges not faced in the past, leading to several reforms in our business objectives. As a socially

Risk Management Process



responsible corporate entity, Vallibel Finance's robust risk culture was well-equipped to handle emerging potential risk events. Leveraging the risk universe as our guiding framework, the Company effectively addressed and surmounted these challenges, thereby sustaining viable and sustainable business operations. The four-step process is further explained below.

Step 1 – Risk Identification and Categorisation

The objective of risk identification is to uncover the potential impact of risk events on Vallibel Finance's operational capabilities by answering questions regarding what, where, when, why, and how these events may occur. The

At Vallibel Finance PLC, we acknowledge the presence of risks and assume responsibility for their mitigation and reduction, while ensuring customer satisfaction, depositor protection, and shareholder value through a robust risk management system approved by the Board and compliant with CBSL regulations.

Risk Management Report

categorisation of risk events follows a systematic approach, classifying them into internal, external, and emerging risks. However, this process was not without complexity, as risk events often presented dilemmas.

Furthermore, these risks were further divided into primary and secondary risks. Primary risks encompassed those inherent to the nature of our business, while secondary risks arose as a consequence of undertaking primary risks. For instance, if external factors affected interest rates, it would impact both liquidity and credit risk for Vallibel Finance as a result.

Step 2 – Risk Assessment

Following the identification and categorisation of risk events, Vallibel Finance proceeds to evaluate the risks using a predefined risk matrix as outlined below.

Risk Assessment		Severity of Impact					
		Negligible -Known	Low -Known	Medium -Known	High -Known	Extreme -Known	Unknown
Probability of Impact	Remote -Known	Low Priority	Minor Priority	Minor Priority	Moderate Priority	Moderate Priority	Unfathomable Uncertainty
	Unlikely -Known	Minor Priority	Moderate Priority	Moderate Priority	Moderate Priority	Higher Priority	
	Possible -Known	Minor Priority	Moderate Priority	Higher Priority	Higher Priority	Top Priority	
	Likely -Known	Moderate Priority	Moderate Priority	Higher Priority	Top Priority	Top Priority	
	Certain -Known	Higher Priority	Higher Priority	Top Priority	Top Priority	Top Priority	Untapped Knowledge
	Unknown	Low Priority	Moderate Priority	Higher Priority	Top Priority	Top Priority	

Step 3 – Risk Treatment/Mitigation

Upon completing the assessment, an individualised risk treatment/mitigation plan is devised for each identified risk.

Risk Assessment	Risk Treatment
Top Priority	These risks must be addressed immediately due to the higher significance of impact on the Company.
Higher Priority	These risks must be addressed soon after addressing the above risk category.
Moderate Priority	These risks must be addressed after reviewing the controls in place.
Minor Priority	These risks must be treated after addressing the more significant risks.
Low Priority	These risks could be tolerated due to the low level of impact on the company.
Unfathomable Uncertainty	These risk events represent situations where both the awareness of their existence and their potential impacts are unknown.
Untapped Knowledge	These risk events have been previously encountered by other institutions, yet Vallibel Finance remains unaware of their existence or relevance. Examples include stress testing and scenario analysis.

Step 4 – Risk Monitoring and Reporting

Risk monitoring and reporting is an ongoing process at Vallibel Finance that involves surveillance and communication of risks. It includes regular assessment of identified risks, tracking their status and impact, and timely reporting to relevant stakeholders. By closely monitoring risks, the Company stay informed about emerging risks and changes that could affect the achievement of our business goals.

Reporting on risks is crucial for transparency and accountability, involving the communication of risk information to key stakeholders. Reports provide an overview of the current risk

profile, significant risk events, mitigation measures, and recommended actions. Effective risk monitoring and reporting facilitate informed decision-making, timely risk mitigation, and regulatory compliance, and foster a culture of risk awareness and responsiveness.

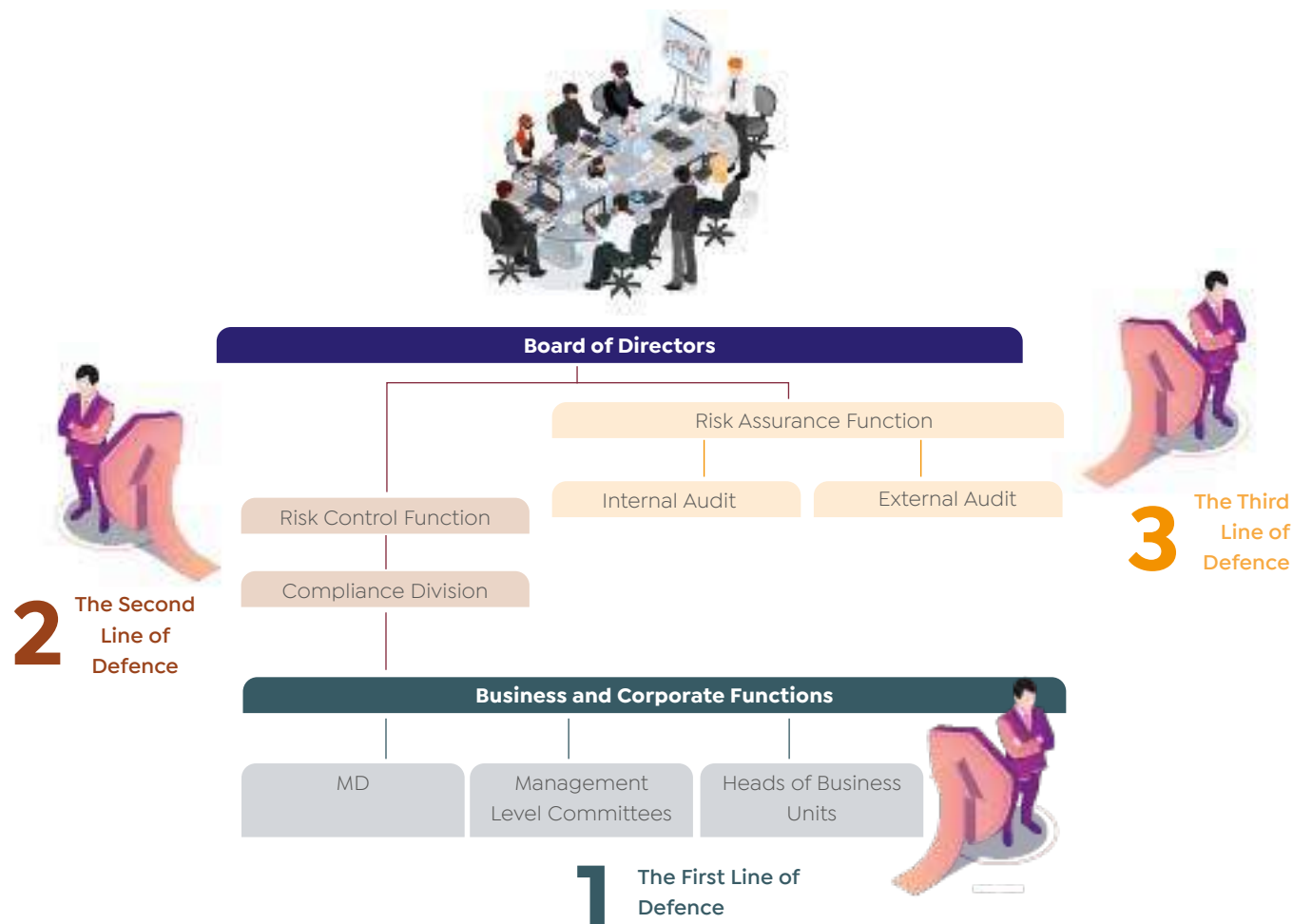
Vallibel Finance's Enterprise Risk Management (ERM) framework, along with a risk-aware culture, plays a crucial role in the Company's overall risk management process. The Company empowers both management and employees to take ownership of internal controls. This process also serves as a means of lateral communication, providing valuable feedback to support proactive risk management. The Integrated Risk Management

Committee (IRMC), Audit Committee (AC), and Board of Directors (BOD) diligently monitor and report on all significant risks of the Company.

Risk Governance Structure

The Company's BOD assumes responsibility for formulating the overarching risk strategy. The effectiveness and sufficiency of the Risk Management Framework are overseen by the Integrated Risk Management Committee (IRMC). Vallibel Finance's Enterprise Risk Management (ERM) framework establishes a Three Lines of Defence model to address risk events that may adversely affect the Company's business operations. This framework encompasses dedicated risk management departments or groups.

Enterprise Risk Management (ERM) Framework



Risk Management Report

Three Line of Defence Framework

First Line of Defence	Second Line of Defence	Third Line of Defence
Business and Corporate Functions Day-to-day management of risks based on acceptable risk appetite and risk management policies	Risk Control Function Ensure the efficiency of risk management practices supported by a strong understanding of potential risks, maintaining a robust risk management framework, and providing regular updates to both the Management and Board sub-committees.	Risk Assurance Function Facilitates the maintenance of high standards of governance and control, providing independent assurance to the Board of Directors over First and Second Lines of Defence
- MD - Management Level Committees - Heads of Business Units	- Compliance Division - Risk Management Function	- Internal Audit - External Audit

Risk Management Committees and Their Responsibilities

	Role and Responsibility	Assurance of Governance
Board of Directors (BOD)	The Board of Directors (BOD) has the ultimate responsibility for the establishment and oversight of the risk management process of Vallibel Finance. Accordingly, the Board has established several sub-committees to assist the BOD in discharging its risk management-related responsibilities.	The Statement of Director's Responsibilities for the financial year ended 31st March 2023 is available on page 178 of the Annual Report.

Board Sub-Committees	Role and Responsibility	Assurance of Governance
Audit Committee (AC)	Assists the BOD in fulfilling its oversight responsibilities for the integrity of the financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's independence, the performance of the Company's internal audit function, and the soundness of the internal controls and practices. Responsible for monitoring and reviewing risk management policies and procedures and evaluating the suitability of the risk management process adopted to manage the risks faced by the Company. The AC met 06 times during the year under review. The AC is assisted in these functions by the Internal Audit team.	The Statement of AC for the financial year ended 31st March 2023 is available on page 182 of the Annual Report.
Integrated Risk Management Committee (IRMC)	Responsible for developing and monitoring the risk management policies and procedures, as well as the risk profiles and risk appetite of the Company's specified risk categories. The IMRC meets quarterly to assess all aspects of risk management, or more frequently as it deems necessary or appropriate to carry out its duties and responsibilities in a timely and accountable manner.	The Statement of IRMC for the financial year ended 31st March 2023 is available on page 185 of the Annual Report.

Management Committees	Role and Responsibility	Composition
Assets and Liabilities Management Committee (ALCO)	Assists the BOD in supervising and monitoring the Company's assets and liabilities, and related management policies and procedures to ensure effective management of on- and off-Balance Sheet risks of the Company. Primarily responsible for the management of interest rate risk, market risk, liquidity risk, capital risk, and other risks which may be specified by the IRMC. The ALCO meet monthly to review progress and developments; and guide the Company forward as required.	The ALCO consists of members from the senior management team who oversee significant risk categories. The ALCO is chaired by the Managing Director. All action taken by the ALCO is reported to the IMRC.
Credit Committee (CC)	Responsible for formulating credit policies of the Company in consultation with business lines. Responsible for setting the risk exposure concentration limits for counterparties, geographies, industries, asset classes, and market liquidity. In considering credit policy formulation, the CC must review customer collateral requirements and credit assessments, risk grading and reporting documentation and legal procedures, and compliance with regulatory and statutory requirements. In addition, the CC must establish the authorisation structure for the approval and renewal of credit facilities. The CC meets monthly, or more frequently depending on business requirements.	The Credit Committee is comprised of the Managing Director, Executive Director, Senior DGM – Credit, Senior DGM – Collections, DGM – Credit, DGM –Branch Operations and Channel Management and the Senior Manager – Credit Administration.

Management of Key Risks

The Company's risk appetite and the various mechanisms utilised to manage the identified risks which can have a potential impact on the achievement of the Company's objectives and may arise from various sources such as financial, operational, strategic, or regulatory factors are further explained below.

Vallibel Finance's Risk Appetite

Risk Criteria	Appetite	Regulatory Limit	31st March 2023
Credit Risk -			
Loans and Advances			
Non-performing loans ratio - Gross	<12%	NA	6.16%
Non-performing loans ratio - Net	<10%	NA	1.33%
Exposure to 10 largest customers	<5% of lending portfolio	NA	2.23%
Maximum exposure to single borrower - secured - Individual	15% of capital funds	15% of capital funds	1.24%
Maximum exposure to single borrower - unsecured - Individual	1% of Core Capital	1% of Core Capital	0%

Risk Management Report

Risk Criteria	Appetite	Regulatory Limit	31st March 2023
Liquidity Risk			
Liquid assets ratio	10% of Deposit liabilities 15% of Savings 10% of unsecured Borrowings	10% of Deposit liabilities 15% of Savings 10% of unsecured Borrowings	26.92%
Deposit renewal ratio	Average 3 month renewal ratio of 70%	NA	73.41%
Maximum single depositor/group exposure	<25% of Capital Funds	NA	15.00%
Maximum exposure to large deposits (Over Rs 50Mn)	<55% of total deposits	NA	28.14%
Compliance- Capital Adequacy			
Core capital ratio	8.50%	8.50%	17.02%
Total risk weighted capital ratio	12.50%	12.50%	22.26%
Capital funds to deposits ratio	10.00%	10.00%	26.84%
Market Risk			
% Impact on Net Interest Income from 100 bps shock	5.00%	NA	1.43%
% Impact on Net Interest Income from 200 bps shock	10.00%	NA	2.87%
% Impact on Net Interest Income from 300 bps shock	15.00%	NA	4.30%
% Impact on net Net Interest Income from 400 bps shock	20.00%	NA	5.74%

Management of Key Risks (Internal and External) Categories for FY 2022-23

Risk Category	Sub Risk	Update
Credit Risk		
Credit risk is the potential loss arising from the borrower or a counterparty failing to meet obligations in accordance with agreed terms. Vallibel Finance categorises credit risk into three elements - default risk, settlement risk, and concentration risk - based on the operating environment. The Credit Committee is responsible for overseeing the credit risk together with the Credit and Recoveries Division. Credit risk is managed within the risk appetite of the Company.	Default Risk & Settlement Risk	Moderate – Well Managed The Central Bank of Sri Lanka (CBSL) had a strategic plan to modify the classification of NPLs from 6 months to 3 months. As per the roadmap, during the FY 2022/23, the NPL classification of the Company was reduced to 4 months. This duration will be further decreased to 3 months in the forthcoming FY 2023/24. As the 4-month NPA classification was applicable to the industry during FY 2022/23, this created pressure on the industry compelling finance companies to strengthen their collection and disbursement processes. Despite the macroeconomic challenges, the Company considered this a positive reform. Vallibel Finance, however, was in a favourable position as the Company's credit operation has a comprehensive due diligence and customer screening procedure integrated within the credit evaluation process. This acted as the first line of defence.

Risk Category	Sub Risk	Update
		Still, with these evolving changes, the BOD took the initiative to redesign the process in line with the direction given by the CBSL. Accordingly, the Company's internal processes were re-engineered, and the below steps were implemented. • Upgraded the Credit Policy and Recoveries Processes. • Close monitoring of collections to ensure they are receipted according to the agreed-upon timeframes. • Upgrade of information technology (IT) to track performance. In addition, the Company's employees responsible for recoveries played a pivotal role in incorporating empathy into the process, demonstrating the Company's commitment to prioritise people's needs and experiences, further solidifying Vallibel Finance's reputation as a people-centric organisation. This resulted in the Company's NPL increasing from 2.73% in FY 2021/22 to 6.16% during FY 2022/23. However, the NPL performance cannot be directly measured due to the inconsistencies resulting from the re-classification of the duration of the NPL. The industry reported 15.98% as of 31st March 2023 based on CBSL records. Refer to page 172 for in-depth analysis.
	Concentration Risk	Remained Low This was managed within limits set for individuals, groups, counterparties, related parties, asset types, industries, and geographies. Credit concentrations are reported to IRMC and the CC. The key control to manage this risk was the Credit Policy which serves as the foundation for prudent lending practices at Vallibel Finance. During the FY 2022/23 the following steps were taken to manage concentration risk. • Setting clear authorisation and approval processes based on exposure levels. • Periodic review of delegated authority levels. • Limiting exposure levels to counterparties, geographies, and industries and the establishment of risk scores. • Ensured compliance with regulatory directions. • Monitoring and reporting of high-concentration lending by the CC to the IRMC. • IRMC measured exposure against risk appetite as a second level of defence. Refer to page 173 for in-depth analysis.

Risk Management Report

Risk Category	Sub Risk	Update
Liquidity Risk Liquidity Risk may arise due to the inability of the Company to meet “on” or “off” balance sheet contractual and contingent financial obligations as they fall due. This risk is more likely to occur due to mismatches in assets and liabilities. Therefore, the primary objective of liquidity risk management is to assess and ensure the availability of funds to meet any such obligations. Vallibel Finance understands liquidity risk is monitored by the CBSL based on standard reporting. However, as a socially responsible entity, the Company has stringent controls on liquidity and the Treasury Department plays a pivotal role in managing liquidity risk.	Market Liquidity Risk	High – Well Managed Market liquidity is mainly dependent on the Central Bank’s liquidity position. During FY 2022/23, the CBSL mostly recorded a negative market liquidity starting from 1st April 2022 with a deficit of Rs. 593.63 Bn to 31st March 2023 with a surplus Rs.27.35 Bn. Refer to page 174 for in-depth analysis.
	Funding Liquidity Risk	Remained Low This risk was foreseen by Vallibel Finance and early actions were taken to borrow from banks at competitive fixed rates. Even after the risk event occurred, the Company managed to borrow through fixed deposits when banks slowed lending. The below key initiatives were taken by the IRMC during the financial year under review to manage funding liquidity risk. • The Treasury Division closely liaised with banks and other financial agencies to maintain relationships and be updated on changes. • Revise budgets based on macroeconomic conditions. • Regular cash flow forecasts and stress testing. • Scenario analysis and planning. • Maturity mismatch analysis based on tested scenarios. • Regular ALCO meetings were held to monitor and manage liquidity levels. • Upgraded the Contingency Funding Plan (CFP) to meet any contingent situations that could arise. • Ensured all liquid ratios complied with CBSL directives. Refer to pages 174 to 175 for in-depth analysis.

Risk Category	Sub Risk	Update
Market Risk		
Vallibel Finance faces the risk that its financial position may be adversely impacted by changes in financial market conditions including changes in interest rates, exchange rates, commodity prices, and equity prices. The objective is to manage and control market risks within acceptable parameters while optimising the return on risk. The overall authority of market risk is vested with the IRMC, while the Treasury Department is entrusted with managing the day-to-day market risks.	Interest Rate Risk	High – Well Managed During FY2022/23, Sri Lanka encountered its highest levels of inflation and interest rates. These adverse conditions were primarily attributed to the depletion of foreign reserves. To manage these developments, the Company took preventive measures to increase the Fixed: Floating ratios to 53:47 in order to hedge the increasing interest rates movement of floating rate loans. Contrary to raising the cost of funds, the Company opted to expand its portfolio of variable short-term loans, including options such as gold loans and auto draft loans. Refer to page 176 for in-depth analysis.
	Commodity Risk	Moderate – Well Managed Gold serves as the primary commodity influencing the Company's operations. Throughout FY 2022/23, Vallibel Finance observed an upward trajectory in the gold market, driven by global market conditions and the appreciation of the USD against the LKR. Nevertheless, this situation presented an opportunity for both banks and NBFIs to mitigate the escalating interest costs through gold loans. Vallibel Finance also capitalised on this opportunity by expanding the Company's gold loan portfolio. Refer to page 176 for in-depth analysis.
	Foreign Exchange Rate Risk	Low – Well Managed The Company does not have direct exposure to foreign exchange (FOREX) risk, the unfavourable exchange rate fluctuations indirectly affected gold prices and interest rates, thus impacting the Company's business operations during FY 2022/23. Refer to page 176 for in-depth analysis.
	Equity Price Risk	Remained Low There are two dimensions to consider: - As a listed entity on the Colombo Stock Exchange (CSE): - The Company's share price remained unaffected by any financial or other impacts throughout the year. - Equity investments made by Vallibel Finance: - The Company has solely invested in its fully owned subsidiary, Vallibel Properties Ltd. - minor equity investment is made in Central Credit Information Bauer (CRIB) and Singer Finance PLC (Refer Financial Notes page 245). There were no equity investments made for the FY 2022-23. Refer to pages 176 for in-depth analysis.

Risk Management Report

Risk Category	Sub Risk	Update
Operational Risk		Remained Low Operational risks were effectively mitigated through the implementation of the following key controls within business operations. • Implemented the AML system by KPMG to Combat Money Laundering and Terrorist Financing. • Upgraded the risk management policy. • Update of Internal Policies and Standard Operating Procedures (SOPs) • Enhanced internal controls. • Enhanced external stakeholder engagement through Service Level Agreements (SLA), Non-Disclosure Agreements.
Information Technology and Security Risk		Remained Low IT and security risk has emerged as prominent area of concern for the Company due to the adoption of a digital environment over the last few years. The main categories of IT risks identified by Vallibel Finance for the FY 2022/23 are listed below: External Risks • Cyber security breaches and malicious software attacks. • Data hacking and phishing attacks. • Over-dependence risk. Internal Risks • Inadequate bandwidth. • System downtime. • Insufficient or outdated IT infrastructure. • Malpractices. • Human errors. Vallibel Finance adopted the following measures to mitigate and manage these risks. • Upgraded the IT policy. • Use of up-to-date malware protection. • Internal communications to employees on the proper use of IT hardware and software, as well as best practices to be adopted. • Continuous Professional Development (CPD) and Training for employees in the IT Department.

Risk Category	Sub Risk	Update
Capital Management Risk Capital Management Risk is the ability of the Company to absorb unexpected shocks and maintain sufficient capital in terms of regulatory requirements (capital adequacy). This is essential to maintain fiscal stability and is embedded in the way the business operates. The IRMC monitors the capital adequacy and capital management activities undertaken by the Company.		Remained Low The Capital Adequacy Ratio serves as the primary metric for assessing this risk. While it falls under the compliance risk category, Vallibel Finance treats it as a separate risk due to its significance to sustainable business operations. The Capital Adequacy Ratio measures the Company's ability to meet the minimum regulatory capital requirements established by the CBSL. During the FY 2022/23, the Company consistently fulfilled this requirement with a significant capital cushion. Refer to pages 175 for in-depth analysis.
Strategic Risk Strategic risk refers to the potential threats and uncertainties that can impact Vallibel Finance's ability to achieve its strategic objectives, mainly caused by changing market dynamics. These risks arise from the decisions and actions taken by the Company, which, if not managed effectively, can lead to adverse consequences, or hinder long-term success.		Remained Low – Well Managed During FY 2022/23, Vallibel Finance faced a multitude of uncertainties and challenges while striving to achieve its business objectives. In such a demanding environment, the Company relied on its ERM framework as the primary defensive strategy. The first line of defence was responsible for implementing business objectives, while the second line of defence closely monitored potential risks. Key controls implemented to manage strategic risks include: - Careful establishment of business objectives. - Internal and external analysis using SWOT. - Evaluation of alternative options and contingency plans. - Implementation of monitoring mechanisms, including: - Robust budgeting process, - Variance analysis, and - Scenario analysis and Stress testing. These controls played a critical role in navigating the uncertainties and challenges faced by Vallibel Finance during the year under review.

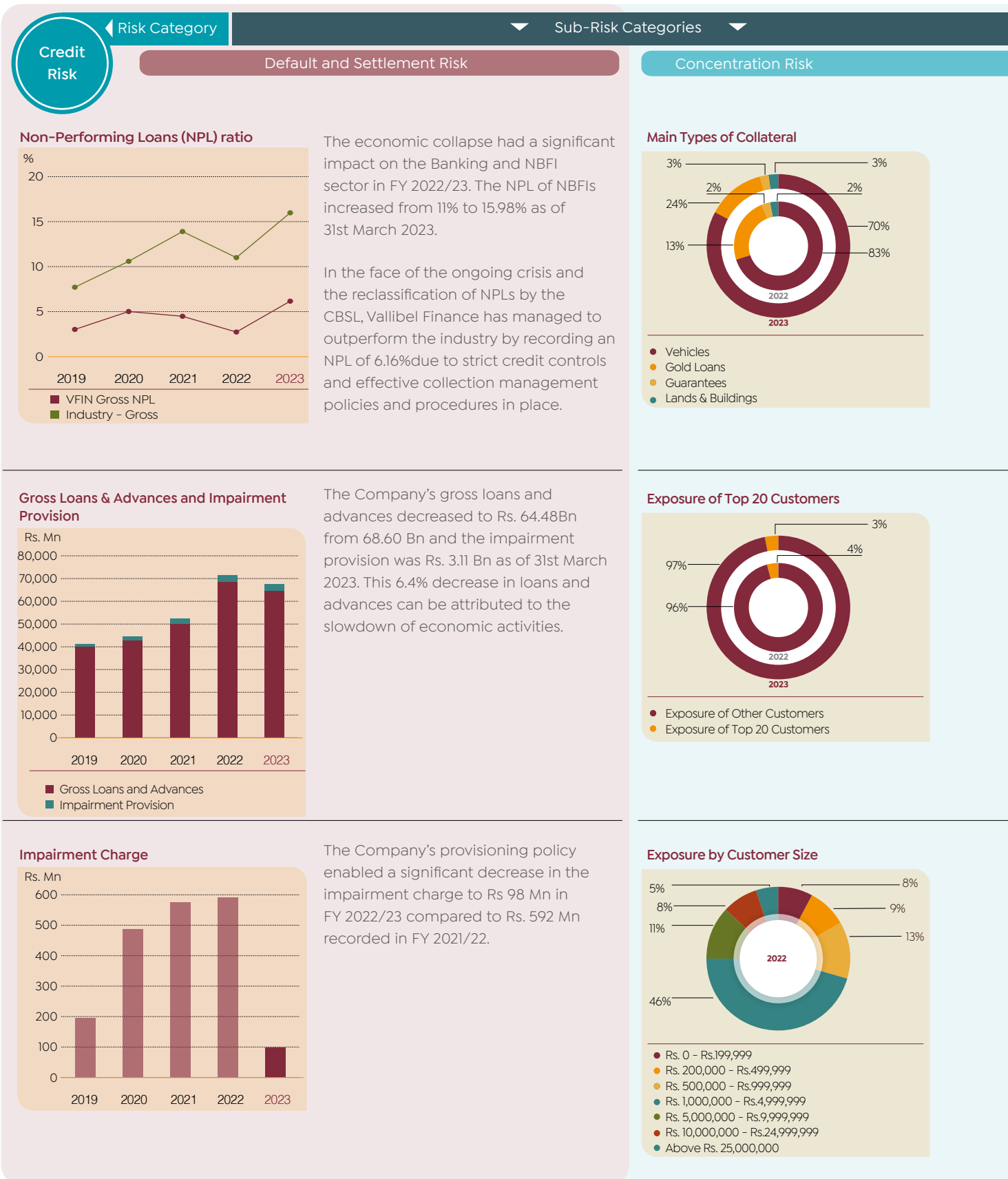
Risk Management Report

Risk Category	Sub Risk	Update
Compliance Risk Compliance risk arises due to the potential threats to the Company that result from non-conformance with laws, regulations, rules, directions, prescribed practices, and ethical business practices. As the main regulatory authority, CBSL establishes well-defined guidelines and standards that Non-Bank Financial Institutions (NBFI) are required to follow. The NBFI sector, which Vallibel Finance is a part of, is obligated to comply with these established parameters and maintain adherence to the prescribed standards.		Remained Low The Integrated Risk Management Committee (IRMC) has established a compliance function to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls, and other prescribed practices. A separate Compliance Officer has been appointed to carry out the compliance function independently. Regular reviews are carried out to assess the Company's compliance with regulatory and statutory requirements.
Legal and Regulatory Risk Legal and Regulatory Risk refers to the potential risks arising due to Vallibel Finance's non-compliance with applicable rules, laws, and code of conduct that could result in financial and reputational damage.		Remained Low Vallibel Finance consistently adheres to all relevant laws and regulations as a responsible corporate citizen. Business ethics holds significant importance within the Company's core values, reflecting our commitment to ethical conduct and responsible business practices. Legal risk management commences from prior analysis, and a thorough understanding of, and adherence to, related legislation by employees. Necessary precautions are taken at the designing stage of transactions to minimise legal risk exposure. In the event of a legal risk factor, the Legal Division of the Company takes immediate action to address and mitigate these risks. The Company's Legal Division also ensures that all business activities are carried out in a manner which complies with the laws and regulations applicable in the country. The Division holds various responsibilities, including providing legal counsel to senior management, conducting reviews of contracts and agreements, scrutinising collateral documentation, and representing the Company in legal proceedings, when required.

Risk Category	Sub Risk	Update
Human Resource Risk		Remained Low During FY 2022/23, the country witnessed the migration of numerous skilled professionals caused by political instability and social unrest. This situation created an opportunity for local employees to explore job switches. Vallibel Finance recognises the critical role of employees in achieving success. The Company's rapid expansion and resilience instilled confidence in its employees regarding future prospects. The HR Division focused on enhancing employee well-being and promoting work-life balance. These initiatives played a vital role in retaining employees and further expanding the workforce. Refer to the Human Capital Review on pages 66 to 71.
Reputational Risk		Remained Low Preserving the organisation's good standing is a paramount concern for Vallibel Finance. The Company's vision, mission, and values are centred around prioritising people and understanding their needs enabling us to create a people-centric culture, enabling us to manage and closely develop relationships with key stakeholders including employees, customers, and the community. The Company's communication policy supports transparent and regular communications with all stakeholders for information sharing. A team operates a call centre to address customer inquiries and other concerns. The Company's mass and social media platforms are ideal for sharing information with the wider society. Regular training sessions are conducted to instil core values, ethics, and professionalism within employees. These training sessions aim to equip employees with the necessary skills and mindset to effectively engage with external stakeholders while upholding the Company's principles. These sessions also feature industry experts who contribute to employee development and provide guidance on effectively managing customer inquiries, interactions, and customer satisfaction. While reputational risk can arise from various risk events, the Company did not encounter any reputation-related issues during FY 2022/23.

Risk Management Report

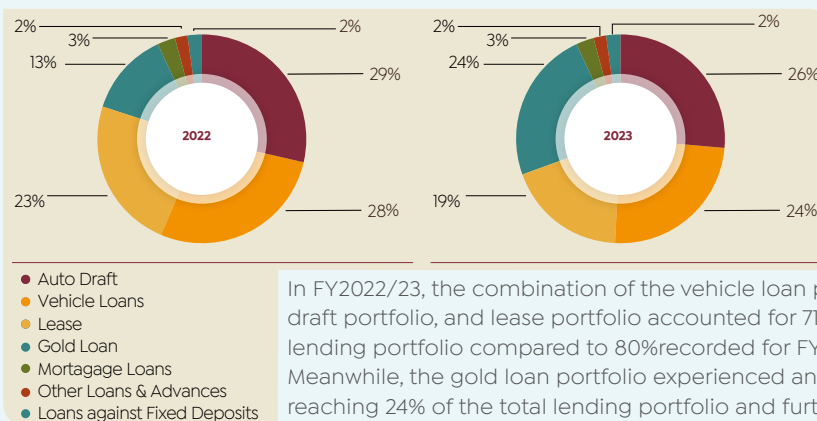
In-depth, Analysis of internal and External risks



As a result of the economic crisis, the industry experienced an increase in penetration and a diversification of the product mix. This led to Vallibel Finance increasing its gold loans from 13% in FY 2021/22 to 24% in FY 2022/23.

However, despite other options available, vehicles continued to be the preferred collateral for obtaining loans and advances, with 70% of the portfolio reflecting this ongoing trend.

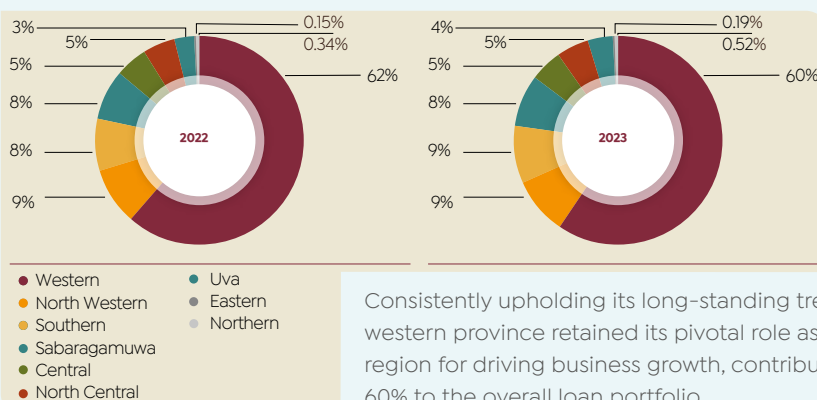
Product Concentration



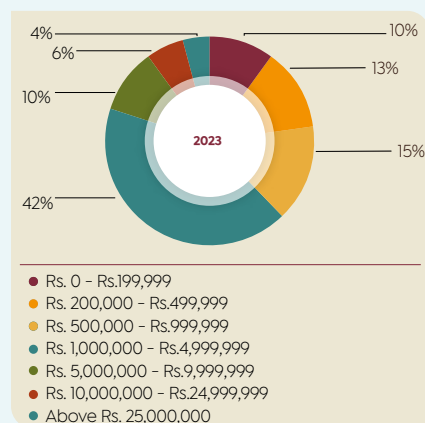
In FY2022/23, the combination of the vehicle loan portfolio, auto draft portfolio, and lease portfolio accounted for 71% of the total lending portfolio compared to 80% recorded for FY 2022/23. Meanwhile, the gold loan portfolio experienced an increase, reaching 24% of the total lending portfolio and further diluting risks associated with one product group.

The Company's exposures to the Top 20 customers accounted for only 3% of the portfolio, while the remaining customers contributed to 97% of the portfolio. This represents a 1% decrease in exposure during FY 2022/23 compared to FY 2021/22.

Geographical Concentration



Consistently upholding its long-standing trend, the western province retained its pivotal role as the primary region for driving business growth, contributing a steady 60% to the overall loan portfolio.



Maturity Analysis of Loans and Advances

In terms of maturity analysis, the maturity period ranging from 3 to 12 months represents the highest-valued loan segment within the total lending portfolio, amounting to Rs. 24.5 Bn. The second highest exposure within the portfolio is to loans maturing in three months, totalling to Rs. 22.1 Bn.

During FY 2022/23, the Company's core customer segment continued to have an exposure ranging from Rs. 1,000,000 to Rs. 4,999,999. They accounted for 42% of the portfolio in FY 2022/23 compared to 46% recorded in FY 2021/22.

Loans and Advances Maturity Analysis

As at 31 March 2023	Rs. Mn
Up to 3 Months	22,100
3 to 12 months	24,549
1 to 3 years	15,032
3 to 5 years	2,785
More than 5 years	13
Total	64,479

Risk Management Report

Liquidity Risk

Risk Category

Market Liquidity Risk

Sub-Risk Categories

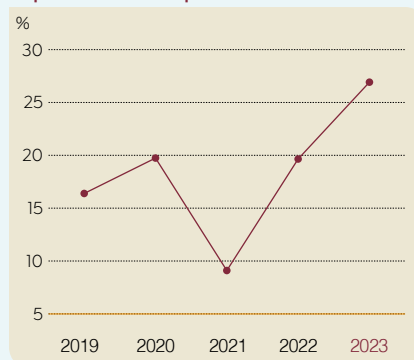
Funding Liquidity Risk

Market Liquidity Risk



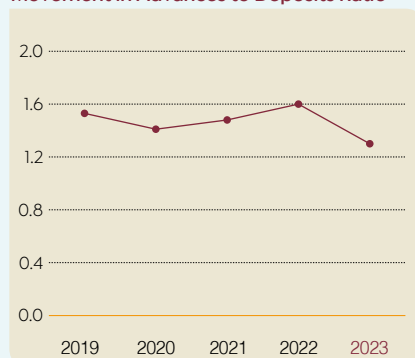
The liquidity deficit in the domestic money market, which was considerably high in the first half of 2022, gradually decreased in the latter part of the year. However, despite improvements in money market liquidity, market interest rates remained elevated, partly due to reduced activity in the domestic money markets. The intervention by the CBSL successfully addressed these liquidity issues, leading to a turnaround from an initial deficit of Rs. 600 Bn at the beginning of FY 2022/23 to a positive of Rs. 27.35 Bn by the end of the FY 2022/23, indicating positive momentum in the financial system.

