FORTIFYING OUR LEGACY

vallibel Finance

Annual Report 2020/21

FORTIFYING OUR LEGACY

Every footprint we leave today, will form our legacy tomorrow. That's why at Vallibel Finance, we believe in innovation built on foresight and commitment, founded by passion. From serving aspiring entrepreneurs to large-scale corporates, every step we have taken since our inception has been about enabling progress to our nation. Today, we continue on this path by offering innovative and wide-ranging financial services, while staying true to our values of honesty and integrity.

Despite the challenges we faced in the past year, our team continued to fortify our strong and resilient foundations and business model-positioning us on a path towards sustainable progress. Thriving on continued stakeholder confidence, we look at the future with renewed optimism, as we are keen to explore emerging opportunities driven by dynamic changes in consumer preferences and technological advancements.

Today, we are fortifying our legacy and the progress of our nation.

CONTENTS

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.

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

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

ORGANISATIONAL OVERVIEW

MANAGEMENT DISCUSSION & ANALYSIS

GOVERNANCE

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

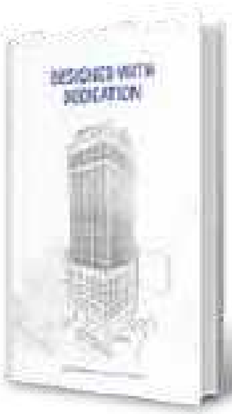
OUR INTEGRATED REPORT

GRI: 102-10, 102-11, 102-12, 102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54

The third integrated Annual Report of Vallibel Finance PLC has been prepared and presented following the GRI Standards: Core Option published by the Global Reporting Initiative (GRI) for Sustainability Reporting and the guiding principles of the Integrated Reporting (IR) Framework issued by the International Integrated Reporting Council (IIRC).

This year's Annual Report further elaborates on the value created by the Company and continues to consolidate our efforts to provide comprehensive information to give a clear picture to our stakeholders on the Company's financial and operational performance during the year and the potential on the direction of the Company's future business activities. We also continue to embed reporting on our sustainability efforts within this framework, thereby enhancing disclosures and further bridging reporting gaps between financial and sustainability reporting. Our focus remains to communicate a cohesive story of our value creation process and successes while demonstrating the relationships and interdependencies amongst our stakeholders and the varied aspects of our business and strategic goals.

Boundary and Scope of Reporting



Most Recent Past Annual Report

(2nd Integrated Annual Report)

Financial Year:
2019/20

Reporting Period:
1st April 2019 to 31st March 2020

Current Annual Report

(3rd Integrated Annual Report)

Financial Year:
2020/21

Reporting Period:
1st April 2020 to 31st March 2021

This Annual Report covers the aspects and topics deemed material by Vallibel Finance PLC and give an overview of the Company's local market operations. Material aspects and boundaries were derived following the GRI Standards including the data gathered from the stakeholder engagement process. As far as possible, the Company has endeavoured to provide comprehensive information on the value creation process for different stakeholders, as well as its impact on the different capital reports including Financial Capital, Human Capital, Manufactured Capital, Intellectual Capital, Social and Relationship Capital, and Natural Capital.

The qualitative and quantitative information given by the Company throughout this Annual Report is predominantly limited to current year information, together with information about planned future developments of the Company at the time of publishing this Annual Report. Where available and relevant, data for the past five years has been included in this Annual Report.

Reporting Changes

During the reporting period from 1st April 2020 to 31st March 2021, Vallibel Finance has had no significant changes in the organisation type, structure, or ownership. There were also no significant changes to the Company's supply chain during the reporting period, although there was a greater emphasis on digital delivery of products and services to manage business operation within a COVD-19 impacted environment.

To date, the Company's subsidiary, Vallibel Properties Ltd, has not conducted any business activities, and hence, there have been no significant changes to the Company's Financial Statements and Capital reports during the reporting period.

The Company added two new topics as material to the Company for the reporting period 1st April 2020 to 31st March 2021. Material topics identified in the previous reporting period from 1st April 2019 to 31st March 2020 continue to remain relevant with no significant changes.

Precautionary Approach

Vallibel Finance PLC adopts a triple bottom line approach to reporting information in this Annual Report aligned to the Company's efforts to conduct business operations on the principles of sustainable business practices. This ensures we take a precautionary approach when developing business plans and financial services products, meeting customer needs, and also when dealing with all other stakeholders of the Company. The Company's risk management framework also contributes towards the Company's efforts to manage economic, social, and environmental risks. It should also be noted that the nature of the Company's business operations has minimal impact on natural resources, but as a responsible corporate, the Company has put in place systems and processes to minimise the use of scarce natural resources.

External Assurance

The Financial Statement and Non-Financial Information Sections included in this report have been audited by Messrs. KPMG who has expressed an opinion on the true and fair view of the Annual Financial Statements as shown on pages 192 to 283. A reasonable assurance on the financial highlights on page 10 and limited assurance on the non-financial highlights on page 11. The external assurance report is on pages 284 to 285 of this Annual Report.

GRI Content Index

The GRI Content Index is available on pages 286 to 288 of this Annual Report

Reporting Frameworks and Guidelines

The Company adheres to the below mandatory and voluntary reporting frameworks and guidelines in the pursuit of a non-biased and comprehensive reporting environment.

Financial Reporting

- Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRs) and Sri Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011

Corporate Governance Reporting

- Finance Business Act No. 42 of 2011
- Listing Rules of the Colombo Stock Exchange (CSE)
- Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Voluntary Reporting Frameworks and Guidelines

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- A Preparer's Guide to Integrated Reporting by The Institute of Chartered Accountants of Sri Lanka
- GRI Standards 2016

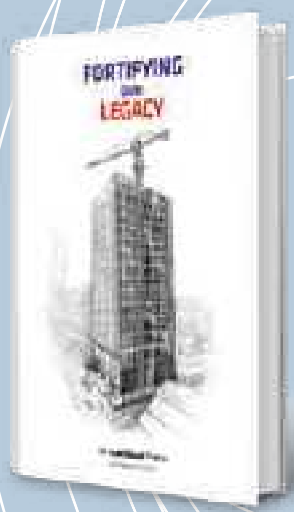
Feedback and Inquiries

For feedback and inquiries regarding this Annual Report and any information contained herein, please contact the below mentioned.

Chief Financial Officer
Vallibel Finance PLC
No. 310, Galle Road,
Colombo 03.
Tel: 011-4393100
Fax: 011-2713375
Email: tellus@vallibelfinance.com

OUR INTEGRATED REPORT

Summary of the Company's Annual Report 2020/21



Organisational Leadership	Management Discussion and Analysis	Our Value-Creating Business Model
Statements by the Chairman and Managing Director providing an overview of the year under review, touching on key developments during the year, and future strategic direction of the Company. Information on the people who lead the Company in developing and implementing strategies while ensuring sustainable and successful business operations.	Provides an overview of the Company's business operations amidst developments in the macroeconomic and industry environments and progress on key business lines.	Explains the process adopted by the Company to develop and maintain a business model which ensures short, medium, and long-term value creation for all stakeholders.
Pages 16 to 20	Pages 62 to 127	Pages 43 to 45

IR Framework Principles

INTEGRATED REPORTING ‹IR›

IR Framework Principles	As Applied by Vallibel Finance
Strategic Focus and Future Orientation	By disclosing goals and other key information, which is important for the Company's future success, we have strived to report information keeping our strategic focus at the forefront. Further, the future prospects and direction of the Company are included in the Chairman's Message, Managing Director's Review, and in the Management Discussion and Analysis sections of this Annual Report from pages 60 to 127.
Connectivity of Information	Connectivity of information can be seen in the presentation of this Annual Report using the integrated reporting format and the disclosure guidelines by the GRI Standard framework. Where possible we have endeavoured to use visual icons and referenced pages to showcase the connectivity of components which affect the Company's value creation process.
Stakeholder Relationships	The Company has disclosed the engagement mechanisms of how we engage with our stakeholders and build long-term relationships, as well as concerns which arose and how these become a part of the Company's strategic focus areas by applying the principles of materiality. Refer to pages 51 to 55 of this Annual Report for details.
Materiality	The Company has disclosed how the materiality of key topics is identified and prioritised and the materiality principles for defining the reporting boundary are explained. The materiality analysis and related topics including the prioritisation process and the process adopted to identify material topics are explained from pages 56 to 59 of this Annual Report.

Provides information on the key stakeholders of the Company and the process of stakeholder selection and engagement as well as the selection and prioritisation of material topics which are integrated within the corporate strategy development and implementation process of the Company.

Pages 51 to 59

Stakeholder Engagement and Materiality Analysis

A review, discussion, and comparison of the value created for stakeholders through the key capitals – Human, Finance, Manufactured, Intellectual, Social, Relationship, and Natural. Also included are the challenges and future-oriented information for the planned value-creating activities in the forthcoming year and beyond.

Pages 62 to 116

Capital Management Review

An overview of the governance and risk management policies, processes, and measures adopted by the Company to maintain responsible, transparent, and ethical business practices. Also includes information on the shared responsibilities by the Company's leadership teams.

Pages 130 to 176

Governance and Risk Management

All statutory accounting and Financial Statements and disclosures provide in-depth guidance on the Company's operations for the year under review including comparatives of the immediate past financial year.

Pages 192 to 283

Financial Reports

IR Framework Principles	As Applied by Vallibel Finance
Conciseness	The Company has endeavoured to report key aspects and developments during the year under review clearly and succinctly, thereby making this Annual Report an easy read for all stakeholders. Furthermore, relevant stakeholders have been identified in the different capital report reviews.
Reliability and Completeness	To the best of our knowledge, all the information given in this Annual Report is complete and reliable. External information is sourced from credible sources and when possible, sources are mentioned. As a measure of assurance, the Financial Statements are reviewed and audited by Messer. KPMG and are available on pages 192 to 283 of this Annual Report. An Assurance Report is also available for adherence to GRI Standards: Core Option. The Company has also disclosed extensive information on corporate fortifying the reliability and completeness of information in this Annual Report. The Corporate Governance report is on pages 130 to 162 of this Annual Report.
Consistency and Comparability	The Company has attempted to be consistent in our reporting throughout this Annual Report, and where possible, comparable information has been clearly stated and indicated. In instances when comparable information was not available this is plainly acknowledged, and reasons given, if relevant.

ABOUT US

Vallibel Finance started its journey in 1974 as Rupee Finance Pvt Ltd before being acquired by the prestigious Vallibel Group in 2005, at which time we became Vallibel Finance PLC. This was the start of the Company's transformational era, which unlocked new potential for our sustained growth and success. As we journeyed our newly-charted path, we began to build on our legacy, driving Vallibel Finance towards the creations of value for all our stakeholders. Our approach to provide innovative, value-for-money financial solutions to the nation remained steadfast as we turned our focus on crafting skills organisational and people skills for the betterment of our business endeavours and to shine bright in our chosen industry while excelling in everything we undertake to do. Through this journey we faced and overcame myriad challenges; but continued to hold true to our vision and mission, striving evermore to change the landscape of our country and create an environment of financial inclusion.

In 2020, we incorporated a fully-owned subsidiary, Vallibel Properties Ltd, which has been set up for overseeing the construction and operation of our new head office complex which is planned to be our new stronghold in taking our transformational journey to a new level.

Today, we are a proud and leading financial brand in Sri Lanka. We have surpassed our expectations and now are ready to embark on a new journey where our footprint becomes entrenched within our operating environment and within the heart of our stakeholders. In every aspect we have given our all to remain true, dedicate ourselves to meet our commitments and remain resilient while moving forwards to meet our corporate aspirations while staying true to our vision, mission, and values.

Our Purpose

Over the last 14 years our purpose has been to serve the Sri Lankan people and create an environment which impels financial inclusion. We dedicate our efforts to serve our customers across Sri Lanka by offering innovative, customised, and widespread financial solutions to cater to their every diverse need, small and big. Our network of 46 strategic locations spanning cities and towns located in Western, Central, Sabaragamuwa, Southern, North-Western, Uva and North Central Provinces of Sri Lanka, together with our 1,067 strong dedicated employees support this aim by serving our customers at the highest standards of customer service at all times.

Success Recognised

We are highly honoured to have gained recognition for our efforts and corporate endeavours over the last few years from both local and international organisations. Our devoted efforts to become a customer service oriented enterprise, to understand the needs of diverse people, create infinite value for our employees while leading by example have been rewarded over the years. Another important milestone was to be recognised as one of the 'Top 40 Best Places to Work in Sri Lanka' for the year 2020/21 by The Great Places to Work® demonstrating our consistent efforts to put our employees first and empowering them to achieve their professional goals by creating a learning organisational culture. This award also reiterates our hard work to remain a preferred employer in the country even while facing unprecedented challenges in the operating environment.

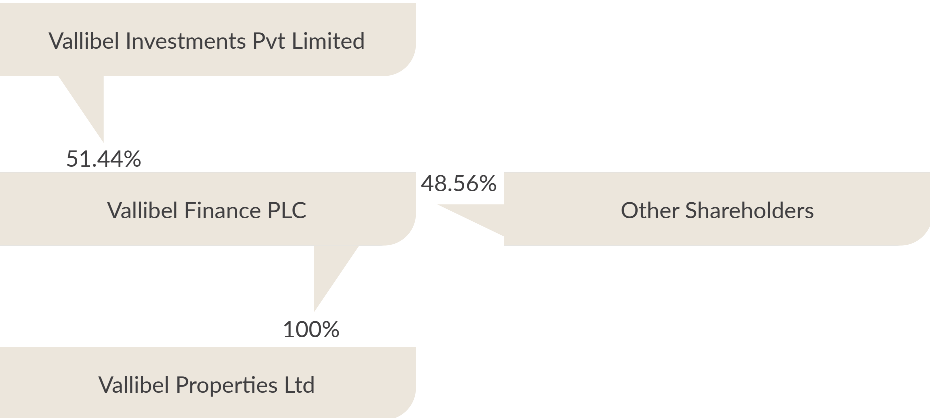
We value such awards and accolades as these re-inforce our brand image of being a leading and innovative financial solutions company, pursuing not just financial success but ensuring to create value for all our stakeholders in an ethical, transparent, and sustainable way.

Key Attributes of Success

Future Success

As we move to the future, we are confident that we will prevail. We shall embrace all emerging opportunities and overcome unforeseen challenges working as one team and family. We will build on our legacy by pursuing success in everything we do. Vallibel Finance is committed to further diversify our innovative product portfolio and continue nation-wide branch expansions to serve the Sri Lankan people effectively and conveniently. The growth of the Company's lending portfolio, the increasing year-on-year deposit base, together with an asset base which has now reached Rs. 55.23 Bn amidst an extraordinarily challenging financial year, displays our real commitment and dedication to create value for our stakeholders and key capitals of the Company.

Shareholding Structure



Our Products and Services

FINANCIAL HIGHLIGHTS

For the Year Ended/As at 31st March		2021	2020	Change %
Financial Performance				
Gross Income	Rs. thousand	9,469,942	9,695,306	(2.3)
Gross Interest Expense	Rs. thousand	4,067,534	4,854,516	(16.2)
Net Interest Income	Rs. thousand	4,263,763	4,057,680	5.1
Total Operating Income	Rs. thousand	5,402,407	4,840,790	11.6
Pre-Tax Profit	Rs. thousand	2,858,550	2,441,897	17.1
Income Taxation	Rs. thousand	661,604	608,691	8.7
Financial Position				
Shareholder's Funds	Rs. thousand	8,187,907	6,478,012	26.4
Total Deposit Base	Rs. thousand	32,170,953	29,243,913	10.0
Borrowings and Bank Overdrafts	Rs. thousand	12,266,249	13,002,325	(5.7)
Loans and Advances, Lease and Hire Purchase	Rs. thousand	47,745,675	41,119,553	16.1
Total Assets	Rs. thousand	55,225,037	51,423,849	7.4
Investor Information				
Earnings Per Share	Rs. per share	29.36	21.29	37.9
Net Assets Per Share	Rs. per share	139.10	110.05	26.4
Market Value Per Share	Rs. per share	105.25	53.60	96.4
Market Capitalisation	Rs. thousand	6,195,368	3,155,076	96.4
P/E Ratio	Times	3.58	2.52	42.1
Key Ratios				
Return on Average Equity	%	23.57	20.98	12.3
Return on Average Assets - After Tax	%	3.24	2.53	28.1
Interest Cover	Times	1.70	1.50	13.3
Equity/Assets	Times	0.15	0.13	15.4
Debt plus Total Deposit to Equity	Times	5.31	6.37	(16.7)
Non Performing Ratio - Gross	%	4.48	5.01	(10.6)
Non Performing Ratio - Net	%	1.19	1.51	(21.2)
Statutory Ratios				
Liquid Assets	%	9.06	18.97	(52.2)
Core Capital Ratio - Minimum Required 6.5%	%	12.98	11.93	8.8
Total Risk Weighted Capital Ratio - Minimum Required 10.5%	%	14.09	13.04	8.1

NON-FINANCIAL HIGHLIGHTS

For the Year Ended/As at 31st March		2021	2020
Capital Indicators			
Human Capital			
Total Workforce	number	1067	979
New Recruits	number	275	290
Employees Completed 10 Years of Service	number	47	30
Investment in Training and Development	Rs. thousand	547	5,220
Employees Monetary Benefits	Rs. thousand	1,068,763	1,053,242
Internal Staff Promotions	number	347	151
Staff Retention Ratio	%	86.82	81.91
Return to Work After Maternity Leave	%	66.67	90.91
Gender Diversity Ratio (Male : Female)	%	70:30	69:31
Revenue per Employee	Rs. thousand	8,875	9,903
Manufactured Capital			
Branches	number	45	33
Service Centres	number	1	8
New Branches Opened	number	5	1
Refurbished/Relocated Branches	number	3	5
Investment in Property Plant and Equipment	Rs. thousand	182,245	144,722
Investment in IT Development	Rs. thousand	36,310	9,699
Intellectual Capital			
Brand Value (Brand Finance)	Rs. thousand	1,458,000	1,152,000
Brand Ranking	Brand Finance	A+	BBB
Credit Rating	ICRA ratings	BBB	BBB
Social and Relationship Capital			
Economic Value Generated	Rs. thousand	9,469,942	9,695,306
Economic Value Distributed To:			
Depositors and Lenders	Rs. thousand	4,067,534	4,751,805
Employees	Rs. thousand	1,068,618	1,048,022
Government	Rs. thousand	1,147,656	1,201,274
Community	Rs. thousand	8,780	1,324
Capital Providers	Rs. thousand	-	338,164
Community Development Programmes	Number	7	16
Total Loans Disbursed	Rs. thousand	25,508,541	21,547,566
Natural Capital			
Electricity Consumption - Head Office	KwH	341,971	435,041
Electricity Consumption - All Branches	KwH	703,534	637,768
Water Consumption - Head Office	m3	5,077	5,900
Water Consumption - All Branches	m3	10,446	8,650
Paper recycled	Kg	2,820	-*

**Comparative data not available*

OUR JOURNEY

2005

Acquired by the Vallibel Group of Companies and renamed as Vallibel Finance

2007

The Company relaunched under a new leadership to pursue set goals.

