vallibel Finance

Financial Statements for the Year Ended 31st March 2021

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31st March

	Company			Group
	2021 Rs.	2020 Rs.	Growth %	2021 Rs.
Gross Income	**9,469,941,763**	**9,695,306,097**	**(2.3)**	**9,469,941,763**
Interest Income	8,331,297,497	8,912,195,796	**(6.5)**	8,331,297,497
Interest Expense	(4,067,534,369)	(4,854,515,785)	**(16.2)**	(4,067,534,369)
Net Interest Income	**4,263,763,128**	**4,057,680,011**	**5.1**	**4,263,763,128**
Fee and Commission Income	373,550,576	350,337,255	**6.6**	373,550,576
Net Fee and Commission Income	**373,550,576**	**350,337,255**	**6.6**	**373,550,576**
Net Gain / (Loss) from Trading	642,028	(384,462)	**267.0**	642,028
Net Gain / (Loss) from other Financial Instruments at FVTPL	36,563,641	63,839,013	**(42.7)**	36,563,641
Other Operating Income	727,888,021	369,318,495	**97.1**	727,888,021
Total Operating Income	**5,402,407,394**	**4,840,790,312**	**11.6**	**5,402,407,394**
Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets	(575,076,254)	(487,815,203)	**17.9**	(575,076,254)
Net Operating Income	**4,827,331,140**	**4,352,975,109**	**10.9**	**4,827,331,140**
Expenses				
Personnel Expenses	(1,068,762,651)	(1,053,241,776)	**1.5**	(1,068,771,249)
Premises Equipment and Establishment Expenses	(171,557,465)	(155,159,652)	**10.6**	(171,557,465)
Other Operating Expenses	(728,461,168)	(702,676,973)	**3.7**	(731,704,537)
Operating Profit Before Taxes on Financial Services	**2,858,549,856**	**2,441,896,708**	**17.1**	**2,855,297,889**
Taxes on Financial Services	(468,767,648)	(579,795,359)	**(19.1)**	(468,767,648)
Profit Before Income Tax	**2,389,782,208**	**1,862,101,349**	**28.3**	**2,386,530,241**
Income Tax Expense	(661,604,106)	(608,691,237)	**8.7**	(660,823,634)
Profit for the Year	**1,728,178,102**	**1,253,410,112**	**37.9**	**1,725,706,607**
Profit attributable to:				
Equity holders of the Company	1,728,178,102	1,253,410,112	**37.9**	1,725,706,607
Non - Controlling Interest	–	–	–	–
Profit for the Year	**1,728,178,102**	**1,253,410,112**	**37.9**	**1,725,706,607**
Earnings Per Share				
Basic Earnings Per Share	29.36	21.29	**37.9**	29.32
Diluted Earnings Per Share	29.36	21.29	**37.9**	29.32

Statement of Profit or Loss and Other Comprehensive Income Contd.
For the Year Ended 31st March

	Company			Group
	2021 Rs.	2020 Rs.	Growth %	2021 Rs.
Profit for the Year	**1,728,178,102**	**1,253,410,112**	**37.9**	**1,725,706,607**
Other Comprehensive Income, Net of Tax				
Items that will never be reclassified to Profit or Loss				
Gains / (Losses) on remeasurement of Defined Benefit Liability	(30,289,378)	(15,747,404)	**92.3**	(30,289,378)
Deferred Tax (Charge) / Reversal on Actuarial Gains / (Losses)	7,269,449	4,409,273	**64.9**	7,269,449
Net Actuarial Gains / (Losses) on Defined Benefit Liability	**(23,019,929)**	**(11,338,131)**	**103.0**	**(23,019,929)**
Revaluation of Land & Buildings	–	–	–	–
Deferred Tax (Charge) / Reversal on Revaluation of Land & Buildings	4,615,161	–	**100.0**	4,615,161
Net Change in Revaluation of Land & Buildings	**4,615,161**	–	**100.0**	**4,615,161**
Items that are or may be reclassified to Profit or Loss				
Fair Value Gains / (Losses) that arose during the Year, Net of Tax	–	–	–	–
Fair Value Gain Realised to the income statement on disposal, Net of Tax	–	–	–	–
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income	–	–	–	–
Other Comprehensive Income for the Year, Net of Tax	**(18,404,768)**	**(11,338,131)**	**62.3**	**(18,404,768)**
Total Comprehensive Income for the Year	**1,709,773,334**	**1,242,071,981**	**37.7**	**1,707,301,839**
Attributable to:				
Equity holders of the Company	1,709,773,334	1,242,071,981	**37.7**	1,707,301,839
Non - Controlling Interest	–	–	–	–
Total Comprehensive Income for the Year	**1,709,773,334**	**1,242,071,981**	**37.7**	**1,707,301,839**

Selected Performance Indicators (As Per Regulatory Reporting)
As at 31st March

	Company	
	2021	2020
Regulatory Capital Adequacy		
Core Capital (Tier 1 Capital), Rs. '000	8,036,430	6,323,705
Total Capital Base, Rs. '000	8,725,014	6,912,812
Core Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 6.5%)	12.98%	11.93%
Total Capital Adequacy Ratio, as % of Risk Weighted Assets (Minimum requirement, 10.5%)	14.09%	13.04%
Capital Funds to Deposit Liabilities Ratio (Minimum requirement, 10%)	25.01%	21.69%
Assets Quality (Quality of Loan Portfolio)		
Gross Non-Performing Accommodations, Rs. '000	2,244,234	2,147,289
Gross Non-Performing Accommodations Ratio, %	4.48%	5.01%
Net Non-Performing Accommodation Ratio, %	1.19%	1.51%
Profitability (%)		
Interest Margin	8.91%	9.10%
Return on Average Assets (before Tax)	4.48%	3.76%
Return on Average Equity (after Tax)	23.57%	20.98%
Regulatory Liquidity (Rs. '000)		
Required minimum amount of Liquid Assets	1,938,259	1,814,577
Available amount of Liquid Assets	2,927,819	5,771,368
Required minimum amount of Government Securities	1,439,740	1,319,847
Available amount of Government Securities	1,795,353	2,178,021
Memorandum information		
Number of Employees	1,067	979
Number of Branches	45	33
Number of Service Centers	1	8