Liquid Assets to Deposit Ratio



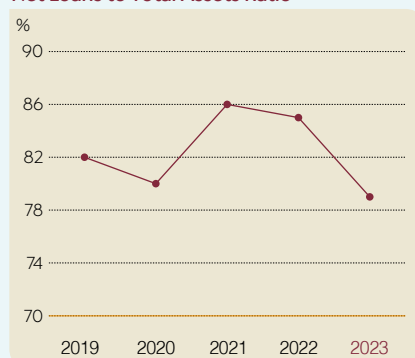
Vallibel Finance has maintained a consistent growth in liquid assets to deposits, achieving a ratio of 26.92% in FY 2022/23. As part of the Company's liquidity risk management strategy, the Treasury Department closely monitors this indicator and strives to strike a balance between risk and return.

Movement in Advances to Deposits Ratio



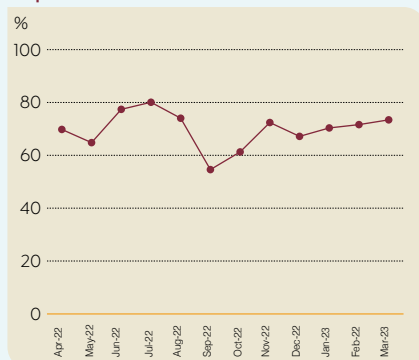
The advances to deposit ratio reduced to 1.30 times as of 31st March 2023, in comparison to 1.60 times recorded at the end of the FY 2021/22. This decline is attributed to the growth of deposits which was driven by the high-interest rates which prevailed during FY 2022/23.

Net Loans to Total Assets Ratio



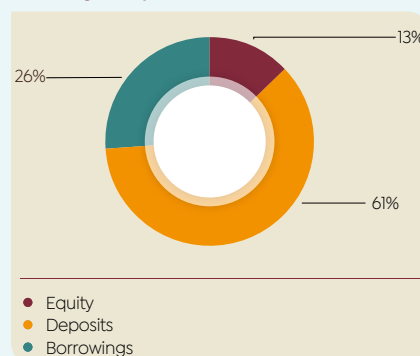
As of 31st March 2023, the net loans to total assets ratio stood at 79%, marking a decrease of 6% compared to the 85% recorded in FY 2021/22.

Deposit Renewal Ratio

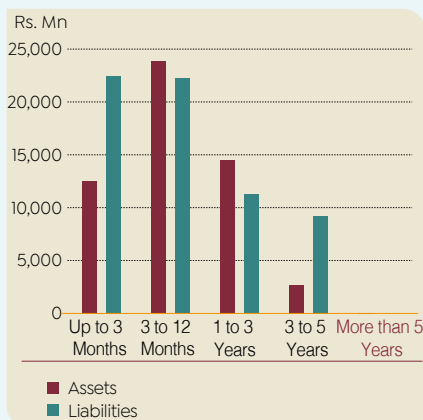


In FY 2022/23, the average deposit renewal ratio decreased, reaching 70.38%. This decline is primarily attributed to the higher yield offered by government securities, which attracted investors to subscribe to instruments like Treasury Bills and Bonds.

Funding Composition



Maturity Analysis of Interest Bearing Assets and Liabilities as at 31st March 2023



The primary focus of liquidity management is to minimise the maturity mismatch, and Vallibel Finance's Treasury Department works closely with the ALCO to achieve this goal. Despite liabilities exceeding assets within a three-month period, the Company is prioritising the retention of deposits as a strategic approach. However, the maturity mismatch remains within Vallibel Finance's risk appetite.

Capital Adequacy

As at 31 March	2023	2022
Tier I Capital	10,711	10,271
Tier II Capital	3,292	2,779
Total Capital	14,003	13,050
Risk Weighted Amount for Credit Risk	55,440	62,384
Risk Weighted Amount for Operational Risk	7,473	8,070
Total Risk Weighted Amount	62,912	70,453
Regulatory Minimum Tier I Capital Ratio %	8.50%	7.00%
Tier I Capital Ratio %	17.02%	14.58%
Regulatory Minimum Total Capital Ratio %	12.50%	11.00%
Total Capital Ratio %	22.26%	18.52%

Tier 1 Capital:

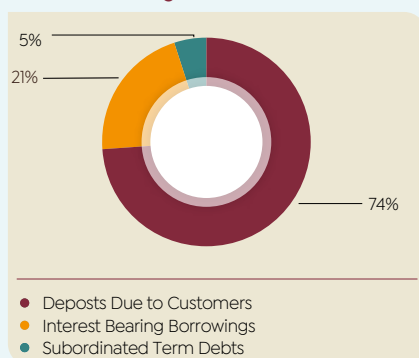
As per the capital adequacy direction of the CBSL, companies with an asset base below Rs 100 Bn are required to maintain a capital adequacy level of 8.5%. Vallibel Finance has successfully maintained a capital adequacy level of 17.02% for FY 2022/23.

Total Capital:

Similarly, CBSL mandates a minimum total capital ratio of 12.50%. The Company has achieved a total capital ratio of 22.26% for FY 2022/23.

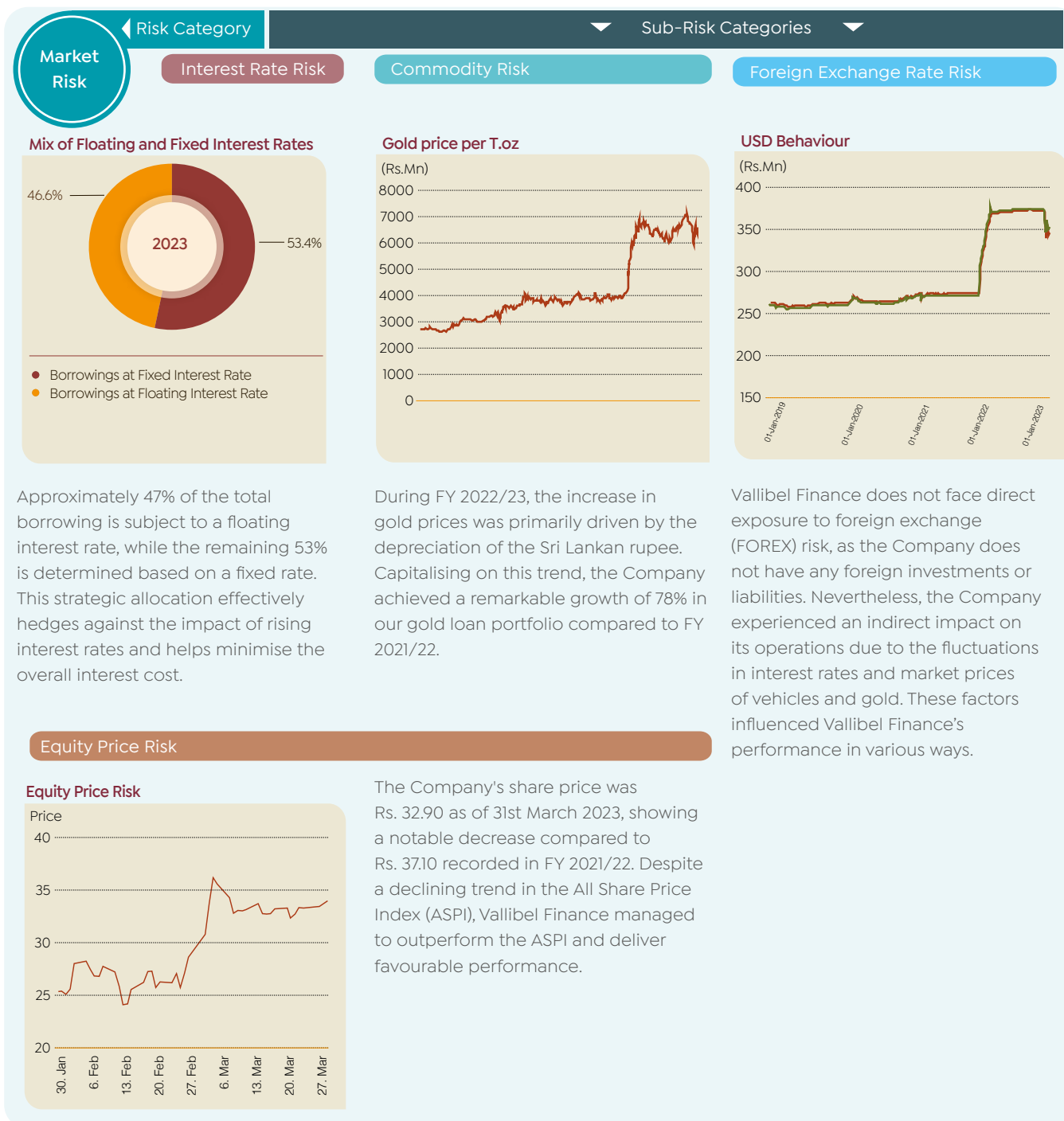
For a detailed breakdown of the capital adequacy ratio computation, refer to the notes provided in the Annual Report, on page 293.

Interest - Bearing Liabilities Mix 2023



In FY 2022/23, customer deposits comprised 74% of the Company's interest-bearing liabilities, marking a 10% increase compared to FY 2021/22. The remaining 26% of these liabilities are due to interest-bearing borrowings obtained from other institutions.

Risk Management Report



Management of Emerging Risks

The Company is cognisant and ready to manage new and unforeseen risks that arise because of changes to the macroeconomic and business operating environments. Emerging risk factors that the Company must contend with include those brought on by changes to and advancements in stakeholder needs, technology, digitalisation uptake, and consumer trends. Proactive risk considerations are essential for Vallibel Finance's sustained business growth and success due to the continued dynamism of change experienced in the economic and industrial landscape on a local and global scale. Vallibel Finance remains highly vigilant about these risks and is committed to implementing proactive risk management strategies aligned with its long-term corporate objectives.

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

The Directors of Vallibel Finance PLC have pleasure in presenting their Annual Report together with the Consolidated Financial Statements of the Company and its subsidiary for the year ended 31st March 2023 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

General

Vallibel Finance PLC is a limited liability Company which was incorporated on 5th September 1974 as a private limited liability company under the Companies Ordinance (Chapter 145) as “THE RUPEE FINANCE COMPANY LIMITED” and was converted to a public company on 7th August 1989 under the Companies Act, No. 17 of 1982.

On 21st November 2005 the name of the Company was changed to “VALLIBEL FINANCE LIMITED”. The Company was re-registered as “VALLIBEL FINANCE PLC” under the Companies Act, No. 7 of 2007 (Companies Act) on 20th August 2008 under Registration No. PB526PQ.

Vallibel Finance PLC is a Licensed Finance Company in terms of the Finance Business Act, No. 42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The Ordinary Shares of the Company are listed on the Main Board of the Colombo Stock Exchange.

Lanka Rating Agency Limited has assigned an initial entity rating (long term) of BBB+ with a negative outlook.

Principal activities of the Company and review of performance during the year

The Company's principal activities are accepting deposits, granting of finance leases, hire purchase facilities, mortgage loans, vehicle loans, personal loans, gold loans, micro finance and other credit facilities.

The Company's only subsidiary, Vallibel Properties Ltd is engaged in the administration of construction, development and maintenance of the corporate office building complex for Vallibel Finance PLC. The said building was declared open on 1st June 2023.

There were no significant changes in the nature of the principal activities of the Company during the year under review.

The Directors do hereby declare that to the best of the knowledge of the Board of Directors the Company has not engaged in any activity which contravenes laws and regulations.

This Report and the Financial Statements reflect the state of affairs of the Company.

Financial Statements

The Consolidated Financial Statements of the Company and its subsidiary have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 06th June 2023.

The Consolidated Financial Statements of the Company and its subsidiary duly signed by the Senior Deputy General Manager – Finance and Administration and two Directors on behalf of the

Board are given on pages 196 to 295, which form an integral part of the Annual Report of the Board of Directors on the affairs of the Company.

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company and the Group is given on pages 192 to 195.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 204 to 295.

Changes in Accounting policies are described in Note 4 to the Financial Statements.

Directors

The names of the Directors who held office as at the end of the accounting period are given below:

Executive Directors

Mr. S B Rangamuwa – Managing Director
Mr. S S Weerabahu – Executive Director

Non-Executive Directors

Mr. K D A Perera	– Director
Mr. T Murakami**	– Director
Mr. A Dadigama*	– Director
Mr. J Kumarasinghe*	– Director
Mrs. C P Malalgoda*	– Director

* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Business Act (Corporate Governance) Direction No. 05 of 2021. Mr. A Dadigama was appointed the Senior Independent Non-Executive Director on 18.12.2021.

**Alternate Director – Mr. H Ota

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

Mr. Dhammika Perera who served as an Executive Director resigned on 10th June 2022, pursuant to the regulatory approvals being obtained for same.

Mr. T Murakami retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Based on the declarations made by the Independent Non-Executive Directors, the Board determined that Messrs A Dadigama, J Kumarasinghe and Mrs. C P Malalgoda were independent as against the criteria for defining “independence” set out in the Listing Rules and the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

Mr. K D A Perera who served as the Acting Chairman of the Board of Directors was re-designated as the Chairman of the Board of Directors with effect from 24th January 2023.

The relevant regulatory approval in terms of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021 and Finance Companies (Structural Changes) Direction No. 01 of 2013 was obtained for the said re-designation.

Directors of the Subsidiary Company

Mr. S B Rangamuwa – Director
Mr. S S Weerabahu – Director

There were no changes in the Directors of the subsidiary during the year under review and upto the date of this Report.

Interests Register

The Company maintains an interests register in terms of the Companies Act, which is deemed to form part and parcel of this annual report and is available for inspection upon request.

The relevant interests of Directors in the shares of the Company as at 31st March 2023 as recorded in the interests register are given in this report under Directors’ shareholding.

Related Parties’ Transactions with the Company

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period have been duly declared and are recorded in the interests register in due compliance with the provisions of the Companies Act, LKAS 24, Listing Rules and Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

The Directors also abstained from voting on matters in which they had a material interest in.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 52 to the financial statements.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock

Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2023.

Directors’ Remuneration

The remuneration of Directors of the Company and its subsidiary is disclosed under key management personnel compensation in Note 52.2 to the Financial Statements on page 271.

Directors’ responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Stated Capital

The Stated Capital of the Company as at 31st March 2023 was Rs. 1,325,918,000/- represented by 235,453,400 ordinary shares.

There were no changes in the Stated Capital of the Company during the year.

Directors’ shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2023 are as follows:

	Shareholding as at 31/03/2023	Shareholding as at 31/03/2022
Mr. K D A Perera*	8,532,960	8,532,960
Mr. S B Rangamuwa	Nil	Nil
Seylan Bank PLC / Mr. S B Rangamuwa	5,250,000	5,250,000
Mr. T Murakami	Nil	Nil
Mr. A Dadigama	12,450	2,450
Mr. S S Weerabahu	Nil	Nil
Mr. J Kumarasinghe	Nil	Nil
Mrs. C P Malalgoda	Nil	Nil
* Mr. K D A Perera serves as a Director of Vallibel Investments (Private) Limited which holds 121,108,000 shares constituting 51.43% of the issued shares of the Company.		

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, the 20 largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 312 and 313 Earnings, Net Assets per Share, appear on page 10.

Auditors

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

Messrs KPMG also served as the Auditors of the subsidiary company, Vallibel Properties Ltd.

A total amount of Rs. 3,128,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 2,018,000/- as Audit Fees and audit related services, and Rs. 1,110,000/- for non-audit services.

A fee of Rs. 605,000/- is payable to the Auditors of the subsidiary company as Audit Fees.

The Auditors of the Company, have expressed their willingness to continue in office. The Audit Committee at a meeting held on 06th June 2023 recommended that they be reappointed as Auditors. A resolution to reappoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Donations

During the year under review the Company made donations amounting to Rs. 30,300/- and there were no donations made by the subsidiary company.

Property, Plant and Equipment And Significant Changes in the Company's Fixed Assets / Market Value of Land

The details of property plant and equipment are given in Note 36 of the financial statements. The land and buildings owned by the company are recorded at revalued amount and details of those properties and their market values as at 31st March 2022 as per valuations conducted by Mr. H.B. Manjula Basanayake an independent valuer are set out in Note 36.4 to the financial statements on page 257.

The details of investment Property are given in Note 35 of the financial statements on page 253 and it is recorded at revalued amount as at 31st March 2023.

Material Foreseeable Risk Factors

The section on Risk Management on pages 159 and 176 sets out the processes currently practiced by the Company to identify and manage the risks.

The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks and cash flows are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, the going concern basis is adopted in preparing the financial statements of the Company.

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company

and contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Reporting date, have been paid or, where relevant, provided for.

Corporate Governance

The Board of Directors confirm that the Company has complied with Section 7.10 of the Listing Rules of the CSE on Corporate Governance, the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 (subject to the transitional provisions mentioned therein) and the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021.

The Corporate Governance Statement on page 114 to 158 explains the practices within the Company in this respect.

An Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as Board Sub Committees, with Directors who possess the requisite qualifications and experience.

Additionally the Board has formed an Integrated Risk Management Committee in terms of the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

The composition of the said Committees is as follows:

Audit Committee

Mr. A Dadigama	- Chairman
Mr. J Kumarsinghe	- Member
Mrs. C P Malalgoda	- Member

The Report of the Audit Committee appears on page 182 and 183.

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

Remuneration Committee

Mr. J Kumarasinghe	- Chairman
Mr. K D A Perera	- Member
Mr. A Dadigama	- Member

The Remuneration Committee recommends the remuneration payable to the Managing Director, Executive Directors and other key management personnel. The Board makes the final determination after considering such recommendations. The remuneration packages offered by the Company are linked to the individual performances and are aligned with the Company's business.

The Report of the Remuneration Committee appears on page 181.

Related Party Transactions Review Committee

Mr. A Dadigama	- Chairman
Mr. J Kumarasinghe	- Member
Mrs. C P Malalgoda	- Member

The Report of the Related Party Transactions Review Committee appears on page 184.

Integrated Risk Management Committee

Mr. J Kumarasinghe	- Independent Non-Executive Director - (Chairman)
Mr. A Dadigama	- Senior Independent Non-Executive Director
Mrs. C P Malalgoda	- Independent Non-Executive Director
Mr. S B Rangamuwa	- Managing Director
Mr. S S Weerabahu	- Executive Director
Mr. Nirosan Perera	- Senior Deputy General Manager - Credit
Mr. K D Menaka Sameera	- Senior Deputy General Manager - Finance & Administration
Mr. T U Amaraweera	- Deputy General Manager - Asset Management

The report of the Integrated Risk Management Committee appears on page 185.

Equitable treatment of Stakeholders

The Company has at all times ensured that all shareholders treated equitably.

Statement by the Board

The Board acknowledges its responsibility to ensure the integrity of this Integrated Report, which in the Board's opinion addresses all material issues and presents fairly the integrated performance of Vallibel Finance PLC.

Annual General Meeting

The Annual General Meeting will be held on 30th June 2023 at 10.00 a.m. at the Auditorium of Corporate Office, No. 480, Galle Road, Colombo 03.

The notice of the Annual General Meeting appears on page 320.

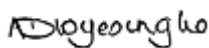
This Annual Report is signed for and on behalf of the Board of Directors by



K D A Perera
Chairman



S B Rangamuwa
Managing Director



Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2023
Colombo

Remuneration Committee Report

Composition of the Committee

The Board-appointed Remuneration Committee consists of mainly Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. The members of the Committee have a range of experience and knowledge of the business and industry.

The composition of the committee is as follows,

Mr J Kumarasinghe (Chairman)

Independent Non-Executive Director

Mr K D A Perera

Non-Executive Director

Mr A Dadigama

Independent Non-Executive Director

Terms of Reference

The Remuneration Committee functions according to approved guidelines set by the Board and supports the Board of Directors in establishing a remuneration system at Vallibel Finance PLC that links rewards to both company-wide and individual achievements. The Committee has the authority to investigate issues within its purview and provide recommendations to the Board, enabling them to make informed decisions in those areas.

Company remuneration policy

The Company's remuneration policy aims to recruit, retain, and motivate high-calibre personnel at Board and Executive levels who possess appropriate professional, managerial and operational expertise required to achieve the Company's short-term and

long-term objectives. The Company attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

Role of the Committee

The main responsibilities of the Committee include the following,

- To recommend the remuneration policy of the company and amendments thereto, as required.
- To review the Managing Director's and the Executive Directors' remuneration which should be aligned with their responsibilities and contributions including scope of service agreements, terms of employment or contract of employment/service, benefits, pension or incentive scheme entitlement, bonuses, fees and expenses and any compensation payable on termination of employment/service contract by the Company and to review changes thereto, as necessary, and recommend the same to the Board for approval.
- To establish and maintain an effective remuneration framework for senior management and other employees which is structured to ensure that rewards are measurably linked to an individual's performance, skills, experience and level of responsibilities.
- To oversee any major changes in employee remuneration and benefit structures throughout the Company.

- To carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

Meetings

The Committee formally met twice during the year under review. Recommendations made by the Committee were submitted to the Board of Directors for decision.



J Kumarasinghe

Chairman

Remuneration Committee

06th June 2023

Audit Committee Report

Composition of the Audit Committee

The Board Audit Committee comprises of three Independent Non-Executive Directors.

The composition of the committee is as follows.

Mr. A Dadigama

Independent Non Executive Director
(Chairman)

Mr. J Kumarasinghe

Independent Non Executive Director

Mrs. C P Malalgoda

Independent Non Executive Director

The Chairman, Mr. A Dadigama, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds a MBA in Finance from University of Southern Queensland, Australia. He is specialised in Finance, Treasury, Compliance and Risk Management and counts over 26 years of experience in different entities.

Terms of Reference of the committee

The Board Audit Committee is appointed by the Board of Directors of Vallibel Finance PLC to assist and provide the board oversight of the integrity of financial reporting, adequacy of the system of internal control, assessment of the Company's compliance with legal and regulatory requirements. The Audit Committee charter defines the role and responsibility of the Audit Committee and it was reviewed and approved by the Board in July 2022.

Role of the Committee

The key purpose of the Audit Committee of Vallibel Finance PLC is to assist the Board of Directors by fulfilling its overseeing responsibilities for:

- The integrity of the financial reporting of the Company
- The Company's compliance with legal and regulatory requirements
- Independence and performance of the Company's External Auditors
- Performance of the Company's internal audit function
- The soundness of the internal control and practices
- To make recommendations to the Board pertaining to the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

Meetings

The Committee met six times during the year. The attendance at the meetings was as follows:

Name of Director	Executive/Non-Executive	Extent of Compliance
Mr. A Dadigama	Independent Non-Executive	6/6
Mr. J Kumarasinghe	Independent Non-Executive	6/6
Mrs. C P Malalgoda*	Independent Non-Executive	5/6

*Appointed w.e.f. 25.05.2022

The Company Secretaries function as the Secretaries to the Committee.

The Managing Director and the Senior Deputy General Manager - Finance & Administration attended the meetings on invitation. The minutes of the Audit Committee were tabled at the monthly Board meetings.

The Committee carried out the following activities:

Financial Statements

The Committee reviewed the Financial Information of Vallibel Finance PLC in order to monitor the integrity of the Financial Statements, its Annual Report and Accounts Reports prepared for publication.

Internal Audit

The Company has an own in-house Internal Audit Department and Messers Ernst and Young, Chartered Accountants also provides assistant in carrying out branch and specialised

audit assignments. During the year under review, the Committee reviewed the Internal Audit Reports together with the management responses. A risk-based audit approach was adopted with a view to rationalise the usage of audit resources.

External Audit

The Audit Committee met with Messrs KPMG prior to the commencement of the audit to discuss and approve the audit approach and the audit plan. Further, at the conclusion of the audit the Committee met with the Auditors to discuss the audit findings. The meetings were held without the presence of the Management. The Management's letter from the External Auditors and the response of the Management thereto were discussed by the Audit Committee.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, be re-appointed as

the Auditors of the Company for the financial year ending 31st March 2023, subject to the approval of the Shareholders at the next Annual General Meeting.

Based on the declaration provided by Messrs. KPMG, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditors) or interest in the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the Reporting Date.

Regulatory compliance

The Committee assessed the Company's compliance with financial reporting requirements, information requirements under the Companies Act, Finance Business Act and other relevant financial reporting related regulations (such as SLASs/IFRS) and requirements.

Whistleblowing Policy

The Company's Whistleblowing Policy was put in place. This Whistleblowing Policy encourages all personnel to raise concerns, expose irregularities, help uncover financial malpractices and prevent frauds without any fear of revenge or adverse consequences. All appropriate procedures have been established to conduct independent investigations into incidents reported through this process or if identified through other means. This process is monitored by the Board Audit Committee.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.



A Dadigama

Chairman

Audit Committee

06th June 2023

Related Party Transactions Review Committee Report

Composition of the Related Party Transaction Review Committee

The Related Party Transactions Review Committee, appointed by the Board of Directors of Vallibel Finance PLC, is comprised of three Independent Non-Executive Directors.

The composition of the committee is as follows,

Mr. A Dadigama

Independent Non Executive Director
(Chairman)

Mr. J Kumarasinghe

Independent Non Executive Director

Mrs. C P Malalgoda

Independent Non Executive Director

Brief profile of each member of the Committee is given on pages 24 to 27.

Role of the Committee

The Related Party Transactions Review Committee was established in August 2015 in line with the Listing Rules of the Colombo Stock Exchange.

The purpose of the Committee is to provide independent review, approval and oversight of Related Party Transactions of the Company.

The main responsibilities of the Committee include the following.

- Develop and recommend policies and procedures to review Related Party Transactions of the Company.
- Review proposed Related Party Transactions of the Company except those explicitly exempted by the Committee Charter.
- Update the Board of Directors on the Related Party Transactions of the Company.
- Make disclosures on applicable Related Party Transactions, as required by the applicable regulations.

Policies and Procedures

The Company has adopted a Related Party Transactions (RPTs) Policy in view of structuring the Company's policies and procedures to uphold good governance and in the best interests of the Company. The Policy has been prepared in accordance with the rules pertaining to RPTs under the Listing Rules of Colombo Stock Exchange and Central Bank of Sri Lanka.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders; adequate transparency is maintained and is in compliance with the Listing Rules. The Committee reviewed related party transactions during the year and communicated its observations to the Board.

Meetings

The Committee held four meetings during the year, in quarterly intervals, to review the Related Party Transactions of the Company. The minutes of the meetings are tabled at next immediate Board meetings for Board's information and/or action.

Related Party Transactions during the year

The Company has not entered into any transactions as set out in Sections 9.1.1, 9.1.2 and 9.3.2 (b) of the Listing Rules of the CSE. All transactions entered into by the Company which fall under section 9.3.2 (a) of the Listing Rules have been disclosed in Note 52.7 to the Financial Statements on page 275. Details of other Related Party Transactions are given in Note No. 52 to the Financial Statements on pages 271 to 276.



A Dadigama
Chairman

Related Party Transaction Review
Committee

06th June 2023

Integrated Risk Management Committee Report

Composition of the Integrated Risk Management Committee (IRMC)

IRMC is comprised of three Non-Executive Directors, one Executive Director, Managing Director and three representatives from the senior management.

The composition of the committee is as follows,

Mr. J Kumarasinghe (Chairman)

Independent Non Executive Director

Mr. A Dadigama

Independent Non Executive Director

Mrs. C P Malalgoda

Independent Non Executive Director

Mr. S B Rangamuwa

Managing Director

Mr. S S Weerabahu

Executive Director

Mr. Niroshan Perera

Senior Deputy General Manager - Credit

Mr. K D Menaka Sameera

Senior Deputy General Manager - Finance & Administration

Mr. T U Amaraweera

Deputy General Manager - Asset Management

Compliance Officer and any other Key Management Personnel attend the meetings upon invitation.

Roles and Responsibilities of the Committee

The Integrated Risk Management Committee functions within the Terms of Reference which sets out the objectives and responsibilities of the Integrated Risk Management Committee.

The IRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the numerous of risks faced by the company in its business operations. The Corporate Management is responsible for identifying relevant risks and notifying the IRMC. Duties of the IRMC include determining the adequacy and effectiveness of such measures, and to ensure that the actual overall risk profile of the company conforms to the desirable risk appetite of the company, as approved by the Board.

The Key responsibilities of the Committee are:

- Develop the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the strategic business objectives.
- Assess the impact of all material risks, including credit, market, liquidity, operational and strategic risk to the Company through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- Monitor and approve, as required, the Company's material strategies, frameworks, policies, processes, models and limits in place to govern risk-taking that are consistent with the risk management strategy and the established risk appetite of the Company.
- Review and approve, at least annually, the Company's risk management policy & procedure.
- Review the adequacy and effectiveness of management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.

- Receive reports from management concerning capital adequacy, asset quality, credit, market, liquidity, operational, new and emerging risks, etc. in order to oversee these risks and assess their effect on capital levels.
- Evaluate the adequacy and effectiveness of the risk management systems and internal controls
- Take prompt corrective action to mitigate the effects of specific risk in the case such risks are at levels beyond the prudent levels, decided by the Board on the basis of the Company's policies and regulatory and supervisory requirements.

During the year, the Committee assessed and reviewed material risks associated with the conduct of the business, and also ensured strategies are in place to manage those risks to prudent levels. The Risk Management process which is used by the IRMC to discharge its functions is detailed in the Risk Management section of the annual report.

Meetings

The Committee held four meetings, in quarterly intervals, during the year under review. The minutes of the IRMC Meetings were tabled at the Board meetings.

The Integrated Risk Management Committee reviewed risk policy frameworks, and risk management strategies and key risk indicators were discussed at the meetings. The IRMC is satisfied that the risk exposures of the Company are being appropriately managed.



J Kumarasinghe
Chairman

Integrated Risk Management Committee

06th June 2023

A photograph of a modern office lobby. The walls are made of large, light-colored stone tiles. The ceiling is white with recessed lighting and a red fire alarm bell. A glass door with a metal handle is visible on the left. In the background, there is a glass-enclosed staircase and a glass door leading to another area.

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REMARKABLE VALUE



Financial Calendar

ANNUAL GENERAL MEETING (AGM) CALENDAR

	2022/2023	2023/2024
Annual Report and Accounts for the year signed/to be signed	06th June 2023	In May 2024
Annual General Meeting to be held	30th June 2023	In June 2024

INTERIM FINANCIAL STATEMENTS CALENDAR - SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2022/2023 Submitted on	2023/2024 To be Submitted on or before
For the three months ended / ending 30th June	12th August 2022	15th August 2023
For the six months ended / ending 30th September	15th November 2022	15th November 2023
For the nine months ended / ending 31st December	15th February 2023	15th February 2024
For the year ended / ending 31st March	31st May 2023	31st May 2024

SIX MONTHS FINANCIAL STATEMENTS

Six months ended /ending 30th September	2022/2023 Published on	2023/2024 To be published on or before
English	25th November 2022	30th November 2023
Sinhala	25th November 2022	30th November 2023
Tamil	25th November 2022	30th November 2023

ANNUAL FINANCIAL STATEMENTS

Year ended/ ending 31st March	2022/2023 Published on	2023/2024 To be published on or before
English	21st June 2022	30th June 2023
Sinhala	22nd June 2022	30th June 2023
Tamil	23rd June 2022	30th June 2023

Director's Statement on Internal Control Over Financial Reporting

Responsibility in line with the section 10 (2) (b) of the Finance Company direction, No 03 of 2008 as amended by the Direction No 06 of 2013, the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Vallibel Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control 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 policies and procedures on risk and control, by identifying and assessing the risks faced, and in design, operation and monitoring of suitable internal controls over financial reporting to mitigate and control these risks. Internal controls over financial reporting are checked by the Internal Auditors of the Company for suitability of design and effectiveness on an ongoing basis.

Confirmation

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 and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors Certification

The External Auditors have submitted a certification on the process adapted by the Directors on the system of internal controls over financial reporting.

By order of the Board



S B Rangamuwa
Managing Director



A Dadigama
Chairman
Audit Committee

06th June 2023

Statement of Director's Responsibilities

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements are prepared in compliance with the required standards and any other requirements which apply to the Company's financial statements under any other law.

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act, No. 42 of 2011 and the relevant Directions issued in respect of Licensed Finance Companies.

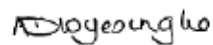
The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy

and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2023/24, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board

VALLIBEL FINANCE PLC

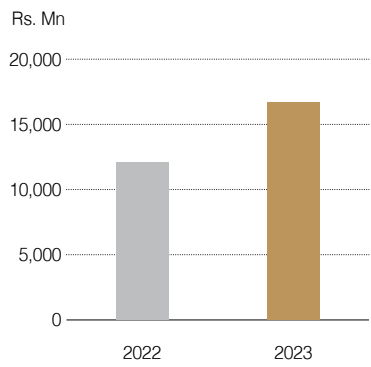


P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2023

Key Highlights

Gross Income



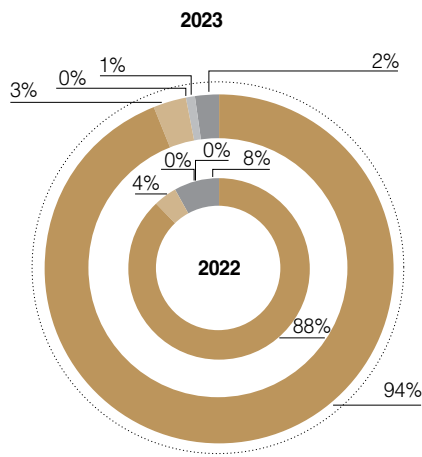
Net Interest Income



Profit for the Year



Gross Income Composition



- Interest Income
- Fee and Commission Income
- Net Gain / (Loss) from Trading
- Net Gain / (Loss) from FVTPL
- Other Operating Income

Total Assets



Deposits due to Customers



Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
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TO THE SHAREHOLDERS OF VALLIBEL FINANCE PLC Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Vallibel Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other 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 and other explanatory information as set out on pages 196 to 295 of this Annual Report.

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 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the Company financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements and the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Allowance for Impairment losses for loans and receivables, lease rental and hire purchase receivables

Refer note 29, 30.1.1 and 30.2.1 to the financial statements and the accounting policies in the note 6.1.10

Risk Description	Our Response:
As at 31 March 2023, 75% of total assets of the Company consisted of loan and receivables, lease and hire purchase receivables totalling Rs 61.4 Bn, net of impairment allowance of Rs 3.1 Bn.	Our audit procedures included:
The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for impairment loss in accordance with SLFRS 9- Financial Instruments (SLFRS 9).	- Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, especially taking into consideration the prevailing uncertain and volatile macro-economic environment; - Challenging the key assumptions in the ECL models, including staging, PD, and LGD and evaluating the reasonableness of Management's key judgments and estimates;

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C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII



Risk Description	Our Response:
A high degree of complexity and judgment is involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the prevailing uncertain economic outlook on the Company's customers, increasing our audit effort thereon. We have identified the allowance for expected credit losses as a key audit matter due to the significance of the loans and receivables, lease and hire purchases receivables balances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances and level of required disclosures set out by the requirements of SLFRS 7 financial instruments: Disclosures.	▪ Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; ▪ Recalculating the ECL on a sample basis, by using the key assumptions used in the models, such as PD and LGD; ▪ Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment. ▪ Working with our internal consulting specialists in order to assess the management computation of the ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, assumptions, and management overlays to the ECL model. ▪ Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so,

consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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.