2010

The success and projected growth resulted in listing the Company on the Colombo Stock Exchange.

2011

- The Head Office was relocated to a prominent location on No. 310, Galle Road, Colombo 03.
- Growth supported by 10 branches across the island.

"As Vallibel Finance celebrates our success over the last 14 years we continue to focus on building strong foundations for a sustainable future."

2021

- The Company was certified as a Great Place to Work™ in Sri Lanka and it was selected to be among the **'40 Best Places to Work in Sri Lanka'.**
- The Gold Loan base exceeded **Rs. 5 Bn** as at 31st March 2021
- Total workforce surpassed **1000** employees.
- **Brand rating of A+** given by Brand Finance Sri Lanka.

2020

- Crowned Brand of the Year Sri Lanka 2020 - Financial Services by the Global Banking & Finance review at the 10th Global Banking & Finance Awards.
- Crowned Most Innovative Finance Product Sri Lanka 2020 – Vallibel Wheel Draft by the Global Banking & Finance review at the 10th Global Banking & Finance Awards.
- Number of branches increased to 45.

2019

- Continued branch network expansion operating 40 branches across the island as at 31st March 2019.
- The Company was certified as a Great Place to Work™ in Sri Lanka and it was selected to be among the '25 Best Places to Work in Sri Lanka'.
- The fixed deposit base exceeded Rs. 25 Bn as at 31st March 2019.
- Brand Finance Sri Lanka upgraded the Vallibel Finance brand rating to A+ as one of Sri Lanka's Most Valuable Consumer Brands of 2019.
- The Company is considered to be among the 100 Most Valuable Brands by LMD in 2019. The Company's brand value reached Rs. 1,300 Mn.
- The Gold Loan portfolio reached Rs. 3 Bn,
- The Company's asset base surpassed Rs. 50 Bn as at 31st September 2019.
- The ground breaking ceremony of the new Head Office premises promised to be a 16-storey financial landmark in Colombo took place on 07th November 2019

2012

Total assets reached over **Rs. 6 Bn**, while the Fixed Deposit base amounted to **Rs. 4 Bn** as at 31st March 2012.

2013

- Initial introduction of the Gold Loans facilities at the Maharagama branch.
- The Company received a credit rating of **BB+/ NP** with a Stable outlook from the Lanka Rating Agency.

2014

- Appointed as an agent of Western Union–MBBL Money Transfers (Pvt) Ltd.
- Opened the first Premier Centre in Nugegoda.
- Introduced Group Personal Loans and Property Mortgage Loans in selected branches.

2015

- Lanka Rating Agency upgraded the Company's credit rating of to **[SL] BBB-/P3** with Stable outlook.
- Rated A- and placed within the **100 leading brands** in Sri Lanka by the LMD Brands annual survey.
- Joined Lanka Pay's national electronic fund transfer network.
- Issued **Rs. 1 Bn** Unsecured Subordinated Redeemable Listed Debentures.
- Total workforce reached over **500 people**.
- The Company's branch network expansion continued reaching 24 branches in strategic locations across the island.
- Introduced Vallibel Auto Draft and Business Loans to the Company's expanding product portfolio.

"A fast growing listed company in Sri Lanka, having achieved the Rs. 1 Billion landmark in profit after tax in a short period."

2018

- The Company's profit after tax recorded over Rs. 1 Bn as at 31st March 2018.
- ICRA Lanka upgraded the Company's credit rating to **[SL] BBB** with Stable outlook.
- The Company achieved the status of '**Most Respected Finance/Leasing Company**' in LMD's Most Respected Rankings in 2017.
- The Company was also awarded the status of '**Sector Winner**' of the Finance and Leasing Sector by LMD's Most Respected Rankings in 2017.
- The Company was rated as being among the fastest in Sri Lanka to cross Rs. **1 Bn** in profits.

2017

- Celebrated the corporate milestone of providing **10 years** of customised Financial products to the Sri Lankan financial industry having achieved unprecedented growth over the years.
- The opening of the Uragasmanhandiya branch resulted in Vallibel Finance becoming the first finance Company serving customers in this town and the surrounding vicinity.
- Introduced Micro Financing to the Company's product portfolio.
- The Vallibel Auto Draft was recognised as the **"Most Innovative Finance Product in Sri Lanka"** by the 2007 Global Banking & Finance Review Awards.
- The Company was ranked as the "Fastest Growing Auto Financing Company in Sri Lanka" by the 2007 Global Banking & Finance Review Awards.

2016

- Gross income reached **Rs. 3.47 Bn** as at 31st March 2016 with an assets base of over **Rs. 20 Bn** and fixed deposit base **Rs. 15 Bn**.
- Achieved recognition as one of Sri Lanka's best employers at the Best Employer Brand Awards 2016.

AWARDS AND ACCOLADES

Among Sri Lanka's Best Employer Brand – Best Employer Brand Awards 2016

'Sector Winner' of the Finance and Leasing – Global Banking & Finance Review Awards

2016-2017

Great Place to Work Certified - 2019/2020 – Great Place Research & Consultancy (Pvt) Ltd

Certified as a Top 25 Best Places to Work in Sri Lanka - Great Place to Work Research and Consultancy (Pvt) Ltd

Among Top 20 Most Admired Companies of Sri Lanka 2018 – International Chamber of Commerce Sri Lanka & CIMA Sri Lanka

Financial Services Brand of the Year Sri Lanka 2020 - Global Banking and Finance Review Awards 2020

Vallibel Wheel Draft - Most Innovative Finance Product Sri Lanka 2020 - Global Banking and Finance Review Awards 2020

2019-2020

22nd in the Top 10 Most Respected Entitles in Sri Lanka – LMD 2017

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

"Vallibel Auto Draft - Most Innovative Finance Product Sri Lanka 2017 – Global Banking & Finance Review Awards

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

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

2018-2019

Great Place to Work Certified - 2020/2021 – Great Place Research & Consultancy (Pvt) Ltd

Certified as a Top 40 Best Places to Work in Sri Lanka - Great Place to Work Research and Consultancy (Pvt) Ltd

"A+ Brand Rating Given by Brand Finance Sri Lanka"

2020-2021

CHAIRMAN'S MESSAGE

The year under review was remarkable for the Company in terms of achieving our goals despite the overall impact from the COVID-19 pandemic which reduced performance levels compared to the memorable performances of the past few years.

Dear Shareholders,

It is my pleasure to present to you the Annual Report and Financial Statements of Vallibel Finance PLC for the financial year ended 31st March 2021. This year's Annual Report continues to be presented using the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and the sustainability standards published by the Global Reporting Initiative (GRI) for reporting disclosures in accordance with the GRI Standard: Core Option. The Company has also obtained external assurance by KPMG Sri Lanka for the Annual Report 2020/21.

The year under review was inundated with challenges and changes. The outbreak of the COVID-19 pandemic caused many issues across the macroeconomic and industry environments and tested the resilience of organisations and people. Everyone had to work together to overcome obstacles and work within restrictions enforced to curb the spread of the pandemic. For Vallibel Finance it was a year of new learnings, and the Company evolved its processes and procedures to adapt to health and safety requirements to safeguard our employees and customers. However, the legacy of the Company together with the dedicated efforts of the Management and staff ensured that the Company continued towards exceptional performance despite the prevailing economic and industry conditions.

Resultantly, the Company was able to achieve a 17.06% growth in profit before taxation amounting to Rs. 2.86 Bn. Key financial performance indicators show growth mainly due to prudent management of resources and the steadfast pursuit of sustainable business growth. During the year under review, the Company's asset base grew by 7.39%, while the value of the total assets amounted to Rs. 55.23 Bn. Growth in assets continues to portray the strong financial base of the Company and the confidence our customers place in the Vallibel Finance corporate brand. This is reiterated with the A+ rating that Brand Finance Sri Lanka has granted the Company for the financial year under review. Furthermore, the Company was also able to reduce its non-performing loans (NPL) ratio to 4.48% during the year compared to the increase realised in the previous year. Amidst the turbulent economic and industry environment, these performance indicators remain high ranking and showcase the ability of the Company to achieve sustainable year-on-year growth.

The external environmental impacts affected the Company's stakeholders. Remaining steadfast in offer support in these times, the Company continued to pay full benefits to our employees and offered them the option to work from home even after restrictions were lifted. Our customers were able to continue with uninterrupted services due to the Company's efforts to further integrate digitalisation within business processes through strategic technology adoption. This resulted in Vallibel Finance successfully achieving a place amongst the Top 40 Great Places to Work in Sri Lanka in January 2021.

The Company continued to maintain our relations with business partners and suppliers. Aware of the importance of adhering to corporate governance and regulatory compliances, the relevant teams ensured that we remained on par with expectations by the Central Bank of Sri Lanka and other Government regulators. As all personnel conducting business on behalf of the Company endeavoured to remain true to our Code of Business Conduct and Ethics, there were no violations reported that contradicted our ethical business practices during the year under review.

The community within which we operate our business was also not forgotten in these times of hardship. While implementation of community-related projects and programmmes were reduced or slowed down due to COVID-19 restrictions in place, the Company still managed to invest Rs. 8.78 Mn in community projects to create value for this important stakeholder group. Our shareholders also benefited as the Company's efforts to maintain business operations throughout the year resulted in increasing the Company's return on equity by 12.34% during the financial year under review.

The year under review was remarkable for the Company in terms of achieving our goals despite the overall impact from the COVID-19 pandemic which reduced performance levels compared to the memorable performances of the past few years. However, as we approach a new financial year, we are more optimistic on economic and industry environment recoveries driven by the availability of COVID-19 vaccines and the adaptability of organisations and people to the new working norms and the intrinsic use of technology to operate successfully, albeit remotely.

I take this opportunity to thank the members of my Board of Directors for their continued support and I am honoured to have been appointed as the Chairman of the Company effective 16th July 2020. It has been my pleasure to support the Company as the Acting Chairman in the past couple of years, and I look forward to taking Vallibel Finance to greater prosperity in the coming years. My sincerest appreciation to Mr. Dhammika Perera for always supporting us and guiding Vallibel Finance on a journey of sustainable growth and success. I also take this opportunity to thank the Managing Director for his dedication to leading the Company to success upon success over the years, and the Management Team and all employees for their hard work during the year. Finally, I must place on record our appreciation to all our stakeholders for the trust placed in us and the continual support towards Vallibel Finance PLC.

R.M. Karunaratne
Chairman

R.M. Karunaratne
Chairman

Total assets

up by 7%
to 55.23 Bn

Total Deposits

up by 10%
to 32.17 Bn

MANAGING DIRECTOR'S MESSAGE

Our focused performance for 2020/21, particularly, the growth rate has been exceptional during these challenging times. We can all be proud of the distinct mark Vallibel Finance is making in the industry as a large finance company, alongside matured peers within a relatively short period of 14 years.

I would like to use this opportunity to share some good news in the midst of tough times. Your Company was honoured with the respect and recognition received for its successful performance during the daunting financial year ended 2020/21.

Our focused performance for 2020/21, particularly, the growth rate has been exceptional during these challenging times. We can all be proud of the distinct mark Vallibel Finance is making in the industry as a large finance company, alongside matured peers within a relatively short period of 14 years.

Managing in a Pandemic Operating Environment

Sri Lankan economic growth was severely impacted in 2020 due to the slowdown in economic activity caused by the cascading effects of the COVID-19 pandemic. Economic growth remained negative, contracting by 3.6% on a year-on-year basis during 2020. Resultantly, the Financial Services sector was also impacted, and the Licensed Finance Companies (LFCs) sector recorded deteriorating performance in the asset base, loans and advances, and deposit portfolios.

Despite these industry developments, Vallibel Finance was well-positioned to maintain its strong standing in the industry and was also able to outperform many peers and create value for our stakeholders by remaining true to our legacy of ethical and transparent business practices coupled with a focused approach to sustainable business growth and productivity, maintaining positive growth in all our KPIs.

Continuing Business Operations to Create Stakeholder Value

Despite the prevailing conditions, the Company remained focused on creating value for our stakeholders by continuing to strategically implement our operational plans for the financial year under review. We were able to expand our reach and growth simultaneously, and much beyond our expectations, making this financial year one of the best for the Company, despite the pandemic situation.

To serve our customers more efficiently and effectively, the Company expanded our market presence to five new strategic locations across the country, upgraded seven collection centres to fully-fledged branches, and refurbished and re-opened three branches to cater to the requirements of increasing footfall.

Furthermore, technology application within the operational aspects of the Vallibel Finance business activities continued to remain a key focus in the year under review. Technology to reach stakeholders safely and remotely was critical to business success with the pandemic limiting physical access and contact.

Safeguarding Stakeholders' Health and Safety

To create value for our community and support the Government's efforts to effectively treat COVID-19 infected patients, we donated two Hamilton C3 model mechanical ventilators manufactured in Switzerland to the Neurology Unit of the Kurunegala Teaching Hospital. This also helped to improve the available medical facilities in the country.

The Company also worked closely with our business partners, suppliers, and regulatory bodies to fulfil their needs and expectations while supporting them with challenges faced.

We maintained all recommended health and safety practices at the Head Office and across all branches to ensure the safety of customers and other visitors to our premises, while allowing our employees to work remotely on a need basis.

Achieving Financial Performance Goals

We continued to focus on meeting our financial goals by strategically deploying resources to manage the existing and emerging challenges with our operating environment. As a result, our deposit portfolio increased by 10.01% with a renewal ratio of 86.33%. Total deposits amounted to Rs. 32.17 Bn as of 31st March 2021 compared to Rs. 29.24 Bn as of 31st March 2020.

We also continued to offer loans to our customers to ensure they were able to meet and manage their cashflow requirements in the prevailing market conditions. However, we followed strict guidelines and processes when making lending decisions to maintain the viability of the business in the long term.

Accordingly, the Company's total loan portfolio grew by 16.11% during the financial year under review. The total loan portfolio as of 31st March 2021 amounted to Rs. 47.75 Bn compared to Rs. 41.12 Bn as of 31st March 2020.

Focused efforts to support customers and offer some flexibility in repayment of loans and advances, resulted in reducing the percentage of non-payment during the year. Hence, the Company's NPL ratio reduced to a respectable 4.48% despite the increase of the industry's NPL ratio to 13.90%. The stability of the business and its strong financial foundations was another key aspect of the performance achieved during the year under review.

The Company's assets base grew by 7.39% to Rs. 55.22 Bn during the year ended 31st March 2021 compared to the Rs. 51.42 Bn recorded in the previous financial year. As a result, the Company's net assets per share also increased to Rs. 139.10 showing growth of 26.40% for the same period.

Advancing Corporate Reputation

Another interesting development amidst unprecedented disruption was the brand rating of A+ bestowed on Vallibel Finance by Brand Finance Sri Lanka, honouring us for an outstanding 26% brand growth during the financial year 2020/21. This reiterates the market and consumer confidence placed on the 'Vallibel Finance' brand and the reputation.

While the Company continued to be inundated with many unexpected challenges during the year, the leadership team's focus on faithfully pursuing the Company's strategic business plans ensured that we were able to maintain

S.B. Rangamuwa
Managing Director

Profit After Tax

up 37%
Rs. 1.73 Bn

Shareholder's Funds

up 26%
Rs. 8.19 Bn

MANAGING DIRECTOR'S MESSAGE

The credit for the Company's remarkable achievements should go to my esteemed leadership team and all members of the staff for their unstinted loyalty, hard work, and commitment demonstrated unconditionally during such challenging and tough times.

our corporate reputation and leading position in the industry. Accordingly, we maintained our BBB with a Stable outlook credit rating further reinforcing the Company's strong financial foundations.

Notably, Vallibel Finance was placed amongst the Top 40 Great Places to Work in Sri Lanka in January 2021. This is another distinctive achievement as it brought to focus our belief that employees are our greatest asset and our employees' belief in the Company.

New Head office complex

The work on our multi-story ultra-modern Head Office complex commenced in the previous financial year and has made steady progress to date despite some delays caused by the curfews and lockdowns due to the pandemic. This complex will be managed and maintained under our subsidiary, Vallibel Properties Limited.

I take this opportunity to credit the team of skilled architects, engineers, contractors and dedicated workers who have worked tirelessly to ensure the construction of the Head Office complex progressed with minimal disruptions during the year under review.

A Future Built on Confidence

To remain viable during challenging operating environment and create value across all stakeholder groups in the future, Vallibel Finance will closely monitor changes to the operating environment and market developments together with changing trends of technology adoption and customer expectations to in the coming year and beyond.

The Company's focus on offering customers high service standards will remain a key success factor in the coming years. We will continue to expand our geographical market reach across Sri Lanka while enhancing our product and services to meet changing customer needs. We will persist with strategic technology investments to enable efficacy in business operations and provide sustainable convenience to our customers.

The new Head Office complex which is expected to be completed during 2022 will support us to further build on our legacy of success and growth. The Company's established business and financial foundations which we have developed over the last 14 years will ensure we will remain viable in creating an organisation build on the principles of a sustainable business model.

Acknowledgements and Appreciations

The credit for the Company's remarkable achievements should go to my esteemed leadership team and all members of the staff for their unstinted loyalty, hard work, and commitment demonstrated unconditionally during such challenging and tough times.

Also, I must value and appreciate the Chairman and the Board of Directors for their guidance, wisdom, and guidance on strategy formulations. I particularly appreciate the Group Chairman, Mr. Dhammika Perera's leadership and direction during the year.