Credit Rating : **BBB** Stable Outlook : ICRA Lanka

Brand Rating : **A+** : Brand Finance

vallibel Finance

No. 310, Galle Road, Colombo 03. Tel: 2 370 990

Statement of Financial Position
As at 31st March

	Company			Group
	2021 Rs.	2020 Rs.	Growth %	2021 Rs.
Assets				
Cash and Cash Equivalents	1,683,003,076	2,046,506,255	**(17.8)**	1,712,137,601
Placements with Banks and Other Finance Companies	267,311,713	2,568,898,162	**(89.6)**	267,311,713
Reverse Repurchase Agreements	1,795,352,511	2,079,841,356	**(13.7)**	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,188,828,796	1,084,454,685	**9.6**	1,352,702,922
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	33,660,559,075	27,625,556,987	**21.8**	33,660,559,075
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,085,116,152	13,493,996,467	**4.4**	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	203,800	–	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	–	97,954,958	**(100.0)**	–
Financial Assets at Amortised Cost - Other Financial Assets	15,162,142	16,617,983	**(8.8)**	15,162,142
Investment in a Subsidiary	20	–	**100.0**	–
Investment Property	1,100,000,000	–	**100.0**	–
Property, Plant and Equipment	614,154,778	1,762,546,954	**(65.2)**	2,119,143,851
Right-of-use Lease Assets	583,944,570	369,692,861	**58.0**	583,944,570
Intangible Assets	9,897,595	17,663,649	**(44.0)**	9,897,595
Deferred Tax Assets	80,267,468	73,779,797	**8.8**	81,047,940
Other Assets	141,234,971	186,135,314	**(24.1)**	139,271,402
Total Assets	**55,225,036,667**	**51,423,849,228**	**7.4**	**55,821,851,274**
Liabilities				
Bank Overdrafts	983,750,361	964,529,904	**2.0**	983,750,361
Rental Received in Advance	247,760,859	266,875,302	**(7.2)**	247,760,859
Financial Liabilities at Amortised Cost - Deposits due to Customers	32,170,953,144	29,243,912,898	**10.0**	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	11,282,498,665	12,037,795,536	**(6.3)**	11,880,986,632
Lease Creditors	599,680,856	402,518,972	**49.0**	599,680,856
Current Tax Liabilities	635,606,078	223,998,022	**183.8**	635,606,078
Deferred Tax Liabilities	112,558,388	260,945,390	**(56.9)**	112,558,388
Other Liabilities	841,325,477	1,442,619,116	**(41.7)**	842,123,612
Retirement Benefit Obligations	162,995,765	102,642,242	**58.8**	162,995,765
Total Liabilities	**47,037,129,593**	**44,945,837,382**	**4.7**	**47,636,415,695**
Equity				
Stated Capital	1,325,918,000	1,325,918,000	–	1,325,918,000
Statutory Reserve Fund	1,554,199,509	1,208,563,889	**28.6**	1,554,199,509
Other Reserves	139,261,541	134,646,380	**3.4**	139,261,541
Retained Earnings	5,168,528,024	3,808,883,577	**35.7**	5,166,056,529
Total Equity attributable to Equity holders of the Company	**8,187,907,074**	**6,478,011,846**	**26.4**	**8,185,435,579**
Non - Controlling Interest	–	–	–	–
Total Equity	**8,187,907,074**	**6,478,011,846**	**26.4**	**8,185,435,579**
Total Liabilities and Equity	**55,225,036,667**	**51,423,849,228**	**7.4**	**55,821,851,274**
Net Assets Value Per Share (Rs.)	**139.10**	**110.05**	**26.4**	**139.06**

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.

Dhammika Perera

Executive Director

sgd.

S.B. Rangamuwa

Managing Director

4th June 2021,
Colombo.

KPMG

KPMG
(Chartered Accountants)
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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 31March 2021, 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 192 to 283 of the 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 2021 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowance for loans and receivables, lease rental and hire purchase receivables

Refer the note 6.1,10, 29 and 30 to the financial statements

Risk Description	Our Response:
As at 31 March 2021, 86% of its total assets of the Company consisted of loan and receivables, lease and hire purchase receivables totalling to Rs 47.7 Bn, net of impairment allowance of Rs 2.3 Bn. The Company's model to calculate Expected Credit Loss (ECL) is inherently complex and judgment is applied in determining the correct construct of the model. 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. The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgement required by the Company in calculating the ECL, and the associated audit risk. We have identified the impairment of loans and receivables, lease and hire purchase receivables as a key audit matter because of its significance to the financial statements with the application of significant judgements and estimates which are subject to estimation uncertainty and management bias.	Our audit procedures included: • Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the economic uncertainty relating to the COVID 19; • 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 sample basis, by using the key assumptions used in the models, such as PD and LGD; • Comparing the economic factors used in the models to market information to assess whether they were aligned with the market and economic development; • Assessing the reasonableness of the Company's treatment of COVID-19 payment relief customers (moratorium/ debt concessionary) from a credit risk perspective; • Evaluating the appropriateness of the accounting policies based on the requirements of the accounting standards, our business understanding and industry practice; • 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.

In preparing the financial statements, management is responsible for assessing the Company and 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 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 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
04th June 2021