Independent Auditor's Report



In preparing the financial statements, management is responsible for assessing the Company and 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 Company and the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current



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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

A handwritten signature in black ink, appearing to be 'K. M. M.', with a long, sweeping horizontal line extending to the right.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
06th June 2023

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Page No.	Note	Company			Group		
			2023 Rs.	2022 Rs.	Change %	2023 Rs.	2022 Rs.	Change %
Gross Income	229	11	16,704,448,424	12,066,211,076	38.4	16,688,865,786	11,978,477,367	39.3
Interest Income	229	12.1	15,675,717,444	9,930,097,982	57.9	15,675,717,444	9,930,097,982	57.9
Interest Expense	230	12.2	(11,013,953,929)	(4,234,571,767)	160.1	(11,013,953,929)	(4,234,571,767)	160.1
Net Interest Income	229	12	4,661,763,515	5,695,526,215	(18.2)	4,661,763,515	5,695,526,215	(18.2)
Fee and Commission Income	230	13	511,805,140	672,707,103	(23.9)	505,805,140	672,707,103	(24.8)
Net Fee and Commission Income			511,805,140	672,707,103	(23.9)	505,805,140	672,707,103	(24.8)
Net Gain / (Loss) from Trading	230	14	(125,888)	12,589	(1,100.0)	(125,888)	12,589	(1,100.0)
Net Gain / (Loss) from other Financial Instruments at FVTPL	230	15	125,013,492	33,825,363	269.6	125,013,492	33,825,363	269.6
Other Operating Income	231	16	392,038,236	1,429,568,039	(72.6)	382,455,598	1,341,834,330	(71.5)
Total Operating Income			5,690,494,495	7,831,639,309	(27.3)	5,674,911,857	7,743,905,600	(26.7)
Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets	231	17	(97,575,003)	(592,488,831)	(83.5)	(97,575,003)	(592,488,831)	(83.5)
Net Operating Income			5,592,919,492	7,239,150,478	(22.7)	5,577,336,854	7,151,416,769	(22.0)
Expenses								
Personnel Expenses	232	18	(1,552,821,697)	(1,404,669,796)	10.5	(1,552,828,907)	(1,404,866,104)	10.5
Premises Equipment and Establishment Expenses			(291,600,035)	(221,286,928)	31.8	(291,600,035)	(221,286,928)	31.8
Other Operating Expenses			(985,897,827)	(835,514,204)	18.0	(988,916,877)	(837,435,478)	18.1
Operating Profit Before Taxes on Financial Services	232	19	2,762,599,933	4,777,679,550	(42.2)	2,743,991,035	4,687,828,259	(41.5)
Taxes on Financial Services	232	20	(697,119,801)	(783,809,641)	(11.1)	(697,119,801)	(783,809,641)	(11.1)
Profit Before Income Tax			2,065,480,132	3,993,869,909	(48.3)	2,046,871,234	3,904,018,618	(47.6)
Income Tax Expense	233	21	(725,907,981)	(1,081,971,589)	(32.9)	(719,457,930)	(1,062,383,369)	(32.3)
Profit for the Year			1,339,572,151	2,911,898,320	(54.0)	1,327,413,304	2,841,635,249	(53.3)
Profit attributable to:								
Equity holders of the Company			1,339,572,151	2,911,898,320	(54.0)	1,327,413,304	2,841,635,249	(53.3)
Non - Controlling Interest			-	-	-	-	-	-
Profit for the Year			1,339,572,151	2,911,898,320	(54.0)	1,327,413,304	2,841,635,249	(53.3)
Earnings Per Share								
Basic Earnings Per Share	235	22.1	5.69	12.37	(54.0)	5.64	12.07	(53.3)
Diluted Earnings Per Share	235	22.2	5.69	12.37	(54.0)	5.64	12.07	(53.3)

The notes appearing on pages 204 to 295 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

For the Year Ended 31st March	Page No.	Note	Company			Group		
			2023 Rs.	2022 Rs.	Change %	2023 Rs.	2022 Rs.	Change %
Profit for the Year			1,339,572,151	2,911,898,320	(54.0)	1,327,413,304	2,841,635,249	(53.3)
Other Comprehensive Income, Net of Tax								
Items that will never be reclassified to Profit or Loss								
Gains / (Losses) on remeasurement of Defined Benefit Liability	266	47.3	10,848,897	125,947,705	(91.4)	10,848,897	125,947,705	(91.4)
Deferred Tax (Charge) / Reversal on Actuarial Gains / (Losses)			4,625,210	(30,227,449)	(115.3)	4,625,210	(30,227,449)	(115.3)
Net Actuarial Gains / (Losses) on Defined Benefit Liability			15,474,107	95,720,256	(83.8)	15,474,107	95,720,256	(83.8)
Revaluation of Land & Buildings			-	48,245,347	(100.0)	-	127,745,347	(100.0)
Deferred Tax (Charge) / Reversal on Revaluation of Land & Buildings	270	50.1	(13,490,252)	(9,130,356)	(47.8)	(18,260,252)	(28,210,356)	35.3
Net Change in Revaluation of Land & Buildings			(13,490,252)	39,114,991	(134.5)	(18,260,252)	99,534,991	(118.3)
Items that are or may be reclassified to Profit or Loss								
Deferred Tax (Charge) /Reversal on Fair Value Gains / (Losses)	270	50.2	226,310,672	(226,310,672)	(200.0)	226,310,672	(226,310,672)	(200.0)
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income			226,310,672	(226,310,672)	200.0	226,310,672	(226,310,672)	200.0
Other Comprehensive Income for the Year, Net of Tax			228,294,527	(91,475,425)	(349.6)	223,524,527	(31,055,425)	(819.8)
Total Comprehensive Income for the Year			1,567,866,678	2,820,422,895	(44.4)	1,550,937,831	2,810,579,824	(44.8)
Attributable to:								
Equity holders of the Company			1,567,866,678	2,820,422,895	(44.4)	1,550,937,831	2,810,579,824	(44.8)
Non - Controlling Interest			-	-	-	-	-	-
Total Comprehensive Income for the Year			1,567,866,678	2,820,422,895	(44.4)	1,550,937,831	2,810,579,824	(44.8)

The notes appearing on pages 204 to 295 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

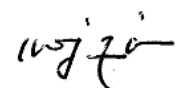
			Company			Group		
As at 31st March	Page No.	Note	2023 Rs.	2022 Rs.	Change %	2023 Rs.	2022 Rs.	Change %
Assets								
Cash and Cash Equivalents	244	26.1	2,332,724,111	877,638,204	165.8	2,339,453,098	900,929,559	159.7
Placements with Banks and Other Finance Companies	244	27	9,860,926,513	4,167,388,105	136.6	9,860,926,513	4,167,388,105	136.6
Reverse Repurchase Agreements			-	1,770,612,142	(100.0)	-	1,780,760,519	(100.0)
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	244	28	1,498,552,923	314,015,408	377.2	1,501,875,305	796,421,859	88.6
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	246	29	50,581,535,164	50,691,038,582	(0.2)	50,581,535,164	50,691,038,582	(0.2)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	247	30	10,789,860,137	14,973,325,141	(27.9)	10,789,860,137	14,973,325,141	(27.9)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	251	31	203,800	1,737,815,264	(100.0)	203,800	1,737,815,264	(100.0)
Financial Assets at Amortised Cost - Debt and other Financial Instruments	251	32	4,169,488,788	100,423,871	4,051.9	4,169,488,788	100,423,871	4,051.9
Financial Assets at Amortised Cost - Other Financial Assets	252	33	28,698,236	13,647,730	110.3	28,698,236	13,647,730	110.3
Investment in a Subsidiary	252	34	20	20	-	-	-	-
Investment Property	253	35	1,179,500,000	1,179,500,000	-	-	-	-
Property, Plant and Equipment	255	36	772,845,990	756,193,121	2.2	3,974,429,790	3,208,302,588	23.9
Right-of-use Lease Assets	260	37	748,848,409	781,224,648	(4.1)	748,848,409	781,224,648	(4.1)
Intangible Assets	260	38	18,458,354	28,671,530	(35.6)	18,458,354	28,671,530	(35.6)
Deferred Tax Assets	265	45.4	107,519,914	141,914,484	(24.2)	110,488,657	143,203,176	(22.8)
Other Assets	261	39	234,912,249	156,802,865	49.8	227,906,193	156,829,959	45.3
Total Assets			82,324,074,608	77,690,211,115	6.0	84,352,172,444	79,479,982,531	6.1
Liabilities								
Bank Overdrafts	244	26.2	1,561,119,013	1,062,546,767	46.9	1,561,119,013	1,062,546,767	46.9
Rental Received in Advance			176,943,085	227,759,381	(22.3)	176,943,085	227,759,381	(22.3)
Financial Liabilities at Amortised Cost - Deposits due to Customers	261	40	49,659,457,138	41,021,169,765	21.1	49,659,457,138	41,021,169,765	21.1
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	262	41	13,888,909,088	20,034,340,212	(30.7)	15,954,588,101	21,835,482,493	(26.9)
Subordinated Term Debt	263	42	3,163,398,140	2,012,844,267	57.2	3,163,398,140	2,012,844,267	57.2
Lease Liabilities	264	43	912,495,354	858,556,285	6.3	912,495,354	858,556,285	6.3
Current Tax Liabilities	264	44	547,185,073	604,894,450	(9.5)	547,185,073	604,894,450	(9.5)
Deferred Tax Liabilities	265	45.3	284,918,764	142,580,571	99.8	284,918,764	142,580,571	99.8
Other Liabilities	266	46	955,904,529	989,544,615	(3.4)	947,566,765	990,488,316	(4.3)
Retirement Benefit Obligations	266	47.1	86,818,197	80,824,933	7.4	86,818,197	80,824,933	7.4
Total Liabilities			71,237,148,381	67,035,061,246	6.3	73,294,489,630	68,837,147,228	6.5

As at 31st March	Page No.	Note	Company			Group		
			2023	2022	Change	2023	2022	Change
			Rs.	Rs.	%	Rs.	Rs.	%
Equity								
Stated Capital	268	48	1,325,918,000	1,325,918,000	-	1,325,918,000	1,325,918,000	-
Statutory Reserve Fund	269	49	1,766,773,033	1,699,794,425	3.9	1,766,773,033	1,699,794,425	3.9
Other Reserves	269	50	164,886,280	(47,934,140)	(444.0)	220,536,280	12,485,860	1,666.3
Retained Earnings	271	51	7,829,348,914	7,677,371,584	2.0	7,744,455,501	7,604,637,018	1.8
Total Equity attributable to Equity holders of the Company			11,086,926,227	10,655,149,869	4.1	11,057,682,814	10,642,835,303	3.9
Non - Controlling Interest			-	-	-	-	-	-
Total Equity			11,086,926,227	10,655,149,869	4.1	11,057,682,814	10,642,835,303	3.9
Total Liabilities and Equity			82,324,074,608	77,690,211,115	6.0	84,352,172,444	79,479,982,531	6.1
Net Assets Value Per Share (Rs.)			47.09	45.25	4.1	46.96	45.20	3.9

The notes appearing on pages 204 to 295 are an integral part of these Financial Statements.

Certification

These Financial Statements have been prepared in compliance with the requirements of the Companies Act, No.07 of 2007.



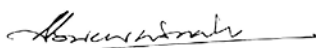
K.D. Menaka Sameera
Senior DGM - Finance & Administration

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.

Approved and signed for and on behalf of the Board ;



S.B. Rangamuwa
Managing Director



S.S. Weerabahu
Executive Director

06th June 2023
Colombo.

Statement of Changes in Equity – Company

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2021		1,325,918,000	1,554,199,509	131,761,541	-	7,500,000	5,168,528,024	8,187,907,074
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	-	-	2,911,898,320	2,911,898,320
Other Comprehensive Income, net of Tax								
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income	50.2	-	-	-	(226,310,672)	-	-	(226,310,672)
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	95,720,256	95,720,256
Net Change in Revaluation of Land & Buildings	50.1	-	-	39,114,991	-	-	-	39,114,991
Total Comprehensive Income for the Year		-	-	39,114,991	(226,310,672)	-	3,007,618,576	2,820,422,895
Transactions with owners of the Company								
Contributions and distributions								
Dividends to equity holders								
Dividend Paid Share for the Financial Year 2020/21		-	-	-	-	-	(353,180,100)	(353,180,100)
Unclaimed Dividend Adjustments		-	-	-	-	-	-	-
Statutory Reserve Transfer	49.1	-	145,594,916	-	-	-	(145,594,916)	-
Total Transactions with Equity Holders		-	145,594,916	-	-	-	(498,775,016)	(353,180,100)
Balance as at 31st March 2022		1,325,918,000	1,699,794,425	170,876,532	(226,310,672)	7,500,000	7,677,371,584	10,655,149,869
Balance as at 31st March 2022		1,325,918,000	1,699,794,425	170,876,532	(226,310,672)	7,500,000	7,677,371,584	10,655,149,869
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	21.4	-	-	-	-	-	(665,183,520)	(665,183,520)
Adjusted balance as at 01st April 2022		1,325,918,000	1,699,794,425	170,876,532	(226,310,672)	7,500,000	7,012,188,064	9,989,966,349
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	-	-	1,339,572,151	1,339,572,151
Other Comprehensive Income, net of Tax								
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	50.2	-	-	-	226,310,672	-	-	226,310,672
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	15,474,107	15,474,107
Net Change in Revaluation of Land & Buildings	50.1	-	-	(13,490,252)	-	-	-	(13,490,252)
Total Comprehensive Income for the Year		-	-	(13,490,252)	226,310,672	-	1,355,046,258	1,567,866,678
Transactions with owners of the Company								
Contributions and distributions								
Dividends to equity holders								
Dividend Paid Share for the Financial Year 2021/22		-	-	-	-	-	(470,906,800)	(470,906,800)
Statutory Reserve Transfer	49.1	-	66,978,608	-	-	-	(66,978,608)	-
Total Transactions with Equity Holders		-	66,978,608	-	-	-	(537,885,408)	(470,906,800)
Balance as at 31st March 2023		1,325,918,000	1,766,773,033	157,386,280	-	7,500,000	7,829,348,914	11,086,926,227

The notes appearing on pages 204 to 295 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity – Group

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2021		1,325,918,000	1,554,199,509	131,761,541	-	7,500,000	5,166,056,529	8,185,435,579
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	-	-	2,841,635,249	2,841,635,249
Other Comprehensive Income, net of Tax								
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income	50.2	-	-	-	(226,310,672)	-	-	(226,310,672)
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	95,720,256	95,720,256
Net Change in Revaluation of Land & Buildings	50.1	-	-	99,534,991	-	-	-	99,534,991
Total Comprehensive Income for the Year		-	-	99,534,991	(226,310,672)	-	2,937,355,505	2,810,579,824
Transactions with owners of the Company								
Contributions and distributions					-			
Dividends to equity holders					-			
Dividend Paid Share for the Financial Year 2020/21		-	-	-	-	-	(353,180,100)	(353,180,100)
Unclaimed Dividend Adjustments		-	-	-	-	-	-	-
Statutory Reserve Transfer	49.1	-	145,594,916	-	-	-	(145,594,916)	-
Total Transactions with Equity Holders		-	145,594,916	-	-	-	(498,775,016)	(353,180,100)
Balance as at 31st March 2022		1,325,918,000	1,699,794,425	231,296,532	(226,310,672)	7,500,000	7,604,637,018	10,642,835,303
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	21.4	-	-	-	-	-	(665,183,520)	(665,183,520)
Adjusted balance as at 01st April 2022		1,325,918,000	1,699,794,425	231,296,532	(226,310,672)	7,500,000	6,939,453,498	9,977,651,783
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	-	-	1,327,413,304	1,327,413,304
Other Comprehensive Income, net of Tax								
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	50.2	-	-	-	226,310,672	-	-	226,310,672
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	15,474,107	15,474,107
Net Change in Revaluation of Land & Buildings	50.1	-	-	(18,260,252)	-	-	-	(18,260,252)
Total Comprehensive Income for the Year		-	-	(18,260,252)	226,310,672	-	1,342,887,411	1,550,937,831
Transactions with owners of the Company								
Contributions and distributions					-			
Dividends to equity holders					-			
Dividend Paid Share for the Financial Year 2021/22		-	-	-	-	-	(470,906,800)	(470,906,800)
Statutory Reserve Transfer	49.1	-	66,978,608	-	-	-	(66,978,608)	-
Total Transactions with Equity Holders		-	66,978,608	-	-	-	(537,885,408)	(470,906,800)
Balance as at 31st March 2023		1,325,918,000	1,766,773,033	213,036,280	-	7,500,000	7,744,455,501	11,057,682,814

The notes appearing on pages 204 to 295 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the Year Ended 31st March	Note	Company		Group	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Cash Flow from Operating Activities					
Interest and Commission Receipts		15,972,949,920	10,603,908,836	15,972,949,920	10,603,908,836
Interest Payments		(9,341,719,405)	(4,129,891,466)	(9,337,237,236)	(4,201,624,032)
Cash Receipts from Customers		369,749,269	1,274,372,014	351,197,975	1,266,138,305
Cash Payments to Employees and Suppliers		(3,113,035,549)	(3,144,402,952)	(3,117,575,322)	(3,146,376,468)
Operating Profit Before Changes in Operating Assets and Liabilities (Note A)		3,887,944,235	4,603,986,432	3,869,335,337	4,522,046,641
(Increase) / Decrease in Operating Assets					
Short Term Funds		(329,318,261)	240,946,988	(313,758,531)	241,587,666
Deposits held for Regulatory or Monetary Control Purposes		(2,033,676,253)	(350,812,535)	(2,023,527,877)	(360,960,911)
Financial assets at amortised cost – Loans and advances / Lease rental & Hire purchase receivables		4,127,349,644	(18,537,242,505)	4,127,349,644	(18,537,242,505)
Other Short Term Negotiable Securities		(4,749,882,032)	(4,692,381,935)	(4,270,797,962)	(5,010,914,260)
Increase / (Decrease) in Operating Liabilities					
Financial liabilities at amortised cost – Due to depositors		7,353,910,814	9,109,892,480	7,353,910,814	9,109,892,480
Financial liabilities at amortised cost – Certificate of Deposits		(257,455,201)	(394,238,530)	(257,455,201)	(394,238,530)
Net Cash Generated / (Used in) from Operating Activities before Income Tax		7,998,872,946	(10,019,849,605)	8,485,056,224	(10,429,829,419)
Current Taxes Paid	44	(687,216,165)	(1,112,199,327)	(687,216,165)	(1,112,199,327)
Gratuity Paid	47.1	(12,199,739)	(6,782,085)	(12,199,739)	(6,782,085)
Surcharge Levy Paid		(665,183,520)	-	(665,183,520)	-
Net Cash Generated / (Used in) from Operating Activities		6,634,273,522	(11,138,831,017)	7,120,456,800	(11,548,810,831)
Cash Flows from Investing Activities					
Dividends Received		191,910	191,910	191,910	191,910
Investment in a Subsidiary		-	-	-	-
Proceed from Sale of Property , Plant and Equipment		3,801,957	650,530	3,801,957	650,530
Purchase of Property, Plant and Equipment		(181,366,554)	(226,621,921)	(944,166,762)	(1,022,485,277)
Purchase of Intangible Assets		-	(28,483,352)	-	(28,483,352)
Net Cash (Used in) / Generated from Investing Activities		(177,372,687)	(254,262,833)	(940,172,895)	(1,050,126,189)
Cash Flows from Financing Activities					
Net Increase / (decrease) in Financial liabilities at amortised cost – Interest bearing Borrowings		(5,029,480,374)	10,862,112,672	(4,769,425,812)	12,062,112,672
Dividend Paid		(470,906,800)	(353,180,100)	(470,906,800)	(353,180,100)
Unclaimed Dividend Adjustments		-	-	-	-
Net Cash (Used in) / Generated from Financing Activities		(5,500,387,174)	10,508,932,572	(5,240,332,612)	11,708,932,572
Net Increase / (Decrease) in Cash & Cash Equivalents		956,513,661	(884,161,278)	939,951,293	(890,004,448)
Cash & Cash Equivalents at the Beginning of the Year		(184,908,563)	699,252,715	(161,617,208)	728,387,240
Cash & Cash Equivalents at end of the Year (Note B)		771,605,098	(184,908,563)	778,334,085	(161,617,208)

For the Year Ended 31st March	Note	Company		Group	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Note A					
Reconciliation of Operating Profit Before Changes in Operating Assets and Liabilities					
Profit Before Income Tax		2,065,480,132	3,993,869,909	2,046,871,234	3,904,018,618
Amortisation of Intangible Assets	38.1	10,213,176	9,709,417	10,213,176	9,709,417
Accrual for Interest Expense / (Income)		(233,119,434)	(51,234,200)	(233,119,434)	(122,966,766)
Accrual for Interest Income / (Expense)		1,576,434,873	27,523,873	1,576,434,873	27,523,873
Accrual for Other Payable		306,385,651	(37,679,598)	306,385,651	(37,535,532)
Retirement Benefit Cost	47.2	29,041,900	50,558,958	29,041,900	50,558,958
Depreciation of Property, Plant and Equipment	36	164,559,765	132,635,844	164,559,765	132,635,844
Impairment Charges and Other Credit Losses on Financial Assets	17	97,575,003	592,488,831	97,575,003	592,488,831
Dividend Income		(191,910)	(191,910)	(191,910)	(191,910)
Unrealised Fair Value (gains) / losses on Financial Instruments measured at FVTPL		226,598	88,121	226,598	88,121
Unrealised Fair Value (gains) / losses on Other Financial Instruments measured at FVTPL	15	(125,013,492)	(33,825,363)	(125,013,492)	(33,825,363)
Gain / (Loss) on Disposal of Property, Plant & Equipment		(3,648,027)	(457,450)	(3,648,027)	(457,450)
Fair value change in Investment Property		-	(79,500,000)	-	-
		3,887,944,235	4,603,986,432	3,869,335,337	4,522,046,641
Note B					
Cash & Cash Equivalents at the end of the Year					
Cash in Hand and at Banks		2,332,724,111	877,638,204	2,339,453,098	900,929,559
Bank Overdrafts		(1,561,119,013)	(1,062,546,767)	(1,561,119,013)	(1,062,546,767)
		771,605,098	(184,908,563)	778,334,085	(161,617,208)

The notes appearing on pages 204 to 295 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Corporate Information

Vallibel Finance PLC (the 'Company'), regulated under the Finance Business Act No. 42 of 2011, was incorporated on 5th September 1974 as a Public Limited Liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 under the Company Registration No. PB 526/PQ.

The registered office of the Company is situated at No. 310, Galle Road, Colombo 03 and the principal place of business is situated at the same place.

The Company was listed on the Main Board of the Colombo Stock Exchange (CSE) on 4th May 2010.

The Staff strength of the Company and the Group was as follows.

As at 31st March	2023	2022
Company	1,220	1,271
Group	1,227	1,277

Corporate information is presented in the page 319 of this Annual Report.

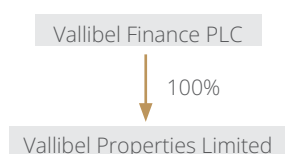
1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st March 2023 comprise the Vallibel Finance PLC (Parent Company) and its subsidiary (together referred to as the "Group" and individually as "Group entities").

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited, which is incorporated in Sri Lanka.

1.3 Principal Business Activities, Nature of Operations of the Group and ownership by the Company

Group Structure



A Company under the name of "Vallibel Properties Ltd" was incorporated on 5th March 2020, as a fully owned subsidiary of Vallibel Finance PLC (Parent).

Principal Business Activities, Nature of Operations of the Group

Entity	Principal Business Activities
Vallibel Finance PLC	Accepting deposits, granting finance leases, granting mortgage loans, granting vehicle loans, granting personal loans, gold loans, micro finance and other credit facilities
Subsidiary	
Vallibel Properties Limited	Engage in administration of construction, development and maintenance of the proposed head office building complex for Vallibel Finance PLC

2. BASIS OF ACCOUNTING

2.1. Statement of Compliance

The Consolidated Financial Statements of the Group and separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the CSE. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting. "Further, the tax ability arising from the Surcharge tax Act. No.14 of 2022 has been accounted as recommended by statement of Alternative Treatment (SOAT) issued by the institute of Chartered Accountant of Sri Lanka as Disclosed under the note of income taxes".

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Group and the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Director's Responsibilities" and the Certification on the Statement of Financial Position.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.
- a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows.
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31st March 2023 (including comparatives for 2021) were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 02nd June 2023.

2.4 Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis except for the following material items stated in the Statement of Financial Position.

- Financial instruments measured at fair value through profit or loss is measured at fair value.
- Financial assets measured at fair value through other comprehensive income measured at fair value.
- Land and buildings measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.
- Investment property measured at cost at the time of acquisition and subsequently at fair value.
- Defined Benefit Obligation is recognized as the present value of the defined benefit obligation.

2.5 Functional and Presentation Currency

Items included in these Financial Statements of the Group are measured using the currency of the primary

Economic environment in which the Group operates (the Functional Currency).

There was no change in the Group's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Group's Functional and Presentation Currency.

2.6 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.7 Materiality and Aggregation

Each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements" and amendments to the LKAS 01 on "Disclosure initiative".

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group.

2.8 Going Concern Basis for Accounting

The Management 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.

The Management 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. The Management have considered the impact of the current adverse macro-economic conditions on the business operations of the Group. Furthermore, the Board is not aware of any material doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis. The Management have considered the impact of the current adverse macro-economic conditions on the business operations of the Group including a possible restructuring/hair-cut on government debts, in making

Notes to the Financial Statements

this assessment. Furthermore, the Board is not aware of any material doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the Significant Accounting Policies of the Group and the Company.

2.10 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on “Presentation of Financial Statements”.

2.11 Comparative Information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.12 Use of Judgments and Estimates

In preparing the Financial Statements of the Group in conformity with SLFRSs and LKASs, the Management has made judgments, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The Group considered the impact of the current adverse macro-economic conditions in preparing the Financial

Statements in line with the circulars and guidelines issued by the CBSL and the CA Sri Lanka. While the specific areas of judgement may not change, the impact of the current adverse macro-economic conditions resulted in the application of further judgement within those areas due to the nature of limited recent experience of the economic and financial impacts of such an event. Further, changes to estimates were made in the measurement of Group's assets where applicable.

Significant areas of estimation uncertainty, assumptions and critical judgments in applying Accounting Policies that have most significant effects on amounts recognised in the Financial Statements of the Group are as follows:

A. Significant Accounting Judgments

Information about judgments made in applying Accounting Policies for that have the most significant effects on the amounts recognised in these Financial Statements is included in the following notes.

2.12.1 Classification of Financial Assets and Liabilities

The Significant Accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost (AC), Fair Value Through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the financial assets as set out in Note 6.1.3.1
- The contractual cash flow characteristics of the financial assets as set out in Note 6.1.3.2

2.12.2 Classification of investment property

Management uses its judgment to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as investment property. On the other hand, a property used in production or supply of goods and services or administrative purposes and thus generates cash flows that are attributable not only to property but also to other assets used in the production or supply process are classified as property, plant & equipment. The Group assesses on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties.

2.12.3 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recognized on the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

2.12.4 Impairment Losses on Financial Assets

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments” (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management’s judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower’s financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group’s Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;

- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The accuracy of the provision depends on the model assumptions and parameters used in determining the ECL calculations.

It has been the Group’s policy to regularly review its models in the context of actual loss experience and adjust when necessary.

In response to the unprecedented macro-economic conditions experienced during the year, key assumptions used in the Group’s calculation of ECL have been revised.

Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgments in the assessment of the impact of the adverse macro-economic conditions on the loans and advances portfolio of the Group, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures.

As at the reporting date, the expected impacts of the adverse macro-economic conditions have been captured via the modelled outcome as well as separate management overlays remaining in the modelled outcome.

Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions were revised in response to the current economic crisis, the fundamental credit model mechanics and methodology underpinning the Group’s calculation of ECL have remained consistent with prior periods.

Further during 2023, the Group decided to increase the weightings assigned for worst case scenario while reducing the weightings assigned for base case scenario and best case scenario when assessing the probability weighted forward looking macro-economic indicators along with management overlays to qualitative indicators relating to forward looking macro-economic environment with the objective of capturing the impact of economic uncertainties and volatilities in future outlook on the ECL computation.

Notes to the Financial Statements

2.12.5 Impairment of Non Financial Assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash-Generating Unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate in doing so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rate, and hence, they are subject to uncertainty.

2.12.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions determining the discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2.12.7 Revaluation of Property, Plant and Equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). The Group engages independent professional valuers to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on "Fair Value Measurement".

The key assumptions used to determine the fair value of the land and building and sensitivity analysis are provided in notes to the financial statements.

2.12.8 SLFRS 16 – Leases

2.12.8.1 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant

factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

A. Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting material adjustments are included in the following notes.

2.12.8.2 Estimating the incremental borrowing rate

As the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Group estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.12.9 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilized against such tax losses. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax planning strategies.

2.12.10 Useful Life time of the Property, Plant & Equipment

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each Reporting date. Judgment of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.12.11 Provisions for Liabilities, Commitments and Contingencies

The Group receives legal claims in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the

amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

2.13 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties at similar locations and categories. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in notes to financial statements.

2.14 Events after the Reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the Reporting Period have been considered and appropriate disclosures are made in the Financial Statements where necessary.

3. FAIR VALUE MEASUREMENT

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in the absence, in the most advantageous market to which the Group has the access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs that are quoted (unadjusted) market prices in active markets for identical assets or liabilities.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

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

This category includes instruments valued using;

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

Level 3

Inputs that are unobservable.

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

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect the difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (“Day 1” profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

Notes to the Financial Statements

4. CHANGES IN ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these Financial Statements, except for changes arising out of amendments to Accounting Standards set out below.

4.1 New and amended standards and interpretations

In these Financial Statements, the Group applied for the first time following amendments to Accounting Standards, which are effective for annual periods beginning on or after 01st April 2022. The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

4.1.1 Amendments to LKAS 37: Onerous Contracts – Costs of fulfilling a contract

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. No material impact on the Financial Statements of the Group.

4.1.2 Amendments to SLFRS 9: Fees in the “10%” Test for Derecognition of Financial Liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial liabilities during the period. No material impact on the Financial Statements of the Group.

4.1.3 Amendments to LKAS 16: Property, Plant and Equipment – Proceeds before intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented. No material impact on the Financial Statements of the Group.

4.1.4 Amendments to SLFRS 3: Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of SLFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21, if incurred separately. The exception requires entities to apply the criteria in LKAS 37 or IFRIC 21, respectively, instead of the conceptual framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to SLFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the Consolidated Financial Statements of the Group as there were no acquisitions took place during the reporting period.

4.1.5 Amendments to SLFRS 1: Subsidiary as a First-time Adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported in the parent's Consolidated Financial Statements, based on the parent's date of transition to SLFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

5. SIGNIFICANT ACCOUNTING POLICIES – GENERAL

5.1 Basis of consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on “Consolidated Financial Statements”.

5.1.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. As required by SLFRS 3 - Business Combinations and amendments to SLFRS 3, when the Group acquires a business, it assesses the financial assets and liabilities

assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions that exist as at the acquisition date. The Group applies Definition of a Business (Amendments to SLFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The Group measures goodwill at the acquisition date, as excess of the aggregate of the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; the fair value of the pre-existing interest in the acquiree if the business combination is achieved in stages; and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed; measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity, or else subsequent changes in the fair value of the contingent consideration is recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31st March or when circumstances indicate that the carrying value of the goodwill may be impaired. For the purpose of impairment testing, from the acquisition date, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase

is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit 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 of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

5.1.2 Non-Controlling Interests (NCI)

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

5.1.3 Subsidiary

Subsidiary is an investee controlled by the Group. The Group "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The Financial Statements of subsidiary included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

5.1.4 Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.1.5 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an Associate or in accordance with the Group's Accounting Policy for financial instruments depending on the level of influence retained.

Notes to the Financial Statements

6. SIGNIFICANT ACCOUNTING POLICIES – RECOGNITION OF ASSETS AND LIABILITIES

The Significant Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Group and the Company, unless otherwise indicated.

6.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

6.1.1 Date of Recognition

The Group initially recognises Lease and Hire Purchase receivables, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

6.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have significant financing component) at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

6.1.2.1 "Day 1" Profit or Loss

When the transaction price of the instrument differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group recognises the difference between the transaction price and fair value as a 'Day 1' profit or loss. In cases where fair value is

determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or Loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

6.1.3 Classification and Subsequent Measurement of Financial Assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets contractual terms measured at either;

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

6.1.3.1 Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to the management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

6.1.3.2 Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

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

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

6.1.3.3 Financial assets measured at Amortised Cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets 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 measured at amortised cost include Loans and Receivables to other Customers, Lease Rental and Hire Purchase Receivables, Placements with Banks and other Finance Companies, Cash and Cash Equivalents, Reverse Repurchase Agreements and Debt & other financial instruments.

6.1.3.3.1 Loans and Receivables to other Customers, Lease Rental and Hire Purchase Receivables

As per SLFRS 9, "Loans and advances to other customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that is the solely payment of principal and interest on the principal outstanding.

When the Group is the lessor in a lease agreement that transfers substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment are classified as "Lease Rental Receivable" in the Statement of Financial Position.

Notes to the Financial Statements

Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as 'Hire Purchase Receivable'. Such assets are accounted for in a similar manner as finance leases.

After initial measurement, financial assets measured at amortised cost are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment charges and other losses" in the Income Statement.

6.1.3.3.2 Reverse Repurchase Agreements

When the Group purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date, the arrangement is called "Reverse Repurchase Agreements" and accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/ receivable being recognised as interest income in profit or loss.

6.1.3.3.3 Cash and Cash Equivalents

Cash and cash equivalents include of cash in hand and balance at banks and other highly liquid financial assets which are held for the purpose of meeting short-term commitments with original maturities of less than three months which are subject to an insignificant risk of changes in their fair value. There were no cash and cash equivalents held by the Group that were not available for use by the Group.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

6.1.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

6.1.3.4.1 Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income 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.

6.1.3.4.2 Equity instruments at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic purpose and regulatory purposes, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Other Operating Income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

6.1.3.5 Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include

financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

6.1.3.5.1 Financial assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or they hold as a part of a portfolio that is managed together for short-term Profit or position taking.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income are recorded in 'Interest Income' and 'Net Gains/ (Losses) from Trading' respectively in the income statement according to the terms of the contract, or when the right to receive the payment has been established.

6.1.4 Classification and Subsequent Measurement of Financial Liabilities

The Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial Liabilities at fair value through profit or loss, and within this category as :
 - Held for trading; or
 - Designated at fair value through profit or loss.
- Financial Liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

6.1.4.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading, if they are acquired principally for the purpose of repurchasing

in the near term or held as a part of a portfolio that is managed together for short-term profit or position taking.

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at fair value through profit or loss" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the EIR.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

6.1.4.2 Financial Liabilities at Amortised Cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Deposits Due to Customers', 'Interest Bearing Borrowings' and 'Subordinated Term Debts' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in 'Interest Expense' in the Income Statement. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

6.1.4.3 Deposits due to Customers

These include term deposits, savings deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. "Interest expense" on these deposits recognised in profit or loss.

Notes to the Financial Statements

6.1.4.4 Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Group designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

6.1.5 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

6.1.5.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Group reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

6.1.5.2 Measurement of reclassification of financial assets

6.1.5.2.1 *Reclassification of Financial Instruments - Fair value through profit or loss*

- To Fair value through other comprehensive income

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.

- To Amortised Cost

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

6.1.5.2.2 *Reclassification of Financial Instruments - Fair value through other comprehensive income*

- To Fair value through profit or loss

The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortised Cost

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to

adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

6.1.5.2.3 *Reclassification of Financial Instruments - Amortised Cost*

- To Fair value through other comprehensive income

The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

6.1.6 De recognition of Financial Assets and Financial Liabilities

6.1.6.1 Financial Assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position,

but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Group retains all or substantially all risks and rewards of ownership of such assets.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

6.1.6.2 Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

6.1.7 Modification of Financial Assets and Financial Liabilities

6.1.7.1 Modification of Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. Subsequently the Group recognizes the interest income on recalculated gross carrying amount based on the Original EIR from the commencement of terms modification date to the end of the lifetime of the instrument.

6.1.7.2 Modification of Financial Liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

6.1.8 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

6.1.9 Amortised Cost and gross Carrying amount

An 'Amortised Cost' of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount and the maturity amount, and for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

6.1.10 Identification and Measurement of Impairment of Financial Assets

6.1.10.1 Overview of the ECL principles

The Group records an allowance for expected credit losses for lease rental and hire purchase receivables, loans and receivables to other customers, debt and other financial instruments measured at amortised cost,

Notes to the Financial Statements

debt instruments measured at fair value through other comprehensive income.

SLFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition.

- Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- Stage 2: If significant increases in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.
- Stage 3: If a financial asset is credit-impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Group does not have POCI loans as at the reporting date.

6.1.10.2 Measurement of ECL

The Group recognizes loss allowances for Expected Credit Losses (ECL) on financial investments that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular Group remain appropriately homogeneous.

The key judgments and assumptions adopted by the Group in addressing the requirements of SLFRS 9 are discussed below:

6.1.10.3 Significant increase in credit risk (SICR)

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

quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

6.1.10.4 Definition of default and credit impaired assets

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) ; or
- the borrower is past due equal more than 120 days on any material credit obligation to the Group. , In determination of default the Group largely aligns with the regulatory definition of default which is 120 days and above.