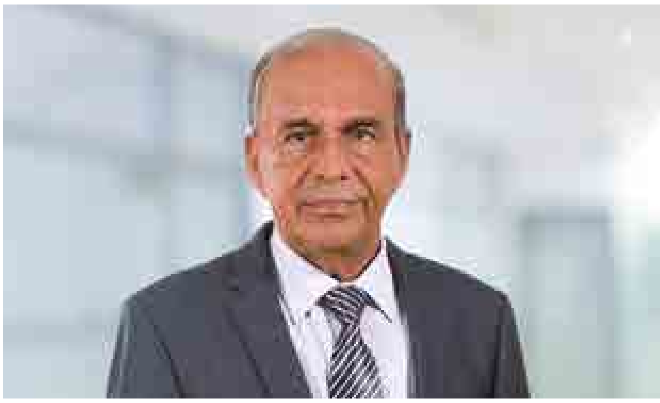
Last, but not least, my sincere appreciation to all our stakeholders who worked with us and continued to obtain our services during the year under review.

S.B. Rangamuwa
Managing Director

FOUNDED ON FORESIGHT

At Vallibel Finance we are founded on foresight to face both challenges and opportunities the future holds with a remarkable spirit of determination and adaptability.

BOARD OF DIRECTORS



R.M. Karunaratne
Chairman

S.B. Rangamuwa
Managing Director

S.S. Weerabahu
Executive Director

K.D.A. Perera
Non-Executive Director

J. Kumarasingha
Independent Non-Executive Director

Dhammika Perera
Executive Director

T. Murakami
Non-Executive Director

A. Dadigama
Independent Non-Executive Director

Hiroyuki Ota
Alternate Director

BOARD OF DIRECTORS

R.M. Karunaratne

Chairman

Mr. Rathnayake Mudiyanselage Karunaratne joined the Board of Vallibel Finance PLC on 30th April 2013.

He received his Bachelor of Science (B.Sc.) degree from the University of Sri Jayawardenapura, Sri Lanka, specializing in Estate Management and Valuation.

After his graduation in 1977, he joined the Board of Investment of Sri Lanka (BOI) in 1978 and during the period 2008 to 2011, having served in various departments, rose to the position of Executive Director – Monitoring.

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 long standing career until he joined to launch Vallibel Finance PLC in February 2007.

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

Dhammika Perera

Executive Director

Mr Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower generation.

He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Limited, Delmege Limited, and LB Microfinance Myanmar Company Limited.

He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC, Deputy Chairman of Horana Plantations PLC.

He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

S.S. Weerabahu

Executive Director

Mr. Sisira Sirimevan Weerbahu posseses 38 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 Post Graduate Institute of Management of the University of Sri Jayewardenepura 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.

T. Murakami

Non-Executive Director

Mr. Toyohiko Murakami is a Chief Executive of Bansei Group Japan. Mr. Murakami has over 32 years of experience in managing various business fields consisting of securities, finance, insurance, real estate. Mr. Murakami has a degree in Bachelor of Law from Kyoto University, Japan.

Mr. Murakami joined Bansei Securities Co., Ltd. in Nov. 2005. He was appointed as the Executive Vice President in Feb. 2006 and he was appointed the President and CEO of the Company at 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 Nov. 2005-Feb. 2006 and as a Director of H.S. Securities Co. Ltd. from Oct 2000 to Aug 2005.

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

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.

K.D.A. Perera

Non-Executive Director

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

Janaka Kumarasinghe

Independent Non-Executive Director

Mr. Janaka Kumarasinghe is a Human Resource Management (HRM) professional who has served Regnis Lanka, Singer Sri Lanka, Suntel and IUCN Pakistan and Nepal in senior HRM positions. He is a Past President of CIPM (Chartered Institute of Personnel Management) Sri Lanka/Fellow member.

Mr. Kumarasinghe, a Past President of Asia Pacific Federation of Human Resource Management (APFHRM) is a member of the International Editorial Advisory Board of South Asian Journal HRM, a Sage publication. Janaka has earned his B.Com from the University of Colombo and master's from the National University of Singapore. Also, he is a member of CMA (Australia) and a Certified Member of SLIM. As a key member of the training team in 1990s he has been instrumental in re-introducing Outward Bound training to Sri Lanka after receiving training in Malaysia, Singapore and in 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 and recognised by the World HRD Congress Mumbai, India in 2010 and 2016.

A senior visiting lecturer in HRM in the University of Moratuwa in its Master's programmes, 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.

Hiroyuki Ota

Alternate Director

Mr. Ota is the Managing Director of Bansei Securities Finance (Pvt) Ltd and counts over 30 years of experience in finance business in the areas of commercial banking, trust banking, lease finance and securities business. Mr. Ota holds a Degree in Bachelor of Law 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 a Director of Bansei Securities Capital (Pvt) Ltd, Bansei & NWS Consultancy (Pvt) Ltd, Bansei Holdings LK (Pvt) Ltd, Bansei Royal Resort Hikkaduwa PLC and Hikkaduwa Hotel Holdings (Pvt) Ltd.

CORPORATE MANAGEMENT TEAM

Sisira Weerabahu
Executive Director

Niroshan Perera
Senior Deputy General Manager - *Credit*

Tharaka Amaraweera
Deputy General Manager - *Asset Management*

Shanka Dissanayake
Deputy General Manager - *Credit*

Kelum Warnakula
Assistant General Manager - *Business Development*

Lakmal Gabadage
Assistant General Manager - *Regions*

Thilak Nanayakkara
Senior Deputy General Manager - *Collections*

Menaka Sameera
Senior Deputy General Manager - *Finance & Administration*

Lakshman Waniarachchie
Deputy General Manager - *Branch Operation and Channel Development*

Rohan De Silva
Assistant General Manager - *Metropolitan*

Eranga Nalin Gunaratne
Assistant General Manager - *Human Resources*

SENIOR MANAGEMENT TEAM

Suren Abeywickrama
Senior Manager - *Branches*

Aruni Nawarathne
Senior Manager - *Legal*

Bathiya Samaraweera
Senior Manager

Manjula Pushpakumara
Senior Manager -
Gold Loan

Dinesh Samaranayake
Chief Manager - (Grade 01)
Recoveries

Prasanna Ranasinghe
Chief Manager - (Grade 01)
Recoveries

Mahesh Gulawita
Chief Manager - (Grade 01)

Asinil Perera
Chief Manager - (Grade 01)
Kurunegala Metro

Ajith Rathnamalala
Chief Manager - (Grade 01)
Gampaha

Rangana Rupasingha
Chief Manager - (Grade 01)
Anuradhapura

Dilhan Liyanage
Chief Manager - (Grade 01)
Rajagiriya

Madhura Jayasekara
Chief Manager - (Grade 01)
Nugegoda

Rukmal Mendis
Senior Manager -
Administration

Ruchira Bandara
Senior Manager -
Finance

Ranil Wickramarathne
Senior Manager -
Credit Administration

Kasun Harischandra
Chief Manager - (Grade 01)
Recoveries

Dinesh Siriwardhana
Chief Manager - (Grade 01)

Chamara Priyadarshana
Chief Manager - (Grade 01)

Janaka Kumara
Chief Manager - (Grade 01)
Matara

Jagath Mendis
Chief Manager - (Grade 01)
Galle

Priyantha Rathnayake
Chief Manager - (Grade 01)
Malabe

Asela Bandara
Chief Manager - (Grade 01)
Kandy

SENIOR MANAGEMENT TEAM

Amali De Silva
Chief Manager - (Grade 02)
Fixed Deposits

Ruwan Wijesooriya
Chief Manager - (Grade 02)
IT Operations

Harshaka Perera
Chief Manager - (Grade 02)
Operations

Sampath Gunasekara
Chief Manager - (Grade 02)
Personal Administration

Ranjith Kumara
Chief Manager - (Grade 02)
Insurance

Chandima Ganesh
Chief Manager - (Grade 02)
Marketing Communication

Chithraka Hettiarachchi
Chief Manager - (Grade 02)
Aluthgama

Ravindra Kumara
Chief Manager - (Grade 02)
Panadura

Prabath Dissanayake
Chief Manager - (Grade 02)
Warakapola

Priyankara Gamlath
Chief Manager - (Grade 02)
Kegalle

Danushka Gunerathne
Chief Manager - (Grade 02)
Fund Management

Dilhani Wijayathilaka
Chief Manager - (Grade 02)
Compliance

Nishantha Ranawaka
Chief Manager - (Grade 02)
Finance

Eranga Lakmal
Chief Manager - (Grade 02)
Gold Loan

Wasantha Senanayake
Chief Manager - (Grade 02)
Chilaw

Ranjith Gunaratne
Chief Manager - (Grade 02)
Rathanapura

Sudheera Sampath
Chief Manager - (Grade 02)
Borella

Gayan Kumarasinghe
Chief Manager - (Grade 02)
Wattala

Chamara Perera
Chief Manager - (Grade 02)
Kuliyapitiya

MANAGEMENT DISCUSSION & ANALYSIS

Showcases the growth over the years, and progress made during the financial year under review in creating value for Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural Capitals of Vallibel Finance PLC from both the Company and stakeholder viewpoints.

OUR APPROACH TO SETTING STRATEGIC DIRECTION

The Vallibel Finance PLC strategy formulation process begins and ends with our stakeholders. We begin corporate strategy planning by understanding our stakeholder needs and identifying with their key concerns and expectations through the stakeholder engagement process. This guides the Company's strategic planning process while adding value to the integrated approach used to develop a sustainable corporate strategy. Furthermore, the Company's strategy formulation process encompasses ideals we want to achieve while critically considering the reality in terms of available resources and internal shortcomings. The integrated approach used also ensures that we are well-placed to benefit from emerging opportunities in the external environment while meticulously reviewing and managing new developments, challenges, risks, and negative impacts prevalent in today's dynamic marketplace and operating environment.

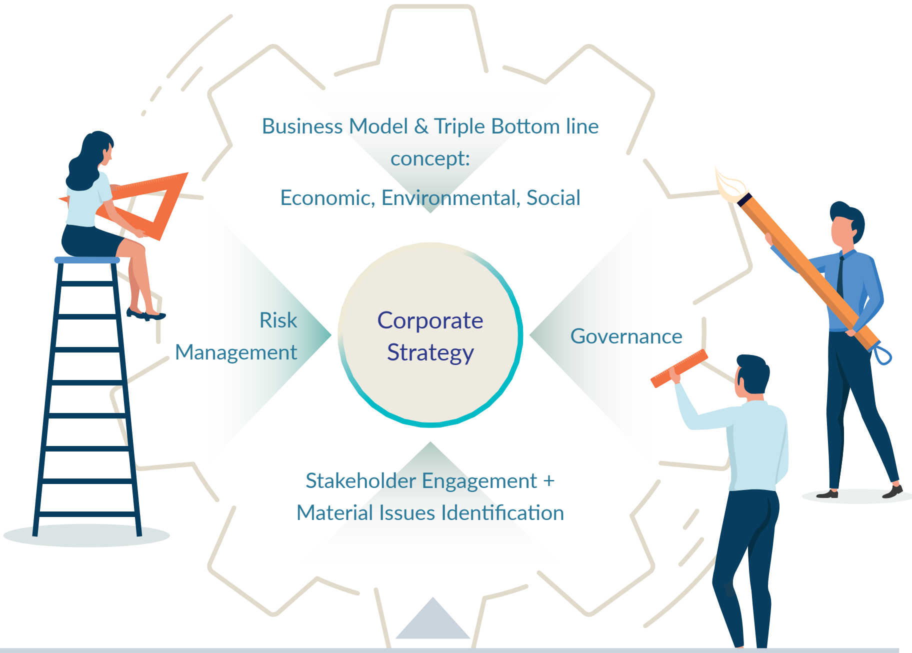
Strategy Driving Competitive Advantage

The entire process revolves around building a sustainable competitive advantage in the marketplace. Towards this, much effort and resources are directed at enhancing knowledge, knowhow, and dedication of employees; maintaining and improving customer service standards; adopting technology for greater efficacy; customising product and service offerings; operating through robust systems and processes; and strengthening the Vallibel brand promise in our operating environment. Thus, these aspects also remain the Company's steadfast drivers of competitive advantage.

Key Inputs of the Strategy Formulation Process

Much input for our corporate strategy formulation is derived from past successes and failures, management and employee input, emerging market and consumer trends, competitor behaviour and concentration, technological advancements, societal expectations of a financial services Company, and our own efforts to adopt and pursue sustainable, ethical, and transparent business practices. With a Company culture which is ingrained with a deep sense of corporate responsibility towards building a sustainable nation, the triple bottom line concept is also integrated within the strategy formulation process thereby ensuring a cohesive and integrated long-term strategic focus leading to the fulfilment of the Company's purpose. The Vallibel Finance business model which takes an integrated approach to transforming resources to create value for all stakeholders further supports the strategy formulation process.

During the year under review, our corporate strategy development also encompassed the changes required to operate within the COVID-19 pandemic environment, especially from the perspectives of employees and our customers, who were the most affected. We endeavoured to develop a corporate strategy which was realistic and achievable, but which focussed on growth by overcoming challenges and offering safety while continuing to offer uninterrupted business services in an acceptable and affordable manner. Some business activities were also reviewed and revised to accommodate health and safety recommendations while changes in spending patterns and normal behaviour of our customers were considered. Our stakeholders remained at the forefront of our strategic planning processes more firmly than ever before.



Vision and Mission

Core organisational competencies assessment
Highly-skilled and experienced employees, state-of-the-art and tested systems and processes, innovative product development, differentiated credit policy

Internal strengths and weaknesses assessment
Culture, values, availability of resources, gaps in excellence, process efficiencies

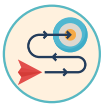
External opportunities and threats assessment
External macro/micro environment analysis, industry and regulatory developments, technological changes/trends, dynamically changing consumer needs and preferences sustainability emphasizing the importance of implementing various initiatives.

Competitor analysis
Competitor behaviour and concentration

Managing Corporate Strategy Formulation

The Company's strategic formulation process is directed and supervised at the highest levels of leadership and cascaded through the corporate and Senior Management to the Middle Management and other employees. The Board of Directors are responsible for providing strategic direction to ensure sustainable long-term business operations while the Corporate and Senior Management Team assist in strategy formulation and implementation.

Our high-level corporate strategies are shared with all employees so that they understand the Company's planned direction for growth and success. The third tier of Management, the Company's Middle Management drill down and develop operational plans, departmental level KPIs and personnel level KPIs aligned to our corporate strategies. These plans and KPIs are then communicated across all levels of the Company, with specific teams and employees receiving information applicable to their responsibilities and job roles. This process enables the Company's corporate strategy to be incorporated within all business activities while being reflected in short- and medium-term objectives.



Board of Directors

Provide overarching strategic direction

Corporate and Senior Management

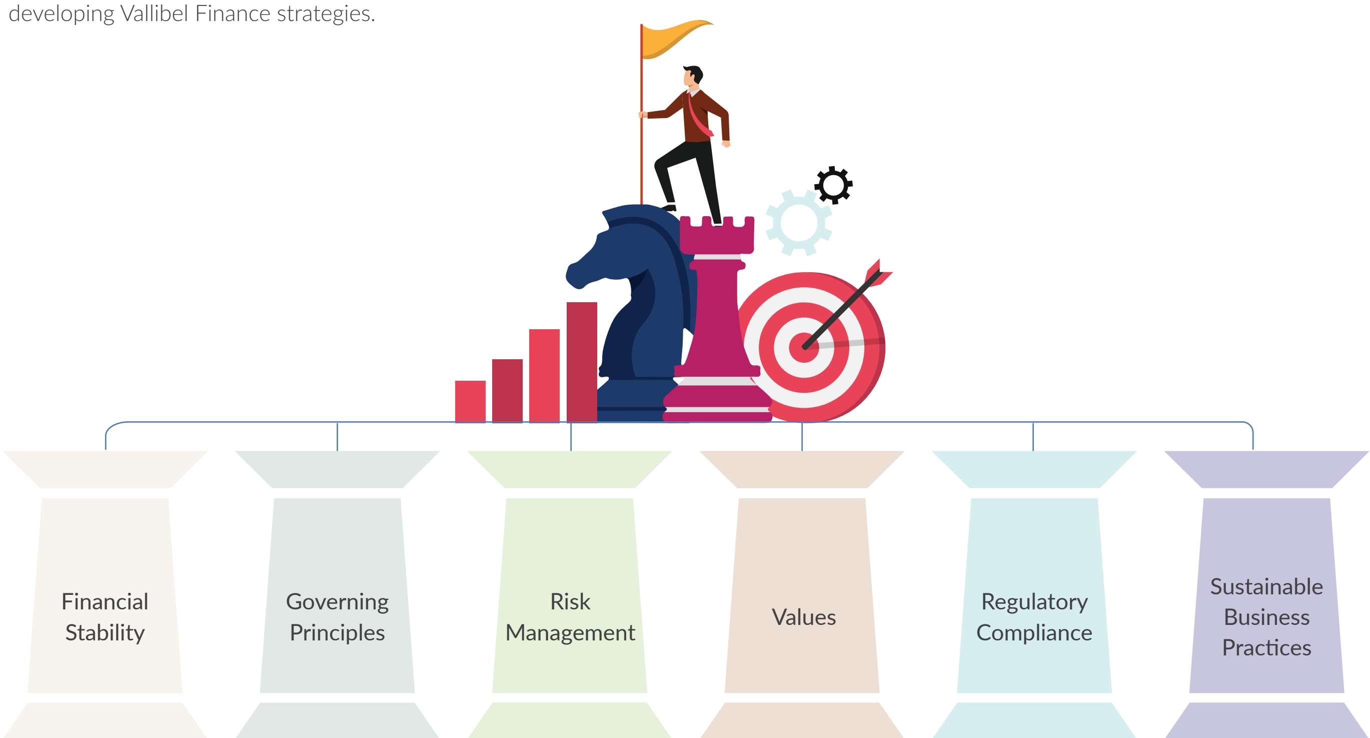
Formulating corporate strategies and directing implementation

Middle Management

Develop and implement operational plans and KPIs

Strategic Pillars

Our corporate strategy is built on six deeply rooted strategic pillars which are the founding principles which help the Company to navigate the myriad paths to becoming a leading financial institution while sustaining a successful business enterprise. Each strategic pillar in interconnected, leading to the development of one integrated strategy which direct and drives business growth and success. The purpose of the Company which is explicitly stated in our vision – "To change the financial landscape of our country; bringing more people in more areas to become stakeholders of a national reawakening...", is aligned to the Company's strategic pillars. The values of the Company play an important role in guiding internal stakeholder behaviour and thus, are considered a strategic pillar in developing Vallibel Finance strategies.



