

Financial Statements for the Year Ended 31st March 2023

Statement of Profit or Loss and other Comprehensive Income For the Year Ended 31st March	Company			Group		
	2023 Rs.	2022 Rs.	Growth %	2023 Rs.	2022 Rs.	Growth %
Gross Income	16,704,448,424	12,066,211,076	38.4	16,688,865,786	11,978,477,367	39.3
Interest Income	15,675,717,444	9,930,097,982	57.9	15,675,717,444	9,930,097,982	57.9
Interest Expense	(11,013,953,929)	(4,234,571,767)	160.1	(11,013,953,929)	(4,234,571,767)	160.1
Net Interest Income	4,661,763,515	5,695,526,215	(18.2)	4,661,763,515	5,695,526,215	(18.2)
Fee and Commission Income	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	(125,888)	12,589	(1,100.0)	(125,888)	12,589	(1,100.0)
Net Gain / (Loss) from other Financial Instruments at FVTPL	125,013,492	33,825,363	269.6	125,013,492	33,825,363	269.6
Other Operating Income	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	(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	(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	2,762,599,933	4,777,679,550	(42.2)	2,743,991,035	4,687,828,259	(41.5)
Taxes on Financial Services	(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	(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	5.69	12.37	(54.0)	5.64	12.07	(53.3)
Diluted Earnings Per Share	5.69	12.37	(54.0)	5.64	12.07	(53.3)

Statement of Profit or Loss and other Comprehensive Income Contd. For the Year Ended 31st March	Company			Group		
	2023 Rs.	2022 Rs.	Growth %	2023 Rs.	2022 Rs.	Growth %
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	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	(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)	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)

Selected Key Performance Indicators (As Per Regulatory Reporting)	As at 31st March 2023		As at 31st March 2022	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	17.02%	8.50%	14.58%	7.00%
Total Capital Adequacy Ratio	22.26%	12.50%	18.52%	11.00%
Capital Funds to Deposit Liabilities Ratio	26.84%	10.00%	29.98%	10.00%
Quality of Loan Portfolio (%)				
Gross - Stage 3 Loans Ratio	6.16%*		3.93%	
Net - Stage 3 Loans Ratio	2.96%*		1.68%	
Net - Stage 3 Loans to Core Capital Ratio	17.85%		11.23%	
Stage 3 Impairment Coverage Ratio	51.85%		57.27%	
Total Impairment Coverage Ratio	4.82%		4.28%	
Profitability (%)				
Net Interest Margin	6.18%		9.08%	
Return on Assets (Before Tax)	3.45%		7.19%	
Return on Equity (After Tax)	12.32%		30.91%	
Cost to Income Ratio	49.74%		31.43%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	269.24%		187.16%	
Liquid Assets to External Funds	19.94%		12.59%	
Memorandum information				
Number of Branches	58		54	
External Credit Rating	BBB+ (Negative)		BBB+ (Stable)	

There had not been any regulatory penalties or regulatory restrictions on deposits, borrowings and lending during the year ended 31.03.2023 and 31.03.2022.

*As per CBSL Direction No. 01 of 2020 - Classification and Measurement of Credit Facilities, (effective from 01.04.2022)

Statement of Financial Position As at 31st March	Company			Group		
	2023 Rs.	2022 Rs.	Growth %	2023 Rs.	2022 Rs.	Growth %
Assets						
Cash and Cash Equivalents	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	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)	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	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	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	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	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	28,698,236	13,647,730	110.3	28,698,236	13,647,730	110.3
Investment in a Subsidiary	20	20	-	-	-	-
Investment Property	1,179,500,000	1,179,500,000	-	-	-	-
Property, Plant and Equipment	772,845,990	756,193,121	2.2	3,974,429,790	3,208,302,588	23.9
Right-of-use Lease Assets	748,848,409	781,224,648	(4.1)	748,848,409	781,224,648	(4.1)
Intangible Assets	18,458,354	28,671,530	(35.6)	18,458,354	28,671,530	(35.6)
Deferred Tax Assets	107,519,914	141,914,484	(24.2)	110,488,657	143,203,176	(22.8)
Other Assets	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	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	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	13,888,909,088	20,034,340,212	(30.7)	15,954,588,101	21,835,482,493	(26.9)
Subordinated Term Debt	3,163,398,140	2,012,844,267	57.2	3,163,398,140	2,012,844,267	57.2
Lease Liabilities	912,495,354	858,556,285	6.3	912,495,354	858,556,285	6.3
Current Tax Liabilities	547,185,073	604,894,450	(9.5)	547,185,073	604,894,450	(9.5)
Deferred Tax Liabilities	284,918,764	142,580,571	99.8	284,918,764	142,580,571	99.8
Other Liabilities	955,904,529	989,544,615	(3.4)	947,566,765	990,488,316	(4.3)
Retirement Benefit Obligations	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
Equity						
Stated Capital	1,325,918,000	1,325,918,000	-	1,325,918,000	1,325,918,000	-
Statutory Reserve Fund	1,766,773,033	1,699,794,425	3.9	1,766,773,033	1,699,794,425	3.9
Other Reserves	164,886,280	(47,934,140)	(444.0)	220,536,280	12,485,860	1,666.3
Retained Earnings	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

Certification

These Financial Statements have been prepared in compliance with the requirements of the Companies Act, No.07 of 2007.

sgd.

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 ;

sgd.

S.B. Rangamuwa
Managing Director

sgd.

S.S. Weerabahu
Executive Director
6th June 2023,
Colombo.



KPMG
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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.

Allowance for impairment losses for loans and receivables, lease rental and hire purchase receivables
Refer note 25, 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. 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). 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 identifying their weighting and judgments over the use of data inputs required. Additional subjectivity and judgment 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 purchase 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 9 financial instruments: Disclosures.	Our audit procedures included: <ul style="list-style-type: none">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;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.

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.
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 or 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