6.1.10.5 Movement between the stages

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

6.1.10.6 Grouping financial assets measured on collective basis

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped into homogeneous portfolios, based on product and underlying security characteristics.

6.1.10.7 Incorporating Forward Looking Information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using variety of external actual and forecasted information, the Group formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes. Such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic variables used by the Group based on the statistical significance include the followings:

Unemployment Rate	Base case scenario along
Interest Rate	with two other scenarios has
GDP growth Rate	been used (Best Case and
Inflation Rate	worst Case)

6.2 Write-off of Financial Assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

6.3 Property, Plant & Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets (including buildings under operating leases where the Group is the lessor) which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

6.3.1 Basis of Recognition

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

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6.3.2 Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

▪ Cost Model

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

▪ Revaluation Model

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

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income only to the extent of the amounts written down previously. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that

asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

The Group revalued all its freehold land and buildings as at 31st March 2022. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in notes to Financial Statements.

6.3.3 Subsequent Expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

6.3.4 Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Freehold land is not depreciated. Right-of-use assets are depreciated over the useful lives of the assets. However if there is no reasonable certainty that the Group will obtain the ownership by end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

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

Class of Asset	Period (Years)
Freehold Buildings	15
Buildings on Leasehold Land	15
Computer Equipment	4
Furniture & Fittings	4
Office Equipment	4
Motor Vehicles	4

The above rates are compatible with the rates used by all Group entities, and these rates have not been changed during the year.

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the

earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reassessed at each Reporting date and adjusted, if required.

6.3.5 De-recognition

An item of Property, Plant & Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 recognised in 'Other Operating Income' in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

6.3.6 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

6.4 Borrowing Costs

As per the Sri Lanka Accounting Standard – LKAS 23 on "Borrowing Costs", the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

6.5 Intangible Assets

The Group's intangible assets include the value of Computer Software.

6.5.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset

will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

6.5.2 Subsequent Expenditure

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

6.5.3 Amortisation of intangible assets

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

Class of Asset	Period (Years)
Computer Software	4

6.5.4 Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

6.6 Investment Properties

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both.

Investment properties are initially measured at cost, including transaction costs. The Group subsequently measures investment properties under fair value model. Any gain or loss arising from a change in fair value and the rental income from the investment property is recognised under other operating income.

When the portion of the property is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services for the portions separately if these portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is treated as investment property, only if an insignificant portion is held for use in the production or supply of goods or service or for administrative purposes.

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Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the other operating income.

6.7 Impairment of Non-Financial Assets

At each Reporting date, the Group reviews the carrying amounts of its non – financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating unit (CGU) exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

6.8 Non-current assets held for sale and disposal groups

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

As per the Sri Lanka Accounting Standard – SLFRS 5 on “Non-current Assets Held for Sale and Discontinued Operations”, such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

6.9 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors. Interim dividends are deducted from Equity when they are declared by the Board of Directors.

Dividends for the year, that are approved after the Reporting date and not provided for, are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on “Events after the reporting period”.

6.10 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

6.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the

expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in 'Interest Expense' in profit or loss.

6.11.1 Provisions for Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to amounts of principal outstanding for loans and advances.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

6.12 Employee Benefits

6.12.1 Defined Benefit Plan (DBP) - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value.

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits".

Actuarial gains and losses in the period in which they occur have been recognised in the other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19 - "Employee Benefits".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

The Group is liable to pay gratuity in terms of the relevant statute.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains & losses on the settlement of a defined benefit plan when a settlement occurs.

The gratuity liability is not externally funded.

6.12.2 Defined Contribution Plans (DCPs)

A Defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to Defined Contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

6.12.2.1 Employees' Provident Fund (EPF)

The Company and employees contribute to an approved Provident Fund at 12% and 8% respectively, on the salaries of each employee. Other entity of the Group and its employees contribute at the same percentages as above to the Employees' Provident Fund managed by the CBSL.

6.12.2.2 Employees' Trust Fund (ETF)

The Company and other entity of the Group contribute at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the CBSL.

6.13 Earnings per Share (EPS)

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

6.14 Segment Reporting

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

Notes to the Financial Statements

For each of the strategic divisions, the Group's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

Detailed information on the results of each reportable segment as required by the Sri Lanka Accounting Standard – SLFRS 8 “Operating Segments” is provided in Notes to the Financial Statements.

6.15 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 as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”.

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

Pending legal claims against the Group form part of contingencies.

7. SIGNIFICANT ACCOUNTING POLICIES – RECOGNITION OF INCOME AND EXPENSES

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

7.1 Net Interest Income

Interest income and expense are recognised in profit or loss using the effective interest method (EIR) method.

Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method;

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

7.2 Fee and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR of a financial asset or liability are capitalized and included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

7.3 Net Gain / (Loss) from Trading

'Net gain / (loss) from trading' comprise gains less losses related to trading assets and liabilities, and include all realised and unrealised fair value changes and dividends.

7.4 Net Gain / (Loss) from derecognition of Financial Assets

'Net gains/(losses) from derecognition of financial assets' comprised realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost.

7.5 Leases

7.5.1 Application as per SLFRS 16

The Group assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Group determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

7.5.1.1 Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset

reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

7.5.1.2 Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

7.5.1.2.1 Finance leases – Group as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the SOFP and present them as a "Lease Rental Receivable" at an amount equal to the net

Notes to the Financial Statements

investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Group's net investment in lease is included in notes to financial statements. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub lease separately. It assesses the lease classification of a sub lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub lease as an operating lease.

7.5.1.2.2 Operating leases – Group as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight line basis as part of other Operating Income.

7.6. Rental Income and Expenses

Rental income and expense are recognised in profit or loss on an accrual basis.

8. SIGNIFICANT ACCOUNTING POLICIES – TAX EXPENSE

8.1. Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

The Group has determined that interest and penalties related income taxes, including uncertain tax treatments do not meet the definition of income taxes and therefore accounted for them under LKAS 37 Provisions, Contingent liabilities and Contingent Assets.

8.1.1 Current Tax

With the enactment of the Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate was revised from 24% to 30%, effective from 01 October 2022 of the Year of Assessment 2022/23. Accordingly, Income Tax rate of 30%

will be applied on the taxable income of the Company for the 2nd half of the financial year ended 31 March 2023.

8.1.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Temporary differences in relation to a right – of – use asset and a lease liability for leases are regarded as a net package (Right – of – use Leased asset) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

8.1.2.1. Deferred Tax

Deferred tax assets and liabilities as at ended 31 March 2023, will be assessed based on the revised income tax rate of 30%, effective from 01 October 2022.

8.1.3 Tax exposures

In determining the amount of current and deferred tax, the Group considers the favourable/adverse impact to the tax liability due to assessments, revision to legislature

etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

8.2 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

8.3 Withholding Tax (WHT) on dividends distributed by the Company, subsidiaries and associates

8.3.1 WHT on dividends distributed by the Group

As per the Inland Revenue (Amendment) Act No 10 of 2021, requirement to deduct WHT on dividends from residents had been removed effective 01 January 2020. Dividends paid to non-residents had been exempted from income tax. Further, dividend paid by the Group to shareholders to the extent that such dividend payment is attributable to, or derived from, gains and profits from dividend received by the Group is exempt in the hands of shareholders.

With the implementation of Inland Revenue (Amendment) Act No 45 of 2022, WHT on dividends has been introduced effective from 01 January 2023, on residents as well as non-residents at the rate of 15%. Dividend paid by the Company will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Group subjected to WHT.

8.3.2 WHT on dividends distributed by the subsidiaries and associate

As per the Inland Revenue (Amendment) Act No 10 of 2021 requirement to deduct WHT on dividend had been removed effective 01 January 2020. The dividend income received from subsidiaries and associate was liable for income tax at 14% up until 30 September 2022. Applicable income tax rate for dividend received during the period from 01 October 2022 to 31 December 2022 was 15%.

As per the Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends has been introduced effective from 01 January 2023. Accordingly, dividend income received from subsidiaries and associate will be liable to WHT at the rate of 15% which will be a final tax for the Group.

8.4 Value Added Tax on Financial Services (VAT FS)

The value addition attributable to the supply of financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits. The amount of VAT FS charged in determining the profit or loss for the period is given. VAT FS rate was revised from 15% to 18% effective from 01, January 2022.

8.5 Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 01 October 2022, Group is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

9. SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

9.1 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Direct Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS- 07 "Cash Flow Statements". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and favourable balances with banks.

Notes to the Financial Statements

10. AMENDMENTS TO ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 01st April 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

10.2 Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1)

The amendments, as issued on 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 01st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 01st January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Group is closely monitoring the developments.

10.3 Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1 January 2023

The key amendments include,

requiring companies to disclose their material accounting policies rather than their significant accounting policies.

clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the Consolidated financial statements of the Group and the separated financial statements of the Company. The Group does not anticipate this amendment to have a significant impact.

10.4 Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1st January 2023.

11 GROSS INCOME

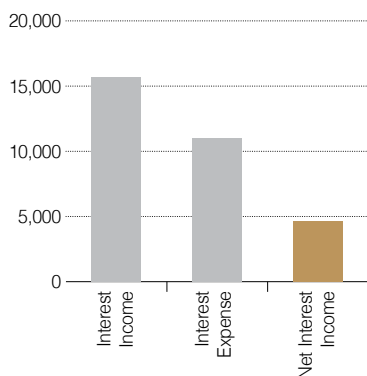
For the Year Ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Income (Note 12.1)	15,675,717,444	9,930,097,982	15,675,717,444	9,930,097,982
Fee and Commission Income (Note 13)	511,805,140	672,707,103	505,805,140	672,707,103
Net Gain / (Loss) from Trading (Note 14)	(125,888)	12,589	(125,888)	12,589
Net Gain / (Loss) from other Financial Instruments at FVTPL (Note 15)	125,013,492	33,825,363	125,013,492	33,825,363
Other Operating Income (Note 16)	392,038,236	1,429,568,039	382,455,598	1,341,834,330
	16,704,448,424	12,066,211,076	16,688,865,786	11,978,477,367

12 NET INTEREST INCOME

Interest Income (Note 12.1)	15,675,717,444	9,930,097,982	15,675,717,444	9,930,097,982
Interest Expense (Note 12.2)	(11,013,953,929)	(4,234,571,767)	(11,013,953,929)	(4,234,571,767)
	4,661,763,515	5,695,526,215	4,661,763,515	5,695,526,215

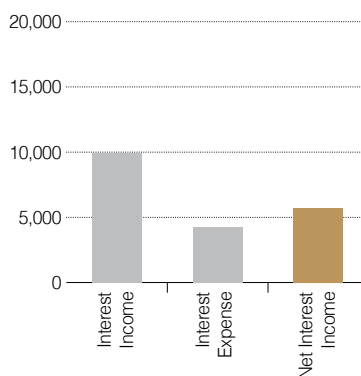
2023

Rs. Mn



2022

Rs. Mn



12.1 Interest Income

For the Year Ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash and Cash Equivalents	92,723,526	49,417,922	92,723,526	49,417,922
Placements with Banks and Other Finance Companies	811,108,292	90,709,998	811,108,292	90,709,998
Loans and Receivables to Other Customers (Note 12.1.1)	11,314,547,464	6,655,106,119	11,314,547,464	6,655,106,119
Lease Rental and Hire Purchase Receivables (Note 12.1.2)	2,634,881,264	2,967,408,961	2,634,881,264	2,967,408,961
Sri Lanka Government Securities	817,641,137	164,032,769	817,641,137	164,032,769
Other Financial Assets	4,815,761	3,422,213	4,815,761	3,422,213
	15,675,717,444	9,930,097,982	15,675,717,444	9,930,097,982

Notes to the Financial Statements

12.1.1 Loans and Receivables to Other Customers

For the Year Ended 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Loans and Advances	7,212,455,898	5,192,368,785	7,212,455,898	5,192,368,785
Loans against Fixed Deposits	199,094,695	76,804,744	199,094,695	76,804,744
Gold Loans	3,902,996,871	1,385,932,590	3,902,996,871	1,385,932,590
	11,314,547,464	6,655,106,119	11,314,547,464	6,655,106,119

12.1.2 Lease Rental and Hire Purchase Receivables

Hire Purchase	10,713	3,606,849	10,713	3,606,849
Lease	2,634,870,551	2,963,802,112	2,634,870,551	2,963,802,112
	2,634,881,264	2,967,408,961	2,634,881,264	2,967,408,961

12.2 Interest Expense

Financial Liabilities at Amortised Cost - Deposits due to Customers	7,377,852,417	2,850,913,527	7,377,852,417	2,850,913,527
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	2,792,165,060	1,233,588,503	2,792,165,060	1,233,588,503
Bank Overdrafts	77,128,413	3,266,396	77,128,413	3,266,396
Subordinated Term Debts	596,619,670	25,132,055	596,619,670	25,132,055
Commercial Papers	74,388,718	44,514,858	74,388,718	44,514,858
Interest Expense on Lease Liabilities (Note 43)	95,799,651	77,156,428	95,799,651	77,156,428
	11,013,953,929	4,234,571,767	11,013,953,929	4,234,571,767

13 FEE AND COMMISSION INCOME

Loans and Receivables related services	511,676,889	672,690,610	505,676,889	672,690,610
Other Financial Services	128,251	16,493	128,251	16,493
	511,805,140	672,707,103	505,805,140	672,707,103

14 NET GAIN / (LOSS) FROM TRADING

Equities				
Net mark- to- market Gain/ (Loss)	(226,598)	(88,121)	(226,598)	(88,121)
Dividend Income	100,710	100,710	100,710	100,710
	(125,888)	12,589	(125,888)	12,589

15 NET GAIN / (LOSS) FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Unit Trusts				
Net mark- to- market Gain/ (Loss)	125,013,492	33,825,363	125,013,492	33,825,363
	125,013,492	33,825,363	125,013,492	33,825,363

16 OTHER OPERATING INCOME

For the Year Ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividend Income - Financial Investments Measured at Fair Value Through Other Comprehensive Income	91,200	91,200	91,200	91,200
Redemption Income - Unit Trusts	21,426,050	64,052,258	21,426,050	64,052,258
Early Termination Income	268,138,873	1,213,084,437	268,138,873	1,213,084,437
Fair value change in Investment Property	-	79,500,000	-	-
Gain / (Loss) on Disposal of Property, Plant & Equipment	3,648,027	457,450	3,648,027	457,450
Service Charges Income	24,616,673	49,244,153	24,616,673	49,244,153
Rent Income	6,354,507	8,233,709	-	-
Other Income	67,762,906	14,904,832	64,534,775	14,904,832
	392,038,236	1,429,568,039	382,455,598	1,341,834,330

17 IMPAIRMENT CHARGES / (REVERSALS) AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS

Placements with Banks and Other Finance Companies (Note 27.1)	324,579	1,523,363	324,579	1,523,363
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Note 17.1)	188,716,130	455,684,915	188,716,130	455,684,915
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Note 17.2)	(91,529,390)	135,240,554	(91,529,390)	135,240,554
Financial Assets at Amortised Cost - Other Financial Assets (Note 33.2)	63,684	39,999	63,684	39,999
	97,575,003	592,488,831	97,575,003	592,488,831

17.1 Financial Assets at Amortised Cost - Loans and Receivables to Other Customers

Impairment Charges - Stage 1	(185,156,665)	350,324,788	(185,156,665)	350,324,788
Impairment Charges - Stage 2	39,237,580	67,426,539	39,237,580	67,426,539
Impairment Charges - Stage 3	334,635,215	37,933,588	334,635,215	37,933,588
	188,716,130	455,684,915	188,716,130	455,684,915

17.2 Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables

Impairment Charges - Stage 1	(186,181,131)	38,377,568	(186,181,131)	38,377,568
Impairment Charges - Stage 2	(10,560,140)	17,635,654	(10,560,140)	17,635,654
Impairment Charges - Stage 3	105,211,881	79,227,332	105,211,881	79,227,332
	(91,529,390)	135,240,554	(91,529,390)	135,240,554

Notes to the Financial Statements

18 PERSONNEL EXPENSES

For the Year Ended 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Salary & Bonus	1,312,669,454	1,198,589,113	1,312,669,454	1,198,589,113
Retirement Benefit Costs (Note 47.2)	29,041,900	50,558,958	29,041,900	50,558,958
Employer's Contribution to Employee's Provident Fund	100,754,163	86,712,078	100,754,163	86,712,078
Employer's Contribution to Employee's Trust Fund	24,921,365	21,433,220	24,921,365	21,433,220
Staff Welfare Expenses	85,434,815	47,376,427	85,442,025	47,572,735
	1,552,821,697	1,404,669,796	1,552,828,907	1,404,866,104

19 OPERATING PROFIT BEFORE TAXES ON FINANCIAL SERVICES

Operating Profit Before Taxes on Financial Services is stated after charging all the expenses including the following:

Professional Fees	4,789,582	5,393,149	4,992,138	5,478,199
Auditors Remuneration				
- Statutory Audit and Audit Related Services	2,018,000	1,710,000	2,623,000	2,223,000
- Non Audit Services	1,110,000	967,000	1,110,000	967,000
Directors Fees and Expenses	6,011,158	5,776,296	6,011,158	5,776,296
Depreciation of Property, Plant and Equipment	164,559,765	132,635,844	164,559,765	132,635,844
Amortisation of Intangible Assets	10,213,176	9,709,417	10,213,176	9,709,417
Amortisation of Right to Use Asset	169,163,734	143,760,490	169,163,734	143,760,490
Advertising & Related Expenses	108,100,001	152,000,001	108,100,001	152,000,001
Business Promotion Expenses	35,954,882	44,212,535	35,954,882	44,212,535
Donations	30,300	79,532	30,300	79,532
Deposit Insurance Premium	56,151,874	47,479,759	56,151,874	47,479,759
CROP Insurance Levy	13,100,000	26,781,781	13,100,000	26,781,781
Personnel Expenses (Note 18)	1,552,821,697	1,404,669,796	1,552,828,907	1,404,866,104

20 TAXES ON FINANCIAL SERVICES

Value Added Tax on Financial Services	641,265,670	783,809,641	641,265,670	783,809,641
Social Security Contribution Levy	55,854,131	-	55,854,131	-
	697,119,801	783,809,641	697,119,801	783,809,641

21 INCOME TAX EXPENSE

Provision for Taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

For the Year Ended 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Current Income Tax Expense on Profits for the Year (Note 21.1)	629,269,797	1,127,729,027	629,269,797	1,127,729,027
Over provision in respect of previous year	236,991	(46,241,328)	236,991	(46,241,328)
	629,506,788	1,081,487,699	629,506,788	1,081,487,699
Deferred Tax (Reversal) / Charge for the Year (Note 45.2)	83,978,413	483,890	77,850,535	(19,104,330)
Deferred Tax (Reversal) / Charge relating to change in Tax rate (Note 45.2)	12,422,780	-	12,100,607	-
	725,907,981	1,081,971,589	719,457,930	1,062,383,369

21.1 Reconciliation of Accounting Profit to Income Tax Expense

For the Year Ended 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Profit Before Income Tax	2,065,480,132	3,993,869,909	2,046,871,234	3,904,018,618
Add : Non deductible Expenses	1,674,587,006	2,517,912,098	1,690,169,644	2,605,645,807
Less : Tax Deductible Expenses	(1,409,349,416)	(1,812,831,098)	(1,406,323,156)	(1,810,713,516)
Less : Allowable Credits	-	-	-	-
Assessable Income	2,330,717,722	4,698,950,909	2,330,717,722	4,698,950,909
Less : Qualifying Payments	-	-	-	-
Taxable Income	2,330,717,722	4,698,950,909	2,330,717,722	4,698,950,909
Current Income Tax Expense @ 24% & 30%	629,241,970	1,127,702,160	629,241,970	1,127,702,160
Current Income Tax Expense @ 14% & 15%	27,827	26,867	27,827	26,867
	629,269,797	1,127,729,027	629,269,797	1,127,729,027

Notes to the Financial Statements

21.2 Reconciliation of Effective Tax Rate

For the Year Ended 31st March	Company				Group			
	2023		2022		2023		2022	
	%	Rs.	%	Rs.	%	Rs.	%	Rs.
Profit Before Income Tax		2,065,480,132		3,993,869,909		2,046,871,234		3,904,018,618
Taxable Income	30% & 24% & 15% & 14%	557,655,647	24% & 14%	958,509,587	30% & 24% & 15% & 14%	562,532,968	24% & 14%	936,945,277
Non - Deductible Expenses	22%	452,138,492	15.1%	604,298,904	22%	447,931,179	15.7%	625,354,994
Tax Deductible Expenses	(18%)	(380,524,342)	(10.9%)	(435,079,464)	(18%)	(381,194,350)	(10.9%)	(434,571,244)
Allowable Credits	-	-	-	-	-	-	-	-
Effects on Qualifying Payments	-	-	-	-	-	-	-	-
Effects on Deferred Taxation	5%	96,401,193	-	483,890	4%	89,951,142	(0.5%)	(19,104,330)
Effects on (Over) / under provision	0%	236,991	(1.2%)	(46,241,328)	0%	236,991	(1.2%)	(46,241,328)
Total Income Tax Expense	35.1%	725,907,981	27.1%	1,081,971,589	35.1%	719,457,930	27.2%	1,062,383,369

21.3 Change in Income Tax Rate

For the year ended 31st March 2022

The Group applied the revised rate of 24% and other amendments in line with the Inland Revenue Amendment Act No. 10 of 2021 to calculate the income tax and deferred tax assets/ liabilities as at 31st March 2022.

For the year ended 31st March 2023

The Group computed the income tax liability for first six months of the year of assessment 2022/2023 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No.45 of 2022 were considered to calculate the income tax liability of the Group for second six months of the year of assessment 2022/2023. The deferred tax assets/liabilities of the Company as at 31st March 2023 were computed using the revised income tax rate of 30%.

Due to the change in rate of the income tax, the change in deferred tax to the Company for the year was Rs.166,522.00 and for the group was Rs. (155.651.00).

21.3.1 Change in deductible loan loss provision method for income tax

According to the Government Gazette No.2064/57 dated 1st April 2018, specific loan loss provisions made in accordance with the CBSL directives had been allowed as claimable loan loss provisions for income tax purpose up to 31st March 2022. However, as per Gazette No.2303/05 dated 25th October 2022, provisions for impairment charges of Stage 1 and 2 have not been considered as claimable. Consequently, only Stage 3 impairment provisions (subject to conditions) have been considered as claimable loan loss provisions for tax purpose in the current year. Specifications of the Gazette has been applied from 1st April 2022.

21.4 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Company is liable for the surcharge tax of Rs. 665.18 million out of the adjusted taxable income of Rs. 2,660.7 million for the year of assessment 2020/21. The surcharge tax so calculated shall be deemed to be expenditure for the year ended 31st March 2021. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would be as follows:

	Company	Group
	Rs.	Rs.
Total Comprehensive Income for the Year ended 31st March 2021	1,709,773,334	1,707,301,839
Surcharge tax levied under Surcharge Act	(665,183,520)	(665,183,520)
Comparable Comprehensive Income for the Year ended 31st March 2021	1,044,589,814	1,042,118,319

22 EARNINGS PER SHARE

22.1 Basic Earnings per Share

Basic Earnings per Share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

For the Year Ended 31st March	Company		Group	
	2023	2022	2023	2022
Amount used as the Numerator				
Profit for the Year attributable to Equity holders (Rs.)	1,339,572,151	2,911,898,320	1,327,413,304	2,841,635,249
Number of Ordinary Shares used as the Denominator				
Weighted Average Number of Ordinary Shares (Note 22.1.1)	235,453,400	235,453,400	235,453,400	235,453,400
Basic Earnings Per Share (Rs.)	5.69	12.37	5.64	12.07

22.1.1 Weighted Average Number of Ordinary Shares

	Outstanding Number of Shares		Weighted Average Number of Shares	
	2023	2022	2023	2022
Number of shares in issue as at beginning of the year	235,453,400	58,863,350	235,453,400	58,863,350
Ordinary shares issued in the year	-	176,590,050	-	176,590,050
Number of shares in issue as at end of the year	235,453,400	235,453,400	235,453,400	235,453,400

22.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

23 DIVIDENDS ON ORDINARY SHARES

For the Year Ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividend Paid Per Share				
Gross Dividend Paid for the Financial Year 2021/22 & 2020/21	470,906,800	353,180,100	470,906,800	353,180,100
First Interim				
Dividend Paid Per Share for the Financial Year 2021/22 & 2020/21	2.00	6.00	2.00	6.00

Notes to the Financial Statements

24 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 Classification of Financial Assets and Financial Liabilities As at 31st March 2023 - Company

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	2,332,724,111	2,332,724,111
Placements with Banks and Other Finance Companies	-	-	9,860,926,513	9,860,926,513
Reverse Repurchase Agreements	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	-	-	1,498,552,923
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,581,535,164	50,581,535,164
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	10,789,860,137	10,789,860,137
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	4,169,488,788	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	-	-	28,698,236	28,698,236
Total Financial Assets	1,498,552,923	203,800	77,763,232,949	79,261,989,672

	Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.
Financial Liabilities		
Bank Overdrafts	1,561,119,013	1,561,119,013
Rental Received in Advance	176,943,085	176,943,085
Financial Liabilities at Amortised Cost - Deposits due to Customers	49,659,457,138	49,659,457,138
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	13,888,909,088	13,888,909,088
Subordinated Term Debt	3,163,398,140	3,163,398,140
Lease Liabilities	912,495,354	912,495,354
Total Financial Liabilities	69,362,321,818	69,362,321,818

Other than disclosed in Note 32.1 there were no reclassifications or transfers of Financial Assets during the year.

24.2 Classification of Financial Assets and Financial Liabilities As at 31st March 2023 - Group

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	2,339,453,098	2,339,453,098
Placements with Banks and Other Finance Companies	-	-	9,860,926,513	9,860,926,513
Reverse Repurchase Agreements	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,501,875,305	-	-	1,501,875,305
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,581,535,164	50,581,535,164
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	10,789,860,137	10,789,860,137
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	4,169,488,788	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	-	-	28,698,236	28,698,236
Total Financial Assets	1,501,875,305	203,800	77,769,961,936	79,272,041,041

	Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.
Financial Liabilities		
Bank Overdrafts	1,561,119,013	1,561,119,013
Rental Received in Advance	176,943,085	176,943,085
Financial Liabilities at Amortised Cost - Deposits due to Customers	49,659,457,138	49,659,457,138
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	15,954,588,101	15,954,588,101
Subordinated Term Debt	3,163,398,140	3,163,398,140
Lease Liabilities	912,495,354	912,495,354
Total Financial Liabilities	71,428,000,831	71,428,000,831

Other than disclosed in Note 32.1 there were no reclassifications or transfers of Financial Assets during the year.

Notes to the Financial Statements

24.3 Classification of Financial Assets and Financial Liabilities As at 31st March 2022 - Company

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	877,638,204	877,638,204
Placements with Banks and Other Finance Companies	-	-	4,167,388,105	4,167,388,105
Reverse Repurchase Agreements	-	-	1,770,612,142	1,770,612,142
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	-	-	314,015,408
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,691,038,582	50,691,038,582
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,973,325,141	14,973,325,141
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	1,737,815,264	-	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	100,423,871	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	-	-	13,647,730	13,647,730
Total Financial Assets	314,015,408	1,737,815,264	72,594,073,775	74,645,904,447

	Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.
Financial Liabilities		
Bank Overdrafts	1,062,546,767	1,062,546,767
Rental Received in Advance	227,759,381	227,759,381
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	20,034,340,212	20,034,340,212
Subordinated Term Debt	2,012,844,267	2,012,844,267
Lease Liabilities	858,556,285	858,556,285
Total Financial Liabilities	65,217,216,677	65,217,216,677

There were no reclassifications or transfers of Financial Assets during the year.

24.4 Classification of Financial Assets and Financial Liabilities As at 31st March 2022 - Group

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	900,929,559	900,929,559
Placements with Banks and Other Finance Companies	-	-	4,167,388,105	4,167,388,105
Reverse Repurchase Agreements	-	-	1,780,760,519	1,780,760,519
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	796,421,859	-	-	796,421,859
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,691,038,582	50,691,038,582
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,973,325,141	14,973,325,141
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	1,737,815,264	-	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	100,423,871	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	-	-	13,647,730	13,647,730
Total Financial Assets	796,421,859	1,737,815,264	72,627,513,507	75,161,750,630
Financial Liabilities				
			Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
			Rs.	Rs.
Bank Overdrafts			1,062,546,767	1,062,546,767
Rental Received in Advance			227,759,381	227,759,381
Financial Liabilities at Amortised Cost - Deposits due to Customers			41,021,169,765	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings			21,835,482,493	21,835,482,493
Subordinated Term Debt			2,012,844,267	2,012,844,267
Lease Liabilities			858,556,285	858,556,285
Total Financial Liabilities			67,018,358,958	67,018,358,958

There were no reclassifications or transfers of Financial Assets during the year.

Notes to the Financial Statements

25 FAIR VALUE OF ASSETS AND LIABILITIES

25.1 Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

As at 31st March 2023	Company				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-Financial Assets								
Property, Plant and Equipment								
Land & Buildings	-	-	391,829,492	391,829,492	-	-	1,571,329,492	1,571,329,492
Investment Properties	-	-	1,179,500,000	1,179,500,000	-	-	-	-
Total Non - Financial Assets at Fair Value	-	-	1,571,329,492	1,571,329,492	-	-	1,571,329,492	1,571,329,492
Financial Assets								
Financial Assets recognised through profit or loss - Measured at fair value								
Equity Shares - Quoted	1,409,946	-	-	1,409,946	1,409,946	-	-	1,409,946
Unit Trusts	-	1,497,142,977	-	1,497,142,977	-	1,500,465,359	-	1,500,465,359
Financial Investments Measured at Fair Value Through Other Comprehensive Income								
Government of Sri Lanka Treasury Bonds	-	-	-	-	-	-	-	-
Total Financial Assets at Fair Value	1,409,946	1,497,142,977	-	1,498,552,923	1,409,946	1,500,465,359	-	1,501,875,305
Total Assets at Fair Value	1,409,946	1,497,142,977	1,571,329,492	3,069,882,415	1,409,946	1,500,465,359	1,571,329,492	3,073,204,797

As at 31st March 2022	Company				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-Financial Assets								
Property, Plant and Equipment								
Land & Buildings	-	-	399,500,000	399,500,000	-	-	1,579,000,000	1,579,000,000
Investment Properties	-	-	1,179,500,000	1,179,500,000	-	-	-	-
Total Non - Financial Assets at Fair Value	-	-	1,579,000,000	1,579,000,000	-	-	1,579,000,000	1,579,000,000
Financial Assets								
Financial Assets recognised through profit or loss - Measured at fair value								
Equity Shares - Quoted	1,636,544	-	-	1,636,544	1,636,544	-	-	1,636,544
Unit Trusts	-	312,378,864	-	312,378,864	-	794,785,315	-	794,785,315
Financial Investments Measured at Fair Value Through Other Comprehensive Income								
Government of Sri Lanka Treasury Bonds	-	1,737,611,464	-	1,737,611,464	-	1,737,611,464	-	1,737,611,464
Total Financial Assets at Fair Value	1,636,544	2,049,990,328	-	2,051,626,872	1,636,544	2,532,396,779	-	2,534,033,323
Total Assets at Fair Value	1,636,544	2,049,990,328	1,579,000,000	3,630,626,872	1,636,544	2,532,396,779	1,579,000,000	4,113,033,323

There were no transfer between levels in Fair Value Hierarchy during the year.

25.2 Level 3 Fair Value measurement

Property, Plant and Equipment

Reconciliation from the beginning balance to the ending balance for the Land and Buildings in the Level 3 of the fair value hierarchy is given in Note 36 of the Financial Statements.

Reconciliation of Revaluation Reserve pertaining to the Land and Buildings in the Level 3 of the fair value hierarchy is given in Statement of Changes in Equity.

Note 36 provides information on significant unobservable inputs / valuation techniques and sensitivity for fair value measurement of Land and Buildings categorised as Level 3 in the fair value hierarchy.

Investment Properties

Reconciliation from the beginning balance to the ending balance for the Investment Properties in the Level 3 of the fair value hierarchy is given in Note 35 of the Financial Statements.

Note 35 provides information on significant unobservable inputs / valuation techniques and sensitivity for fair value measurement of Investment Properties categorised as Level 3 in the fair value hierarchy.

25.3 Financial Instruments not measured at Fair Value and Fair Value Hierarchy

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

Fixed rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g., fixed rate loans and receivables, deposits due to customers and subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities with short-term maturities, with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value.

Sensitivity of Significant Unobservable Inputs used to Measure Fair Value of Fixed Rate Financial Instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Notes to the Financial Statements

The following table summarises the carrying amounts and the Company's / Group's estimate of fair values of those financial assets and liabilities not presented in the Statement of Financial Position at fair value. The fair values in the table below may be different from the actual amounts that will be received / paid on the settlement or maturity of the financial instrument.