OUR APPROACH TO SETTING STRATEGIC DIRECTION

The End Result... Maximising Stakeholder Value

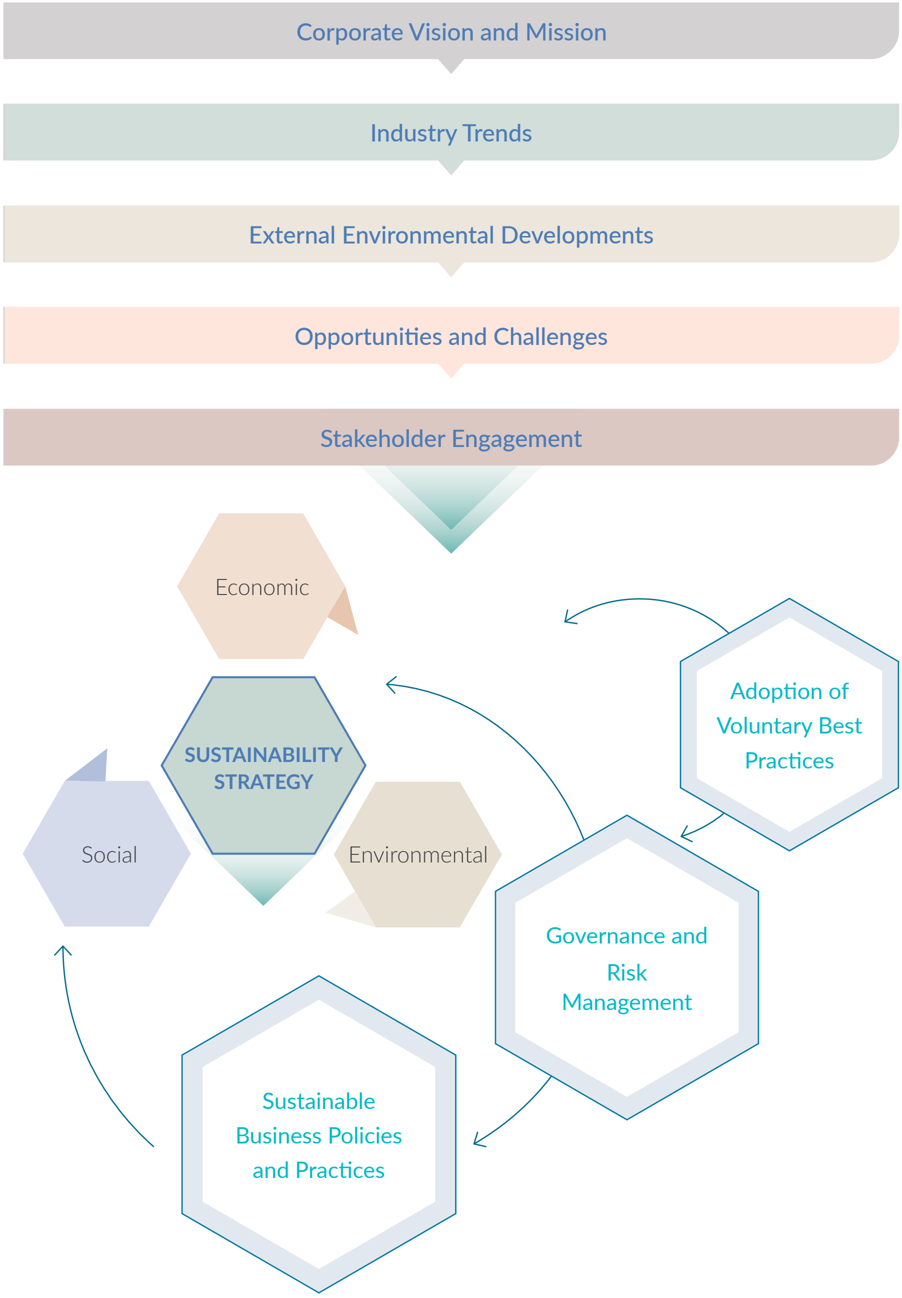
We mentioned that the Vallibel Finance PLC strategy formulation process begins and ends with our stakeholders. The ultimate success of our corporate strategy is related to fulfilling stakeholder expectations and ultimately, creating value for all our stakeholders in spite of changes or emerging challenges in our operating environment.

STRATEGIC FOCUS AREAS FOR 2021	Sustainable Business Growth	Strong Financial Performance	Internal Process Efficiencies	Employee Satisfaction	Enhanced Customer Experience	Delivery and Distribution
Key Stakeholders	Shareholders Customers Employees Business Partners Government Institutions & Regulators Community	Shareholders Employees Business Partners	Customers Employees Business Partners	Employees	Customers	Customers Employees
Material Aspect	Sustainable Growth of Earnings Company Brand and Reputation Commitment to the Environment Community Upliftment	Sustainable Growth of Earnings	Sustainable Growth of Earnings Ethics, Compliance and Good Governance	Managing Human Resources Health and Safety	Customer Satisfaction Ethics, Compliance and Good Governance Health and Safety	Customer Satisfaction Health and Safety
Strategic Driver	Targeted marketing to pre-identified customer segments Increasing Island wide product and service reach Introducing new products/ restructuring of existing products Product mix management Intensive brand building creating customer awareness through diverse marketing & promotional campaigns	Leading the way in the industry amidst volatile market conditions Maintaining sound capital management structures and optimum liquidity levels	Achieving operational excellence through automation, lean processes, and data analytics Investments in IT capabilities	Acquire and develop the skills required to achieve corporate strategic agenda Foster a culture which embraces accountability and responsibility towards achieving professional excellence Increase resources for employee engagement	Transformational customer experience through innovation, technology, and data analytics Investing in increased training for front-line employees	Leveraging technology to bring digital experience and market access/ penetration Improving customer convenience and experience through enhanced delivery methods

	STRATEGIC FOCUS AREAS FOR 2021					
	Sustainable Business Growth	Strong Financial Performance	Internal Process Efficiencies	Employee Satisfaction	Enhanced Customer Experience	Delivery and Distribution
Key Performance Indicators	❑ Island wide accessibility ❑ Increasing products/ service portfolio ❑ Responsible business growth ❑ Increasing market share ❑ Adoption of sustainable business practices	❑ Revenue growth ❑ Increase in other income ❑ Profit growth ❑ Reducing NPL ratio ❑ Growth in lending portfolio ❑ Growth in assets and deposits ❑ Healthy liquidity position ❑ Improving capital adequacy level	❑ Streamlining operational processes ❑ Advanced use of data for analytics ❑ Increased automation ❑ Enhanced Customer Relationship Management processes	❑ Top of mind recall as an employer of choice ❑ Succession planning ❑ Retention of a high-quality workforce ❑ Enhancing training programs ❑ Focus on skills development ❑ Working as one team	❑ Unparalleled customer experience and convenience ❑ Enhancing customer privacy ❑ Increasing customer base ❑ Customer retention ❑ Personal understanding of customer behaviour	❑ Integration of physical and digital channels ❑ Unmatched customer service across all channels
Corporate Achievements 2020/21	❑ Added five new branches ❑ Total assets increased to Rs. 55.23 Bn ❑ Lending portfolio increased to Rs. 47.75 Bn ❑ Deposit base increased to Rs. 32.17 Bn ❑ Initiated the monitoring of paper recycling	❑ Growth of gross income -2.32% ❑ Other Income Rs. 1,138.64 Mn ❑ Growth in net profit 37.9% ❑ NPL 4.48% ❑ Growth in lending 16.11% ❑ Growth in assets 6.91% ❑ Growth in deposits 10.01% ❑ Liquid asset ratio 9.06% ❑ Total Capital Base Rs. 8.05 Bn	❑ Return on average equity 23.57% ❑ Return on average assets 3.24% ❑ Streamlining existing products to fit the market needs	❑ Staff retention ratio 86.82% ❑ Investment in training is Rs. 0.55 Mn ❑ Increase in investment in salaries by 1.47% ❑ Profit per employee Rs. 1.62 Mn	❑ Modernized 2 branches and reloacted 1 branch ❑ Enhanced customer convenience practices through technology adoption ❑ Customer base: lending customers 67,241 and deposit customers 8,312	❑ Increased accessibility by opening 5 new branches ❑ Total branch network 46

OUR APPROACH TO SUSTAINABILITY

Today, being sustainable is ingrained within our organisational values, processes, and beliefs, thus becoming a formal part of the Vallibel Finance culture. To remain relevant and dynamic, we continually strive to incorporate sustainable business practices in everything we do, even if in a small way.



Vallibel Finance PLC approaches the concept of sustainability holistically, giving due consideration to our business growth and expansion, stakeholders expectations and needs, and developments in our operating environment. Thus, our adoption of sustainable business policies and practices dates back to the beginning of our business journey stated over 14 years ago. Today, being sustainable is ingrained within our organisational values, processes, and beliefs, thus becoming a formal part of the Vallibel Finance culture. To remain relevant and dynamic, we continually strive to incorporate sustainable business practices in everything we do, even if in a small way.

Our focused efforts have today transformed how sustainability is approached by the Company. Our management and business processes are now well developed which has enabled us to formally adopt many voluntary best practices creating a stronger sustainable strategy which has become ingrained within our business operations in the form of robust and durable sustainable policies and business practices. As the Company continues to achieve our growth plans, our sustainability strategy also continues to expand and has become a unified part of our corporate strategy development, implementation, and monitoring processes. This has helped us identify gaps as well as areas for future improvements while enabling us to allocate resources to develop the necessary skills, knowhow, and knowledge of sustainability within our employee cadre. The strict adherence to governance principles and managing business risks also ensures added value to our sustainability strategy. Hence, today, the Company enjoys the benefits to be derived from a comprehensive sustainable business model ensuring not only short-term business success but long-term benefits for all stakeholders.

The Company's integrated approach to build a sustainable organisation supports the streamlining of internal competencies, uses resources more efficiently and effectively, engages with stakeholders, and identifies industry and market developments. As such, we have been successful in strengthening business performance, becoming more customer centric, offering innovative products and services, improving operational processes, increasing financial stability, and enhancing the Vallibel Finance brand value. These aspects further reiterate the Company's belief that our sustainable business approach is critical to retain a leading competitive position within our chosen sector of operations and ensures sustained business growth and effective value creation for all our stakeholders.

Highlights of the Company's value creation to economic, environmental, and social indicators over the last three financial years, showcases our year-on-year success attributed to our approach to sustainability. More in-depth information is available in the Capital Reports reviews from pages 62 to 116 of this Annual Report.

Related Capitals:

KPI	Performance			Challenges & Risks	Opportunities	Approach by Vallibel Finance
	2018/19	2019/20	2020/21			
Earnings per share (Rs.)	20.37	21.29	29.36	❑ Changes to regulations and financial policy ❑ Economic Stability ❑ Increased cost of living ❑ Depreciation of the rupee ❑ Sluggish GDP and economic growth ❑ Investors growing interest in the future potential of the Company	❑ Changing socio-economic status of consumers increasing the size of the target market ❑ Good market reputation attracting investors ❑ Increasing use of technology by consumers	❑ Focus on developing financial products which are relevant to our target market ❑ Focus on business development and growth ❑ Adequate cost control measures in place
ROE (%)	25.73	20.98	23.57			
Cost to income ratio (%)	40.93	39.48	36.44			
NPL (%)	3.02	5.01	4.48			
Taxation (Rs. Mn)	1,156.89	1,188.48	1,130.37	❑ Reputation risk if tax regulations are not adhered to ❑ Frequent changes to taxation policies	❑ Building stronger relationships with regulators	❑ Making timely tax payments as laid out by regulators and the Government ❑ Adapting to new tax laws in a timely manner.
No of new jobs created	320	290	275	❑ People not having the necessary qualifications ❑ Sluggish GDP and economic growth slowing down branch openings	❑ Assist in the economic development of the locale ❑ Assist in increasing employment in the region	❑ Employ people from communities surrounding branch locations ❑ Open new branches in newly prospering towns with limited access to financial products and services
Local procurement (%)	100	100	88	❑ Practicing ethical procurement policies ❑ Choosing foreign suppliers over local suppliers	❑ Assist in the economic development of the locale ❑ Strengthen partnerships with local communities and other stakeholders	❑ Adhering to procurement policies stipulated by regulators ❑ Pursuing business partnerships with local supplies as feasible
New products developed (Nos.)	1	1	-	❑ Market research failures ❑ Customers not accepting new products as expected ❑ Fast changing customer expectations ❑ Availability of competencies to adapt to changes in market requirements	❑ Attract new customer segments ❑ Increase market share	❑ Revise and re-innovate products and services

OUR APPROACH TO SUSTAINABILITY

Environmental Sustainability

Related Capitals:

KPI	Performance			Challenges & Risks	Opportunities	Approach by Vallibel Finance
	2018/19	2019/20	2020/21			
Increasing focus on environmental sustainability initiatives	01	03	01	❑ Identifying the optimal initiatives to invest in ❑ Reduced focus when other business matters take precedence as the Company's impact on the environment is limited and mainly indirect due to the nature of the business. ❑ Growing environmental concerns in lending by stakeholders	❑ Focusing on promoting investment in environmentally friendly business opportunities through targeted product and service offerings ❑ Offerings better terms and conditions to customers investing in environmentally friendly products, thereby increasing market share	❑ Encouraging employees to adopt environmentally friendly practices at work and at home ❑ Setting up Green Lending Facilities for use by customers

Social Sustainability

Related Capitals:

KPI	Performance			Challenges & Risks	Opportunities	Approach by Vallibel Finance
	2018/19	2019/20	2020/21			
Investment in training & development (Rs. Mn)	9.20	5.22	0.55	❑ Employees leaving to work for competitors after receiving training ❑ Increasing costs of training and development programmes	❑ Enhancing work life balance ❑ Increasing employer brand reputation	❑ Focus on employing only the most suitable candidates for the job ❑ Improve employee retention mechanisms
Male to Female ratio	2.13	2.23	2.33	❑ Difficulties in encouraging women to enter the workforce due to lack of childcare facilities and cultural norms	❑ Contribute towards increasing the diversity of the Sri Lankan workforce to align with international standards	❑ Focus on building an open and empowered corporate culture
Employee retention (%)	71.02	81.91	86.82	❑ Retaining talented staff members ❑ Cost of recruitment and training ❑ Staff leaving to work for competitors	❑ Enhancing work life balance and employee engagement opportunities	❑ Being conferred the title of a Great Place to Work in Sri Lanka for two consecutive years ❑ Training and development for key personnel ❑ Mentorship programs for identified personnel for the future HR pipeline of the Company

KPI	Performance			Challenges & Risks	Opportunities	Approach by Vallibel Finance
	2018/19	2019/20	2020/21			
Investment in community development projects (Rs. Mn)	7.91	1.2	8.78	❑ Difficulty in choosing the right project ❑ Many more projects than the Company can invest in	❑ Build closer relationships with communities ❑ Assist in socio-economic development	❑ Strategically select projects which give the most benefit to the community ❑ Ad-hoc selection of projects based on current needs in case of disaster
Investments in information technology and data security systems (Rs. Mn)	58.28	9.69	22.54	❑ Cyber hacking continues to become more sophisticated ❑ High cost of investments in IT ❑ Availability of internal competencies to adapt to new technologies	❑ Using renowned security systems making the Company more customer centric, thereby increasing customer retention ❑ Enhancing customer trust for future growth of the customer base	❑ Period reviews of technology to ensure alignment with new external IT developments ❑ Using the best available technology and software to protect customer data and enhance cyber security
Investment in social media and digital marketing (Rs. Mn)	0.07	0.96	1.92	❑ Reputation risk as much communication takes place online today ❑ Consumer preference for different social media platforms, making it a challenge to identify the right platform the right target audience ❑ Availability of internal competencies to adapt to new forms of communications	❑ Attract consumers who are Millennials and Generation Y individuals ❑ Growing influence of digital marketing	❑ Utilising different social media platforms to reach different customer segments
Investments in health and safety due to COVID-19 pandemic (Rs. Mn)	-	-	6.62	❑ Unexpected outbreak of diseases ❑ Making occupational health and safety a priority, in light of the current context of the COVID-19 pandemic	❑ Create community awareness regarding precautions to be taken to safeguard against illnesses and diseases	❑ Understand the health and safety concerns of employees and other stakeholders ❑ Keep updated on developments regarding illnesses and disease outbreaks in the country

STRUCTURED ON VALUE

At Vallibel Finance we are streamlining every strategy and process to deliver lasting value to all those we serve. And that's why even amid adversity, our team was focused on leveraging our resources to add value to lives and businesses across Sri Lanka.

INTEGRATED BUSINESS MODEL

The business model of Vallibel Finance PLC takes a unified approach to create value for all stakeholders while supporting the strategy formulation process. Starting at the point of considering the needs of stakeholders and the business, the model then encompasses stringent resource management as well as business processes and systems which take in capital inputs to be converted and returned as outputs offering greater benefits than the sum of all parts.

The Company's business model is designed to be flexible so that the evolving operating environment including dynamically changing consumer expectations, unforeseen changes to the global and local macroeconomic environments as well as the Sri Lankan financial sector landscape, and technological developments can be easily integrated as and when they occur. Integrations of external factors is considered a critical source of information to guide appropriate strategy formulation for sustaining the business.

The Company adopts the integrated reporting format to create value across stakeholder groups segregating value creation in terms of six key capitals: Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural. The strategic management of these six capitals is governed by the Company's principles of sustainability and stewardship thereby ensuring that we are well-positioned to accomplish year-on-year sustainable business growth.

We also emphasise on being a sustainable corporate entity by implementing the principles of the triple bottom line approach to sustainable business management. Incorporating the relevant aspects within the Company's business model enables us to take a holistic approach which considers impact of business operations from a financial and non-financial perspective to create long-term value to stakeholders.

The overall viability of our business model is drawn from how we manage the myriad challenges faced in conducting business activities. To support the Company to overcome challenges, we have in place a robust risk management and corporate governance frameworks which guide us as we follow the stringent operational controls developed over time.

Our business model is simple, straightforward and gives us clear direction to ensure our corporate strategies are aligned to our vision, mission and values. Together with a sustained engagement mechanism to communicate with our stakeholders, the Vallibel Finance business model is the key to creating and delivering long-term value to meet stakeholder expectations.

Strategic Resource Allocation

Much success of our business model relies on the proper allocation of our limited resources to meet the Company's strategic goals and deliver on our mission. Our stakeholder engagement process together with the materiality analysis as well as the Company's leadership expertise helps us identify gaps and critical concern areas which then aids the strategic resource allocation process. This supports our overall value creation process and consequently adds sustainable value to our capitals and stakeholders.