As at 31st March 2023	Carrying Value				Company Fair Value				Group Fair Value			
	Rs.				Rs.				Rs.			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets												
Cash and Cash Equivalents	-	-	-	2,332,724,111	-	-	-	2,332,724,111	-	-	-	2,339,453,098
Placements with Banks and Other Finance Companies	-	-	9,860,926,513	9,860,926,513	-	-	9,860,926,513	9,860,926,513	-	-	9,860,926,513	9,860,926,513
Reverse Repurchase Agreements	-	-	-	-	-	-	-	-	-	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	45,147,970,134	45,147,970,134	-	-	45,147,970,134	45,147,970,134	-	-	45,147,970,134	45,147,970,134
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	10,793,315,586	10,793,315,586	-	-	10,793,315,586	10,793,315,586	-	-	10,793,315,586	10,793,315,586
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	4,169,488,788	-	4,169,488,788	-	4,169,488,788	-	4,169,488,788	-	4,169,488,788	-	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	-	28,698,236	28,698,236	28,698,236	-	-	28,698,236	28,698,236	-	-	28,698,236	28,698,236
	77,763,232,949	4,169,488,788	65,830,910,469	72,333,123,368	-	4,169,488,788	65,830,910,469	72,333,123,368	-	4,169,488,788	65,830,910,469	72,339,852,355
Financial Liabilities												
Bank Overdrafts	1,561,119,013	-	-	1,561,119,013	-	-	-	1,561,119,013	-	-	-	1,561,119,013
Rental Received in Advance	176,943,085	-	176,943,085	176,943,085	-	-	176,943,085	176,943,085	-	-	176,943,085	176,943,085
Financial Liabilities at Amortised Cost - Deposits due to Customers	49,659,457,138	-	-	49,659,457,138	-	-	49,659,457,138	49,659,457,138	-	-	49,659,457,138	49,659,457,138
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	13,888,909,088	-	6,586,192,591	6,586,192,591	-	-	6,586,192,591	6,586,192,591	-	-	6,586,192,591	6,586,192,591
Subordinated Term Debt	3,163,398,140	-	3,163,398,140	3,163,398,140	-	-	3,163,398,140	3,163,398,140	-	-	3,163,398,140	3,163,398,140
Lease Liabilities	912,495,354	-	912,495,354	912,495,354	-	-	912,495,354	912,495,354	-	-	912,495,354	912,495,354
	69,362,321,818	-	60,321,029,929	61,882,148,942	-	-	60,321,029,929	61,882,148,942	-	-	60,321,029,929	63,542,023,756

As at 31st March 2022	Carrying Value			Company Fair Value			Carrying Value			Group Fair Value		
	Value			Level 1			Level 2			Level 3		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets												
Cash and Cash Equivalents	877,638,204	-	-	-	-	877,638,204	900,929,559	-	-	-	-	900,929,559
Placements with Banks and Other Finance Companies	4,167,388,105	-	-	-	4,167,388,105	4,167,388,105	4,167,388,105	-	-	4,167,388,105	4,167,388,105	-
Reverse Repurchase Agreements	1,770,612,142	-	-	-	1,770,612,142	1,770,612,142	1,780,760,519	-	-	1,780,760,519	1,780,760,519	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,691,038,582	-	-	-	49,993,556,123	49,993,556,123	50,691,038,582	-	-	49,993,556,124	49,993,556,124	-
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,973,325,141	-	-	-	14,922,683,279	14,922,683,279	14,973,325,141	-	-	14,922,683,279	14,922,683,279	-
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	-	99,974,484	-	99,974,484	100,423,871	-	99,974,484	-	99,974,484	-
Financial Assets at Amortised Cost - Other Financial Assets	13,647,730	-	-	-	13,647,730	13,647,730	13,647,730	-	-	13,647,730	13,647,730	-
	72,594,073,775	-	-	99,974,484	70,867,887,380	71,845,500,067	72,627,513,508	-	99,974,484	70,878,035,756	71,878,939,799	-
Financial Liabilities												
Bank Overdrafts	1,062,546,767	-	-	-	-	1,062,546,767	1,062,546,767	-	-	-	-	1,062,546,767
Rental Received in Advance	227,759,381	-	-	-	227,759,381	227,759,381	227,759,381	-	-	227,759,381	227,759,381	-
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	-	-	-	40,870,664,976	40,870,664,976	41,021,169,765	-	-	40,870,664,976	40,870,664,976	-
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	20,034,340,212	-	-	-	19,525,569,553	19,525,569,553	21,835,482,493	-	-	21,153,894,099	21,153,894,099	-
Subordinated Term Debt	2,012,844,267	-	-	-	2,012,844,267	2,012,844,267	2,012,844,267	-	-	2,012,844,267	2,012,844,267	-
Lease Liabilities	858,556,285	-	-	-	858,556,285	858,556,285	858,556,285	-	-	858,556,285	858,556,285	-
	65,217,216,677	-	-	-	63,495,394,462	64,557,941,229	67,018,358,958	-	-	65,123,719,008	66,186,265,785	-

Notes to the Financial Statements

26 CASH AND CASH EQUIVALENTS

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Cash & Cash equivalents (Note 26.1)	2,332,724,111	877,638,204	2,339,453,098	900,929,559
Bank Overdrafts (Note 26.2)	(1,561,119,013)	(1,062,546,767)	(1,561,119,013)	(1,062,546,767)
Net cash and Cash Equivalents	771,605,098	(184,908,563)	778,334,085	(161,617,208)
26.1 Cash at Bank	1,999,628,792	639,190,886	2,006,307,759	662,445,766
Cash in Hand	333,095,319	238,447,318	333,145,339	238,483,793
	2,332,724,111	877,638,204	2,339,453,098	900,929,559
26.2 Bank Overdrafts	(1,561,119,013)	(1,062,546,767)	(1,561,119,013)	(1,062,546,767)

27 PLACEMENTS WITH BANKS AND OTHER FINANCE COMPANIES

Placements with Banks and Other Finance Companies	9,862,792,679	4,168,929,692	9,862,792,679	4,168,929,692
Allowance for Impairment (Note : 27.1)	(1,866,166)	(1,541,587)	(1,866,166)	(1,541,587)
	9,860,926,513	4,167,388,105	9,860,926,513	4,167,388,105
27.1 Movement in Stage 1 Impairment				
Balance as at the beginning of the year	1,541,587	18,224	1,541,587	18,224
Net impairment charge / (reverse) for the year	324,579	1,523,363	324,579	1,523,363
Balance at the End of the year	1,866,166	1,541,587	1,866,166	1,541,587

28 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Quoted Equities (Note 28.1)	1,409,946	1,636,544	1,409,946	1,636,544
Unquoted Units in Unit Trusts (Note 28.2)	1,497,142,977	312,378,864	1,500,465,359	794,785,315
	1,498,552,923	314,015,408	1,501,875,305	796,421,859

28.1 Investments in Quoted Equities

Balance at the Beginning of the year	1,636,544	1,724,665	1,636,544	1,724,665
Movement during the year	-	-	-	-
Gain / (Loss) from marked to market valuation	(226,598)	(88,121)	(226,598)	(88,121)
Balance at the End of the year	1,409,946	1,636,544	1,409,946	1,636,544

As at 31st March	Company				Group			
	2023		2022		2023		2022	
	No of Ordinary shares	Cost	Fair Value	No of Ordinary shares	No of Ordinary shares	Cost	Fair Value	No of Ordinary shares
		Rs.	Rs.			Rs.	Rs.	
Bank, Finance & Insurance								
Singer Finance (Lanka) PLC	125,888	2,261,651	1,409,946	125,888	125,888	2,261,651	1,409,946	125,888
Total Quoted Equities		2,261,651	1,409,946			2,261,651	1,409,946	

28.2 Unquoted Units in Unit Trusts

	Company		Group	
	2023		2022	
	No of Units	Rs.	No of Units	Rs.
Balance at the Beginning of the year		312,378,864		794,785,315
Movement during the year		1,038,324,571		542,963,306
Gain / (Loss) from marked to market valuation		146,439,542		162,716,738
Balance at the End of the year		1,497,142,977		1,500,465,359

As at 31st March	Company				Group			
	2023		2022		2023		2022	
	No of Units	Cost	Fair Value	No of Units	No of Units	Cost	Fair Value	No of Units
		Rs.	Rs.			Rs.	Rs.	
Capital Alliance Income Fund	3,972,984	100,000,000	106,183,155	10,132,040	3,972,984	100,000,000	106,183,155	10,132,040
NDB Wealth Money Plus Fund	51,107,602	1,272,129,485	1,390,959,822	3,788,789	51,107,602	1,275,449,608	1,394,282,204	25,602,978
		1,372,129,485	1,497,142,977			1,375,449,608	1,500,465,359	

Notes to the Financial Statements

29 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Gross Loans and Receivables to Other Customers	52,418,101,718	52,294,775,642	52,418,101,718	52,294,775,642
Allowance for Impairment (Note 29.2)	(1,836,566,554)	(1,603,737,060)	(1,836,566,554)	(1,603,737,060)
Net Loans and Receivables to Other Customers (Note 29.1)	50,581,535,164	50,691,038,582	50,581,535,164	50,691,038,582

29.1 Loans and Receivables to Other Customers

As at 31st March	Company				Group			
	2023		2022		2023		2022	
	Gross Carrying Amount	ECL Allowance	Carrying Amount	Gross Carrying Amount	ECL Allowance	Carrying Amount	Gross Carrying Amount	ECL Allowance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Receivable on Loans and advances	36,101,277,155	(1,641,991,060)	34,459,286,095	42,522,523,695	(1,566,459,688)	40,956,064,007	42,522,523,695	(1,566,459,688)
Receivable on Loans against fixed deposits	968,187,303	-	968,187,303	1,132,754,716	-	1,132,754,716	1,132,754,716	-
Receivable on Micro Finance Loans	5,467,359	(5,467,359)	-	5,467,359	(5,467,359)	-	5,526,765	(5,526,765)
Receivable on Gold Loans	15,343,169,901	(189,108,135)	15,154,061,766	8,633,970,466	(31,750,607)	8,602,219,859	8,633,970,466	(31,750,607)
	52,418,101,718	(1,836,566,554)	50,581,535,164	52,294,775,642	(1,603,737,060)	50,691,038,582	52,294,775,642	(1,603,737,060)

29.2 Movement in Provision for Impairment During the Year

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	1,603,737,060	1,144,498,025	1,603,737,060	1,144,498,025
Net impairment charge (reversal) for the year	232,829,494	459,239,035	232,829,494	459,239,035
Balance as at the end of the year	1,836,566,554	1,603,737,060	1,836,566,554	1,603,737,060

29.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company							
	2023				2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	603,714,114	259,273,941	740,749,005	1,603,737,060	253,389,326	191,847,402	699,261,297	1,144,498,025
Changes due to loans and receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(62,596,249)	50,415,770	12,180,479	-	(21,580,108)	19,271,899	2,308,210	-
Transferred from Lifetime ECL not-credit impaired	102,802,165	(141,172,361)	38,370,196	-	33,089,823	(38,461,450)	5,371,627	-
Transferred from Lifetime ECL credit impaired	19,584,127	55,136,685	(74,720,812)	-	33,772,560	10,539,054	(44,311,614)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	44,113,364	44,113,364	-	-	3,554,120	3,554,120
Net remeasurement of loss allowance	(244,946,708)	74,857,486	358,805,352	188,716,130	305,042,513	76,077,036	74,565,365	455,684,915
Balance as at the end of the year	418,557,449	298,511,521	1,119,497,584	1,836,566,554	603,714,114	259,273,941	740,749,005	1,603,737,060

As at 31st March	Group							
	2023				2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	603,714,114	259,273,941	740,749,005	1,603,737,060	253,389,326	191,847,402	699,261,297	1,144,498,025
Changes due to loans and receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(62,596,249)	50,415,770	12,180,479	-	(21,580,108)	19,271,899	2,308,210	-
Transferred from Lifetime ECL not-credit impaired	102,802,165	(141,172,361)	38,370,196	-	33,089,823	(38,461,450)	5,371,627	-
Transferred from Lifetime ECL credit impaired	19,584,127	55,136,685	(74,720,812)	-	33,772,560	10,539,054	(44,311,614)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	44,113,364	44,113,364	-	-	3,554,120	3,554,120
Net remeasurement of loss allowance	(244,946,708)	74,857,486	358,805,352	188,716,130	305,042,513	76,077,036	74,565,365	455,684,915
Balance as at the end of the year	418,557,449	298,511,521	1,119,497,584	1,836,566,554	603,714,114	259,273,941	740,749,005	1,603,737,060

30 FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTAL AND HIRE PURCHASE RECEIVABLES

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
30.1 Hire Purchase Receivable (Note 30.1.1)	-	1,474,896	-	1,474,896
30.2 Lease Rental Receivable (Note 30.2.1)	10,789,860,137	14,971,850,245	10,789,860,137	14,971,850,245
	10,789,860,137	14,973,325,141	10,789,860,137	14,973,325,141

Notes to the Financial Statements

30.1.1 Hire Purchase Receivable

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Hire purchase receivables within one year	111,914,353	116,505,274	111,914,353	116,505,274
Hire purchase receivables after one year but before five years	-	-	-	-
Hire purchase receivables after five years	-	-	-	-
Total Hire Purchase Receivable	111,914,353	116,505,274	111,914,353	116,505,274
Unearned Income	-	-	-	-
Gross Hire Purchase Receivable	111,914,353	116,505,274	111,914,353	116,505,274
Allowance for Impairment (Note 30.1.2)	(111,914,353)	(115,030,378)	(111,914,353)	(115,030,378)
Net Hire Purchase Receivable	-	1,474,896	-	1,474,896

30.1.2 Movement in Provision for Impairment During the Year

Balance as at the beginning of the year	115,030,378	119,788,194	115,030,378	119,788,194
Net impairment charge /(reversal) for the year	(3,116,025)	(4,757,816)	(3,116,025)	(4,757,816)
Balance as at the end of the year	111,914,353	115,030,378	111,914,353	115,030,378

30.1.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company							
	2023				2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	-	-	115,030,378	115,030,378	-	-	119,788,194	119,788,194
Changes due to Hire Purchase Receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL not-credit impaired	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL credit impaired	-	-	-	-	-	-	-	-
Interest accrued / (reversals) on impaired loans and advances	-	-	(46,819)	(46,819)	-	-	(947,389)	(947,389)
Net remeasurement of loss allowance	-	-	(3,069,206)	(3,069,206)	-	-	(3,810,427)	(3,810,427)
Balance as at the end of the year	-	-	111,914,353	111,914,353	-	-	115,030,378	115,030,378

As at 31st March	Group							
	2023				2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	-	-	115,030,378	115,030,378	-	-	119,788,194	119,788,194
Changes due to Hire Purchase Receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL not-credit impaired	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL credit impaired	-	-	-	-	-	-	-	-
Interest accrued / (reversals) on impaired loans and advances	-	-	(46,819)	(46,819)	-	-	(947,389)	(947,389)
Net remeasurement of loss allowance	-	-	(3,069,206)	(3,069,206)	-	-	(3,810,427)	(3,810,427)
Balance as at the end of the year	-	-	111,914,353	111,914,353	-	-	115,030,378	115,030,378

30.2.1 Lease Rental Receivable

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Lease Rental receivable within one year	7,482,814,955	8,587,934,915	7,482,814,955	8,587,934,915
Lease Rental receivable after one year but before five years	7,485,965,446	12,184,133,286	7,485,965,446	12,184,133,286
Lease Rental receivable after five years	-	4,957,490	-	4,957,490
Total Lease Rental receivable	14,968,780,401	20,777,025,691	14,968,780,401	20,777,025,691
Unearned Income	(3,020,282,949)	(4,587,546,422)	(3,020,282,949)	(4,587,546,422)
Gross Lease Rental receivable	11,948,497,452	16,189,479,269	11,948,497,452	16,189,479,269
Allowance for Impairment (Note 30.2.2)	(1,158,637,315)	(1,217,629,024)	(1,158,637,315)	(1,217,629,024)
Net Lease Rental receivable	10,789,860,137	14,971,850,245	10,789,860,137	14,971,850,245

30.2.2 Movement in Provision for Impairment During the Year

Balance as at the beginning of the year	1,217,629,024	1,071,492,151	1,217,629,024	1,071,492,151
Net impairment charge /(reversal) for the year	(58,991,709)	146,136,873	(58,991,709)	146,136,873
Balance as at the end of the year	1,158,637,315	1,217,629,024	1,158,637,315	1,217,629,024

Notes to the Financial Statements

30.2.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company							
	2023				2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	294,875,297	233,425,031	689,328,694	1,217,629,024	256,497,730	215,789,377	599,205,044	1,071,492,151
Changes due to Lease Rental Receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(67,637,913)	50,793,343	16,844,570	-	(41,770,192)	38,053,976	3,716,216	-
Transferred from Lifetime ECL not-credit impaired	82,055,392	(120,587,956)	38,532,564	-	36,004,357	(47,273,689)	11,269,332	-
Transferred from Lifetime ECL credit impaired	38,788,297	33,630,289	(72,418,586)	-	18,006,651	22,320,493	(40,327,145)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	29,468,475	29,468,475	-	-	7,085,892	7,085,892
Net remeasurement of loss allowance	(239,386,907)	25,604,184	125,322,539	(88,460,184)	26,136,751	4,534,874	108,379,355	139,050,981
Balance as at the end of the year	108,694,166	222,864,891	827,078,256	1,158,637,315	294,875,297	233,425,031	689,328,694	1,217,629,024

As at 31st March	Group							
	2023				2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	294,875,297	233,425,031	689,328,694	1,217,629,024	256,497,730	215,789,377	599,205,044	1,071,492,151
Changes due to Lease Rental Receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(67,637,913)	50,793,343	16,844,570	-	(41,770,192)	38,053,976	3,716,216	-
Transferred from Lifetime ECL not-credit impaired	82,055,392	(120,587,956)	38,532,564	-	36,004,357	(47,273,689)	11,269,332	-
Transferred from Lifetime ECL credit impaired	38,788,297	33,630,289	(72,418,586)	-	18,006,651	22,320,493	(40,327,145)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	29,468,475	29,468,475	-	-	7,085,892	7,085,892
Net remeasurement of loss allowance	(239,386,907)	25,604,184	125,322,539	(88,460,184)	26,136,751	4,534,874	108,379,355	139,050,981
Balance as at the end of the year	108,694,166	222,864,891	827,078,256	1,158,637,315	294,875,297	233,425,031	689,328,694	1,217,629,024

31 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Unquoted Equities - (Note 31.1)	203,800	203,800	203,800	203,800
Government of Sri Lanka Treasury Bonds (Note 31.2 & Note 32.1)	-	1,737,611,464	-	1,737,611,464
	203,800	1,737,815,264	203,800	1,737,815,264

31.1 Unquoted Equities

As at 31st March	No of Ordinary shares	Cost of investment	Company		Group	
			Market Value as at 31/03/2023	Market Value as at 31/03/2022	Market Value as at 31/03/2023	Market Value as at 31/03/2022
			Rs.	Rs.	Rs.	Rs.
Credit Information Bureau of Sri Lanka	38	3,800	3,800	3,800	3,800	3,800
Finance House Association	20,000	200,000	200,000	200,000	200,000	200,000
		203,800	203,800	203,800	203,800	203,800

31.1.1 The Group designated the investments shown above as equity securities of FVOCI because these equity securities represent investments that Group intend to hold for the long term strategic purpose.

31.1.2 The fact that there was no strategic investment disposed during the year and there was no transfer of any cumulative gain/loss within equity relating to the investment classified as FVTOCI.

31.2 Government of Sri Lanka Treasury Bonds

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	1,737,611,464	-	1,737,611,464	-
Movement During the year	-	2,035,388,664	-	2,035,388,664
Reversal or Gain/(Loss) on marked to market valuation	-	(297,777,200)	-	(297,777,200)
Reclassification to profit or loss due to derecognition	297,777,200	-	297,777,200	-
Reclassification of treasury bonds at FVOCI to amortized cost	(2,035,388,664)	-	(2,035,388,664)	-
Balance at the End of the year	-	1,737,611,464	-	1,737,611,464

32 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Government of Sri Lanka Treasury Bills	2,113,967,550	100,423,871	2,113,967,550	100,423,871
Government of Sri Lanka Treasury Bond (Note 32.1)	2,055,521,238	-	2,055,521,238	-
	4,169,488,788	100,423,871	4,169,488,788	100,423,871

Notes to the Financial Statements

32.1 Reclassification of Government of Sri Lanka Treasury Bonds

The Company reclassified bulk of its Treasury Bond Portfolio amounting to Rs. 1,999.76 Mn in Fair Value Through Other Comprehensive Income (FVOCI) category to Amortized Cost category, with effect from 1st April 2022, as a result of changes to the business model of managing the assets due to unprecedented changes in the macro-economic conditions in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio. Accordingly, the required adjustments in respect of the aforesaid reclassification of debt securities have been made in the Interim Financial Statements as at 31st March 2023.

The fair value of the reclassified debt portfolio as at 31st March 2023 amounted to Rs.1,227.45 Mn and the cumulative fair value loss amounted to Rs.772.3 Mn.

32.2 During the year in fair value reserve the Company has reverse the recognized fair valuation loss and respective deferred tax asset of above reclassification has 226,310,672/- (Refer Note 50.2)

33 FINANCIAL ASSETS AT AMORTISED COST - OTHER FINANCIAL ASSETS

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Gross Staff Loans (Note 33.1)	29,806,691	14,692,501	29,806,691	14,692,501
Allowance for Impairment (Note 33.2)	(1,108,455)	(1,044,771)	(1,108,455)	(1,044,771)
Net Staff Loans	28,698,236	13,647,730	28,698,236	13,647,730

33.1 Gross Staff Loans

Balance at the beginning of the year	14,692,501	16,166,914	14,692,501	16,166,914
Granted during the year	45,930,500	15,759,000	45,930,500	15,759,000
Recovered during the year	(28,311,716)	(17,824,561)	(28,311,716)	(17,824,561)
Net change in Prepaid Staff Cost during the year	(2,504,594)	591,148	(2,504,594)	591,148
Balance at the end of the year	29,806,691	14,692,501	29,806,691	14,692,501

33.2 Allowance for Impairment

Balance at the beginning of the year	1,044,771	1,004,772	1,044,771	1,004,772
Net Impairment charge during the year	63,684	39,999	63,684	39,999
Balance at the end of the year	1,108,455	1,044,771	1,108,455	1,044,771

34 INVESTMENT IN A SUBSIDIARY

As at 31st March	Company	
	2023 Rs.	2022 Rs.
Vallibel Properties Limited (Note 34.1)	20	20
	20	20

34.1 Vallibel Properties Limited

A Company under the name "Vallibel Properties Ltd" was incorporated as a fully owned subsidiary of Vallibel Finance PLC, to engage in administration of construction, development and maintenance of the proposed Corporate office building complex for Vallibel Finance PLC.

Cost is assumed to be the best approximation for the market value of the investment as at 31st March 2023. There were no any restriction on its ability to access or use assets and settlement of liabilities of the Group.

35 INVESTMENT PROPERTY

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost/Valuation				
As at beginning of the year	1,179,500,000	1,100,000,000	-	-
Additions during the year	-	-	-	-
Transfers from Property, Plant and Equipment	-	-	-	-
Fair value gains/(losses) during the year	-	79,500,000	-	-
Disposals during the year	-	-	-	-
As at end of the year	1,179,500,000	1,179,500,000	-	-

35.1 The Company leased a bare land situated at Galle road, Colombo 03 extent of 42.12 perch for its fully owned subsidiary Vallibel Properties Ltd.

35.2 The Company earned Rs. 6,354,507.00 (2021/22- Rs.8,233,709.00) during the year as rental income from the investment property.

35.3 There were no direct operating expenses relating to the investment property.

35.4 Land is not depreciated under normal circumstances.

35.5 The above property is pledged as security for borrowing obtained amounting to Rs. 2.15 Bn from Commercial Bank of Ceylon as at 31st March 2023 (2021/22 - Rs. 1.8 Bn) refer Note 53.3.

35.6 The Company charge a fee for providing a corporate guarantee of above loan obtained by Vallibel Property Limited. The Company earned Rs. 6,000,000.00 during the year as a guarantee commission from the Vallibel Property Limited.

35.7 Details of Investment Property of the Company is given below.

Investment Property - Extent and Location

Location and address of the Property	Number of Buildings	Extent (Perches)	Fair Value of the Investment Property Rs.	Carrying value of the Investment Property before fair valuation Rs.
No.480, Kollupitiya Road, Colombo 03	-	42.12	1,179,500,000	1,179,500,000

Notes to the Financial Statements

Investment Property - Valuation

Date of valuation : 31st March 2023

Name of Professional Valuer / Location and address of the Property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Carrying value of the Investment Property before fair valuation Rs.	Fair Value of the Investment Property Rs.	Fair Value gain /(loss) recognised in Income Statement Rs.
H.B. Manjula Basnayaka No.480, Kollupitiya Road, Colombo 03	Market Comparable Method - Price per perch for land	Rs.28,000,000 p.p	1,100,000,000	1,179,500,000	79,500,000

Valuation techniques and sensitivity of the fair value measurement of the Investment Property of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land	Estimated fair value would increase/(decrease) if; Price per perch would increase/(decrease)

36 PROPERTY, PLANT AND EQUIPMENT
36.1 Property, Plant and Equipment - Company

As at 31st March	Freehold Land	Freehold Building	Building on Leasehold Land	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Capital WIP	Total	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	2023	2022
<i>Cost/Valuation</i>										
As at 01st April	284,500,000	115,000,000	1,950,000	183,465,813	507,942,415	215,199,875	82,315,065	-	1,390,373,169	1,142,303,249
Additions during the year	-	-	-	31,448,441	101,690,145	44,327,968	3,900,000	-	181,366,554	226,621,921
Transfer during the year	-	-	-	8,099,470	235,739	(8,335,209)	-	-	-	-
Transfer of accumulated depreciation on assets revalued	-	-	-	-	-	-	-	-	-	(21,765,113)
Surplus on Revaluation of property	-	-	-	-	-	-	-	-	-	48,245,347
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	(1,757,595)	(4,645,000)	-	(6,402,595)	(5,032,236)
As at 31st March	284,500,000	115,000,000	1,950,000	223,013,724	609,868,299	249,435,040	81,570,065	-	1,565,337,128	1,390,373,168
<i>Accumulated Depreciation</i>										
As at 01st April	-	-	1,202,500	129,909,179	295,225,437	138,203,725	69,639,206	-	634,180,047	528,148,471
Depreciation for the year	-	7,670,508	195,000	25,606,737	88,147,993	33,910,907	9,028,620	-	164,559,765	132,635,844
Transfer of accumulated depreciation on assets revalued	-	-	-	4,870,983	123,379	(4,994,362)	-	-	-	(21,765,113)
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	(1,720,341)	(4,528,333)	-	(6,248,674)	(4,839,155)
As at 31st March	-	7,670,508	1,397,500	160,386,899	383,496,809	165,399,929	74,139,493	-	792,491,138	634,180,047
<i>Carrying Amount</i>										
As at 31st March 2023	284,500,000	107,329,492	552,500	62,626,825	226,371,490	84,035,111	7,430,572	-	772,845,990	-
As at 31st March 2022	284,500,000	115,000,000	747,500	53,556,634	212,716,978	76,996,150	12,675,859	-	-	756,193,121

Notes to the Financial Statements

36.2 Property, Plant and Equipment - Group

As at 31st March	Freehold Land	Freehold Building	Building on Leasehold Land	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Capital WIP	Total	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	2023	2022
Cost/Valuation										
As at 01st April	1,464,000,000	115,000,000	1,950,000	183,465,813	507,942,415	215,199,875	82,315,065	1,272,609,467	3,842,482,635	2,647,292,322
Additions during the year	-	-	-	31,448,441	101,690,145	44,327,968	3,900,000	749,474,333	930,840,888	1,094,242,315
Transfer during the year	-	-	-	8,099,470	235,739	(8,335,209)	-	-	-	-
Transfer of accumulated depreciation on assets revalued	-	-	-	-	-	-	-	-	-	(21,765,113)
Surplus on Revaluation of property	-	-	-	-	-	-	-	-	-	127,745,347
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	(1,757,595)	(4,645,000)	-	(6,402,595)	(5,032,236)
As at 31st March	1,464,000,000	115,000,000	1,950,000	223,013,724	609,868,299	249,435,040	81,570,065	2,022,083,800	4,766,920,928	3,842,482,635
Accumulated Depreciation										
As at 01st April	-	-	1,202,500	129,909,179	295,225,437	138,203,725	69,639,206	-	634,180,047	528,148,471
Depreciation for the year	-	7,670,508	195,000	25,606,737	88,147,993	33,910,907	9,028,620	-	164,559,765	132,635,844
Transfer of accumulated depreciation on assets revalued	-	-	-	4,870,983	123,379	(4,994,362)	-	-	-	(21,765,113)
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	(1,720,341)	(4,528,333)	-	(6,248,674)	(4,839,155)
As at 31st March	-	7,670,508	1,397,500	160,386,899	383,496,809	165,399,929	74,139,493	-	792,491,138	634,180,047
Carrying Amount										
As at 31st March 2023	1,464,000,000	107,329,492	552,500	62,626,825	226,371,490	84,035,111	7,430,572	2,022,083,800	3,974,429,790	-
As at 31st March 2022	1,464,000,000	115,000,000	747,500	53,556,634	212,716,978	76,996,150	12,675,859	1,272,609,467	3,208,302,588	-

36.3 The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

As at 31st March	Company				Group					
	As at 31st March 2023		As at 31st March 2022		As at 31st March 2023		As at 31st March 2022		As at 31st March 2022	
	Cost Accumulated Depreciation Value		Cost Accumulated Depreciation Value		Cost Accumulated Depreciation Value		Cost Accumulated Depreciation Value		Cost Accumulated Depreciation Value	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Class of Asset										
Freehold Land	152,219,000	-	152,219,000	152,219,000	1,248,088,000	-	1,248,088,000	1,248,088,000	-	1,248,088,000
Freehold Building	56,376,607	7,670,508	48,706,099	56,376,607	19,161,599	19,161,599	7,670,508	48,706,099	56,376,607	19,161,599
	208,595,607	7,670,508	200,925,099	208,595,607	1,304,464,607	7,670,508	1,296,794,099	1,304,464,607	19,161,599	1,285,303,008

36.4 Details of freehold properties of the Company & Group are given below.

Freehold land & buildings - Extent and Locations

Location and address of the Property		Extent (Perches)	Buildings	Number of Buildings	Revalued amounts Land	Revalued amounts Buildings	Net Book Value / Revalued Amount	Net Book Value before revaluation
			Sq.ft.		Rs.	Rs.	Rs.	Rs.
Maharagama Branch		15.2			106,400,000		106,400,000	95,000,000
No. 126-5, Highlevel Road, Maharagama.			12,240	1		61,200,000	61,200,000	43,994,500
Kiribathgoda Branch		10.0			70,000,000		70,000,000	67,500,000
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda			2,626	1		13,000,000	13,000,000	9,998,750
Galle Branch		5.70			74,000,000		74,000,000	69,000,000
No. 128, Main Street , Galle			2,812	1		12,400,000	12,400,000	10,398,700
Chilaw Branch		10.00			18,000,000		18,000,000	17,467,000
No. 84, Kurunegala Road, Chilaw			2,144	1		9,500,000	9,500,000	7,199,100
Embilipitiya Branch		9.77			16,100,000		16,100,000	14,500,000
No. 103, New Town Road, Embilipitiya			3,776	1		18,900,000	18,900,000	16,196,603
Land		42.12	-		1,179,500,000		1,179,500,000	1,100,000,000
Galle Road , Colombo 03								

Notes to the Financial Statements

Freehold land & buildings - Valuations

Date of valuation : 31st March 2022

Name of Independent Professional Valuer / Location and address of the Property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net Book Value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
			Land	Building	Land	Building	Land	Building
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
H.B. Manjula Basanayaka								
Maharagama Branch								
Market Comparable Method								
No. 126, Highlevel Road, Maharagama.	- Price per perch for land	Rs. 7,000,000 p.p	95,000,000		106,400,000		11,400,000	
	- Price per sq.ft for building	Rs. 5,000 p.sq.ft		43,994,500		61,200,000		17,205,500
Kiribathgoda Branch								
Market Comparable Method								
No. 376, Kandy Road, Kiribathgoda	- Price per perch for land	Rs. 7,000,000 p.p	67,500,000		70,000,000		2,500,000	
	- Price per sq.ft for building	Rs. 4,950 p.sq.ft		9,998,750		13,000,000		3,001,250
Galle Branch								
Market Comparable Method								
No. 128, Main Street Galle	- Price per perch for land	Rs. 13,000,000 p.p	69,000,000		74,000,000		5,000,000	
	- Price per sq.ft for building	Rs. 4,410 p.sq.ft		10,398,700		12,400,000		2,001,300
Chilaw Branch								
Market Comparable Method								
No. 84, Kurunegala Road, Chilaw	- Price per perch for land	Rs. 1,800,000 p.p	17,467,000		18,000,000		533,000	
	- Price per sq.ft for building	Rs. 4,431 p.sq.ft		7,199,100		9,500,000		2,300,900
Land								
Market Comparable Method								
No. 480, Galle Road, Colombo 03	- Price per perch for land	Rs. 28,000,000 p.p	1,100,000,000		1,179,500,000		79,500,000	
Embilipitiya Branch								
Market Comparable Method								
No. 103, New Town Road, Embilipitiya	- Price per perch for land	Rs. 1,650,000 p.p	14,500,000		16,100,000		1,600,000	
	- Price per sq.ft for building	Rs. 5,005 p.sq.ft		16,196,603		18,900,000		2,703,397

Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Company & Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method		Estimated fair value would increase/(decrease) if;
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land	Price per perch would increase/(decrease)
	Price per square foot for building	Price per square foot would increase/(decrease)
	Depreciation rate for building	Depreciation rate for building would decrease/ (increase)

- 36.5** Based on the assessment of potential impairment carried out internally by the Board of Directors as at 31st March 2023, no provision was required to be made in the Financial statements.
- 36.6** Property, Plant & Equipment included fully depreciated assets having a gross amount of Rs. 574,203,787.13 as at 31st March 2023 (2021/22 Rs. 519,231,325.08).
- 36.7** The Group has capitalised Rs. 150,069,496.00 (2021/22- Rs. 71,757,038.00) of borrowing costs (actual borrowing costs less investment income on temporary investment) related to the acquisition of Property, Plant & Equipment during the year.
- 36.8** There were no restrictions on the title of the Property, Plant & Equipment as at 31st March 2023.
- 36.9** Property bearing assessment no.480, Galle road, Colombo 03 pledged as security for borrowing obtained from Commercial Bank of Ceylon as at 31st March 2023.
- 36.10** There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2023.
- 36.11** The capital WIP includes the under construction work of the proposed Corporate office premises of the Company.
- 36.12** There were no temporary idle items of Property, Plant & Equipment as at 31st March 2023.

Notes to the Financial Statements

37 RIGHT-OF-USE LEASE ASSETS

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Right-of-use Assets (Note 37.1)	748,848,409	781,224,648	748,848,409	781,224,648
	748,848,409	781,224,648	748,848,409	781,224,648

37.1 Right-of-use Assets

Cost				
Balance as at the beginning of the year	1,131,225,912	790,185,344	1,131,225,912	790,185,344
Additions during the year	141,781,017	343,694,325	141,781,017	343,694,325
Terminations during the year	(4,993,522)	(2,653,757)	(4,993,522)	(2,653,757)
Balance as at the end of the year	1,268,013,407	1,131,225,912	1,268,013,407	1,131,225,912
Accumulated Depreciation				
Balance as at the beginning of the year	350,001,264	206,240,774	350,001,264	206,240,774
Charge for the year	169,163,734	143,760,490	169,163,734	143,760,490
Balance as at the end of the year	519,164,998	350,001,264	519,164,998	350,001,264
Carrying Amount				
As at 31st March 2023	748,848,409		748,848,409	
As at 31st March 2022		781,224,648		781,224,648

38 INTANGIBLE ASSETS

Computer Software (Note 38.1)	18,458,354	28,671,530	18,458,354	28,671,530
	18,458,354	28,671,530	18,458,354	28,671,530

38.1 Computer Software

Cost				
Balance as at the beginning of the year	72,672,859	44,189,507	72,672,859	44,189,507
Additions during the year	-	28,483,352	-	28,483,352
Balance as at the end of the year	72,672,859	72,672,859	72,672,859	72,672,859
Accumulated Amortisation				
Balance as at the beginning of the year	44,001,329	34,291,912	44,001,329	34,291,912
Charge for the year	10,213,176	9,709,417	10,213,176	9,709,417
Balance as at the end of the year	54,214,505	44,001,329	54,214,505	44,001,329
Carrying Amount				
As at 31st March 2023	18,458,354		18,458,354	
As at 31st March 2022		28,671,530		28,671,530

38.2 Intangible Assets included fully amortised assets having a gross amount of Rs.45,097,835.00 as at 31st March 2023 (2021/22 Rs. 20,356,951.00).

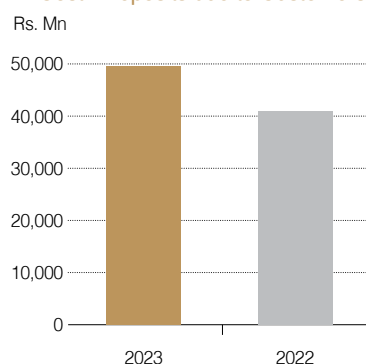
39 OTHER ASSETS

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Refundable Deposits	42,634,235	40,354,235	42,634,235	42,379,422
Prepaid Expenses	59,715,872	33,306,821	59,715,872	34,542,437
Prepaid Staff Cost	2,504,594	2,980	2,504,594	2,980
Advance Payments	57,615,429	30,220,000	57,615,429	30,220,000
Related Party Receivable	38,320	-	-	-
Other Receivables	72,403,799	52,918,829	65,436,063	49,685,120
	234,912,249	156,802,865	227,906,193	156,829,959

40 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS DUE TO CUSTOMERS

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Fixed Deposits	49,658,311,759	40,762,712,429	49,658,311,759	40,762,712,429
Savings Deposits	1,145,379	1,002,135	1,145,379	1,002,135
Certificate of Deposits	-	257,455,201	-	257,455,201
	49,659,457,138	41,021,169,765	49,659,457,138	41,021,169,765

Financial Liabilities at Amortised Cost - Deposits due to Customers



40.1 Analysis of Deposits due to Customers by Maturity Date

As at 31st March 2023	1 to 90 days	91 to 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.
Fixed Deposits	20,701,692,971	19,007,740,579	9,948,878,209	49,658,311,759
Savings Deposits	1,145,379	-	-	1,145,379
Certificate of Deposits	-	-	-	-
	20,702,838,350	19,007,740,579	9,948,878,209	49,659,457,138

Notes to the Financial Statements

As at 31st March 2022	1 to 90 days	91 to 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.
Fixed Deposits	16,269,339,331	19,337,329,713	5,156,043,385	40,762,712,429
Savings Deposits	1,002,135	-	-	1,002,135
Certificate of Deposits	257,455,201	-	-	257,455,201
	16,527,796,667	19,337,329,713	5,156,043,385	41,021,169,765

41 FINANCIAL LIABILITIES AT AMORTISED COST - INTEREST BEARING BORROWINGS

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Institutional Borrowings (Note 41.1)	13,825,016,210	20,013,525,789	15,706,349,772	21,814,668,070
Commercial Papers	63,892,878	20,814,423	248,238,329	20,814,423
	13,888,909,088	20,034,340,212	15,954,588,101	21,835,482,493

41.1 Institutional Borrowings - Company

	As at 01/04/2022	Facility Obtained*	Interest Recognised	Repayments		As at 31/03/2023	Tenure of Loan	Security Offered
	Rs.	Rs.	Rs.	Capital Rs.	Interest Rs.	Rs.		
Bank of Ceylon	578,950,494	-	81,553,595	500,000,000	77,470,892	83,033,197	4 Years	Mortgage Bond over Receivables
PABC Bank	877,718,847	-	80,372,860	249,999,996	122,820,948	585,270,763	4 Years	Mortgage Bond over Receivables
Seylan Bank	4,565,132,589		397,055,941	1,146,800,000	396,166,471	3,419,222,059	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	100,575,343	748,798,768	184,571,096	100,000,000	182,261,222	751,683,985	3 Months & 4 Years	Mortgage Bond over Receivables
Hatton National Bank	6,770,533,054		1,054,725,002	2,274,230,379	1,146,208,328	4,404,819,349	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	966,992,890		64,435,390	242,450,000	64,583,261	724,395,019	4 Years	Mortgage Bond over Receivables
NSB Bank	667,814,182	-	105,920,081	400,000,000	105,421,808	268,312,455	5 Years	Mortgage Bond over Receivables
Sampath Bank	3,068,738,453		539,022,900	1,325,000,000	536,445,452	1,746,315,901	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	1,917,119,980	-	168,144,178	501,000,000	168,319,505	1,415,944,653	4 Years	Mortgage Bond over Receivables
Cargills Bank	499,949,957	-	116,364,028	75,000,000	115,295,156	426,018,829	4 Years	Mortgage Bond over Receivables
	20,013,525,789	748,798,768	2,792,165,071	6,814,480,375	2,914,993,043	13,825,016,210		

* Facility obtained is reported net of transaction cost.

41.1 Institutional Borrowings - Group

	As at 01/04/2022	Facility Obtained	Interest Recognised	Repayments		As at 31/03/2023	Tenure of Loan	Security Offered
	Rs.	Rs.	Rs.	Capital Rs.	Interest Rs.	Rs.		
Bank of Ceylon	578,950,494	-	81,553,595	500,000,000	77,470,892	83,033,197	4 Years	Mortgage Bond over Receivables
PABC Bank	877,718,847	-	80,372,860	249,999,996	122,820,948	585,270,763	4 Years	Mortgage Bond over Receivables
Seylan Bank	4,565,132,589	-	397,055,941	1,146,800,000	396,166,471	3,419,222,059	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	100,575,343	748,798,768	184,571,096	100,000,000	182,261,222	751,683,985	3 Months	Mortgage Bond over Receivables
Hatton National Bank	6,770,533,054	-	1,054,725,002	2,274,230,379	1,146,208,328	4,404,819,349	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	966,992,890	-	64,435,390	242,450,000	64,583,261	724,395,019	4 Years	Mortgage Bond over Receivables
NSB Bank	667,814,182	-	105,920,081	400,000,000	105,421,808	268,312,455	5 Years	Mortgage Bond over Receivables
Sampath Bank	3,068,738,453	-	539,022,900	1,325,000,000	536,445,452	1,746,315,901	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	3,718,262,262	350,000,000	346,149,795	771,000,000	346,133,843	3,297,278,215	4 Years & 78 Months	Mortgage Bond over Receivables &PFMB over property at No. 480, Galle Road, Colombo 03 & Corporate Guarantee from Vallibel Finance PLC amounting to Rs. 1.8 Bn
Cargills Bank	499,949,957	-	116,364,028	75,000,000	115,295,156	426,018,829	4 Years	Mortgage Bond over Receivables
	21,814,668,070	1,098,798,768	2,970,170,688	7,084,480,375	3,092,807,381	15,706,349,772	-	

There were no any defaults of principal or interest during the year.

42 SUBORDINATED TERM LOAN

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at beginning of the year	2,012,844,267	-	2,012,844,267	-
Movement during the year	1,150,553,873	2,012,844,267	1,150,553,873	2,012,844,267
Balance as at end of the year	3,163,398,140	2,012,844,267	3,163,398,140	2,012,844,267

Notes to the Financial Statements

43 LEASE LIABILITIES

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at beginning of the year	858,556,285	599,680,856	858,556,285	599,680,856
Additions during the year	125,611,017	319,174,325	125,611,017	319,174,325
Terminations during the year	(7,487,098)	(3,641,220)	(7,487,098)	(3,641,220)
Interest Expense on Lease Liabilities	95,799,651	77,156,428	95,799,651	77,156,428
Payments	(159,984,501)	(133,814,104)	(159,984,501)	(133,814,104)
Balance as at end of the year	912,495,354	858,556,285	912,495,354	858,556,285

44 CURRENT TAX LIABILITIES

Balance as at Beginning of the Year	604,894,450	635,606,078	604,894,450	635,606,078
Income Tax Provision on Current Year Profits	629,269,797	1,127,729,027	629,269,797	1,127,729,027
(Over) / under provision in respect of previous year	236,991	(46,241,328)	236,991	(46,241,328)
Paid and Set off During the Year	(687,216,165)	(1,112,199,327)	(687,216,165)	(1,112,199,327)
Balance as at end of the Year	547,185,073	604,894,450	547,185,073	604,894,450

45 DEFERRED TAX LIABILITIES

Deferred Tax Liabilities (Note 45.3)	284,918,764	142,580,571	284,918,764	142,580,571
Deferred Tax Assets (Note 45.4)	(107,519,914)	(141,914,484)	(110,488,657)	(143,203,176)
Net Deferred Tax Liabilities (Note 45.1)	177,398,850	666,087	174,430,107	(622,605)

45.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Taxable / (Deductible) Temporary Differences				
Property, Plant & Equipment	108,450,003	115,514,379	108,450,003	115,514,379
Lease capital Balance	-	44,763,235	-	44,763,235
Legal Termination receivables	121,070,873	129,470,558	121,070,873	129,470,558
Due to the changes in deductible loan loss provision method (Note : 21.2.2)	415,870,797	-	415,870,797	-
Revaluation Surplus on Freehold Land	224,837,541	224,837,541	304,337,541	304,337,541
Investment Property fair valuation	79,500,000	79,500,000	-	-
Taxable Temporary Differences	949,729,214	594,085,713	949,729,214	594,085,713
Retirement Benefit Obligation	(86,818,197)	(80,824,933)	(86,818,197)	(80,824,933)
Unclaimed Impairment provision	(94,150,847)	(94,150,848)	(94,150,847)	(94,150,848)
Right of use Lease asset	(177,430,670)	(118,557,371)	(177,430,670)	(118,557,371)
Gain/(Loss) on marked to market valuation -FVOCI	-	(297,777,200)	-	(297,777,200)
Tax Loss on Subsidiary	-	-	(9,895,808)	(5,369,548)
Total Taxable Temporary Differences (net)	591,329,498	2,775,361	581,433,690	(2,594,187)
Applicable Tax Rate	30%	24%	30%	24%
Net Deferred Tax Liabilities / (Assets)	177,398,850	666,087	174,430,107	(622,605)

45.2 Deferred Tax Expense

	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Origination of Deferred tax				
Liability (Note 45.3)	142,338,193	30,022,183	142,338,193	30,022,183
Asset (Note 45.4)	34,394,570	(61,647,016)	32,714,519	(62,155,236)
	176,732,763	(31,624,833)	175,052,712	(32,133,053)
Total expense charged / (reversed) to Income Statement	96,401,193	483,890	89,951,142	(19,104,330)
Total expense charged / (reversed) to OCI	80,331,570	(32,108,723)	85,101,570	(13,028,723)

45.3 Deferred Tax Liabilities

	Company				Group			
	2023		2022		2023		2022	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at beginning of the year	594,085,713	142,580,571	468,993,289	112,558,388	594,085,713	142,580,571	468,993,289	112,558,388
Impact of change in tax rate recognised in Income Statement & OCI	-	35,645,143	-	-	-	35,645,143	-	-
Originating / (reversing) during the year	355,643,501	106,693,050	125,092,424	30,022,183	355,643,501	106,693,050	125,092,424	30,022,183
Balance as at end of the year	949,729,214	284,918,764	594,085,713	142,580,571	949,729,214	284,918,764	594,085,713	142,580,571

45.4 Deferred Tax Assets

Balance as at beginning of the year	591,310,351	141,914,484	334,447,782	80,267,468	596,679,899	143,203,176	337,699,748	81,047,940
Impact of change in tax rate recognised in Income Statement	-	(35,478,621)	-	-	-	(35,800,794)	-	-
Originating / (reversing) during the year	(232,910,637)	1,084,051	256,862,569	61,647,016	(228,384,377)	3,086,275	258,980,151	62,155,236
Balance as at end of the year	358,399,714	107,519,914	591,310,351	141,914,484	368,295,522	110,488,657	596,679,899	143,203,176

Notes to the Financial Statements

46 OTHER LIABILITIES

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Other Provisions & Payables (Note 46.1)	761,756,610	821,403,585	761,756,610	821,403,585
Accrued Expenses	194,147,919	168,141,030	185,810,155	169,084,731
	955,904,529	989,544,615	947,566,765	990,488,316

46.1 Other Provisions & Payables

RMV Payable	8,793,684	13,462,725	8,793,684	13,462,725
Insurance Payable	115,417,990	160,422,786	115,417,990	160,422,786
Taxes Payable	441,329,335	166,076,182	441,329,335	166,076,182
Supplier Payables	100,821,266	391,336,061	100,821,266	391,336,061
Other Payables	95,394,335	90,105,831	95,394,335	90,105,831
	761,756,610	821,403,585	761,756,610	821,403,585

47 RETIREMENT BENEFIT OBLIGATIONS

47.1 Retirement Benefit Liability Recognised in Statement of Financial Position

As at 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	80,824,933	162,995,765	80,824,933	162,995,765
Amounts Recognised in Income Statement (Note 47.2)	29,041,900	50,558,958	29,041,900	50,558,958
Amounts Recognised in OCI (Note 47.3)	(10,848,897)	(125,947,705)	(10,848,897)	(125,947,705)
Payments during the Year	(12,199,739)	(6,782,085)	(12,199,739)	(6,782,085)
Balance as at 31st March	86,818,197	80,824,933	86,818,197	80,824,933

47.2 Amounts Recognised in Income Statement

Service cost	16,109,911	31,455,603	16,109,911	31,455,603
Past Service Cost	-	4,922,724	-	4,922,724
Net Interest on the net defined benefit obligation	12,931,989	14,180,631	12,931,989	14,180,631
	29,041,900	50,558,958	29,041,900	50,558,958

47.3 Amounts Recognised in OCI

Remeasurement of retirement benefit obligation arising from changes in assumptions	(14,793,778)	(110,921,681)	(14,793,778)	(110,921,681)
Remeasurement of retirement benefit obligation arising from experience adjustments	3,944,881	(15,026,024)	3,944,881	(15,026,024)
	(10,848,897)	(125,947,705)	(10,848,897)	(125,947,705)

47.4 Defined Benefit Obligation Reconciliation

	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Benefit obligation at end of prior year	80,824,933	162,995,765	80,824,933	162,995,765
Company service cost	16,109,911	31,455,603	16,109,911	31,455,603
Past Service Cost	-	4,922,724	-	4,922,724
Interest cost	12,931,989	14,180,631	12,931,989	14,180,631
Payments made during the year	(12,199,739)	(6,782,085)	(12,199,739)	(6,782,085)
Remeasurement of retirement benefit obligation arising from changes in assumptions	(14,793,778)	(110,921,681)	(14,793,778)	(110,921,681)
Remeasurement of retirement benefit obligation arising from experience adjustments	3,944,881	(15,026,024)	3,944,881	(15,026,024)
Benefit obligation at end of year	86,818,197	80,824,933	86,818,197	80,824,933

47.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2023 was carried out by Mr. Piya S Goonetilleke, FIA, of Messrs. Piya S Goonetilleke and Associates, a firm of professional actuaries.

47.4.2 The valuation has been done using the "Projected Unit Credit Method", which is recommended in the Sri Lanka Accounting Standard - LKAS 19 "Employee Benefits".

47.4.3 In period of 2021/2022, retirement benefits obligation was adjusted to reflect new legal requirements regarding the retirement age based on the Minimum Retirement Age of Workers Act No. 28 of 2021. As a result of the plan amendment, the Company's retirement benefits obligation increased by Rs. 4,922,724.00 (2022/2023- Nil). A corresponding past service debit was recognised in the income statement during 2021/2022.

47.5 Assumptions

	Company		Group	
	2023	2022	2023	2022
Discount Rate	18.00%	16.00%	18.00%	16.00%
Salary increment	10.00%	10.00%	10.00%	10.00%
Staff Turnover				
20 years	15.00%	15.00%	15.00%	15.00%
25 years	15.00%	15.00%	15.00%	15.00%
30 years	9.00%	9.00%	9.00%	9.00%
35 years	6.00%	6.00%	6.00%	6.00%
40 years	1.00%	1.00%	1.00%	1.00%
45 years	1.00%	1.00%	1.00%	1.00%
50 years	1.00%	1.00%	1.00%	1.00%
55 years	1.00%	1.00%	1.00%	1.00%
59 years	1.00%	1.00%	1.00%	1.00%
Mortality - GA 1983 mortality Table				
Retirement age	60 Years	60 Years	60 Years	60 Years

47.5.1 In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 18% p.a (2021/2022 -16% p.a) has been used to discount future retirement benefit liabilities. As per the guidelines issued by the institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk firm the market interest rate in arriving at the discount rate for the purpose of valuing employee benefit obligation as per LKAS 19.

Notes to the Financial Statements

47.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table illustrates the impact of the possible changes in the discount rate and salary increment rate on the gratuity valuation of the Company as at 31st March 2023.

	Sensitivity effect on Statement of Financial Position (Benefit Obligation) Rs.
1% increase in discount rate	80,943,899
1% decrease in discount rate	93,668,799
1% increase in salary increment rate	94,015,652
1% decrease in salary increment rate	80,588,434

There were no changes in the methods and assumptions used in preparing sensitivity analysis.

47.7 Maturity Analysis of the Payments

The following Gross payments are expected on defined benefit obligation in future 10 years.

	2023	
	Company	Group
	Rs.	Rs.
Next 12 months	7,223,174	7,223,174
Between 1 - 2 years	9,518,108	9,518,108
Between 2 - 5 years	60,454,293	60,454,293
Between 5 - 10 years	99,040,782	99,040,782
	176,236,357	176,236,357

The weighted average duration of the defined benefit obligation is 10.7 Years.

48 STATED CAPITAL

	Company		Group	
As at 31st March	2023	2022	2023	2022
Ordinary Shares (Note 48.1)	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000
No. of shares (Note 48.2)	235,453,400	235,453,400	235,453,400	235,453,400

48.1 Movement of Stated Capital

At the Beginning of the Year	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000
Movement during the Year	-	-	-	-
As at the End of the Year	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000

48.2 Movement of no. of Shares

At the Beginning of the Year	235,453,400	58,863,350	235,453,400	58,863,350
Movement during the Year	-	176,590,050	-	176,590,050
As at the End of the Year	235,453,400	235,453,400	235,453,400	235,453,400

48.3 There were no shares held by the Vallibel Finance PLC or Vallibel Properties Limited in the Company as at 31st March 2023.

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

49 STATUTORY RESERVE FUND

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Statutory Reserve Fund (Note 49.1)	1,766,773,033	1,699,794,425	1,766,773,033	1,699,794,425
	1,766,773,033	1,699,794,425	1,766,773,033	1,699,794,425

49.1 Statutory Reserve Fund

Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the Beginning of the Year	1,699,794,425	1,554,199,509	1,699,794,425	1,554,199,509
Transfers during the Year	66,978,608	145,594,916	66,978,608	145,594,916
As at the End of the Year	1,766,773,033	1,699,794,425	1,766,773,033	1,699,794,425

49.1.1 The Company has transferred 5% of net profit to the fund since the capital funds exceeds 25% of total deposit liabilities in the current year.

50 OTHER RESERVES

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revaluation Reserve (Note 50.1)	157,386,280	170,876,532	213,036,280	231,296,532
Fair Value Reserve (Note 50.2)	-	(226,310,672)	-	(226,310,672)
General Reserve (Note 50.3)	7,500,000	7,500,000	7,500,000	7,500,000
	164,886,280	(47,934,140)	220,536,280	12,485,860

Notes to the Financial Statements

50.1 Revaluation Reserve

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the Beginning of the Year	170,876,532	131,761,541	231,296,532	131,761,541
Surplus on Revaluation of Freehold Land & Buildings	-	48,245,347	-	127,745,347
Deferred Tax (Charge) / Reversal on Revaluation of Land & Buildings	-	(11,578,883)	-	(30,658,883)
Deferred tax effect on revaluation Surplus due to change in tax rate	(13,490,252)	2,448,527	(18,260,252)	2,448,527
As at the End of the Year	157,386,280	170,876,532	213,036,280	231,296,532

50.2 Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at the fair value through other comprehensive income until they are derecognised or impaired.

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the Beginning of the Year	(226,310,672)	-	(226,310,672)	-
Fair Value Gains / (Losses) that arose during the Year	-	(297,777,200)	-	(297,777,200)
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	297,777,200	-	297,777,200	-
Deferred Tax effect including the effect of Rate Change on opening balance	17,866,632	-	17,866,632	-
Deferred Tax (Charge) /Reversal on Fair Value Gains / (Losses)	(89,333,160)	71,466,528	(89,333,160)	71,466,528
As at the End of the Year	-	(226,310,672)	-	(226,310,672)

50.3 General Reserve

General reserve comprises the amounts appropriated by the Board of Directors as a General Reserve. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
General Reserve	7,500,000	7,500,000	7,500,000	7,500,000
	7,500,000	7,500,000	7,500,000	7,500,000

51 RETAINED EARNINGS

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the Beginning of the Year	7,677,371,584	5,168,528,024	7,604,637,018	5,166,056,529
Surcharge Tax	(665,183,520)	-	(665,183,520)	-
Profit for the Year	1,339,572,151	2,911,898,320	1,327,413,304	2,841,635,249
Other Comprehensive Income	15,474,107	95,720,256	15,474,107	95,720,256
Statutory Reserve Transfer	(66,978,608)	(145,594,916)	(66,978,608)	(145,594,916)
Dividend Paid	(470,906,800)	(353,180,100)	(470,906,800)	(353,180,100)
At the End of the Year	7,829,348,914	7,677,371,584	7,744,455,501	7,604,637,018

52 RELATED PARTY DISCLOSURES

Vallibel Finance PLC (the Company) carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

52.1 Parent and Ultimate Controlling Party

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited.

52.2 Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including executive and non-executive Directors) and selected key employees who meet the above criteria have been classified as KMP of the Company.

KMP of the Group

As the Company is the parent of the Group, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company is also KMP of the Group.

52.2.1 Transactions with KMP

52.2.1.1 Compensation of KMP

For the Year Ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Short term employment benefits	234,988,303	183,372,776	234,988,303	183,372,776
Director fees and expenses	6,011,158	5,776,296	6,011,158	5,776,296
Post employment benefits	-	-	-	-
	240,999,461	189,149,072	240,999,461	189,149,072

Notes to the Financial Statements

52.2.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependants of the KMPs domestic partner. CFM too have been identified as related parties of the Company / Group.

52.2.2.1 Statement of Financial Position

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Liabilities				
Financial Liabilities at Amortised Cost - Deposits due to Customers	3,915,176,619	1,100,149,913	3,915,176,619	1,100,149,913
	3,915,176,619	1,100,149,913	3,915,176,619	1,100,149,913

52.2.2.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest Expense	338,447,711	79,754,467	338,447,711	79,754,467
Compensation to KMP	240,999,461	189,149,072	240,999,461	189,149,072
	579,447,172	268,903,539	579,447,172	268,903,539

52.2.2.3 Share based transactions of KMP

For the year ended 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividends paid	128,501,112	96,881,040	128,501,112	96,881,040
	128,501,112	96,881,040	128,501,112	96,881,040

52.2.3 Transactions, Arrangements and Agreements involving Entities which are controlled and / or significantly influenced by the KMP or their CFM

As at 31st March	Company			Group			Company			Group		
	2023		2022	2023		2022	2022/23		2021/22	2022/23		2021/22
	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.		Rs.	Rs.
Assets												
Cash and Cash Equivalents	5,544,648	32,566,601	5,645,870	33,167,923	27,021,953	569,354,995	27,522,053	568,753,673				
Placements with Banks and Other Finance Companies	1,435,676,926	361,178,624	1,435,676,926	361,178,624	(1,074,498,302)	(93,848,687)	(1,074,498,302)	(93,848,687)				
Reverse Repurchase Agreements	-	-	-	-	-	-	-	-				
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,409,946	1,636,544	1,409,946	1,636,544	226,598	88,121	226,598	88,121				
Property, Plant and Equipment	-	-	216,417,961	375,786,342	-	-	375,786,342	(340,189,253)				
Other Assets	-	-	-	-	-	-	-	-				
	1,442,631,520	395,293,648	1,659,150,703	771,681,312	(1,047,249,751)	475,594,429	(670,963,309)	134,803,854				
Liabilities												
Bank Overdrafts	135,335,779	116,906,218	135,335,779	116,906,218	18,429,561	111,099,085	18,429,561	111,099,085				
Financial Liabilities at Amortised Cost - Deposits due to Customers	4,114,036,811	4,997,934,305	4,114,036,811	4,997,934,305	(883,897,494)	2,265,486,140	(883,897,494)	2,265,486,140				
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	585,270,763	877,718,847	585,270,763	877,718,847	(292,448,084)	877,718,847	(292,448,084)	877,718,847				
	4,834,643,353	5,992,559,370	4,834,643,353	5,992,559,370	(1,157,916,017)	3,254,304,072	(1,157,916,017)	3,254,304,072				

Notes to the Financial Statements

52.2.3.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Interest Income	100,399,823	42,993,044	100,399,823	42,993,044
Interest Expense	699,739,187	218,838,185	699,739,187	218,838,185
Net Gain / (Loss) from Trading	(125,888)	12,589	(125,888)	12,589
Other Operating Income	1,200,000	960,000	1,200,000	960,000

52.3 Transactions with the Parent

52.3.1 Share based transactions with Parent

For the year ended 31st March	Company		Group	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Dividends paid	242,216,000	181,662,000	242,216,000	181,662,000
	242,216,000	181,662,000	242,216,000	181,662,000

52.4 Transactions with Group Entity

The Group entity includes the Vallibel Properties Limited.

52.4.1 Statement of Financial Position

As at 31st March	Amount Received / (Paid)		Amount Received / (Paid)	
	2023	2023	2022	2022
	Rs.	Rs.	Rs.	Rs.
Assets				
Related Party Receivable	38,320	(38,320)	-	1,963,569
	38,320	(38,320)	-	1,963,569

52.4.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	2023	2022
	Rs.	Rs.
Other Operating Income	6,354,507	8,233,709

52.4.3 Commitments & Contingent Liabilities

Refer the Note 53 for details.

52.5 Terms and conditions on the transactions entered by the Directors of the Company / Group

From time to time directors of the Company / Group, or their related entities, may transact with the Company. These transactions are on the same terms and conditions as those entered into by other customers.

52.6 As per CSE Listing Rule 7.6 (xvi) - Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.

Name of the Related Party	Relationship	Terms of the Transaction	Date	2023 Rs.	Rationale for entering Transaction
K.D.D. Perera	Close Family Member	Fixed Deposit taken for interest rate of 18% for 18 Months - Monthly	29th December 2022	2,001,676,712	To invest the excess funds
Summer Season Limited	Affiliate	Fixed Deposit taken for interest rate of 23% for 12 Months - Maturity	24th, 26th & 31st August 2022	1,616,473,006	To invest the excess funds
	Affiliate	Fixed Deposit taken for interest rate of 22% for 03 Months - Maturity	28th February 2023	188,938,891	To invest the excess funds
	Affiliate	Fixed Deposit taken for interest rate of 25% & 20% for 04 Months & 1 Months - Maturity	28th March 2023	268,692,799	To invest the excess funds

52.7 As per CSE Listing Rules 9.3.2 - Disclosures on Related Party Transactions

52.7.1 Non- recurrent related party transactions which exceeds 10% of equity or 5% of total assets of the Company whichever is lower

Following Corporate Guarantees has been issued by the Company,

- A Corporate Guarantee amounting to Rs.1.8 Bn provided by the Company for Commercial Bank Ceylon PLC for a Borrowing obtained by Vallibel Properties Limited to construct the proposed Corporate Office premises. During the year Capital Repayment amounted to 270 Mn.
- During the year new Corporate Guarantee amounting to Rs. 350 Mn provided by the Company for Commercial Bank Ceylon PLC for a Short term loan borrowing obtained by Vallibel Properties Limited to construct the proposed Corporate Office premises. During the year there were no Capital Repayment.
- Value of the above related party transaction as a % of equity was 19.39% and as a % of total assets was 2.61%.

Notes to the Financial Statements

52.7.2. Recurrent related party transactions (other than the exempted transactions) which exceeds 10% of the gross income of the Company

The aggregate value of recurrent related party transactions (other than the exempted transactions) entered into by the Company during the year has not exceeded 10% of the gross income of the Company.

53 CONTINGENT LIABILITIES AND COMMITMENTS

53.1 Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in these Financial Statements amounted to approximately.

As at 31st March	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Approved and contracted for	-	-	82,573,190	507,178,336
	-	-	82,573,190	507,178,336

53.2 Litigations against the Company

Litigation is a common occurrence in the industry due to the nature of the business undertaken.

The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Company confirms that there is no case filed against the Company which is not disclosed which would have a material Impact on the financial position of the Company.

There were no cases filed against the Vallibel Properties Limited.

As at 31st March	Company	
	2023 Rs.	2022 Rs.
Cases pending against the Company	5,000,000	5,000,000
	5,000,000	5,000,000

Action filed by a third party claiming the mortgaged bond which was signed in company's favour was forged - Case no. L566/15 (Pending proceedings).

The company's legal professionals are of the opinion that the Company will be able to defend against these cases. Therefore no provision is made for contingent liabilities in the financial statements.

53.3 Contingent Liabilities

Following Corporate Guarantees has been issued by the Company,

- A Corporate Guarantee amounting to Rs.1.8 Bn provided by the Company for Commercial Bank Ceylon PLC for a Borrowing obtained by Vallibel Properties Limited to construct the proposed Corporate Office premises. During the year Capital Repayment amounted to 270 Mn.
- During the year new Corporate Guarantee amounting to Rs. 350 Mn provided by the Company for Commercial Bank Ceylon PLC for a Short term loan borrowing obtained by Vallibel Properties Limited to construct the proposed Corporate Office premises. During the year there were no Capital Repayment.

54 ASSETS PLEDGED

The following Financial assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under the Note 26.2 & 41 to the Financial Statements.

Funding institute	Nature of Assets	Nature of Liability	Value of Assets Pledged (Rs.)	Included Under
Bank of Ceylon	Lending Portfolio	Long-term Borrowings	124,549,796	Gross Receivable
Pan Asia Banking Corporation PLC	Lending Portfolio	Long-term Borrowings & Overdraft	1,170,541,526	Gross Receivable
Seylan Bank PLC	Lending Portfolio	Long-term Borrowings & Overdraft	5,128,833,088	Gross Receivable
Hatton National Bank	Lending Portfolio	Long-term Borrowings & Overdraft	5,506,024,187	Gross Receivable
DFCC Bank	Lending Portfolio	Long-term Borrowings	941,713,524	Gross Receivable
NSB Bank	Lending Portfolio	Long-term Borrowings	348,806,192	Gross Receivable
Sampath Bank	Lending Portfolio	Long-term Borrowings & Overdraft	2,322,600,148	Gross Receivable
NDB Bank	Lending Portfolio	Short-term Borrowings	1,127,525,978	Gross Receivable
Union Bank	Lending Portfolio	Overdraft	25,000,000	Gross Receivable
Commercial Bank	Lending Portfolio	Long-term Borrowings	1,840,728,049	Gross Receivable
Cargills Bank	Lending Portfolio	Long-term Borrowings	553,824,478	Gross Receivable

In the ordinary course of business the Group enters into transaction that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The Group has transferred future receivables of lending portfolio, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the Group continues to recognise these assets within Lending portfolio.

55 SEGMENT REPORTING

The Group has four reportable segments, as described below, which are the Group's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Group's management and internal reporting structure. For each of the strategic business line, the Group Management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable Segments	Operations
Finance Lease	Granting Finance Leases and related recovery operations
Hire Purchase	Granting Hire Purchase and related recovery operations
Loans and advances	Granting vehicle loans, mortgage loans, gold loans and related recovery operations
Investments	Managing funding, investing and liquidity operations

Notes to the Financial Statements

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Group Management. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

For the year ended 31 March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Income From												
External Operations												
Interest Income	2,634,870,551	2,963,802,112	10,713	3,606,849	11,319,363,225	6,658,528,332	1,721,472,955	304,160,689	-	-	15,675,717,444	9,930,097,982
Administration Fees	-	-	-	-	-	-	-	-	505,805,140	672,707,103	505,805,140	672,707,103
Dividends	-	-	-	-	-	-	191,910	191,910	-	-	191,910	191,910
Other	-	-	-	-	-	-	165,036,141	64,052,258	342,115,151	1,311,428,114	507,151,292	1,375,480,372
Total Revenue	2,634,870,551	2,963,802,112	10,713	3,606,849	11,319,363,225	6,658,528,332	1,886,701,006	368,404,857	847,920,291	1,984,135,217	16,688,865,786	11,978,477,367
Other material non-cash items												
Impairment losses on Financial Assets	(88,460,184)	139,050,981	(3,069,206)	(3,810,427)	188,716,130	455,684,915	324,579	1,523,363	63,684	39,999	(97,575,003)	(592,488,831)
Impairment losses on Non Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-
Profit Before Income Tax											2,046,871,234	3,904,018,618
Income Tax Expense											719,457,930	1,062,383,369
Profit After Tax											1,327,413,304	2,841,635,249
Other Information												
As at 31 March												
Segment Assets	10,789,860,137	14,971,850,245	-	1,474,896	50,581,535,164	50,691,038,582	15,532,494,406	8,582,809,618	7,448,282,737	5,232,809,190	84,352,172,444	79,479,982,531
Segment Liabilities	9,375,422,932	12,967,031,783	-	1,277,399	43,950,827,787	43,903,211,537	13,496,347,719	7,433,521,127	6,471,891,192	4,532,105,382	73,294,489,630	68,837,147,228
Net Assets	1,414,437,205	2,004,818,462	-	197,497	6,630,707,377	6,787,827,045	2,036,146,687	1,149,288,491	976,391,545	700,703,808	11,057,682,814	10,642,835,303

56 FINANCIAL RISK MANAGEMENT

(A) Introduction and Overview

The Company has exposure to following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

(i) Risk Management Framework

The Board of Directors possess overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

The Board has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas. With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly risk review reports are submitted by the respective Deputy General Manager who supervises each major category of risk.

(B) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk).

(i) Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transaction, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(ii) Management of credit risk

The Board of Directors has delegated responsibility for the overseeing of credit risk to its Company Credit Committee. A separate Company Credit department, reporting to the Company Credit Committee is responsible for management of the Company's credit risk, including:

- Formulating credit policies in consultation with business lines, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities:
Authorisation limits are allocated to business line Credit Officers. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing and assessing credit risk.
- Company's Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business line concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer and market liquidity.

Notes to the Financial Statements

- Developing and maintaining the Company's processes for measuring ECL.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Regular audits of business units and Company Credit processes are undertaken by Internal Audit.

(C) Liquidity Risk

Liquidity risk is that which the Company will encounter in terms of difficulties in meeting obligations associated with its financial liabilities which are settled by delivering cash or other financial assets.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Finance Division receives information from other business lines regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Division then maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed and calls deposits and short term government securities, to ensure that sufficient liquidity maintained within the Company as a whole. All liquidity policies and procedures are subject to review and approval by Integrated Risk Management Committee. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to Integrated Risk Management Committee. The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company's borrowing liabilities have maturities of over one year, deposits from customers generally have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

(D) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The ALCO is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

(E) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls is to address operational risk assigned to senior management within each business line. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.

- Requirements for the reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where it is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business line to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Financial Risk Review of the Company

This note presents information about the Company's exposure to financial risks and the Company's management of capital.

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A. Credit Risk

Credit Quality Analysis

A. i Analysis of Credit Risk Exposure

The following tables shows the maximum exposure to credit risk by class of financial asset.

As at 31st March	Company		Group	
	Maximum Exposure to Credit Risk		Maximum Exposure to Credit Risk	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Assets				
Cash and Cash Equivalents	2,332,724,111	877,638,204	2,339,453,098	900,929,559
Placements with Banks and Other Finance Companies (Gross)	9,862,792,679	4,168,929,692	9,862,792,679	4,168,929,692
Reverse Repurchase Agreements	-	1,770,612,142	-	1,780,760,519
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	314,015,408	1,501,875,305	796,421,859
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Gross)	52,418,101,718	52,294,775,642	52,418,101,718	52,294,775,642
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Gross)	12,060,411,805	16,305,984,543	12,060,411,805	16,305,984,543
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	1,737,815,264	203,800	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	4,169,488,788	100,423,871	4,169,488,788	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	29,806,691	13,647,730	29,806,691	13,647,730
Total Financial Assets	82,372,082,515	77,583,842,496	82,382,133,884	78,099,688,679

A. ii Credit Quality Analysis Stage-wise

The following table sets out information about the credit quality of financial assets measured at amortised cost, financial assets measured at FVTPL, Financial Investments Measured at Fair Value Through Other Comprehensive Income of the company.

With the adoption of SLFRS 9 (01st April 2018) - "Financial Instruments" the Company manages credit quality based on three stage approach.

Stage 1 - 12 Month Expected Credit Losses

Stage 2 - Life Time Expected Credit Losses - Not Credit Impaired

Stage 3 - Life Time Expected Credit Losses - Credit Impaired

The following table shows the classification of Financial Assets based on the three stage approach.

As at 31st March 2023	12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalents	2,332,724,111	-	-	-	2,332,724,111
Placements with Banks and Other Finance Companies	9,862,792,679	-	-	-	9,862,792,679
Less : ECL Allowance					(1,866,166)
Reverse Repurchase Agreements	-	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	-	-	-	1,498,552,923
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	46,730,754,750	3,418,988,209	2,268,358,760	-	52,418,101,719
Less : ECL Allowance					(1,836,566,554)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	8,289,852,677	2,068,997,931	1,701,561,196		12,060,411,804
Less : ECL Allowance					(1,270,551,668)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	4,169,488,788	-	-	-	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	-	-	-	29,806,691	29,806,691
Less : Impairment				29,806,691	(1,108,455)
	72,884,369,728	5,487,986,140	3,969,919,956	28,698,236	79,261,989,672

As at 31st March 2022	12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalents	877,638,204	-	-	-	877,638,204
Placements with Banks and Other Finance Companies	4,168,929,692	-	-	-	4,168,929,692
Less : ECL Allowance					(1,541,587)
Reverse Repurchase Agreements	1,770,612,142	-	-	-	1,770,612,142
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	-	-	-	314,015,408
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	46,949,254,137	4,066,841,157	1,278,680,348	-	52,294,775,642
Less : ECL Allowance					(1,603,737,060)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	12,305,652,784	2,580,855,225	1,419,476,534		16,305,984,543
Less : ECL Allowance					(1,332,659,402)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	1,737,815,264	-	-	-	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	-	-	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	-	-	-	14,692,501	14,692,501
Less : Impairment					(1,044,771)
	68,224,341,502	6,647,696,382	2,698,156,882	14,692,501	74,645,904,447

Notes to the Financial Statements

A. iii Amounts arising from ECL

This note highlights inputs, assumptions and techniques used for estimating Expected Credit Losses (ECL) as per SLFRS 9 - "Financial Instruments".

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the information following data.

Payment record – this includes overdue status as well as a range of variables about payment ratios

External data from credit reference agencies, including industry-standard credit scores

Requests for and granting of forbearance

Existing and forecast changes in business, financial and economic conditions

Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Generating the term structure of Probability of Default (PD)

Past Due date is a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and type of underlying security. For some portfolios, information gathered from external credit agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

LTV Ratio Details

LTV Ratio Details Adequate precautions were taken to maintain exposures by maintaining LTV ratio at acceptable levels which was below 70% as of 31.03.2023.

Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or the borrower is past due equal more than 120 days on any material credit obligation to the Company. In determination of default the Company largely aligns with the regulatory definition of default which is 120 days and above (2021/22 - 180 days).

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios.