INTEGRATED BUSINESS MODEL

Inputs

Financial Capital

Combination of funds generated through equity, customer deposits, and other short-term and long-term funding sources which is made available and allocated to businesses, customers and business partners.

Manufactured Capital

Investments in property, plant and equipment including our branch network, service centres, and office furniture and equipment and investments in information technology which enables the Company to carry out business operations.

Intellectual Capital

Investments in intangible assets such as brand and reputation as well as knowledge retention, corporate culture, and ethical business practices which dictates the Company's way of doing business.

Human Capital

The investments and resources directed at our employees who are integral to our business growth and success.

Social and Relationship Capital

The strong bonds formed with our key stakeholders – customers, investors, employees and the community.

Natural Capital

The natural resources used in carrying out day-to-day business operations.

Value Creation Process

Internal Inputs

- Vision, Mission & Values (pages 3 and 94)
- Stakeholder Engagement (pages 51 to 55)
- Material Topics (pages 56 to 59)

External Inputs

- Fundamental changes in industry
- Macroeconomic Factors
- Changing Consumer Wants

Value Creation Strategic Direction (pages 34 to 37)

Key Business Systems and Process

Key Value Adding Activities

- Knowledge and knowhow of leadership (pages 22 to 25)
- Empowered and Committed workforce (pages 62 to 73)
- Brand Reputation and Image (pages 92 to 97)
- Principles of Customer Relationship Management (pages 102 to 105)
- Ethical Business Practices (pages 102 to 103)
- Continuous Learning and Development (pages 71 to 72)

Output

- Products and Services (pages 101 to 102)
- High Quality Customer Services (pages 99 to 100)
- Branch Network Expansion (pages 85 to 87)
- Increasing Employment (pages 62 to 73)
- Financial Growth (pages 74 to 83)
- Robust Business Partnerships (pages 106 to 107)
- Empowered Communities (pages 98 to 111)

Value Created for the Capitals

Financial Capital

- Total assets increased to Rs. 55.23 Bn
- Lending portfolio increased by 16.11% to Rs. 47.75 Bn
- Net interest income Rs. 4.26 Bn
- Deposit base is Rs. 32.17 Bn

Manufactured Capital

- Property, Plant and Equipment increased to Rs. 614.15 Mn
- Five new branches opened, hence total branches 46
- Fixed asset investment during the year Rs. 182.24 Mn

Intellectual Capital

- Brand value of Rs. 1,458 Mn
- Credit rating (SL) BBB with Stable outlook
- One new award received

Human Capital

- Training investment Rs. 0.55 Mn
- Salaries paid increased by 1.47%
- New jobs created 275
- Increased employee cadre to 1067 as at 31st March 2021

Social and Relationship Capital

- Lending customers 67,241 and deposit customers 8,312
- Implemented 7 CSR projects
- Invested Rs. 8.78 Mn for CSR projects

Natural Capital

- Enhanced policies for natural capital conservation
- Initiated monitoring the use of natural resources

Value Created for Stakeholders

Customers

- Gross Loan Disbursement Rs. 25.51 Bn
- Paid Rs. 2.87 Bn as interest to deposit holders
- Increased accessibility by opening 5 new branches
- Modernised two branches and relocated one branch to improve customer convenience

Employees

- Average hours of training per employee 0.56
- Paid Rs. 1.07 Bn in salaries and benefits
- 347 employees promoted

Shareholders

- Return on Equity 23.57%
- Maintained transparent, timely and relevant investor communication and reporting practices

Business Partners

- Paid Rs. 1.13 Bn as interest to financial service providers
- Payment to other business partners Rs. 576.83 Mn

Government Institutions and Regulators

- Paid Rs. 1,130.37 as taxes
- Strengthening the capital adequacy to meet regulatory level requirements

Society/Community:

- Sponsored 7 community projects
- Created 275 new job opportunities

OPERATING ENVIRONMENT OVERVIEW

Global Economic Outlook[1]

The world saw an unprecedented event in the year 2020, with the outbreak of the COVID-19 pandemic which caused much devastation across the globe both in economic terms and for human health and wellness. Resultantly, the world's focus in 2020 revolved around the coronavirus, with many other concerns taking a back seat. The focus remained on how to combat the pandemic and keep economies viable for the future. The world Governments and leaders enacted extraordinary measures such as lockdowns, curfews, restriction in travel and trade, as well as a complete halt to international travel to curb the spread of the virus and safeguard human health. These actions resulted in productivity losses across both advanced and emerging economies which are highly dependent on tourism and commodity exports. Emerging market and low-income economies which did not get adequate support through strong intervention policy measures or had weaker Government interventions to manage the pandemic will be significantly more negatively impacted in the medium term.

Thus, this lasting impact on world economic activity resulted in an estimated contraction in world economic growth by 3.3%. While the impact could have been much worse, the resilience shown by Governments in implementing supporting macroeconomic policy measures and business communities adapting to new ways of working supported economic growth. By the second half of 2020, the slow easing of lockdowns across world economies together with the positive news of vaccinations becoming available by the end of the year resulted in a more robust outlook for growth in the forthcoming year.

The IMF forecasts the global economy to grow by 6% in 2021, with growth moderating to 4.4% in 2022. However, these predictions are linked to how well the pandemic spread is continued to be managed and the continued impact on human health and fatalities caused by the evolving strains of the virus. While vaccinations are now available, the rate of dispensing them and the ability of poorer countries to purchase them will impact the economic recovery and the path to normalisation, as with the policy measures and the Government's planned interventions to support economic growth in 2021.

Sri Lankan Economic Outlook[2]

The contracted global economic growth was also reflected in the growth of the Sri Lankan economy which contracted by 3.6% continuing its trend of the past few years. However, the slowdown in growth in 2020 is attributed to the outbreak of the COVID-19 pandemic which resulted in an extended nationwide curfew period in the second quarter of 2020 compared to some other countries, and periodic lockdowns thereafter throughout the second half of the year. The curbed economic activities due to the need to maintain social distancing and the limited recommendation of physical engagement slowed down economic activities and impacted the growth of travel and tourism, fishing, apparel, construction, and manufacturing activities in 2020.

Despite the growth in accommodation, food, and beverage service activities contracting by 13.7%, and transportation services contracting by 6.7%, the services sector of the economy experienced only an overall 1.5% growth contraction as the pandemic had a positive impact on the growth of certain service sector activities such as information and communications which grew by 14.1%. The industrial sector experienced a growth contraction of 6.9%, while the agricultural sector growth contracted by 2.4% mainly due to the slowdown in fishing activities.

Investment expenditure experienced a contraction of 6.2% due to the prevalent uncertainties caused by the spread of COVID-19, and as people's income was impacted from the reduced economic activity, growth in consumption expenditure in nominal terms also slowed to 2.1% in 2020 compared to 7.4% achieved in 2019. External demand due to the lower activity levels between countries resulting from reduced travel experienced a 28.5% contraction in 2020 compared to the 5.5% growth experienced in 2019. Policy interventions such as restrictions on non-essential imports and lowering of interest rates supported the management of the deteriorating economic position and enabled Sri Lanka to manage the challenging economic conditions amidst the pandemic inundated environment.

These factors adversely impacted the growth of the Gross Domestic Product (GDP) at constant market prices, which fell by 3.6% recording Rs. 9,530.6 billion in 2020 as opposed to the 2.3% growth to Rs. 9,889.4 billion in 2019. GDP at

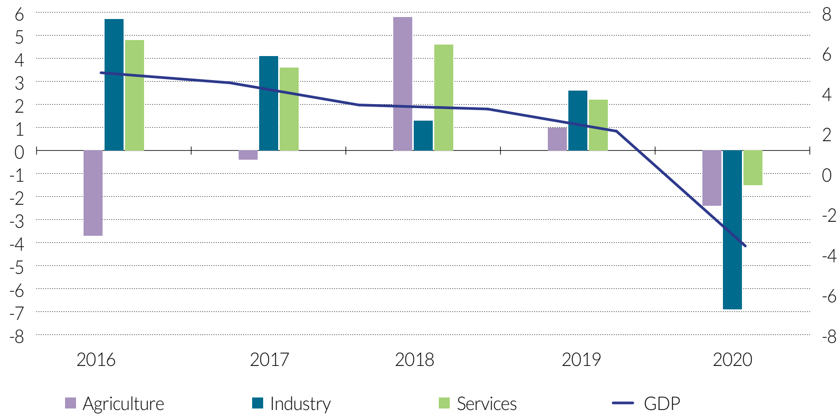
1 Source: World Economic Outlook, April 2021, IMF

2 Source: CBSL Annual Report 2020

Impact on Vallibel Finance

The predominantly pandemic-related adversities faced by both the global and Sri Lankan economies impacted the operations of Vallibel Finance. Cascading effects of a slowdown in global trade and economic activity impacted the Sri Lankan economy and resultantly, impacted the Company's operating environment. The slowdown in economic activities challenged the Company's expansion plans and portfolio performance, while the restriction on the free movement of people also impacted timely achievement of targets while increasing risk factors of the Company's business operations. Furthermore, income earned was impacted by the low-interest-rate environment although the Company benefitted in terms of debt-serving thereby reducing the interest expenses during the year under review. However, the overall efforts taken by the Government and the CBSL to manage economic stability in a year overwhelmed with myriad adversities supported the Company's performance during the year under review.

Annual GDP Growth Rate



Reach of LFCs and SLCs Sector

The LFCs and SLCs sector comprised of 40 LFCs and 3 SLCs at the end of 2020. There were 1,517 operational branches of which 1,001 branches were located outside the Western Province. In addition, the sector operated another 460 outlets including service centres, pawning centres, and collection centres across the country.

current market prices also fell by 0.3% to Rs. 14,973.0 billion (US$ 80.7 billion) in 2020, compared to Rs. 15,013.0 billion (US$ 84.0 billion) recorded in 2019. Thus, the GDP per capita fell in 2020, recording Rs. 683,106 (US$ 3,682), compared to Rs. 688,573 (US$ 3,852) in 2019.

The pandemic also impacted the labour market and resulted in the unemployment rate increasing to 5.5% in 2020 compared to 4.8% recorded in 2019. Much of this increase was due to the decline in female participation in the labour force and the loss of foreign employment by Sri Lankan citizens.

The intervention by the Central Bank of Sri Lanka (CBSL) together with the subdued demand for goods and services, the reduction in administered prices, and the anchored inflation expectations resulted in the headline (CCPI) inflation rate remaining between 4-6% in 2020, similar to the levels maintained in 2019. Core inflation also remained at low levels throughout 2020, with core inflation based on CCPI recording 3.5% while core inflation based on NCPI recording 4.7% in 2020 compared to 4.8% and 5.2%, recorded respectively in 2019.

The Sri Lankan rupee continued to depreciate against the U.S. dollar in 2020, although timely interventions prevented significant instabilities in the exchange rate for most of the year. Resultantly, the rupee depreciated only by 2.6% in 2020 amidst the many pandemic-related challenges faced.

It is worth noting that the pandemic caused a decline in the overall size of the Sri Lankan economy to US$ 80.7 billion in 2020 compared to the US$ 84.0 billion recorded in 2019.

Review of the Sri Lankan Financial Sector

Despite the prevailing COVID-19 pandemic environment, the financial system of Sri Lanka successfully maintaining its stability, despite the lower levels of performance of the banking sector and the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector due to growth impediments caused by the effect of the pandemic. The banking sector experienced moderate growth despite the deteriorating credit quality, downgraded sovereign rating, and decreasing foreign inflows. Growth drivers were loans and advances, investments, and the deposit base. However, LFCs and SLCs faced sluggish performance as indicated by declining growth in deposits, loans and advances, and asset base. The LFCs and SLCs sector also experienced falling profitability and increasing Non-Performing Loans (NPLs) during 2020.

To sustain the operating environment of LFCs, which has in the last few years been experiencing a lack of public confidence, and to safeguard depositors, the CBSL introduced the Financial Sector Consolidation Master Plan in addition to implementing other various regulatory actions. The CBSL also intervened to maintain the liquidity position of the financial sector and eased some monetary policies to support reactivation of economic activities and maintain the stability of the financial system post the immediate impact of the pandemic which drastically slowed down economic activities.

The insurance sector's performance was on the rise, with increasing growth in the asset base and profits. The sector's GWP achieved year-on-year growth of 9.7%, with total assets growing by 14.6%, and profits before taxes achieving a significant growth of 38.6% in 2020.

The Employees' Provident Fund (EPF) earned a total gross income of Rs. 285.6 Bn in 2020, realising an increase of 10.1% compared to 2019 while an 11.2% growth in total assets was recorded for 2020. However, the overall contributions to the EFP decreased by Rs. 150.7 Bn, with interest paid to member balances decreasing by 9% and return on investment falling by 10.6% during 2020.

Performance of the LFCs and SLCs Sector

The pandemic situation further deteriorated the growth of the LFCs and SLCs which have been experiencing negative public perception in the last few years. The

OPERATING ENVIRONMENT OVERVIEW

LFCs and SLCs Sector: Five-Year Performance at a Glance

	2020	2019	2018	2017	2016
Assets					
Total Assets (Rs. Bn)	1,401.6	1,432.7	1,431.3	1,355.0	1,211.9
Loans and Advances (Net) (Rs. Bn)	1,039.9	1,102.70	1,137	1,057.1	962.7
Gross Non-Performing Advances to Total Advances (%)	13.9	10.6	7.7	5.9	5.3
Net Non-Performing Advances to Total Advances (%)	4.2	3.4	2.4	1.5	1.2
Liquidity					
Total Deposits (Rs. Bn)	748.6	756.7	716.8	686.7	530.7
Total Borrowings (Rs. Bn)	328.0	405.6	463.8	396.0	438.7
Liquid Assets to Total Assets (%)	33.7	28.9	7.6	8.9	7.1
Liquid Assets to Deposits & Borrowings (%)	13.0	11.3	9.6	11.7	9.3
Capital					
Capital (Rs. Bn)	248.0	203.2	183.7	169.7	146.1
Core Capital (%)	14.5	11.1	9.9	12.4	11.3
Total Risk Weighted Capital (%)	15.7	12.5	11.2	13.1	11.7
Earnings					
Interest Income (Rs. Bn)	228.5	259.8	241.5	231.5	188.9
Net Interest Income (Rs. Bn)	111.2	117.4	108.8	102.7	92.1
Profit Before Tax (Rs. Bn)	26.6	32.8	39.7	43.2	47.2
Return on Assets (Annualised) (%)	1.7	1.4	2.7	3.2	4.0
Return on Equity (Annualised) (%)	7.3	7.5	12.1	16.1	23.1

Source: CBSL Annual Report 2020

key drivers of the negative performance were the negative credit growth and the rising NPLs, which is an indicator of the declining asset quality of the sector. Macroprudential measures introduced by the CBSL supported the stability of the sector and allowed regulatory flexibility to support the sector's growth amidst the COVID-19 pandemic challenges. However, some institutions operating in the sector faced difficulties in fulfilling the regulatory requirements required by the CBSL. Customer deposits continue to retain the highest share of the sector's funding mix, although the growth in deposits experienced a declining trend. The sector's total assets amounted to Rs. 1,401.6 Bn by 31st December 2020, representing 5.9% of Sri Lanka's financial system.

Sector Total Assets

The sector's total assets contracted by 2.2% compared to the marginal 0.1% growth realised in 2019. Thus, total assets amounted to Rs. 1,401.6 Bn in 2020 compared to Rs. 1,432.7 Bn in 2019. Loans and advances account for 74.2% of the sector's total assets, while finance leases represent 53.7% of the loans and advances portfolio with secured loans having the second highest share at 36.2%. Investments and other assets account for 11.3% and 14.5%, respectively, of the total assets of the sector.

Sector Loans and Advances Portfolio

The lower levels of economic activities, a result of the pandemic together with the restriction on motor vehicle imports had a significant impact in slowing the lending of the sector. Resultantly, the sector's lending activities contracted by 5.7% or Rs. 62.9 Bn compared to the 3% contraction experienced in 2019. Thus, the total loans and advances portfolio of the sector stood at Rs. 1,039.9 Bn in 2020.

Sector Investment Portfolio

The sector's investments increased by 20.2% to Rs. 158.8 billion in 2020, recording a negligible decline compared to the 20.5% growth recorded in 2019. Key growth drivers were increasing share prices and the increasing investments in unit trusts, debt securities held for trading, and Government securities maturing in less than 12 months free of lien. Increasing fixed assets and cash balances with banks and financial institutions increased by 2.6% in 2020, compared to 7.1% in 2019.

Sector Liabilities

The deposit base accounts for 53.3% of the sector's liabilities, while borrowings from banks and other financial institutions represent 23.4%. Of the balance, 17.7% constitutes the sector's capital base, and 5.5% represent the other liabilities of the sector.

Sector Deposit Base

The impact of the pandemic resulted in declining the deposits of the sector. Thus, deposits by customers shrank by 1.1% or Rs. 8.1 Bn in 2020 compared to the 5.6%

growth achieved in 2019. Total deposits stood at Rs.748.6 Bn at the end of 2020 compared to 756.7 Bn at the end of 2019.

Sector Borrowings

The sector's borrowings declined by 19.1% or Rs. 77.6 Bn in 2020 compared to the 12.6% decline recorded in 2019. Thus, the total borrowing during 2020 amounted to Rs. 328.0 Bn compared to Rs. 405.6 Bn during 2019.

Sector Capital Structure

The capital requirements set by the CBSL were maintained above the minimum levels by the sector during 2020. The capital base achieved a positive growth of 14.5% increasing to Rs. 218.9 Bn by the end of December 2020 compared to Rs. 182 Bn recorded at the end of 2019. This position was attained as LFCs continued to increase their capital to comply with the minimum core capital regulations while the governing body took proactive measures to improve the sector's outlook and performance by cancelling the licence of an LFC with a large negative net worth. Considering the upheavals caused by the pandemic, the CBSL offered a 12-month extension to LFCs to comply with minimum core capital requirements and minimum capital adequacy ratios. Resultantly, the sector's total risk-weighted capital ratio increased to15.7% by the end of December 2020 compared to the 12.5% recorded at the end of 2019.