The Economic variables used by the Company based on the statistical significance include the followings

1. Unemployment rate
2. Interest rate
3. GDP Growth rate
4. Inflation rate

Weightages assigned for each scenario for the year 2023 are ;
Weightage Best case Scenario 10% , Base case Scenario 30%, Worst case Scenario 60%

As at 31.03.2023 the base case assumptions have been updated to reflect the rapidly evolving situation with respect to current economic condition of the country by using the economic forecast. In addition to the base case forecast which reflects the negative economic consequences, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

ECL allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of Loan portfolio.

Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	2023			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	898,589,411	492,698,972	1,545,108,078	2,936,396,462
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(130,234,162)	101,209,113	29,025,049	-
Transferred from LifeTime ECL not-credit impaired	184,857,557	(261,760,317)	76,902,760	-
Transferred from LifeTime ECL credit impaired	58,372,424	88,766,974	(147,139,398)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	73,535,020	73,535,020
Net remeasurement of loss allowance	(484,333,615)	100,461,670	481,058,687	97,186,742
Balance as at the end of the year	527,251,615	521,376,412	2,058,490,196	3,107,118,224

As at 31st March	2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	509,887,056	407,636,779	1,418,254,536	2,335,778,370
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(63,350,300)	57,325,875	6,024,425	-
Transferred from LifeTime ECL not-credit impaired	69,094,180	(85,735,139)	16,640,959	-
Transferred from LifeTime ECL credit impaired	51,779,212	32,859,547	(84,638,759)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	9,692,623	9,692,623
Net remeasurement of loss allowance	331,179,264	80,611,911	179,134,294	590,925,468
Balance as at the end of the year	898,589,411	492,698,972	1,545,108,078	2,936,396,461

Notes to the Financial Statements

Stage Transition on Lending Portfolio

The following tables show reconciliations from the opening to the closing balance of the lending portfolio (gross) based on three stage approach.

As at 31st March	2023			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	59,254,906,921	6,647,696,382	2,698,156,882	68,600,760,185
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(5,930,989,921)	4,704,506,995	1,226,482,926	-
Transferred from LifeTime ECL not-credit impaired	2,591,728,228	(3,316,690,867)	724,962,639	-
Transferred from LifeTime ECL credit impaired	218,342,557	264,439,070	(482,781,627)	-
Financial Assets that have been derecognised	(21,478,989,922)	(1,942,651,600)	(912,399,827)	(24,334,041,349)
Other Changes in the portfolio	20,365,609,608	(869,313,840)	715,498,919	20,211,794,687
Balance as at the end of the year	55,020,607,471	5,487,986,140	3,969,919,912	64,478,513,523

As at 31st March	2022			
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	40,732,561,561	6,818,629,842	2,530,262,194	50,081,453,597
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(3,114,304,126)	2,893,786,473	220,517,653	-
Transferred from LifeTime ECL not-credit impaired	1,217,449,233	(1,400,424,136)	182,974,903	-
Transferred from LifeTime ECL credit impaired	127,314,420	230,308,125	(357,622,545)	-
Financial Assets that have been derecognised	(17,124,197,502)	(4,439,896,480)	(907,733,842)	(22,471,827,824)
Other Changes in the portfolio	37,416,083,336	2,545,292,558	1,029,758,518	40,991,134,412
Balance as at the end of the year	59,254,906,921	6,647,696,382	2,698,156,882	68,600,760,185

Collateral held as security and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types financial assets.

Type of Credit Exposure	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	31st March 2023	31st March 2022	
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers			
Loans and Advances	100	100	Property and equipment
Loans against Fixed Deposits	100	100	Fixed Deposits
Micro Finance Loans	100	100	Personal Guarantees
Gold Loans	100	100	Gold articles
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables			
Lease Rental Receivables	100	100	Property and equipment
Hire Purchase Receivables	100	100	Property and equipment

A. iv Concentration of Credit Risk

The following tables show the concentration of net lending portfolio based on the type of product and geographical region.

Product Concentration of net lending portfolio

As at 31st March	2023		2022	
	Rs.	%.	Rs.	%.
Hire Purchase Receivable	-	0.00%	1,474,896	0.00%
Lease Rental Receivable	10,789,860,137	17.58%	14,971,850,245	22.80%
Loans and advances	34,459,286,095	56.15%	40,956,064,007	62.37%
Loans against fixed deposits	968,187,303	1.58%	1,132,754,716	1.73%
Gold Loans	15,154,061,766	24.69%	8,602,219,959	13.10%
	61,371,395,301		65,664,363,723	

Geographical Concentration of gross lending portfolio

Province	Company			
	Lease Rental & Hire Purchase Receivables		Loans and Receivables to Other Customers	
As at 31st March	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Western	5,437,858,888	7,673,336,058	33,098,084,194	34,832,378,485
Southern	1,213,558,586	1,529,567,003	4,545,234,380	3,827,302,588
Sabaragamuwa	1,344,153,935	1,799,244,401	3,703,636,103	3,482,326,930
Central	1,071,762,912	1,340,763,758	2,461,639,769	2,284,062,763
Uva	531,571,548	656,142,399	1,799,162,322	1,471,069,919
Eastern	33,568,573	43,877,739	89,031,680	61,339,404
North Western	1,712,135,439	2,266,480,059	4,066,295,007	3,926,717,785
North Central	669,086,419	948,558,976	2,368,536,993	2,222,563,723
Northern	46,715,505	48,014,151	286,481,270	187,014,045
	12,060,411,805	16,305,984,543	52,418,101,718	52,294,775,642

Notes to the Financial Statements

A.v Credit quality analysis of Placements with Banks and other Finance Companies

The following table sets out the credit quality of Placements with Banks and other Finance Companies. The analysis is based on Fitch and ICRA Lanka ratings.

Placements with Banks and other Finance Companies	As at 31st March 2023 Rs.	As at 31st March 2022 Rs.
Rated AAA	1,449,154,795	1,925,353,808
Rated AA- to AA+	-	1,882,397,260
Rated A- to A+	6,982,879,746	4,410,823
Rated BBB + and below	1,430,758,138	356,767,801
	9,862,792,679	4,168,929,692

B. Liquidity Risk

B. i Exposure to Liquidity Risk

Exposure to Liquidity Risk is monitored through the Liquid Asset Ratio (LAR) of the Company.

As at 31st March	Company 2023 %	2022 %
Liquid Asset Ratio (LAR)		
Average for the year	18.77%	13.88%
Maximum for the year	26.92%	21.06%
Minimum for the year	13.76%	8.19%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio as at 31st March is given below.

As at 31st March	Company 2023 Rs.	2022 Rs.
Cash in Hand	331,815,982	237,350,370
Balances in Current Accounts free from lien	766,955,536	160,668,032
Deposits in Commercial Banks free from lien	9,150,000,000	4,100,000,000
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	2,112,006,807	99,974,484
Any Other Approved Securities	1,249,841,273	3,474,746,081
Total liquid assets	13,610,619,598	8,072,738,967

B. ii Maturity analysis for financial assets and financial liabilities

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2022, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

a) Remaining contractual period to maturity – Company

Remaining contractual period to maturity of the assets and Liabilities employed by the Company as at the date of Statement of Financial Position is detailed below:

As at 31st March 2023	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies	4,040,392,248	5,515,660,872	306,739,559	-	-	9,862,792,679
Reverse Repurchase Agreements	-	-	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	-	-	-	-	1,498,552,923
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	19,378,786,898	21,332,344,827	9,705,138,986	1,989,195,104	12,635,903	52,418,101,718
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	2,720,986,061	3,216,155,800	5,327,168,826	796,101,117	-	12,060,411,804
Financial Assets at Amortised Cost - Debt and other Financial Instruments	2,113,967,550	-	400,000,000	150,000,000	1,505,521,238	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	4,281,254	14,156,127	10,962,559	406,751	-	29,806,691
Total Interest Bearing Assets	29,759,471,529	30,078,317,626	15,750,009,929	2,935,702,973	1,518,157,141	80,041,659,198
Percentage 2023	37%	38%	20%	4%	2%	
Percentage 2022	22%	21%	46%	9%	2%	
Interest Bearing Liabilities						
Bank Overdrafts	1,561,119,013	-	-	-	-	1,561,119,013
Financial Liabilities at Amortised Cost - Deposits due to Customers	20,978,017,773	18,755,635,521	3,879,181,927	6,046,621,919	-	49,659,457,138
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	1,701,379,273	4,011,529,801	7,801,000,014	375,000,000	-	13,888,909,088
Subordinated Term Debt	163,398,140	-	-	3,000,000,000	-	3,163,398,140
Lease Liabilities	16,778,850	69,200,813	261,733,952	209,143,161	355,638,581	912,495,357
Total Interest Bearing Liabilities	24,420,693,049	22,836,366,134	11,941,915,893	9,630,765,080	355,638,581	69,185,378,736
Percentage 2023	35%	33%	17%	14%	1%	
Percentage 2022	31%	37%	22%	9%	1%	

Notes to the Financial Statements

b) Undiscounted Cash Flow of financial liabilities

The following table shows the expected undiscounted cash flows for financial liabilities as at 31st March 2023.

As at 31st March 2023	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Liabilities						
Bank Overdrafts	1,561,119,013	-	-	-	-	1,561,119,013
Financial Liabilities at Amortised Cost - Deposits due to Customers	19,575,994,801	17,970,297,377	3,542,418,816	5,731,225,516	-	46,819,936,509
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	1,345,232,673	4,011,529,801	7,801,000,014	375,000,000	-	13,532,762,488
Subordinated Term Debt				3,000,000,000		3,000,000,000
Total Interest Bearing Liabilities	22,482,346,487	21,981,827,178	11,343,418,830	9,106,225,516	-	64,913,818,010
Percentage 2023	35%	34%	17%	14%	0%	
Percentage 2022	30%	37%	24%	9%	0%	

C. Market Risk

C. i Exposure to Market Risk - Trading and non trading portfolios

	Market Risk Measurement			Market Risk Measurement		
	Carrying Amount as at 31st March 2023	Trading Portfolios	Non-Trading Portfolios	Carrying Amount as at 31st March 2022	Trading Portfolios	Non-Trading Portfolios
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets subject to Market Risk						
Cash and Cash Equivalents	2,332,724,111	-	2,332,724,111	877,638,204	-	877,638,204
Placements with Banks and Other Finance Companies	9,860,926,513	-	9,860,926,513	4,167,388,105	-	4,167,388,105
Reverse Repurchase Agreements	-	-	-	1,770,612,142	-	1,770,612,142
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	1,498,552,923	-	314,015,408	314,015,408	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,581,535,164	-	50,581,535,164	50,691,038,582	-	50,691,038,582
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,789,860,137	-	10,789,860,137	14,973,325,141	-	14,973,325,141
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	203,800	1,737,815,264	-	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	4,169,488,788	-	4,169,488,788	100,423,871	-	100,423,871
Other Financial Assets	28,698,236	-	28,698,236	13,647,730	-	13,647,730
	79,261,989,672	1,498,552,923	77,763,436,749	74,645,904,447	314,015,408	74,331,889,039
Liabilities subject to Market Risk						
Bank Overdrafts	1,561,119,013	-	1,561,119,013	1,062,546,767	-	1,062,546,767
Financial Liabilities at Amortised Cost - Deposits due to Customers	49,659,457,138	-	49,659,457,138	41,021,169,765	-	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	13,888,909,088	-	13,888,909,088	20,034,340,212	-	20,034,340,212
Subordinated Term Debt	3,163,398,140	-	3,163,398,140	2,012,844,267	-	2,012,844,267
	68,272,883,379	-	68,272,883,379	64,130,901,011	-	64,130,901,011

Sensitivity Analysis

Financial Assets recognized through Profit or Loss (FVTPL) which measured based on the market prices includes Equity shares and unit trust investments. Equity share valuations are based on the prices directly obtained from CSE and unit trust valuation is based on the available unit prices. Since these prices are based on the market prices and changes to such is beyond the control of the Company sensitivity analysis has not been prepared.

C. ii Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)

As at 31st March	Company	
	2023 Rs.	2022 Rs.
Rate Sensitive Assets (RSA)	80,041,659,198	73,667,842,373
Rate Sensitive Liabilities (RSL)	69,185,378,736	64,989,457,300
GAP (RSA-RSL)	10,856,280,462	8,678,385,073

C. iii Cash flow sensitivity analysis for Variable Rate Financial Instruments

A reasonably possible change of AWPLR increase or decrease at the reporting date would give increase (decrease) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

As at 31st March	2023 Interest Expense Rs.	2022 Interest Expense Rs.
Variable Rate increase 1% (+1 % Increase in AWPLR)	136,418,069	93,998,584
Variable Rate decrease 1% (-1 % decrease in AWPLR)	126,055,010	77,408,451
Variable Rate Interest actual interest Cost	131,236,539	85,703,517
Cash flow sensitivity in Variable Rate increase +1%	5,181,530	8,295,067
Cash flow sensitivity in Variable Rate decrease -1%	(5,181,530)	(8,295,067)

Notes to the Financial Statements

C. iv Equity based investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2023	Lowest Market Value	Effect to the Comprehensive Income if the market price drops to the lowest value
	Rs.	Rs.	Rs.
Bank, Finance & Insurance	1,409,946	1,132,992	276,954
Total	1,409,946	1,132,992	276,954

	Market Value as at 31st March 2022	Lowest Market Value	Effect to the Comprehensive Income if the market price drops to the lowest value
	Rs.	Rs.	Rs.
Bank, Finance & Insurance	1,636,544	1,623,955	12,589
Total	1,636,544	1,623,955	12,589

C.v Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. As the Company's financial instruments are denominated in Sri Lankan rupees no significant currency risk experienced.

(D) Operational Risk

Capital Management

The Company is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

i. Regulatory Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stability of a company. This measure has been introduced by Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company.

The Capital Adequacy Ratio (CAR) is calculated based on the CBSL Finance Business Act Direction No. 3 of 2018. The minimum Tier 1 capital ratio and total capital ratio are required to maintained at 8.5% and 12.5% respectively with effect from 1st July 2022.

Computation of Capital Adequacy Ratios

As at 31st March	Note	Company	
		2023 Rs.	2022 Rs.
Tier 1 Capital		10,710,726,932	10,270,607,955
Total Capital	(i)	14,003,016,584	13,049,585,010
Risk Weighted Amount for Credit Risk	(ii)	55,439,569,969	62,383,626,064
Risk Weighted Amount for Operational Risk	(iii)	7,472,666,546	8,069,668,573
Total Risk Weighted Amount		62,912,236,515	70,453,294,637
Core Capital Ratio (TIER 1) (Minimum Requirement 8.50%)		17.02%	14.58%
Total Risk Weighted Capital Ratio (TIER 11) (Minimum Requirement 12.50%)		22.26%	18.52%

As at 31st March	Note	Company	
		2023 Rs.	2022 Rs.
Stated capital		1,325,918,000	1,325,918,000
Non-cumulative, Non-redeemable Preference Shares		-	-
Reserve fund		1,766,773,033	1,699,794,425
Audited retained earnings/(losses)		7,709,199,227	7,346,385,332
(less) Revaluation gains/surplus of investment property		(79,500,000)	(79,500,000)
General and other disclosed reserves		7,500,000	7,500,000
Current year's profit(losses)		-	-
Tier 1 capital		10,729,890,260	10,300,097,757
Goodwill (net)		-	-
Other intangible assets (net)		18,458,354	28,671,530
Other Comprehensive Income losses		-	-
Deferred tax assets (net)		-	-
Shortfall of the cumulative impairment to total provisions and interest in suspense		-	-
50% of investment in banking and financial subsidiary companies		-	-
50% of investment in other banking and financial institutions		704,973	818,272
Shortfall of capital in financial subsidiaries		-	-
Adjustments to Tier 11 capital		(19,163,327)	(29,489,803)
Tier I Capital (after adjustments)		10,710,726,933	10,270,607,955
Instruments qualified as Tier 2 capital		2,600,000,000	2,000,000,000
Revaluation gains		-	-
General provisions/collective impairment allowances		692,994,625	779,795,326
Eligible Tier 2 Capital		3,292,994,625	2,779,795,326
50% of investment in banking and financial subsidiary companies		-	-
50% of investment in other banking and financial institutions		704,973	818,272
Total Adjustments to eligible Tier 2 Capital		(704,973)	(818,272)
Eligible Tier 2 Capital after adjustments		3,292,289,652	2,778,977,054
Total Capital		14,003,016,585	13,049,585,010

Notes to the Financial Statements

(ii) Computation of Risk Weighted Amount for Credit Risk Credit Risk under Standardised Approach - Credit Risk Exposures by Asset Classes and Risk Weights

Item	On Balance Sheet Amount	Credit equivalent of Off-balance sheet items	Total	Risk Weight								As at 31st March 2023		As at 31st March 2022				
				0%	2%	20%	Rs.	Rs.	50%	Rs.	75%	Rs.	100%	Rs.	125%	Rs.	150%	Total credit Exposure Amount
Claims on Government and Central Bank of Sri Lanka	4,169,488,788	-	4,169,488,788	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Financial institutions	11,448,735,070	-	11,448,735,070	-	-	2,288,763,257	2,459,393	-	-	-	-	-	-	-	-	2,291,222,650	897,694,859	897,694,859
Claims on Corporates	1,497,142,977	-	1,497,142,977	-	-	-	-	-	-	1,497,142,977	-	-	-	-	-	1,497,142,977	312,378,865	312,378,865
Retail Claims in respect of motor vehicles and machinery	42,378,309,225	-	42,378,309,225	-	-	-	-	-	-	42,378,309,225	-	-	-	-	-	42,378,309,225	53,812,546,730	53,812,546,730
Claims Secured by Gold	15,072,125,958	-	15,072,125,958	-	-	-	-	-	-	1,580,584,800	-	-	-	-	-	1,580,584,800	91,926,640	91,926,640
Retail claims secured by immovable property	1,228,615,799	-	1,228,615,799	-	-	-	472,561,248	-	-	283,493,303	-	-	-	-	-	756,054,551	1,055,341,598	1,055,341,598
Other retail claims	890,053,464	-	890,053,464	-	-	-	-	-	-	-	-	-	1,112,566,830	-	-	1,112,566,830	2,058,769,291	2,058,769,291
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	2,524,265,272	-	2,524,265,272	-	-	-	-	-	-	2,178,553,356	-	-	-	518,567,874	2,697,121,230	1,161,716,223	1,161,716,223	1,161,716,223
Higher-Risk Categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other claims	3,790,612,146	-	3,790,612,146	-	-	82,737,280	-	-	-	-	-	-	-	-	-	3,126,567,705	2,993,251,858	2,993,251,858
Total Assets	82,999,348,699	-	82,999,348,699	-	-	2,371,500,537	475,020,641	-	-	50,961,914,086	1,112,566,830	518,567,874	55,439,569,969	62,383,626,064	62,383,626,064	62,383,626,064	62,383,626,064	62,383,626,064

Credit Risk under Standardised Approach - Exposures recognized under Credit Risk Mitigation (CRM)

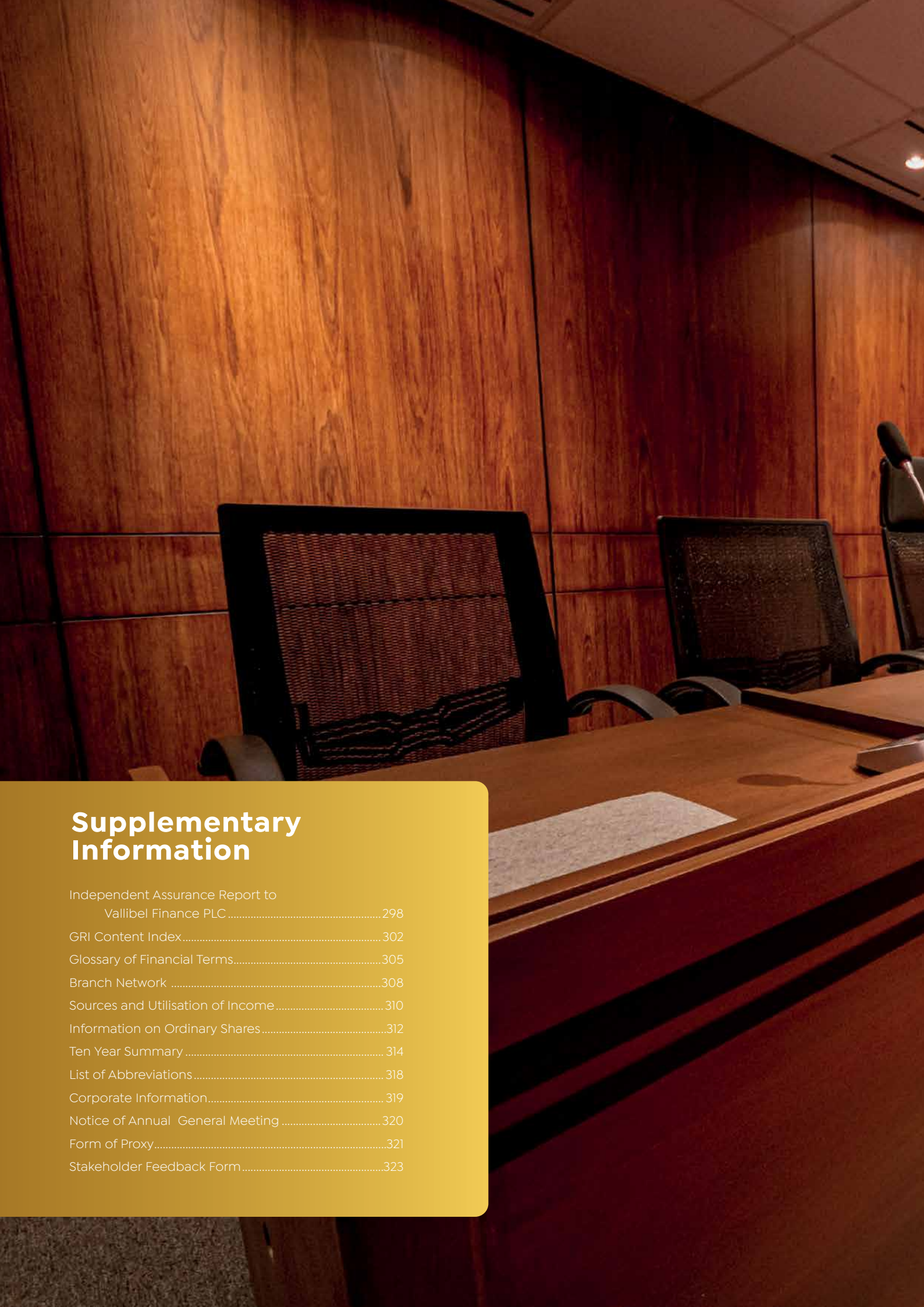
As at 31st March	Company	
	2023	2022
	Rs.	Rs.
CRM Techniques		
Cash	968,187,303	1,132,754,716
Government Securities	-	1,770,612,141
Collateralised transactions	968,187,303	2,903,366,857
On-balance sheet netting	-	-
Guarantees	-	-
Other CRM Techniques	-	-
Total CRM exposure	968,187,303	2,903,366,857

(iii) Computation of Risk Weighted Amount for Operational Risk

As at 31st March 2023	1st Year	2nd Year	3rd Year	Total	2023 Average
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	8,331,297,497	9,930,097,982	15,675,717,444	33,937,112,923	11,312,370,974
Interest Expenses	(4,067,534,369)	(4,234,571,767)	(11,013,953,929)	(19,316,060,065)	(6,438,686,688)
Non-interest income	1,138,644,266	2,136,113,094	1,028,730,980	4,303,488,340	1,434,496,113
Less : Realized Profits/losses from the Sale of Securities	(67,168,442)	(64,838,864)	(22,229,750)	(154,237,056)	(51,412,352)
Less : Extraordinary/Irregular Item of Income/expenses	(1,551,260)	(80,944,913)	(6,141,603)	(88,637,776)	(29,545,925)
Gross Income	5,333,687,692	7,685,855,532	5,662,123,141	18,681,666,366	6,227,222,122
Capital Charges for Operational Risk @* 15%					934,083,318
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach					7,472,666,546
Required total capital ratio based on the Assets					12.5%

57 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.



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SHARED PURPOSE



Independent Assurance Report to Vallibel Finance PLC



KPMG
(Chartered Accountants)
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We have been engaged by the Directors of Vallibel Finance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2023. The Sustainability Indicators are included in the Vallibel Finance PLC Integrated Annual Report for the year ended 31 March 2023 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	10 to 11

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-Financial Highlights	12 to 13
Information provided on following	
Human Capital	64 to 71
Financial Capital	72 to 81
Manufactured Capital	82 to 87
Intellectual Capital	88 to 91
Social & Relationship Capital	92 to 99
Natural Capital	100 to 103

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

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Ms. F.R. Ziyad FCMA (UK), FTII



Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, in all material respects, has been prepared and presented by the management of Vallibel Finance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, have not in all material respects, been prepared and presented by the management of Vallibel Finance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements,

Independent Assurance Report to Vallibel Finance PLC



professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability

strategy and policies for material issues, and the implementation of these across the business;

- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.



Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of Vallibel Finance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Vallibel Finance PLC Integrated Annual Report for the year ended 31st March 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Vallibel Finance PLC, or for any other purpose than that for which it was prepared.

A handwritten signature in black ink, appearing to read 'KPMG', with a stylized, cursive-like script.

CHARTERED ACCOUNTANTS

Colombo
6th June 2023

GRI Content Index

Statement of use	Vallibel Finance PLC has reported in accordance with the GRI Standards for the period 1st April 2022 to 31st March 2023	
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2-3 Reporting period, frequency and contact point	2	About Our Integrated Annual Report
2-4 Restatement of information	3	About Our Integrated Annual Report
2-5 External assurance	3	About Our Integrated Annual Report
2-6 Activities, value chain and other business relationships	7, 92-99	About Us, Social & Relationship Capital
2-7 Employees	64-71	Human Capital
2-8 Workers who are not employees	-	Not Applicable
2-9 Governance structure and composition	114-115	Corporate Governance Report
2-10 Nomination and selection of the highest governance body	144-145	Corporate Governance Report - Appointments of the Board
2-11 Chair of the highest governance body	143	Corporate Governance Report - Chairman & Chief Executive Officer
2-12 Role of the highest governance body in overseeing the management of impacts	140-141	Corporate Governance Report - The Board
2-13 Delegation of responsibility for managing impacts	114-115	Corporate Governance Report - Governance Framework
2-14 Role of the highest governance body in sustainable reporting	140-141	Corporate Governance Report - The Board
2-15 Conflicts of interest	135	Corporate Governance Report - Conflicts of Interest
2-16 Communication of critical concerns	144	Corporate Governance Report - Supply of Information
2-17 Collective knowledge of the highest governance body	115-116	Corporate Governance Report - Composition & Independence
2-18 Evaluation of the performance of the highest governance body	137, 145	Corporate Governance Report - Appraisal of Board Performance
2-19 Remuneration policies	181	Remuneration Committee Report
2-20 Process to determine remuneration	181	Remuneration Committee Report
2-21 Annual total compensation ratio	-	Industry does not disclose this information due to confidentiality concerns
2-22 Statement on sustainable development strategy	54-55	Identifying Our Material Topics
2-23 Policy commitments	3	About Our Integrated Annual Report - Precautionary Principle
2-24 Embedding policy commitments	159-176	Risk Management Report
2-25 Processes to remediate negative impacts	56	Identifying Our Material Topics - Materiality Matrix
2-26 Mechanisms for seeking advice and raising concerns	120,135	Corporate Governance Report - Corporate Culture
2-27 Compliance with laws and regulations	4	About Our Integrated Annual Report - Reporting Frameworks & Guidelines
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2-29 Approach to stakeholder engagement	50-53	Stakeholder Engagement
2-30 Collective bargaining agreements	69	Human Capital - Trade Unions and Collective Bargaining Agreements

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3-2 List of material topics	54-61	Materiality Analysis
3-3 Management of material topics	54-61	Materiality Analysis
GRI 200 : Economic Performance		
GRI 201 : Economic performance 2016		
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201 -3 Defined benefit plan obligations and other retirement plans	70, 232	Human Capital - Remuneration & Benefits, Notes to the Financial statements
GRI 202 :Market presence 2016		
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GRI 203 : Indirect economic impact 2016		
203 -1 Infrastructure investments and services supported	98-99	Social and Relationship Capital – Community Empowerment and Value Creation
203 -2 Significant indirect economic impacts	94	Social and Relationship Capital – Management Approach
GRI 204 : Procurement practices 2016		
204 -1 Proportion of spending on local suppliers	97	Social and Relationship Capital – Creating Value for Suppliers
GRI 205 : Anti corruption 2016		
205 -3 Confirmed incidents of corruption and actions taken	90	Intellectual Capital - Management Approach
GRI 206 : Anti-competitive behaviour 2016		
206 -1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	90	Intellectual Capital - Management Approach
GRI 300 : Environmental		
GRI 302 : Energy 2016		
302 -1 Energy consumption within the organization	103	Natural Capital - Energy Consumption
GRI 303 : Water and effluent 2018		
303 -1 Interactions with water as a shared resource	102	Natural Capital - Water Conservation
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401 -2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	69	Human Capital - Remuneration and Benefits
401 -3 Parental leave	70	Human Capital - Remuneration and Benefits
GRI 402 : Labour/Management relations 2016		
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GRI 403 : Occupational health and safety 2018		
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GRI Standard/Disclosure	Page No.	Report Commentary Title
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405 -1 Diversity of governance bodies and employees	69	Human Capital - Accepting Workforce Individuality and Diversity
GRI 406 : Non discrimination 2016		
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GRI 407 : Freedom of association and collective bargaining 2016		
407 -1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	69	Human Capital - Trade Unions and Collective Bargaining Agreements
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409 -1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	69	Human Capital - Respecting Employees Human Rights
GRI 413 : Local communities 2016		
413 -1 Operations with local community engagement, impact assessments, and development programs	98-99	Social and Relationship Capital – Community Empowerment and Value Creation
413 -2 Operations with significant actual and potential negative impacts on local communities	98-99	Social and Relationship Capital – Community Empowerment and Value Creation
GRI 416 : Customer health and safety 2016		
416 -2 Incidents of non-compliance concerning the health and safety impacts of products and services	97	Social and Relationship Capital - Compliance with Regulations
GRI 417 : Marketing and labelling 2016		
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GRI 418 : Customer privacy 2016		
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Glossary of Financial Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post employment benefits.

Actuarial Gains and Losses

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

Capital Adequacy Ratio (CAR)

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying International best practices on maintenance of Capital for financial Institutions, to suit the local requirements.

Cash Equivalents

Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Generating Unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Collective Impairment Provision

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Contingencies

Conditions or situations at the reporting date, the financial effect of which are to be determined by the future events which may or may not occur.

Contractual Maturity

The final payment date of a loan or other financial instrument, at which point the entire remaining outstanding principal will be repaid and interest is due to be paid.

Corporate Governance

The process by which Corporate Institutions are governed. It involves the way in which authority is exercised over the management and the direction of the company, the supervisions of executive roles and the responsibility and accountability towards owners and other parties.

Cost to Income Ratio

Operating expenses excluding impairment charge as a percentage of total operating income (Net of interest expenses).

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

The risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Deferred Tax

Sum set aside in the financial statements for income taxation that would become payable / receivable in a financial year other than the current financial year.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Diluted Earnings Per Share

The earnings per share that would result if all dilutive securities were converted into common shares.

Dividend Pay-Out Ratio

Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

Dividend Per Share (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Glossary of Financial Terms

Effective Income Tax Rate

Provision for taxation divided by the net profit before taxation.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Equity Instrument

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Expected Credit Losses (ECL)

A probability weighted estimate of credit losses over the expected life of the financial instrument.

12 Month Expected Credit Losses (12MECL)

The portion of life time expected credit losses that represent the expected credit losses resulting from default events of a financial instrument that are possible within 12 months after the reporting date.

Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of reporting period and the date when the financial statements are authorised for issue.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Exposure At Default (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value through Profit or Loss

A financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as fair value through profit or loss.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in other entity.

Forward-Looking Information

Incorporation of macroeconomic scenarios into the impairment calculations.

Global Reporting Initiative (GRI)

A leading organisation in the sustainability field which promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Going Concern

The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially scale of its operation.

Guarantees

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Individually Significant Loans

Exposures which are above a certain threshold decided by the Company's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Individually Significant Loan Impairment Provision

Impairment measured individually for loans that are individually significant to the Company.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Interest Cover

Profits before interest and taxes divided by the interest cost. This ratio measures the number of times Interest is covered by the current year's profits before interest and taxes.

Integrated Reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily.

Life Time Expected Credit Loss (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Loss Given Default (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

Market Capitalisation

Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statement.

Net Assets Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income

The difference between the amounts a financial institution earns on assets such as loans and securities and what it incurs on liabilities such as deposits and borrowings.

Net Lending Portfolio

Total value of lending products net of unearned income and allowance for impairment.

Non-Performing Loans

Loans advances and hire purchase / lease finance of which interest or capital is in arrears for six months or more.

Non-Performing Ratio

Total non-performing loans expressed as a percentage of the total loans and advances.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)

Market price of an ordinary share divided by earnings per share.

Projected Unit Credit Method

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of Default (PD)

An internal estimate for each borrower grade of likelihood that an obligor will default on an obligation.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related party Transactions

A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Return on Assets (ROA)

Net profit after tax divided by the average assets.

Return on Equity (ROE)

Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of government securities and resale back to the seller at a given price on a specific future date.

Revaluation Reserve

Reserves arising from revaluation of properties owned by the company.

Risk Weighted Assets

Risk weighted assets is the sum of risk weighted asset amount for credit risk and risk weighted asset amount for operational risk.

Right Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Solvency

The availability of cash over the long term to meet financial commitments as they fall due.

Solely Payments of Principal and Interest Test (SPPI)

Classification decision for non-equity financial assets under SLFRS 9.

Tier I Capital

Core Capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

Transaction costs

Incremental costs those are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

Value Added

Value of wealth created by providing financial and other related services after deducting the cost of providing such services.

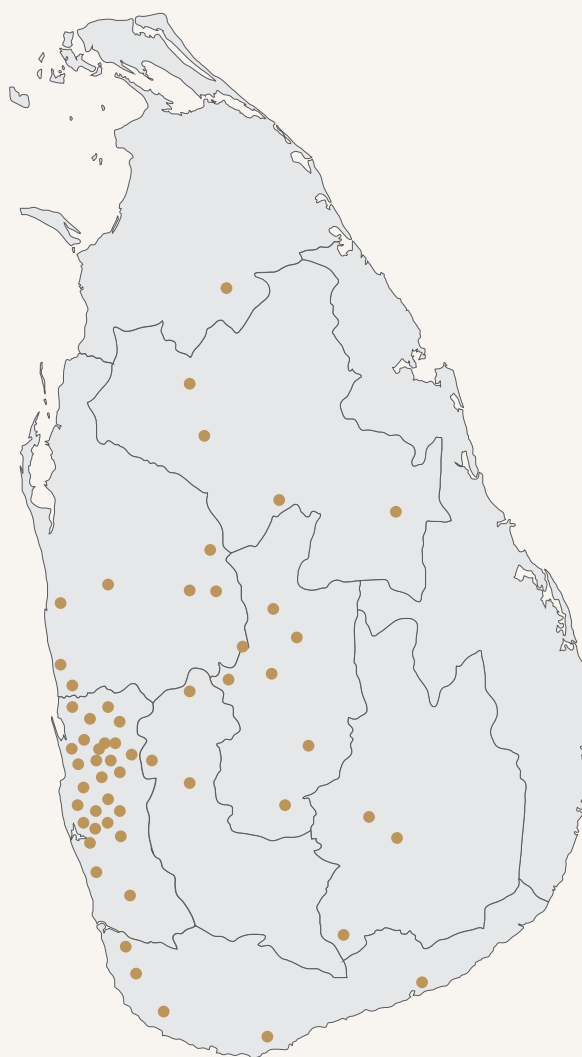
Write-off of financial Assets

Loans and debt securities are written off (either partly or in full) when there is no realistic prospective recovery.

Branch Network

Branch	Address	District	Province
Maharagama	No. 126/5, High Level Road, Maharagama	Colombo	Western
Minuwangoda	No. 28/5A, Kurunegala Road, Minuwangoda	Colombo	Western
Kandy	No. 161, D.S.Senanayaka Veediya, Kandy	Kandy	Central
Aluthgama	No. 375, Galle Road, Aluthgama	Kaluthara	Western
Ratnapura	No. 191, Main Street, Ratnapura	Ratnapura	Sabaragamuwa
Kiribathgoda	No. 121, Gala Junction, Kandy Road, Kiribathgoda	Gampaha	Western
Matara	No. 274/A, Anagarika Dharmapala Mawatha, Matara	Matara	Southern
Kurunegala	No. 395, Colombo Road, Kurunegala	Kurunegala	North Western
Negombo	No 178, Colombo Road, Negombo	Gampaha	Western
Gampaha	No. 55, Yakkala Road, Gampaha	Gampaha	Western
Galle	No. 128, Main Street, Galle	Galle	Southern
Chilaw	No. 84, Kurunegala Road, Chilaw	Putlam	North Western
Kuliyapitiya	No. 111, Kurunegala Road, Kuliyapitiya	Kurunegala	North Western
Embilipitiya	No. 103, New Town Road, Embilipitiya	Ratnapura	Sabaragamuwa
Moratuwa	No. 303/A, Galle Road, Rawathawatta, Moratuwa	Colombo	Western
Malabe	No. 824/C, New Kandy Road, Malabe	Colombo	Western
Panadura	No. 293/A, Galle Road, Panadura	Kaluthara	Western
Nugegoda	No. 213, High Level Road, Nugegoda	Colombo	Western
Bandarawela	No. 197, Badulla Road, Bandarawela	Badulla	Uva
Kalutara	No. 302, Galle Road, Kalutara South	Kaluthara	Western
Anuradhapura	No. 521/11, Maithripala Senanayake Mawatha, Anuradhapura	Anuradhapura	North Central
Kegalle	No. 315, Main Street, Kegalle	Kegalle	Sabaragamuwa
Rajagiriya	No. 600/A, Nawala Road, Rajagiriya	Colombo	Western
Kaduruwela	No. 292, Batticaloa Road, Kaduruwela	Polonnaruwa	North Central
Piliyanadala	No. 84, Colombo Road, Piliyandala	Colombo	Western
Warakapola	No. 95, Colombo-Kandy Road, Warakapola	Kegalle	Sabaragamuwa
Wattala	No. 520, Negombo Road, Wattala	Gampaha	Western
Borella	No. 58, Castle Street, Borella	Colombo	Western
Mount Lavinia	No. 340, Galle Road, Mt. Lavinia	Colombo	Western
Balangoda	No. 86/C, Barnes Rathwaththa Mawatha, Balangoda	Ratnapura	Sabaragamuwa
Uragasmanhandiya	No. 52, Main Street, Uragasmanhandiya	Galle	Southern
Nuwara Eliya	No. 78, Kandy Road, Nuwara Eliya	Nuwara Eliya	Central
Hanwella	No. 133/C, Avissawella Road, Hanwella	Colombo	Western
Wennappuwa	No. 200, Main Street, Wennappuwa	Putlam	North Western
Kurunegala Metro	No. 36, Surathissa Mawatha, Kurunegala	Kurunegala	North Western
Dambulla	No. 722A, Anuradhapura Road, Dambulla	Matale	Central
Bambalapitiya	No. 45, Baudhaloka Mawatha, Colombo 04	Colombo	Western
Avissawella	No. 19, Colombo Road, Avissawella	Colombo	Western
Narammala	No. 93, Kurunegala Road, Narammala	Kurunegala	North Western
Pelawatta	No. 730/A, Pannipitiya Road, Pelawatte	Colombo	Western
Kohuwala	No. 169, Dutugemunu Street, Kohuwala	Colombo	Western
Ambalanthota	No. 141, Tangalle Road, Ambalanthota	Hambanthota	Southern
Ja-Ela	No. 150, Negombo Road, Ja-Ela	Gampaha	Western
Thambuttegama	No. 156, Anuradhapura Road, Thambuttegama	Anuradhapura	North Central
Horana	No. 101/A, Rathnapura road, Horana	Kaluthara	Western
Homagama	No.52A, High-Level Road, Homagama.	Colombo	Western
Wellawaya	No.93, Monaragala Road, Wellawaya.	Monaragala	Uva
Maradana	No. 74, Deans Road, Maradana	Colombo	Western
Senkadagala	No.274,Katugastota road,Mahaiyawa	Kandy	Central
Vavuniya	No,27,2nd cross street,Vavuniya	Vavuniya	North
Kadawatha	No 27/A,27/B, Kandy Road, Kadawatha	Gampaha	Western
Mathugama	No. 23, Neboda Road, Mathugama	Kalutara	Western
Dematagoda	No. 8 Dharmarama Road, Dematagoda	Colombo	Western
Badulla	19/B, Bank Road, Badulla	Badulla	Uva
Kaduwela	No.438/2, Malabe Road, Kaduwela	Colombo	Western
Ambalangoda	No.16,Wickrarnasooriya Road, Ambalangoda	Galle	Southern
Mawanella	No.232, Main Street, Mawanella.	Kegalle	Sabaragamuwa

Telephone	Fax	Contact Person
011-7487487	011-7487489	Lasantha Kumara
011-7587587	011-7587589	Suren Abewickrama
081-7687687	081-7687689	Asela Bandara
034-7687687	034-7687689	Chithraka Hettiarachchi
045-7687687	045-7687689	Ranjith Gunaratne
011-7787787	011-7787789	Dilshan Rathnayake
041-7687687	041-7687689	Janaka Kumara
037-7687687	037-7687689	Dushantha De Silva
031-7687687	031-7687689	Isuru Fernando
033-7687687	033-7687689	Ajith Rathnamalala
091-7687687	091-7687689	Jagath Mendis
032-7687687	032-7687689	Wasantha Kumara
037-7787787	037-7787789	Chamara Perera
047-7687687	047-7687689	Ranjith Munasinghe
011-7807807	011-7807819	Dushan Kumarasinghe
011-7387387	011-2078671	Priyantha Rathnayake
038-7687687	038-7687689	Ravindra Kumara
077-7517517	011-7517519	Madhura Jayasekara
057-7687687	057-7687689	Chaminda Attanayake
034-7387387	034-7387389	Priyanthasiri Silva
025-7687687	025-7687689	Rangana Rupasingha
035-7687687	035-7687689	Chaminda Priyankara
011-7489489	011-7489489	Dilhan Liyanage
027-7687687	027-7687689	Nalin Jayasinghe
011-7595595	011-7595599	Saliya Gunasinghe
035-7689689	035-7689689	Prabath Dissanayake
011-7523523	011-7523529	Gayan Kumarasinghe
011-7876876	011-7876879	Sudheera Sampath
011-7867867	011-7867869	Kumara Thennekumbura
045-7857857	045-7857859	Chamara Priyadarshana
091-7796796	091-7796799	Indika Kumara
052-7687687	052-7687689	Nilan Siriwardane
036-7687687	036-7687689	Damith Indimal
031-7487487	031-7487489	Tephan Sosa
037-7889889	037-7517519	Asinil Perera
066-7687687	066-7687689	Prabath Chandrasiri
011-7738738	011-7517519	Dushan Madushanka
036-7867867	036-7867869	Sanjaya Perera
037-7475475	037-7475479	Nilantha Rathnasiri
011-7724824	011-7724829	Manoj Gayan
011-7677477	011-7677479	Naushad Samath
047-7448448	047-7448448	Pramod Ranasinghe
011-7781881	011-7781882	Shiran Jayasinghe
025-7480480	025-7480481	Darshana Weerasinghe
034-7487487	034-7487488	Chaminda Perera
011-7582592	011-582593	Rushan Munasinghe
055-7500500	055-7500501	Ranjan Bandara
011-7582582	011-582583	Sajeewa Udayanga
081-7500500	081-7500501	Supun Chamikara
024-7687687	024-7687688	Aruna Jayarathna
011-7488888	011-7488888	Lasantha Ariyaratna
034-7488488	034-7488481	Mahela Jayaranga
011-7889900	011-7889901	Sineth Senevirathna
055-7687687	055-7687687	Vishwa Weeratunga
011-7655455	011-7655455	Mahinda Jayasundara
091-7488488	091-7488488	Thushan Randika
035-7480480	035-7480481	Buddhimal Senarathna

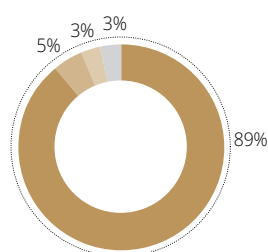


Sources and Utilisation of Income

For the year ended 31st March

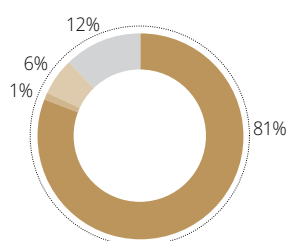
	2023		2022	
	Rs.	%	Rs.	%
SOURCES OF INCOME				
Loans and Advances	14,858,076,307	88.95	9,766,065,213	80.94
Government Securities	817,641,137	4.90	164,032,769	1.36
Commission Income	511,805,140	3.06	672,707,103	5.58
Other Income	516,925,840	3.09	1,463,405,991	12.12
Total	16,704,448,424	100.00	12,066,211,076	100.00
UTILISATION OF INCOME				
To Employees				
Personnel Expenses	1,552,821,697	9.30	1,404,669,796	11.64
To Suppliers				
Interest Paid	11,013,953,929	65.93	4,234,571,767	35.09
Other Expenses	1,102,724,921	6.60	914,455,871	7.58
Depreciation & Amortisation	174,772,941	1.05	142,345,261	1.18
Impairment charge for Loans & other losses	97,575,003	0.58	592,488,831	4.91
To Government				
Taxes on Financial Services	697,119,801	4.17	783,809,641	6.50
Income Tax	725,907,981	4.35	1,081,971,589	8.97
To Shareholders				
Dividends	470,906,800	2.82	353,180,100	2.93
Retained Profit	868,665,351	5.20	2,558,718,220	21.21
Total	16,704,448,424	100.00	12,066,211,076	100.00

Sources of Income - 2023



- Loans and Advances
- Government Securities
- Commission Income
- Other Income

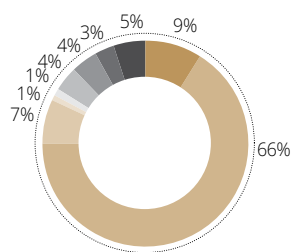
Sources of Income - 2022



- Loans and Advances
- Government Securities
- Commission Income
- Other Income

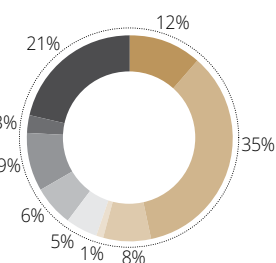
2021		2020		2019	
Rs.	%	Rs.	%	Rs.	%
8,149,531,847	86.06	8,702,590,499	89.76	7,726,246,439	88.56
181,765,650	1.92	209,605,297	2.16	161,775,926	1.85
373,550,576	3.94	350,337,255	3.61	361,072,091	4.14
765,093,690	8.08	432,773,046	4.47	475,435,886	5.45
9,469,941,763	100.00	9,695,306,097	100.00	8,724,530,342	100.00
1,068,762,651	11.29	1,053,241,776	10.86	906,841,898	10.39
4,067,534,369	42.95	4,854,515,785	50.07	4,524,628,517	51.86
784,976,316	8.29	745,122,212	7.69	719,089,378	8.24
115,042,317	1.21	112,714,413	1.16	93,251,698	1.07
575,076,254	6.07	487,815,203	5.03	195,100,737	2.24
468,767,648	4.95	579,795,359	5.98	536,979,738	6.15
661,604,106	6.99	608,691,237	6.28	619,909,904	7.11
-	-	235,453,400	2.43	-	-
1,728,178,102	18.25	1,017,956,712	10.50	1,128,728,472	12.94
9,469,941,763	100.00	9,695,306,097	100.00	8,724,530,342	100.00

Utilisation of Income - 2023



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Value Added Tax and Other Taxes
- Income Tax
- Dividends
- Retained Profit

Utilisation of Income - 2022



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Value Added Tax and Other Taxes
- Income Tax
- Dividends
- Retained Profit

Information on Ordinary Shares

Stock Exchange Listing

Vallibel Finance PLC is a Public Quoted Company, the ordinary shares of which were listed on the main board of the Colombo Stock Exchange on 4th May 2010.

Shareholder Base

The total number of shareholders as at 31st March 2023 were 4,225.

Distribution of Shareholding

Shares As At 31st March	2023				2022			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
1-1,000	2,408	56.99	808,317	0.34	2,371	56.79	826,158	0.35
1,001-10,000	1,405	33.26	5,058,745	2.15	1,391	33.32	5,035,233	2.14
10,001-100,000	349	8.26	10,148,360	4.31	350	8.38	9,962,775	4.23
100,001-1,000,000	52	1.23	16,101,719	6.84	52	1.25	15,034,627	6.39
Over 1,000,000	11	0.26	203,336,259	86.36	11	0.26	204,594,607	86.89
	4,225	100.00	235,453,400	100.00	4,175	100.00	235,453,400	100.00

Categories of Shareholders

Type of Investor As At 31st March	2023			2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Local Individuals	4,011	90,271,830	38.34	3,944	87,640,766	37.22
Local Institutions	198	137,675,818	58.47	217	144,381,584	61.32
Foreign Individuals	14	1,151,562	0.49	13	1,143,388	0.49
Foreign Institutions	2	6,354,190	2.70	1	2,287,662	0.97
	4,225	235,453,400	100.00	4,175	235,453,400	100.00

Public holding

The percentage of shares held by the public being 42.698% comprising of 4,218 shareholders as at 31st March 2023.

The Float adjusted market capitalisation - Rs. 3,307,567,909.10

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.14.1.i (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

25 Major Shareholders of the Company

Shareholders	As At 31st March 2023		As At 31st March 2022	
	No of Shares	%	No of Shares	%
Vallibel Investments (Pvt) Limited	121,108,000	51.44	121,108,000	51.44
K.D.D. Perera	50,465,064	21.43	50,465,064	21.43
K.D.A. Perera	8,532,960	3.62	8,532,960	3.62
Seylan Bank PLC / S.B. Rangamuwa	5,250,000	2.23	5,250,000	2.23
Pershing LLC S/A Auerbach Grayson And Co.	5,104,190	2.17	2,287,662	0.97
K.D.H. Perera	4,084,025	1.73	2,076,065	0.88
S. Abishek	2,781,049	1.18	2,663,917	1.13
Ceylon Brand House (Pvt) Ltd	2,076,807	0.88	1,920,934	0.82
B.A.R. Dissanayake	1,541,815	0.65	1,541,815	0.65
EMFI Capital Limited	1,250,000	0.53	Nil	Nil
V. Saraswathi & S. Vasudevan	1,142,349	0.49	600,169	0.26
A. Ragupathy	975,832	0.41	975,832	0.41
Seylan Bank PLC / Karagoda Loku Gamage Udayananda	883,726	0.38	1,438,190	0.61
A. Sithampalam	846,433	0.36	846,433	0.36
Hatton National Bank PLC / JN Lanka Holdings Company (Pvt) Ltd	818,631	0.35	Nil	Nil
K.I.A. Hewage	800,000	0.34	800,000	0.34
S. Durga	621,000	0.26	514,884	0.22
DFCC Bank PLC /JN Lanka Holdings Company (Pvt) Ltd	600,577	0.26	Nil	Nil
N. Balasingam	539,600	0.23	539,600	0.23
U.F. Strunk & M.G. De Albuquerque Leinenbach	482,168	0.21	482,168	0.21
Sampath Bank PLC / Abishek Sithampalam	449,356	0.19	449,356	0.19
Seylan Bank PLC / Wathumullage Udith Mandula Wickramasinghe	440,000	0.19	440,000	0.19
S.R. Lokuge	410,000	0.17	410,000	0.17
D.N. Lokuge	410,000	0.17	410,000	0.17
S. Umeshwary	408,993	0.17	408,993	0.17
	212,022,575	90.05	204,162,042	86.71
Others	23,430,825	9.95	31,291,358	13.29
Total	235,453,400	100.00	235,453,400	100.00

Market Prices		Quarter Ended			Year Ended		
		30.06.2022	30.09.2022	31.12.2022	31.03.2023	31.03.2023	31.03.2022
Highest	Rs.	43.00	30.00	26.50	35.90	43.00	184.50
Lowest	Rs.	24.50	22.00	21.00	21.40	21.00	36.50
Closing	Rs.	24.80	27.10	22.50	32.90	32.90	37.10

Utilisation of funds raised via Capital Market

The funds raised via Capital Market have been utilized for the respective objectives mentioned in the prospectus / circulars.

Ten Year Summary

For the year ended 31st March	2023 Rs.	2022 Rs.	2021 Rs.
Statement of Profit or Loss and Other Comprehensive Income			
Gross Income	16,704,448,424	12,066,211,076	9,469,941,763
Interest Income	15,675,717,444	9,930,097,982	8,331,297,497
Interest Expense	11,013,953,929	4,234,571,767	4,067,534,369
Net Interest Income	4,661,763,515	5,695,526,215	4,263,763,128
Net Fee and Commission Income	511,805,140	672,707,103	373,550,576
Other Operating Income	516,925,840	1,463,405,991	765,093,690
Operating Expenses and provisions	2,927,894,562	3,053,959,759	2,543,857,538
Profit Before Taxation	2,762,599,933	4,777,679,550	2,858,549,856
Provision for Taxation	1,423,027,782	1,865,781,230	1,130,371,754
Net Profit	1,339,572,151	2,911,898,320	1,728,178,102

As at 31st March	2023 Rs.	2022 Rs.	2021 Rs.
Assets			
Cash and Cash Equivalents	2,332,724,111	877,638,204	1,683,003,076
Placements with Bank's and Other Finance Companies	9,860,926,513	4,167,388,105	267,311,713
Reverse Repurchase Agreements	-	1,770,612,142	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	314,015,408	1,188,828,796
Assets Held for Sale	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,581,535,164	50,691,038,583	33,660,559,075
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,789,860,137	14,973,325,141	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	1,737,815,264	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	4,169,488,788	100,423,871	-
Financial Assets at Amortised Cost - Other Financial Assets	28,698,236	13,647,730	15,162,142
Investment in a Subsidiary	20	20	20
Investment Property	1,179,500,000	1,179,500,000	1,100,000,000
Property, Plant and Equipment	772,845,990	756,193,121	614,154,778
Right-of-use Lease Assets	748,848,409	781,224,648	583,944,570
Intangible Assets	18,458,354	28,671,530	9,897,595
Deferred Tax Assets	107,519,914	141,914,484	80,267,468
Other Assets	234,912,249	156,802,865	141,234,971
Total Assets	82,324,074,608	77,690,211,115	55,225,036,667

2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
9,695,306,097	8,724,530,342	6,929,201,053	5,114,694,482	3,468,276,901	2,896,187,378	2,570,624,353
8,912,195,796	7,888,022,365	6,256,980,109	4,597,260,244	3,244,786,741	2,799,745,875	2,451,800,812
4,854,515,785	4,524,628,517	3,500,249,672	2,604,049,257	1,558,667,730	1,344,337,892	1,340,464,712
4,057,680,011	3,363,393,848	2,756,730,437	1,993,210,987	1,686,119,011	1,455,407,983	1,111,336,100
350,337,255	361,072,091	248,286,443	189,052,650	109,128,266	50,314,825	43,082,243
432,773,047	475,435,886	423,934,501	328,381,588	114,361,894	46,243,968	75,741,298
2,398,893,604	2,256,162,712	1,534,557,627	1,186,174,036	997,873,594	918,906,755	741,149,517
2,441,896,708	2,285,618,114	1,894,393,754	1,324,471,189	911,735,577	632,942,731	489,010,124
1,188,486,596	1,156,889,642	875,756,360	598,312,215	398,471,056	260,156,129	185,099,891
1,253,410,112	1,128,728,472	1,018,637,394	726,158,974	513,264,521	372,786,602	303,910,233

2020 Rs.	2019 Rs.	2018 Rs.	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.
2,046,506,255	1,507,932,892	1,021,651,531	806,206,582	519,315,084	357,722,928	311,612,928
2,568,898,162	2,356,358,852	2,076,192,145	2,243,112,840	1,312,169,859	1,768,499,428	1,146,244,786
2,079,841,356	230,130,165	630,286,027	810,190,562	1,679,716,852	1,353,477,948	112,017,262
1,084,454,685	812,320,782	1,938,675	1,761,300	4,067,378	4,822,336	5,101,684
-	-	23,919,000	-	-	-	-
27,625,556,987	24,332,295,963	18,073,714,310	12,466,944,145	7,251,676,658	3,307,495,086	1,149,653,055
13,493,996,467	14,624,916,906	12,753,940,053	12,311,135,772	11,228,228,344	9,261,379,875	8,788,528,303
203,800	203,800	208,703,800	510,085,388	104,658,351	120,529,779	113,965,232
97,954,958	1,785,716,058	1,920,722,472	1,019,286,080	300,794,154	296,296,416	612,634,968
16,617,983	15,963,213	16,971,763	20,827,738	15,968,593	11,806,411	7,912,643
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,762,546,954	1,719,587,171	1,445,289,701	315,103,615	194,787,387	181,172,558	127,325,987
369,692,861	-	-	-	-	-	-
17,663,649	19,647,533	14,568,813	10,297,779	4,129,612	4,188,589	4,355,878
73,779,797	73,028,603	16,019,726	8,525,324	37,147,476	66,516,415	33,785,749
186,135,314	181,423,647	202,358,542	161,618,964	114,516,593	159,599,520	165,575,145
51,423,849,228	47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289	12,578,713,620

Ten Year Summary

As at 31st March	2023 Rs.	2022 Rs.	2021 Rs.
Liabilities			
Bank Overdrafts	1,561,119,013	1,062,546,767	983,750,361
Rental Received in Advance	176,943,085	227,759,381	247,760,859
Financial Liabilities at Amortised Cost - Deposits due to Customers	49,659,457,138	41,021,169,765	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	13,888,909,088	20,034,340,212	11,282,498,665
Subordinated Term Debt	3,163,398,140	2,012,844,267	-
Lease Liabilities	912,495,354	858,556,285	599,680,856
Current Tax Liabilities	547,185,073	604,894,450	635,606,078
Deferred Tax Liabilities	284,918,764	142,580,571	112,558,388
Other Liabilities	955,904,529	989,544,615	841,325,477
Retirement Benefit Obligations	86,818,197	80,824,933	162,995,765
Total Liabilities	71,237,148,381	67,035,061,246	47,037,129,593
Shareholders' Funds			
Stated Capital	1,325,918,000	1,325,918,000	1,325,918,000
Statutory Reserve Fund	1,766,773,033	1,699,794,425	1,554,199,509
Revaluation Reserve	157,386,280	170,876,532	131,761,541
Available For Sale Reserve / Fair Value Reserve	-	(226,310,672)	-
General Reserve	7,500,000	7,500,000	7,500,000
Retained Earnings	7,829,348,914	7,677,371,584	5,168,528,024
Total Shareholders' Funds & Total Liabilities	11,086,926,227	77,690,211,115	55,225,036,667
For the year ended 31st March	2023	2022	2021
Information on Ordinary Shares			
Earnings per Share (Rs.)*	5.69	12.37	7.34
Net Assets per Share (Rs.)*	47.09	45.25	34.78
Interest Cover (Times)	1.25	2.13	1.70
Dividend Per Share (Rs.)	-	2.00	6.00
Dividend Payout (%)	-	16.17	20.44
Market Value Per Share**	32.90	37.10	105.25
P/E Ratio (Times)	5.78	3.00	3.58
Ratios (%)			
Return on Shareholders Funds (%)	12.08	27.33	21.11
Liquid Assets as a % of Deposits (%)	35.97	21.86	15.34
Growth in Income (%)	38.44	27.42	(2.32)
Growth in Interest Expenses (%)	160.10	4.11	(16.21)
Growth in Other Expenses (%)	(4.13)	20.05	6.04
Growth in Profit After Tax (%)	(54.00)	68.50	37.88
Growth in Advances (%)	(6.54)	37.53	16.11
Growth in Deposits (%)	21.06	27.51	10.01
Growth on Shareholders' Funds (%)	4.05	30.13	26.40

* Prior year's ratios been restated based on the post subdivision of shares.

** Market price per share of prior year's represent the share price before the subdivision.

2020	2019	2018	2017	2016	2015	2014
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
964,529,904	1,566,068,720	1,839,144,681	1,487,193,561	1,224,665,038	463,536,788	233,878,618
266,875,302	324,196,627	308,688,009	243,881,527	208,870,398	170,421,167	136,928,230
29,243,912,898	25,436,257,664	22,186,879,453	17,863,861,472	14,804,037,141	12,162,096,690	9,299,977,850
12,037,795,536	12,497,221,353	8,011,421,404	6,043,391,985	2,243,116,105	299,522,795	542,516,837
-	1,031,100,274	1,550,967,094	1,700,465,782	1,917,563,133	1,859,653,357	898,088,784
402,518,972	-	-	-	-	-	-
223,998,022	509,696,461	364,888,378	209,076,751	38,687,596	93,290,845	88,294,895
260,945,390	343,733,661	385,537,287	270,783,875	182,865,531	88,459,437	74,288,962
1,442,619,116	411,165,825	400,427,054	279,104,569	190,776,252	220,230,653	111,124,087
102,642,242	69,131,811	57,213,310	29,716,585	27,669,222	22,125,917	12,872,166
44,945,837,382	42,188,572,396	35,105,166,670	28,127,476,107	20,838,250,416	15,379,337,649	11,397,970,429
1,325,918,000	1,325,918,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000
1,208,563,889	957,881,867	732,136,173	528,408,694	383,176,899	280,523,995	333,906,930
127,146,380	127,146,380	-	-	-	-	-
-	-	-	(6,834,947)	(8,009,097)	9,257,510	4,054,987
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
3,808,883,577	3,052,506,942	2,274,320,715	1,741,393,235	1,259,105,123	929,735,134	548,128,273
51,423,849,228	47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,342	16,893,507,289	12,578,713,619
2020	2019	2018	2017	2016	2015	2014
5.32	5.09	5.90	4.37	3.09	2.24	1.83
27.51	23.24	19.86	15.39	11.61	9.11	7.11
1.50	1.51	1.54	1.51	1.58	1.47	1.36
4.00	-	6.50	2.50	2.00	1.00	1.50
18.79	-	26.51	14.30	16.19	11.15	20.51
53.60	65.70	67.00	58.50	53.70	45.00	29.70
2.52	3.23	2.84	3.35	4.35	5.02	4.06
19.35	20.63	30.86	28.39	26.61	24.62	25.74
26.94	26.31	26.40	30.17	26.46	32.04	24.69
11.13	25.91	35.48	47.47	19.75	12.66	36.78
7.29	29.27	34.42	67.07	15.94	0.29	32.87
6.33	47.02	29.37	18.87	8.59	23.98	84.08
11.05	10.81	40.28	41.48	37.68	22.66	3.18
5.55	26.37	24.42	34.08	47.03	26.47	27.67
14.97	14.65	24.20	20.67	21.72	30.78	48.37
18.41	65.73	29.07	32.59	27.39	28.24	26.12

List of Abbreviations

AC	Amortised Cost	ETF	Employees' Trust Fund	NPA	Non Performing Advances
AGM	Annual General Meeting	FSCMP	Financial Sector Consolidation Master Plan	NPL	Non Performing Loans
ALCO	Assets and Liabilities Management Committee	FVOCI	Fair Value through Other Comprehensive Income	OCI	Other Comprehensive Income
ASPI	All Share Price Index	FVTPL	Fair Value Through Profit or Loss	OPD	Out Patient Department
AWDR	Average Weighted Deposit Rate	GDP	Gross Domestic Product	P.A.	Per Annum
AWFDR	Average Weighted Fixed Deposit Rate	GRI	Global Reporting Initiative	P/E	Price Earnings Ratio
AWPLR	Average Weighted Prime Lending Rate	HP	Hire Purchase	PAT	Profit After Tax
BFI	Banking Finance Insurance	HR	Human Resource	PBT	Profit Before Tax
BN	Billion	ICASL	The Institute of Chartered Accountants of Sri Lanka	PAYE	Pay As You Earn
BOD	Board Of Directors	IFRIC	International Financial Reporting Interpretations Committee	PBV	Price to Book Value
BOI	Board Of Investment	IFRS	International Financial Reporting Standard	PD	Probability of Default
CAR	Capital Adequacy Ratio	IIRC	International Integrated Reporting Council	PLC	Public Limited Company
CBSL	Central Bank of Sri Lanka	IR	Integrated Reporting	POCI	Purchased or Originated Credit Impaired
CCPI	Colombo Consumer Price Index	IRMC	Integrated Risk Management Committee	POS	Point Of Sale
CDS	Central Depository System	IT	Information Technology	PQ	Public Quoted
CEO	Chief Executive Officer	KMP	Key Management Personnel	PUC	Projected Unit Credit
CFM	Close Family Members	KPIs	Key Performance Indicators	ROA	Return On Assets
CGU	Cash Generating Unit	L & R	Loans And Receivables	ROCE	Return On Capital Employed
CIL	Crop Insurance Levy	LAR	Liquid Asset Ratio	ROE	Return On Equity
CRM	Customer Relationship Management	LCB	Licensed Commercial Bank	RSA	Rate Sensitive Assets
CSE	Colombo Stock Exchange	LFC	Licensed Finance Company	RSL	Rate Sensitive Liabilities
CSR	Corporate Social Responsibility	LGD	Loss Given Default	RWA	Risk Weighted Assets
DBP	Defined Benefit Plan	LKAS	Sri Lanka Accounting Standard	SBU	Strategic Business Units
DCP	Defined Contribution Plan	LKR	Sri Lankan Rupee	SEC	Securities and Exchange Commission
DGM	Deputy General Manager	LTECL	Life Time Expected Credit Loss	SLAS	Sri Lanka Accounting Standard
DMS	Document Management System	LTV	Loan To Value	SLAuS	Sri Lanka Auditing Standard
DPS	Dividend Per Share	MD	Managing Director	SLC	Specialised Leasing Company
DR	Disaster Recovery	MIS	Management Information System	SLFRS	Sri Lanka Financial Reporting Standard
DRL	Debt Repayment Levy	MN	Million	SLIPS	Sri Lanka Interbank Payment System
EAD	Exposure At Default	NBFI	Non-Bank Financial Institution	SLSAE	Sri Lanka Standard on Assurance Engagement
ECL	Expected Credit Loss	NBT	Nation Building Tax	SME	Small and Medium Enterprises
EIR	Effective Interest Rate	NCI	Non-Controlling Interest	SPPI	Solely Payments of Principal And Interest
EMDE'S	Emerging Markets and Developing Economies	NCPI	National Consumer Price Index	TB	Treasury Bill
EPF	Employees' Provident Fund	NII	Net Interest Income	VAT	Value Added Tax
EPS	Earnings Per Share	NIM	Net Interest Margin	WHO	World Health Organisation
ESC	Economic Service Charge			WHT	Withholding Tax
ESG	Environmental Social and Governance			WIP	Work In Progress

Corporate Information

Name of Company

Vallibel Finance PLC

Legal Form

Public Limited Liability Company incorporated in Sri Lanka.

A Finance Company licensed under the Finance Business Act No.42 of 2011.

A Registered Finance Leasing Establishment in terms of Finance Leasing Act No.56 of 2000.

An Approved Credit Agency under the Mortgage Act No.6 of 1949 and Trust Receipt Ordinance No.12 of 1947.

Date of Incorporation

5th September 1974

Company Registration Number

PB 526/PQ

Board of Directors

Mr. K D A Perera

- Chairman

Mr. S B Rangamuwa

- Managing Director

Mr. K D D Perera

- Executive Director

Mr. S S Weerabahu

- Executive Director

Mr. T Murakami

Mr. A Dadigama

Mr. J Kumarasinghe

Mrs. C P Malalagoda

Registered Office/Head office

No. 310, Galle Road
Colombo 03.

VAT registration no.

104040950 7000

Telephone

(+94) 11-2370990

Facsimile

(+94) 11-4393129

Website

www.vallibelfinance.com

Secretaries and Registrars

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08.

Telephone: (+94) 11-4640360-3

Fax: (+94) 11-4740588

Email: pwcs@pwcs.lk

External Auditors

KPMG

No. 32A, Sir Mohamed Macan Marker
Mawatha

P.O Box 186

Colombo 03.

Telephone: (+94) 11-5426426

Fax: (+94) 11-2445872

Internal Auditors

Ernst & Young Advisory Service (Pvt) Ltd
No.201, De Saram Place

P.O Box 101

Colombo 10.

Telephone: (+94) 11-2463500

Fax: (+94) 11-2697369

Bankers

Bank of Ceylon

Corporate Branch

No.4, Bank of Ceylon Mawatha
Colombo 01.

People's Bank

Headquarters Branch

No.75, Sir Chittampalam A Gardiner
Mawatha
Colombo 02.

Seylan Bank PLC

Millennium Branch

90, Galle Road

Colombo 03.

Sampath Bank PLC

Headquarters Branch

No 110, Sir James Peiris Mawatha

Colombo 02.

Pan Asia Banking Corporation PLC

Head Office Branch

No.450, Galle Road

Colombo 03.

National Development Bank PLC
Head Office Branch
No.1825, 40, Nawam Mawatha
Colombo 02.

Hatton National Bank PLC
Kollupitiya Branch
No. 471, Galle Road
Colombo 03.

Commercial Bank
Kollupitiya Branch
No 285, Galle Road
Colombo 03.

Cargills Bank
No.696,
Galle Road
Colombo 03.

Union Bank
Head Office Branch
No. 64,Galle Road
Colombo 03.

National Savings Bank
Head Office Branch
No1732,
Galle Road,
Colombo 03.

DFCC Bank
No 73/5,
Galle Road,
Colombo 03.

Corporate Memberships and Associations

The Finance House Association of
Sri Lanka

Leasing Association of Sri Lanka

The Ombudsman Sri Lanka (Guarantee)
Limited

The Ceylon Chamber of Commerce

Subsidiary Company

Vallibel Properties Limited

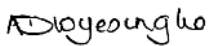
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Vallibel Finance PLC will be held on the 30th June 2023 at 10.00 am at the Auditorium of the Vallibel Finance Corporate Office, No. 480, Galle Road, Colombo 03 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To re-elect Mr. T Murakami who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.
3. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine donations for the year ending 31st March 2024 and upto the date of the next Annual General Meeting.

By Order of the Board

VALLIBEL FINANCE PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2023
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company; No. 310, Galle Road, Colombo 03, not less than forty seven (47) hours prior to the time appointed for the meeting.

Form of Proxy

I/We* holder of NIC No. of
.....
being a shareholder / shareholders* of Vallibel Finance PLC hereby appoint holder of NIC No.
.....of or failing him*

Mr. K D A Perera	or failing him*
Mr. S B Rangamuwa	or failing him*
Mr. T Murakami	or failing him*
(Alternate Director- Mr. H Ota)	
Mr. A Dadigama	or failing him*
Mr. S S Weerabahu	or failing him*
Mr. J Kumarasinghe	or failing him*
Mrs. C P Malalgoda	

as my/our* proxy to represent me/us*, to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 30th June 2023 at 10.00am and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To re-elect Mr. T Murakami who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.	☐	☐
2. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.	☐	☐
3. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.	☐	☐
4. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting	☐	☐

In witness my/our* hand(s) this day of Two Thousand and Twenty Three.

.....
Signature of Shareholder(s)

*Please delete what is inapplicable.

Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company No. 310, Galle Road, Colombo 03, Sri Lanka, forty seven (47) hours prior to the time appointed for the Meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney must be deposited at the Secretaries' Office (i.e. P W Corporate Secretarial Limited, No 3/17, Kynsey Road, Colombo 08) for registration.
5. If the appointor is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

Stakeholder Feedback Form

Your relationship with Vallibel Finance PLC (Please tick 'x' the appropriate box):

Shareholder	☐	Employee	☐	Government Institutions / Regulators	☐
Customer	☐	Business Partner/Supplier	☐	Society/Community	☐

Share your views about the Integrated Annual Report 2022/23:

Theme and Layout		Content and Scope		Comprehensive and User Friendly	
Excellent	☐	Excellent	☐	Excellent	☐
Good	☐	Good	☐	Good	☐
Average	☐	Average	☐	Average	☐
Poor	☐	Poor	☐	Poor	☐

Feedback & any suggestions to improve content:

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Any other suggestions, improvements & concerns to be addressed:

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.....

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Your Name :

Contact No. :

Email :

Permanent Mailing Address:

.....

Your Organisation & Designation (If Applicable):

You can post or Email your feedback to:

Senior DGM - Finance & Administration

Vallibel Finance PLC

No. 310, Galle Road,
Colombo 03.

Tel: 011-4393100

Fax: 011-2713375

Email: tellus@vallibelfinance.com