Sector Non-Performing Loans (NPL) Ratio

The increase in the sector's non-performing loans (NPLs) mainly due to the lower levels of economic activity resulted in the gross NPL ratio increasing to 13.9% by the end of December 2020 compared to the 10.6% recorded as at 31st December 2019. The net NPL ratio also increased to 4.2% by the end of 2020 compared to 3.4% recorded in the previous year. Resultantly, the sector's net loan loss provision against NPLs saw a significant increase to 26.4% amounting to Rs. 38.2 Bn compared to Rs. 30.2 Bn set aside in 2019.

The debt moratoriums introduced by the CBSL to counter the negative impacts of COVID-19 may have a further negative impact on the NPLs which could increase once the moratoriums and other concessions given to lenders end in the forthcoming year.

Sector Income

Interest income of the sector declined by 12% amounting to Rs. 228.5 Bn in 2020 compared to Rs. 259.8 Bn earned in 2019. The interest expenses also declined by 17.6% to Rs. 117.4 Bn in 2020 compared to Rs. 142.4 Bn incurred in 2019. Thus, the net interest income of the sector during 2020 amounted to Rs. 111.2 Bn which was a decline of 5.3% compared to 2019. This decline was mainly driven by the fall in economic activities due to the outbreak of the COVID-19 pandemic which resulted in reducing both interest income and interest expenses.

Similarly, the sector's non-interest income also fell by 18.7% to Rs. 32 Bn compared to Rs. 39.4 Bn earned during 2019. Non-interest expenses of the sector also recorded a decline by 16.4% to Rs. 78.4 Bn in 2020 compared to 93.8 Bn incurred in 2019.

Sector Profitability

Declining sector income resulted in reducing the profitability of the sector. Thus, the sector's profit after tax declined by 6.1% amounting to Rs. 13.7 Bn compared to the Rs. 14.5 Bn recorded in 2019, mainly driven by the reducing interest income during the year.

Impact on Vallibel Finance

Despite the declining performance of the LFCs sector, the Company was able to main its positive performance with key indicators showing the quality of assets and credits. This achievement is attributed to the reputation of the Vallibel Finance brand and the trust placed in the Company by our Customers. However, the Company did experience reducing interest income levels although this is mainly attributed to the prevailing low-interest-rate environment. Similar to the industry, the Company also experienced a decline in the interest expenditure during the year under review. Furthermore, the Company's NPLs and NPL ratio declined in the financial year ended 31st March 2021, and shows the high levels of credit quality maintained throughout the year amidst the challenging operating environment. Another noteworthy achievement of the Company was the increase in the deposit base by 10.01% during the year under review. The Company also successfully contributed 3.9% to the total assets of the LFC sector with a growth of 7.39% in Company assets. The Company's increasing loans and advances portfolio of 16.11% during the year under review also supporting the sector by contributing positively to reduce the sector's declining lending activities trend.

The Company's efforts to be proactive in complying with regulatory requirements have ensured that our core capital meets and exceeds the minimal levels. Thus, the Company was a positive contributor in maintaining the sector's capital structures with a Tier I capital ratio of 12.98% as at 31st March 2021 and a total risk-weighted capital ratio of 14.09% as at 31st March 2021. It is worth noting that both ratios exceed the minimum regulatory limits of 6.5% and 10.5% respectively.

Thus, we believe that Vallibel Finance's overall growth and positive performance were advantageous to the LFCs sector performance as supported by the minimisation of the declining financial trends achieved during 2020. Furthermore, the Company's positive performance also contributes to the overall financial stability of the industry and supports the maintenance of Sri Lanka's financial system.

Future Outlook: Macroeconomic Environment and Financial Sector

The emerging development with regards to the pandemic is expected to continue to impact both global and Sri Lankan economic growth in the short to medium terms. While the IMF predicts a lesser impact with global economic growth reverting to positive levels in 2021 and 2022, much is dependent on cooperation between countries to overcome the recession of 2020. While the upbeat global prediction will have a positive impact on Sri Lanka which can expect increased international demand and resultantly increased export earnings, economic recovery will be dependent on domestic policy reforms

OPERATING ENVIRONMENT OVERVIEW

and macroprudential efforts to offset the negative impact of the COVID-19 pandemic. Further, Sri Lanka's recovery will likely take longer, considering the rate at which vaccinations can be administered and economic activity revert to pre-pandemic levels.

Sri Lanka's increasing debt position is a concern as these debts will require timely repayments and debt servicing will likely take precedence over capital infusions for faster economic recovery and reforms. This will also impact external sector developments which will have to weather increased outflows of foreign currency as these debts become payable in the medium to longer terms. The increasing levels of budget deficits and the current account deficit in 2020 will also likely continue into the medium term and worsen the Government's savings levels.

The current import restrictions on non-essential goods and services have resulted in increasing domestic prices of imported products and this can have a backlash effect on the country's exchange rate which has been under pressure in the last few years. While the depreciating rupee is beneficial in terms of export earnings and foreign exchange inflows, importers of goods and services are negatively impacted. However, the stance taken to encourage local industries and offer them relief measures bodes well for the longer term as Sri Lanka becomes more self-reliant and diversifies the export earnings portfolio while encouraging increase earnings if foreign exchange. Other policy relaxations implemented by the government in 2020 are expected to enable the country to traverse a slow but steady recovery path in the coming years.

The LFCs sector of the economy is expected to benefit from the Financial Sector Consolidation Master Plan (FSCMP) established by the Government to address non-compliance with the minimum core capital requirement and/or the minimum capital adequacy ratios by several LFCs. Other regulatory measures initiated by the CBSL are also expected to have a positive impact on the sector's growth and performance prospects in the medium to longer terms. These measures are expected to increase the public confidence in LFCs which have been deteriorating in the last few years and maintain a close watch on the performance of the Company's operating on the sector while safeguarding the sector's customer base.

The sector's performance was impacted by the pandemic as well as the import restriction of motor vehicles and the debt moratoriums given to support the public during the period of reduced business activities caused by the pandemic. Thus, debt recovery once the debt moratoriums end will be critical for the sector's growth and performance in the forthcoming year. It is also expected that the cessation of the import restriction on motor vehicles will have a positive impact on sector growth. However, as no indication as to when this will happen has been given, the sector as a whole has been encouraged to develop other innovative leasing products, resulting in diversifying the lending portfolio and improving sector outlook for the future. Another possible encouragement for the medium and longer terms is the possibility that customers may be willing to take higher risks and obtain new funds to jumpstart their business affected by the pandemic environment. While this will impact the sector's risk profile, the increased demand for funding products will reflect positively in terms of lending portfolio growth in the coming years.

STAKEHOLDER ENGAGEMENT

GRI: 102-40, 102-42, 102-43, 102-44

Rapid changes in industry dynamics, changing operating environment and market conditions, and evolving stakeholder needs have continued to impact and challenge our business operations and interactions with stakeholders over the years. Realising the import of stakeholder influence on business activities, the Company has endeavoured to start our sustainability journey by first identifying our key stakeholders and then opening up forums for continuous and meaningful dialogue. Accordingly, we have identified six stakeholder groups—Shareholders, Customers, Employees, Government Institutions and Regulators, Business Partners, and the Community—with whom we engage regularly using a multitude of engagement platforms. This enables us to identify the most significant concerns of our stakeholders and thereby build a strong operating foundation based on a sustainable and relevant business model.

Being a financial services provider, we are well aware that our business success is intrinsically dependent on the goodwill of long-term relationships build with our stakeholders. Hence, connecting and engaging with our key stakeholders regularly is fundamental to our business success. Regular stakeholder interactions also give us new avenues for finding innovative ways to pursue mutually advantageous relationships while enabling the development of existing relationships for the long-term creation of value. Thus, our stakeholder engagement process is framed to build long-term mutually beneficial relationships, which support our efforts to meet stakeholder needs while achieving sustainable business growth.

The Company's stakeholder engagement process enables us to better understand stakeholder concerns and address them appropriately and to the satisfaction of stakeholders and the business. Our approach has successfully created value for our business operations and our stakeholders over the years. It is this stakeholder trust which has enabled the Management to formulate and pursue ambitious goals to take Vallibel Finance to the next level of success.

STAKEHOLDER ENGAGEMENT

Stakeholder Engagement Process

The transforming industry and operating environment coupled with the dynamic changes to stakeholder needs, interests, expectations, and requirements make it vital for the Company to continually interact with and have meaningful dialogue with all our stakeholders. Thus, we use a combination of formal and informal communication platforms to facilitate stakeholder engagement which informs our strategy formulation process. We employ a circular process for stakeholder engagement signifying the importance of one stage providing key inputs for the next while supporting the continuous improvement to the process. Feedback is a critical part of our engagement process as it allows us to understand stakeholder perceptions about the engagement process and any concerns raised. Thus, we use several channels to facilitate feedback from stakeholders and foster a culture of open communications.

6 Feedback

- Evaluate positive and negative feedback for improvements to the engagement process

Feedback Mechanisms

- Inspections
- Direct Communication
- Audits
- Social Media

1 Identification Stage

- Identify and prioritise key stakeholder groups
- Identify stakeholder concerns
- Identify methods of addressing concerns raised

5 Reporting Stage

- Continually review the engagement Report key findings to the Management
- Collate key concerns for materiality analysis

2 Planning Stage

- Establish goals and timelines for stakeholder engagement
- Develop policies and procedures
- Prioritise stakeholder concerns in alignment with corporate priorities
- Determine engagement method(s) to be used for different stakeholders
- Formulate a resource allocation strategy

4 Reviewing Stage

- Continually review the engagement process for effectiveness and make changes as necessary
- Review if the engagement method being used is effective

3 Implementation Stage

- Action the stakeholder engagement plan

During the year under review, the dynamism of our engagement process facilitated communication with stakeholders who influence or are influenced by the economic, environmental, and social performance of the business and are the ultimate beneficiaries of the value created by the Company. The Company mainly engaged with our identified stakeholder groups via digital channels to maintain social distancing and protect the health of all stakeholders while operating in a pandemic environment.

Overview of Stakeholder Engagement for FY 2020/21

The table below gives an overview of stakeholder expectations and concerns, the engagement methods used to communicate with them, while also showcasing the Company's response and the challenges faced in meeting stakeholder needs.

Customers

Goals	Stakeholder Expectations/ Concern Areas	Engagement Method	Engagement Frequency	Challenges in meeting stakeholder needs	Company Response
To meet the financial needs of the nation's citizens. Offer customised and flexible product solutions through innovative product offerings Ensure a high level of Customer Relationship Management	1. Customer satisfaction 2. Service quality 3. Accessibility of products/services to all levels of society across the country 4. New product/ service introductions and/ or innovations 5. Grievance handling 6. Dispute resolution 7. Adhering to health and safety measures to prevent the spread of COVID-19	1. Customer hotline	As required	❑ Dynamic changes in consumer needs and wants ❑ Competition in the industry ❑ Accessibility to products ❑ Inclusive communication ❑ Transparent business operations ❑ Customer security and privacy ❑ Product innovations to meet customer needs ❑ Implementing measures to safeguard health and safety immediately	❑ Continuously develop good relations with customers ❑ Increasing awareness of new products and product/service innovations through marketing and advertising ❑ Ensure any disputes and issues raised are handled professionally while ensuring customer privacy and satisfactory resolutions ❑ Continuously update social media and Company website with latest product/service information ❑ Pre-defined customer grievance process to expedite reaching resolutions ❑ Maintain a relevant product portfolio to meet customer needs ❑ Put into effect recommended health and safety practices to safeguard against COVID-19
		2. One-on-one meetings	As required		
		3. Direct customer feedback	Continuous		
		4. Media and advertising / marketing campaigns	Continuous		
		5. Company website	Continuous		
		6. Regular interactions at customer touch points	Continuous		
		7. Customer visits	As required		
		8. Grievance handling	As required		

Shareholders

Goals	Stakeholder Expectations/ Concern Areas	Engagement Method	Engagement Frequency	Challenges in meeting stakeholder needs	Company Response
Create shareholder wealth through optimised and sustainable business operations Operate an ethical and transparent business concern	1. Sustainable earnings growth 2. Healthy financial performance 3. Good governance 4. Transparency and disclosures 5. Risk Management 6. Compliance with statutory and regulatory requirements	1. Annual General Meeting	Annual	❑ Unexpected changes in the local economic progress ❑ Changes to regulations which may adversely impact business growth ❑ Unexpected changes in compliance mechanisms ❑ Changes in Government regulations ❑ Policy changes ❑ Business expansion ❑ Working in a pandemic business environment which was rife with uncertainty ❑ A slowdown in economic activity due to COVID-19.	❑ Develop and review annual strategic plans for business growth ❑ Keep abreast of regulatory and statutory changes ❑ Review and update governance mechanisms ❑ Research industry trends ❑ Maintain a relevant product portfolio to meet market demands ❑ Undertake a periodic SWOT analysis ❑ Review changes in Risk Management methodologies
		2. Extraordinary General Meetings	As required		
		3. Annual Report	Annual		
		4. Interim Financial Statements	Quarterly		
		5. Announcements to CSE	As required		
		6. Press releases	As required		
		7. One-on-one discussions via digital channels	As required		
		8. Company website	Continuous		

STAKEHOLDER ENGAGEMENT

Employees

Goals	Stakeholder Expectations/ Concern Areas	Engagement Method	Engagement Frequency	Challenges in meeting stakeholder needs	Company Response
Attract talented employees who want to build a career while providing upskilling and knowledge development opportunities Offer equal employment opportunities to all citizens Build a leadership pipeline to ensure the sustainability of the business	1. Work-life balance 2. Recognition for success 3. Opportunities for career progression and development 4. Grievance handling mechanism 5. Enhancement of skills and knowledge 6. Fair pay and promotional opportunities 7. Greater concerns on occupational health and safety due to COVID-19	1. Staff meetings 2. Company social events 3. Email updates 4. Training and development programs 5. Open door policy 6. Rewards and recognition programs	Monthly/ Quarterly Quarterly/ Annual Continuous Continuous Continuous Annual	❑ Work responsibilities at times overwhelming good work-life balance practices ❑ Financial limitations ❑ Meeting equal opportunity employment expectations ❑ Personal career development goals ❑ Training and development opportunities ❑ Limited skills and experience of employees ❑ Responsibilities at home increasing due to COVID-19 induced lifestyle changes	❑ Benchmark HR practices with industry norms and new developments ❑ Encourage employees to share concerns and/or ideas to better meet their needs ❑ Review and enhance HR operations to meet employee needs while meeting business goals ❑ Employee surveys ❑ Regularly train employees and encourage them to attend workshops and skills development programs ❑ Encourage educational aspirations of employees ❑ Encourage interaction with supervisors and management ❑ Put into effect recommended health and safety practices to safeguard against COVID-19 ❑ Offer flexi-time work and/or work from home option ❑ Be humane and understanding when resolving employee concerns

Government Institutions & Regulators

Goals	Stakeholder Expectations/ Concern Areas	Engagement Method	Engagement Frequency	Challenges in meeting stakeholder needs	Company Response
Adhere to all regulatory compliance requirements Adhere to laws and regulations to meet stakeholder requirements Maintain high standards of business conduct Operate the business in an ethical and transparent manner	1. Compliance with rules and regulations 2. Good corporate governance and business ethics 3. Expansion locally 4. Complying with recommended practices to curb the spread of COVID-19	1. Directives and circulars 2. On-site review by CBSL 3. Press releases 4. Meetings and consultations 5. Submission of periodic returns 6. Training sessions organized by regulators	As required Annual As required As required As specified Continuous	❑ Unexpected changes in compliance mechanisms ❑ Changes in Government regulations ❑ Policy changes ❑ Maintaining confidence within the financial and leasing sector ❑ Strong governance and Risk Management practices ❑ Facilitating financial inclusion ❑ Future business opportunities ❑ Complying with sudden changes/recommendations in the immediate to short terms	❑ Keep abreast of changes in compliance and regulatory requirements ❑ Develop and maintain up-to-date internal mechanisms to ensure ethical business practices ❑ Attend meeting with Government Departments and regulators ❑ Build good relations to enable better communications

Business Partners

Goals	Stakeholder Expectations/ Concern Areas	Engagement Method	Engagement Frequency	Challenges in meeting stakeholder needs	Company Response
Long term business partnerships Ethical procurement practices	1. Timely payments 2. Supplier evaluation 3. Growth potential 4. Future business opportunities	1. Supplier meetings	As required	❑ Ease of processing transactions ❑ Transparent pricing and terms and conditions of contracts ❑ Making timely payments to suppliers ❑ Secure and predictable demand	❑ Build good relations to enable better communications ❑ Review and update contracts to ensure fair and ethical business returns ❑ Maintaining proper credit terms
		2. Letters/ emails/ telephone conversations	Continuous		
		3. Suppliers get together	Annual		
		4. One-to-one meetings	As necessary		
		5. Periodic visits	Continuous		

Society/Community

Goals	Stakeholder Expectations/ Concern Areas	Engagement Method	Engagement Frequency	Challenges in meeting stakeholder needs	Company Response
To help build communities with access to financial independence Community upliftment	1. Ethical business conduct 2. CSR activities 3. Responsible financing 4. Environmental performance 5. Employment opportunities 6. Remaining safe and healthy in a pandemic environment	1. Traditional media advertisements and press releases	As required	❑ Community demands which may conflict with business progress and growth ❑ Undue publicity due to easy access to social media ❑ Limited resources to contribute towards community development projects ❑ Responsible business practices ❑ Financial inclusion and empowerment ❑ Employment generation	❑ Build good relations with surrounding communities by creating opportunities for dialogue ❑ Supporting the well-being of the community ❑ Financial inclusion ❑ Develop internal mechanisms to adhere to sustainable business practices ❑ Develop products/services to assist in community development ❑ Implementing COVID-19 awareness and safety campaigns
		2. Social Media	Continuous		
		3. Public events	As required		
		4. CSR Projects	As required		
		5. Interact through branch network	As required		
		6. Company website	Continuous		

Based on the concerns and issues raised through our stakeholder engagement process, the Company commences on a materiality analysis to identify material topics which are important to the Company and our stakeholders. These topics are then integrated into our business operations to enable the sustainable achievement of expectations. The Company's process for identifying material topics is detailed in the section on Materiality Analysis on pages 56 and 59 of this annual report.

MATERIALITY ANALYSIS

GRI: 101

We determine the material topics applicable to our business operations by evaluating prevailing operating environment conditions, emerging economic and industry developments, and concerns raised by our stakeholders. As these material topics can impact the Company's ability to create value for our stakeholders in the long-term and negatively impact the sustainability of our business operations, we embark on a materiality analysis to identify the most significant factors which the Company must consider when formulating corporate strategies and putting place Risk Management processes. The Corporate and Senior Management team are given the responsibility for defining and monitoring the impact on the material topics of the Company.

Our Material Topics Evaluation Process

Identification

From prevailing operating environment conditions, and economic and industry developments.

Through the stakeholder engagement process which identifies concerns raised by our stakeholders.

Evaluation

Using the materiality analysis framework which evaluates the material topics from the perspective of stakeholders and the Company.

Prioritisation

Follows through from the evaluation step which shows importance to both the Company and our stakeholders.

Outcome

Our response in considering these material topics when setting strategies and goals, and working on creating value for all stakeholders.

Using the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework and the Global Reporting Initiative (GRI)'s GRI Standard, we have been able to develop a streamlined and robust process for the materiality analysis of key stakeholder concerns and expectations. This process has enabled the Company to effortlessly identify key material topics for disclosure. Based on the materiality analysis conducted for the year under review, the following topics were identified as material to both the Company and our stakeholders.

Material Topics Identified for FY 2020/21

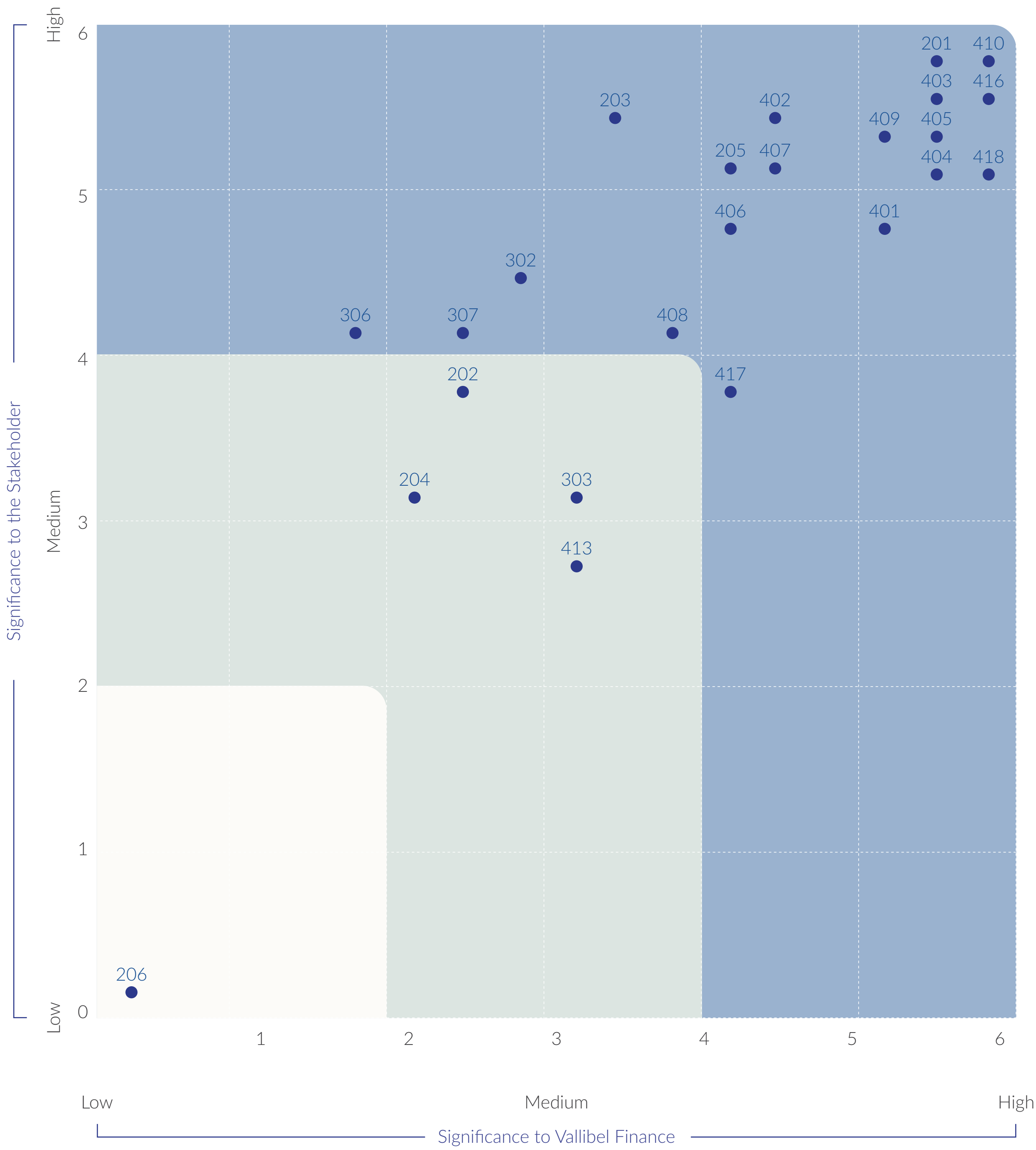
The primary material topics of the Vallibel Finance for 2021/22

- Sustainable Growth of Earnings
- Customer Satisfaction
- Company Brand and Reputation
- Ethics, Compliance and Good Governance
- Managing Human Resources
- Commitment to the Environment
- Community Upliftment
- Impact of COVID-19 pandemic on business operations
- Financial inclusion
- Technology-driven innovation

During the year under review, a key concern of all our stakeholders was the impact of the COVID-19 pandemic on business operations and personal safety and health. Thus, occupational health and safety for employees, customers, and other stakeholders while operating in a COVID-19 impacted environment took precedence for the Company. Accordingly, we endeavoured to implement required processes and procedures to safeguard our stakeholders which ranged from having employees work from home, putting in place health checks and social distancing measures within our business premises, and using technology to communicate and interact with stakeholders. Besides, our stakeholders also continued to be concerned with topics and matters related to business processes and operations, the environment, human resource management, business growth, and making a difference within communities. Details of stakeholder engagement and concerns are explained in the Stakeholder Engagement section on pages 51 to 55 of this annual report.

Materiality Matrix

To prioritise the different aspects under each material topic identified through the stakeholder engagement process, we use a materiality matrix as recommended by the GRI standards. This materiality matrix is plotted on two axes: significance to the stakeholder and significance to the Company. Resultantly, the materiality matrix gives a top-level view of the key material topics identified. These topics are then incorporated when setting business strategies and goals to be achieved in a financial year.



MATERIALITY ANALYSIS

Overview of Material Aspects and Corresponding GRI Standard Topic

To deliver value to our stakeholders, we identified the below material topics which we focused on incorporating within our strategic plans and goals.We have also endeavoured to identify why these topics are considered material and the stakeholders impacted.

	Material Topics	Why is it Material?	Related Capital	Related GRI Standard	Employees	Shareholders	Customers	Suppliers	Community	Regulators/ Government
1	Sustainable Growth of Earnings	Growth in earnings indicates the success of business strategies which encourages investors' interest and created new avenues for Financial Capital influx for the future growth and development of the Company.	Financial Capital (pages 74 to 83) Social & Relationship Capital (pages 98 to 111) Manufactured Capital (pages 84 to 91)	GRI 201: Economic Performance	●	●	●			●
				GRI 202: Market presence	●	●	●			
				GRI 203: Indirect Economic Impacts			●		●	●
				GRI 204: Procurement Practices	●			●		
2	Customer Satisfaction	Customer satisfaction is the primary factor which drives long term customer relationships and is directly linked to future business growth.	Social & Relationship Capital (pages 98 to 111) Manufactured Capital (pages 84 to 91)	GRI 417: Marketing and Labelling	●		●			
3	Company Brand and Reputation	To differentiate the Company from competitors and to develop a brand in the local market to attract new customers and employees while enabling the Company to remain viable within the highly competitive industry environment.	Intellectual Capital (pages 92 to 97)	GRI 206: Anti-competitive behaviour	●				●	
4	Ethics, Compliance and Good Governance	Good governance practices and compliance with local laws and regulations ensures business sustainability in the long term.	Human Capital (pages 62 to 73) Intellectual Capital (pages 92 to 97) Manufacturing Capital (pages 84 to 91) Natural Capital (pages 112 to 116) Corporate Governance Report (pages 130 to 162)	GRI 205: Anti-corruption	●					●
				GRI 307: Environmental compliance					●	●
				GRI 408: Child Labour	●				●	●
				GRI 409: Forced or compulsory labour	●			●	●	●
				GRI 418: Customer privacy	●			●		
				GRI 419: Socioeconomic Compliance					●	

	Material Topics	Why is it Material?	Related Capital	Related GRI Standard	Employees	Shareholders	Customers	Suppliers	Community	Regulators/ Government
5	Managing Human Resources	Employees are the people who drive business strategies and ensure the delivery of the Company's products/services to customers. Thus, managing human resources is a critical aspect of business success and growth.	Human Capital (pages 62 to 73)	GRI 401: Employment	●				●	
				GRI 402: Labour/ management relations	●				●	
				GRI 404: Training and education	●					
				GRI 405: Diversity and equal opportunity	●				●	●
				GRI 406: Non-discrimination	●					●
				GRI 407: Freedom of association and collective bargaining	●					●
6	Commitment to the Environment	As a responsible corporate citizen, it is the Company's civic duty to ensure the natural environment and non-renewable natural resources are safeguarded for use by future generations. Thus, the Company must ensure minimising and/or mitigating adverse impacts to the environment from business operations.	Natural Capital (pages 112 to 116)	GRI 302: Energy	●			●	●	●
				GRI 303: Water and Effluents	●			●	●	●
				GRI 306: Effluents and waste	●			●	●	
7	Community Upliftment	As a responsible corporate citizen, the Company must also ensure the surrounding communities and the society within which the Company operates our business is assisted through our business operations either directly or indirectly.	Social & Relationship Capital (page 98 to 111)	GRI 413: Local Communities					●	

MATERIALITY ANALYSIS

	Material Topics	Why is it Material?	Related Capital	Related GRI Standard	Employees	Shareholders	Customers	Suppliers	Community	Regulators/ Government
8	Impact of COVID-19 pandemic on business operations	The unprecedented start and spread of theSARS-CoV-2 virus (COVID-19) in 2020 causing a pandemic changed the business operating landscape and created critical health concerns for all stakeholders.	Human Capital (pages 92 to 73) Financial Capital (pages 74 to 83) Social & Relationship Capital (pages 98 to 111) Intellectual Capital (pages 92 to 97) Manufactured Capital (pages 84 to 91)	GRI 416: Customer Health and Safety	●		●			●
				GRI 403: Occupational health and safety	●				●	●
9	Financial Inclusion	Making financial inclusion a priority would help the nation's prosperity by supporting individuals striving to better their livelihoods and small and medium-sized businesses to grow and succeed. This will result in creating more jobs, improve income levels and standard of living, and aid economic prosperity.	Financial Capital (pages 74 to 83) Social & Relationship Capital (pages 98 to 111) Intellectual Capital (pages 92 to 97)	GRI 201: Economic Performance	●	●	●	●	●	●
				GRI 203: Indirect Economic Impacts		●	●	●	●	●
				GRI 413: Local Communities			●		●	●
10	Technology-driven innovation	In today's technology-driven world, technology-driven innovations will propel operational changes and satisfy the needs of technology-savvy employees and consumers leading to the future sustainability of the business.	Social & Relationship Capital (pages 98 to 111) Intellectual Capital (pages 92 to 97) Human Capital (pages 92 to 73) Financial Capital (pages 74 to 83) Manufactured Capital (pages 84 to 91)	GRI 418: Customer privacy	●			●		●
				GRI 404: Training and education	●					

ESTABLISHED UPON STRENGTH

At Vallibel Finance we are established upon the collective strength and trust of our team and stakeholders- the driving force of our business model as we journey amid an evolving and challenging business terrain.

GRI: 103, 401, 402, 403, 404, 405, 406, 407, 408, 409

HUMAN CAPITAL

Material Aspect

Managing Human Resources

Ethical Compliance and Good governance

Stakeholders Impacted/Affected

Employees

How We Create Value

Strategic Goal

To nurture a people-centric culture, bringing to the forefront employees' expertise, passion, and commitment, enabling us to collectively harness these attributes to create value for employees while pursuing differentiating business operations which will enable the Company to achieve growth while generating value across external stakeholder groups and identified capitals.

Our Approach

- Taking a people-centric approach where the focus lies on people and how organisational culture can influence people management and interactions for sustainable value creation.
- Focusing on fine-tuning our approach to talent management there by enabling the Company to attract, onboard, develop, motivate, engage, and retain high-performing employees.
- Encouraging learning and development across all organisational levels, thereby fostering a learning culture to improve the skills and professionalism of employees through continuous training.
- Promotes learning and growth leading to career growth and fulfilling the succession pipeline of the Company.
- Continually improving employee well-being by ensuring health and safety in the workplace.
- Encouraging employee engagement and work-life balance to satisfy both the personal and professional lifestyles of employees.
- Expanding mechanisms for intrinsically incorporating performance-based rewards and recognition for employees in the workplace.

Our Achievements 2020/21

Successfully retained 850 employees with a retention ratio of 86.82%

Invested Rs. 0.55 Mn in training and development programs during the year

Increased salaries and benefits by 1.47%

Promoted 347 employees enabling career development and professional growth

Invested Rs. 6.62 Mn in safegaurding employees' health amidst the COVID-19 pandemic

Challenges Faced & Planned Future Action

Challenges 2020/21	Planned Actions
Ensuring safety and health of employees in a pandemic environment.	❑ Improve the Company's health and safety measures by putting in place a health and safety plan which can be enacted in times of crisis and adverse conditions related to safeguarding employee health and safety. ❑ Incorporate pandemic plans within the organisational Business Continuity Plan.
Maintain employee motivation, especially in times of unprecedented changes such as during a pandemic.	❑ Think out-of-the-box and develop programs and activities which will encourage employee motivational levels when traditional business operations must be changed. ❑ Continuously improve compensation, rewards, and recognition schemes and promote employee wellbeing at all levels.
Driving attitudinal change amongst employees to improve customer experience and quality of service.	❑ Increase initiatives to integrate employees within the corporate culture and shared vision. ❑ Offer skill development training to improve understanding and adopt new trends in Customer Relationship Management. ❑ Select and develop key customer-facing team members, empowering them to lead the team to bring about a mindset change when dealing with customers.

Introduction

Human Capital which consists of our employees is the key to our business success as our employees are the drivers of business earnings, productivity, growth, customer service excellence, ultimately the long-term business values creation process. Thus, we believe our employees to be the ultimate source of our success. They are also the Company's staunch supporters in our efforts to create sustainable value for our external stakeholders and across other capitals.

Resultantly, we take a holistic approach to managing Human Capital, founded on four key pillars – people-centric approach, talent management, learning and development, and employee well-being. By adopting this human resource management framework, we are able to work towards an organisational culture which drives innovation and professional development, encourages diversity and mutual respect for all, while enabling change management amidst changing customer needs in a digitally and technologically transforming business operating environment. Thus, our human resource management strategy is designed to create value for employees across all levels by allocating adequate resources at the right time and place.

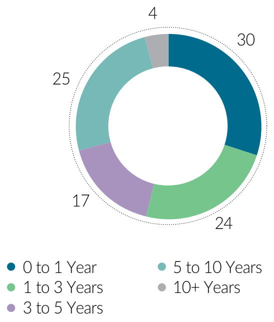
HUMAN CAPITAL

Employees Years of Service by Gender as at 31st March 2021

No. of Years	Male	Female	Total
0 to 1 Year	228	89	317
1 to 3 Years	167	83	250
3 to 5 Years	123	59	182
5 to 10 Years	193	78	271
10+ Years	36	11	47
Total	747	320	1067

Employees Years of Service by Gender as at 31st March 2021

%

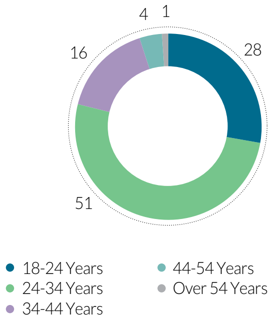


Age Demographics as at March 31st 2021

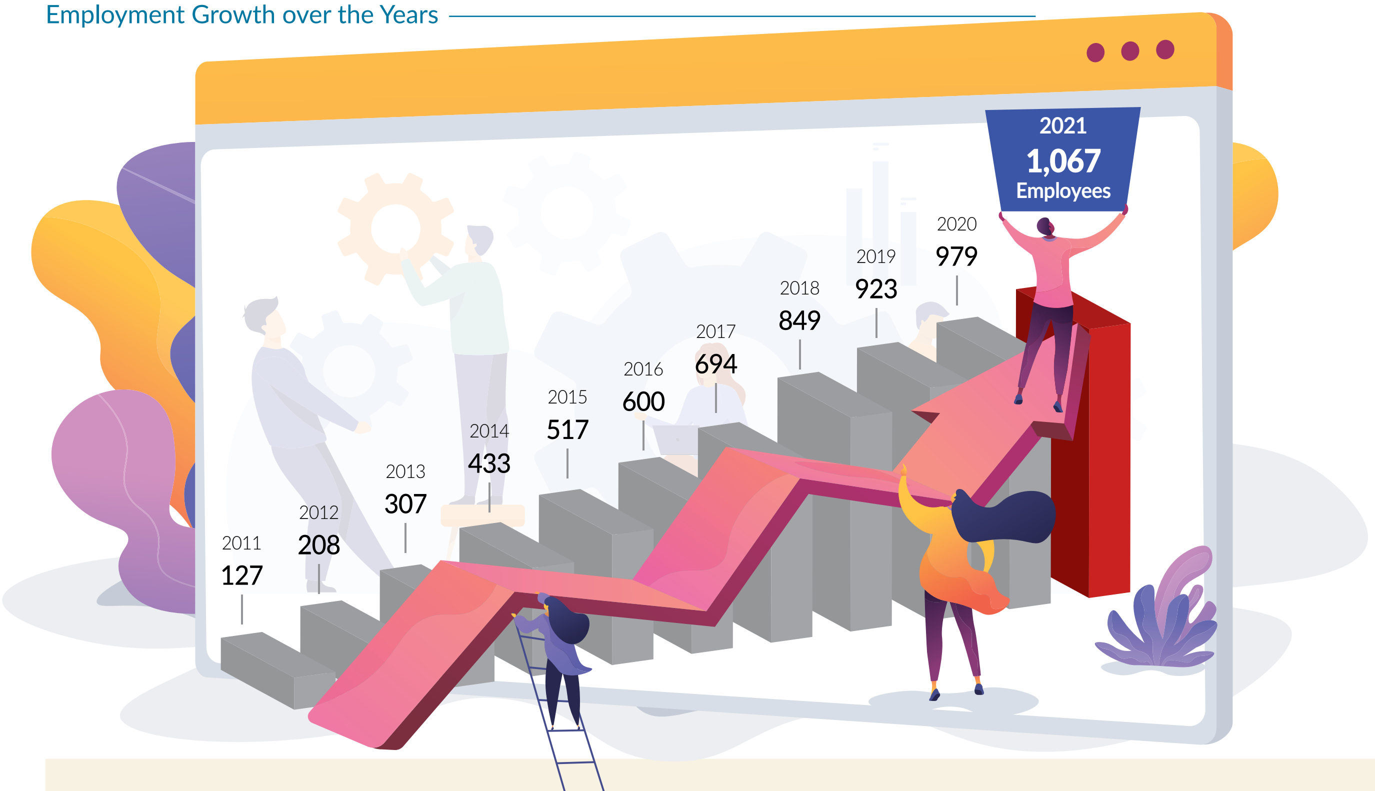
No. of Years	Male	Female	Total
18-24 Years	206	89	295
24-34 Years	340	208	548
34-44 Years	154	19	173
44-54 Years	35	3	38
Over 54 Years	12	1	13
Total	747	320	1067

Age demorgraphics as at March 31st 2021

%



Employment Growth over the Years



As of 31st March 2021, our employee base grew by 8.2% to 1067 people from diverse ethnicities and cultural backgrounds.

Management Approach

Our employees have been an integral part of the Company's success and growth over the last 14 years. Likewise, the Company ensures value creation to every one of our employees. Towards this, we have developed a range of mechanisms to ensure our employees are given many opportunities to achieve professional, personal, and career growth. Furthermore, the Company endeavours to create a workplace environment which encourages learning and growth, comradeship, and satisfaction in their jobs, which in turn helps them realise their full potential. We also provide them with myriad opportunities to interact with the Management and organisational leaders to better understand our business purpose, goals, and strategies, while such interactions also act as inspiration for their personal development. Our employees are empowered to adopt new and better ways of working and sharing ideas for the betterment of business processes and customer interactions, which resultantly leads to improving their motivation and self-worth.

Our efforts have proven fruitful over the years as seen by the large numbers of employees who remain with the Company as they successfully progress in their careers and achieve professional growth. As of 31st March 2021, 46.86% of our employee cadre had remained with the Company for more than 3 years. The transformative approach used for human resource management to remain valid and relevant in a changing operating environment has also been well received as proven by the 78.91% millennials and Generation Y individuals (between ages 18 to 34 years) who form the largest part of our workforce. We believe we are on the right path towards a sustainable and successful future driven by the foresight and adaptive nature of the younger generation of employees who are willing to adopt change and are well-versed in today's technology-driven operations.

Testament to the Company's efforts to create Human Capital value is the recognition received by Great Place to Work® Sri Lanka in 2019 and 2020 which recognises employers of choice thereby advocating an organisation to pursue the creation of a sustainable workplace.

Abiding by Statutory Laws, Regulations, and Compliances

Our corporate human resource policies are developed in conjunction with local laws, industry regulations, and other statutory regulations. By doing this, we are assured that all employees will be treated fairly and ethically, with adherence to employment laws as relevant to the country and the industry. We also ensure that we practice equal opportunity employment and accept employees' rights to enter into collective bargaining agreements. Such practices have over time enables the Company to be recognised as a fair employer with a people-centric organisational culture.

We are governed by the Sri Lankan Shop and Office Act and its amendments as well as regulations set forth by the Central Bank of Sri Lanka for Non-Banking Financial Institutions, the Colombo Stock Exchange, and the Securities and Exchange Commission of Sri Lanka.

The Company has produced an 'Employee Handbook' which comprehensively explains all our human resource policies, processes, and procedures This Handbook is shared with all employees when first recruited to the Company. This Handbook acts as the guiding principles for the Company's human resource practices and supports employees' efforts to conduct themselves to the highest standards of ethical and morally acceptable behaviour which positively reflect on the Vallibel Finance brand and reputation, and on employee conduct at work and within the community at large.

Trade Unions and Collective Bargaining Agreements

To date, none of the Company's employees have entered into collective bargaining agreements. However, respecting employee rights, the Company ensures employees have the freedom to negotiate terms and conditions of employment and join unions if they so desire.

HUMAN CAPITAL

Human Rights

Human rights which advocate the basic rights and freedoms of people from birth to death is an integral part of our Company's human resource management processes. By complying with human rights aspects, we can ensure all employees are treated fairly and humanely, are not forced to work, and do not carry out work tasks which are against their personal or religious beliefs. We strictly adhere to the laws which promote the abolition of child labour and do not employ anyone below the age of 18 years

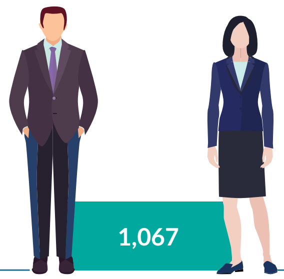
Accordingly, we create a work environment which encourages employees to freely express their opinions, share ideas, and make suggestions to help improve business processes and operations. We operate on the premise that all employees have a right to freely express their concerns regarding any business activity or person connected to our business, as long as it is done professionally and ethically. We encourage employee empowerment as this achieves both personal development and increases organisational efficiency. We are an equal opportunity employer practicing non-discriminatory talent management processes encouraging diversity in the workforce as we believe that a diverse mix of backgrounds, skills, and experiences drive innovation while enabling a sustainable competitive advantage to be derived by the Company.

Equally important, we believe that all employees should treat each other with respect regardless of their background; and remain committed to the elimination of discrimination at work. There were no incidents of discrimination reported during the year under review.

Equal Opportunity Employer

As an equal opportunity employer, all employees are treated as equal, thereby ensuring that the Company's human resource processes including talent management, training and development, and rewards and recognitions which follow a path of non-discrimination ignoring caste, ethnicity, gender, religion, age, political beliefs and/or disability.

Male
747 (70%)
(2019-20 - 679)



Female
320 (30%)
(2019-20 - 300)

Total Employees by Gender – as at 31st March 2021

Employee Categorisation by Region and Gender as at 31st March 2021

Region	Male	Female	Total
Central	33	10	43
North Central	33	8	41
North Western	57	22	79
Sabaragamuwa	58	17	75
Southern	43	14	57
Uva	12	3	15
Western	511	246	757
Total	747	320	1,067

Employees by Employment Category and Gender as at 31st March 2021

Employee Category	Male	Female	Total
Senior Management	18	1	19
Middle Management	142	7	149
Senior Executive	72	7	79
Executive/Junior Executive	276	158	434
Operational Staff	211	147	358
Clerical Staff	28	-	28
Trainees	-	-	-
Total	747	320	1,067

Talent Management

As part of our efforts to create value for employees, we follow through on talent management processes which enable us to offer employees long-term value based on their professional fields and career aspirations. Growth within the Company is based on a performance management process and the implementation of appropriate recruitment and on-boarding mechanisms. We also ensure all employees are given appropriate learning and development opportunities which help them climb the ranks within our organisational hierarchy. To date, 2 employees who joined Vallibel Finance at entry-level positions have climbed the corporate ladder to achieve career success and growth. During the year under review, 347 employees received promotions despite the prevailing economic and industry operating conditions.

Recruitment and On boarding Employees

The Company's evolving business operations dictate our recruitment policies and strategies. We aim to attract talent who are well-versed in today's technology-driven business operations, digital communications, and emerging marketing trends. We also use innovative and digital job search options being mindful of the diverse use of technology by today's employee generation.

The Company's recruitment and on boarding procedures are non-discriminatory. We have in place systems to screen candidates on their suitability for the job role and the position applied for before proceeding to the first and second interview stages. Thereafter, candidates who make it to the final interview stage are interviewed by the Company's Managing Director who approves the hiring of the candidate in consultation with the relevant department managers. In keeping with the Company's people-centric culture, all candidates who have applied for jobs with the Company are acknowledged with status updated given to those who proceed along the interview process.

During the year under review, we recruited 275 employees from a mix of regions, ethnicities, age groups, and of both genders. Our recruitment drive contributes to the country's economic development and increases our contribution towards fostering a fully employed nation. All members of the Senior Management are locally hired Sri Lankans.

New Recruitments by Region and Gender as at 31st March 2021

Region	Male	Female	Total
Central	11	1	12
North Central	15	5	20
North Western	16	4	20
Sabaragamuwa	18	4	22
Southern	15	3	18
Uva	2	-	2
Western	134	48	181
Total	**211**	**64**	**275**
Percentage	**77%**	**23%**	**100%**

New Recruitments by Age Group and Gender as at 31st March 2021

Age group	Male	Female	Total
18-24 Years	111	38	149
24-34 Years	66	25	91
34-44 Years	25	1	26
44-54 Years	7	-	7
54 + Years	2	-	2
Total	**211**	**64**	**275**
Percentage	**77%**	**23%**	**100%**

CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

Employee Turnover

While we work towards fostering an employee attrition-free organisation, some employee turnover will continue to be a part of operating a successful business with a people-centric culture. The Company strives to adopt mechanisms to reduce employee turnover, but the fast-paced changes in the operating environment coupled with the nature of today's employees have resulted in the Company facing some challenges in retaining employees over the years.

Our employee turnover has mainly been within the marketing team and within the younger generation groups, who are always looking for something new. Employee turnover is also realised by the Company when people retire or decide to migrate, change industries/ professions, pursue higher educational aspirations, or succumb to lucrative opportunities offered by other organisations.

During the year under review, the employee turnover amounted to 17.53% with the attrition rate of men being higher than women.

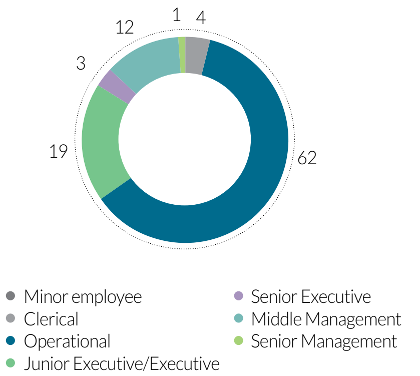
The Company strives to adopt mechanisms to reduce employee turnover, but the fast-paced changes in the operating environment coupled with the nature of today's employees have resulted in the Company facing some challenges in retaining employees over the years.

Employee Turnover by Region and Gender 31st March 2021

Region	Male	Female	Total
Central	9	1	10
North Central	7	1	8
North Western	12	3	15
Sabaragamuwa	11	4	15
Southern	7	1	8
Uva	0	1	1
Western	97	33	130
Total	143	44	187

Employee Turnover by Employee Category as at 31st March 2021

%

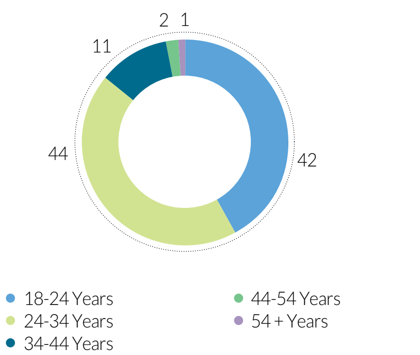


Employee Turnover by Age Group and Gender 31st March 2021

Age group	Male	Female	Total
18-24 Years	60	18	78
24-34 Years	58	24	82
34-44 Years	19	2	21
44-54 Years	4	0	4
54 + Years	2	0	2
Total	143	44	187

Employee Turnover by Age as at 31st March 2021

%



Employee Turnover by Employment Category 31st March 2021

Employee Category	Total	%
Minor employee	0	0%
Clerical	7	4%
Operational	116	62%
Junior Executive/Executive	35	19%
Senior Executive	6	3%
Middle Management	22	12%
Senior Management	1	1%
Total	187	100%

Learning and Development

Learning and development is a founding pillar of how the Company creates value for our employees. By offering a range of training programs, we work towards enabling our employees to develop their skills and increase their knowledge in their professional fields. We also foster a learning culture where employees can learn from mistakes, by collaborating with managers and supervisors, and by learning from each other. Over the years, we have provided a range of internal and external training programs for employees to develop their soft skills as well as learn about new developments in their professional fields and the industry. We follow a process whereby training programs for employees are recommended on a need basis when skill/knowledge gaps are identified or there have been new developments in employees' field of expertise or the industry. We also understand that by offering employees learning and development opportunities, the Company simultaneously adds value to our other capitals as these are benefited through employee knowledge enhancement and know-how, adding to overall organisational knowledge.

During the year under review, due to the prevailing COVID-19 pandemic conditions, the Company moved all training programs online using digital technology to ensure our employees continued to benefit from knowledge enhancement. The Company had two external training programs and 4 internal training programs and invested Rs. 545,794 in the 2020/21 Financial Year. The overall average training hours was 0.57 hours per employee, a fall of 98.2% compared to the previous year, mainly due to the challenges faced in normal business operations due to complying with COVID-19 health restrictions.

Compensation and Benefits

The Company endeavours to compensate and reward employees based on a performance-driven compensations and benefits model with a set of pre-defined compensation and benefits policies which enables the standardisation of remuneration package for full-time permanent employees in different categories and different stages of their careers. These policies conform to the Shop and Office Act of Sri Lanka as well as consider remuneration norms practiced by the industry and peer organisations. The Company's compensation and benefits policies ensure non-discrimination, thus there is no differentiation of wage levels based on gender or any other factors. We utilise best employment practices to ensure employees are rewarded based on their employment category, academic and professional qualifications, skill levels, experience, and the dedication given to their job role and responsibilities. We strive to integrate our performance-based compensation with our people-centric culture thereby ensuring that we meet our employees' basic and higher-level remuneration expectations to keep them motivated and engaged in their jobs.

Accordingly, we pay our employees not only a basic salary with the expected ETF, EPF, and gratuity payments as and when they become due, but we also offer them myriad monetary and non-monetary rewards and benefits schemes. The key elements of the Company's monetary rewards are the monthly wages, overtime payments, bonuses, incentive schemes, and other monetaryallowances based on employment category.

During the year under review, the Company did not reduce the compensation and benefits given to employees despite the challenges faced while operating in a pandemic impacted environment. The Company paid out Rs. 1,068.76 Mn in wages and other monetary compensation schemes as shown below:

Key Monetary Benefits	As at 31st March 2020 Rs. Mn	As at 31st March 2021 Rs. Mn
Wages and Bonus	875	892
Retirement Benefit Costs	24	32
EPF Payments	66	74
ETF Payments	16	18
Staff Welfare Expenses	72	52
COVID-19 related Expenses	-	7
Total	1,053	1,075

The Company's non-monetary rewards for permanent employees include leave as mandated by the Shop and Office Act of Sri Lanka and other wide-ranging rewards which are dependent on the category and grade of individual employees. These rewards are broadly categorised as insurance, paid leave, rewards and recognitions, donations and assistance, and Company sponsored outings and events.

HUMAN CAPITAL

Induction Program

We have developed an induction program for recruits which are the first step in our training process. The Company's induction program focuses on integrating employees within our people-centric corporate culture and aligning our employees to the Company's work ethic thereby ensuring success for all stakeholders.

Our employees are also entitled to parental leave. During the year under review, 16 employees were given parental leave, 12 were female and 4 were male. All four male employees returned to work on completion of their 12 days paternity leave. Of the 12 female employees who were granted maternity leave, 8 have returned to work on completion of their maternity leave during the year under review, while 2 mothers resigned to care for their child. The return-to-work rate of female employees dropped to 66.67% compared to the 90.91% recorded in the previous year. we expect the 2 female employees still on maternity leave to return to work in the Forth Coming Financial Year. The 15 employees who took maternity leave in the Previous Financial Year are still employeed by the Company and exceed 12 months of work post completiion of their maternity leave.

The Vallibel Finance Non-Monetary Rewards Scheme

Insurance	❑ Medical insurance (OPD and hospital stay cover) for employees and their family members with compensation packages based on employee categories.
Paid Leave	❑ Leave to pursue higher educational aspirations in the form of time-off to attend lectures and examinations and study-leave ❑ Male employees are granted three days as paternity leave ❑ Maximum 8 days leave granted for marriage with Senior Management approval ❑ Part-time athletes who play sports at the club or national level receive leave to attend practices and matches ❑ Extended sick leave for employees suffering for severe or major illnesses
Rewards and Recognitions	❑ Special recognition of personal and professional achievements at monthly meetings ❑ Foreign tours for long serving employees of the marketing and support functions ❑ Token of appreciation givenby the Management to top performers at the end of every quarter ❑ Token of appreciation for long service employees (over 10 years)
Donations and Assistance	❑ Death donations to employees and their immediate family ❑ Loan scheme for approved staff categories
Outings and Events	❑ Annual employee get togethers ❑ Branch-wise employee outings

Occupational Health, Safety, and Well-Being

Employee health, safety, and well-being were a critical aspect for the Company during the year under review. The rapid spread of the COVID-19 pandemic, which began in the last couple of weeks of March 2020, saw a drastic change in the way we operated our business as a measure to follow all relevant Government imposed health and safety guidelines and follow the advice as advocated by the World Health Organisations (WHO). Thus, the Company focussed on putting in place relevant measures to ensure the health and safety of our employees. These included:

- Allowing employees to work from home,
- Only permitting limited employee cadre to work from our offices during the first phase of the lockdown which continued till mid-May 2020,
- Changing office interiors to practice social distancing measures,
- Implementing such measures as hand washing and sanitizing facilities to staff working from our office premises,
- Mandating daily temperature checks,

- ❑ Strictly instructing employees to wear face masks, face shields, gloves, and other forms of protective equipment when at work and interacting with customers, and
- ❑ Cancelling or postponing all employee events and Company outings.
- ❑ For employees who daily commute to work using public transport, free transport was provided.

Work-related stress has been a concern in the last few years. However, with the impact of COVID-19, our concern for employees' well-being in this regard increased twofold during the year under review. This was mainly due to the sudden changes to the working environment and the limited face-to-face interactions coupled with added family responsibilities adding to the precipitous changes to employees' priorities.

During the year under review, we continued with uninterrupted medical insurance cover to our full-time employees and paid Rs. 24.42 Mn in medical insurance premiums to safeguard the health of our employees. Besides, we also provide paid leave for illnesses as mandated by the Shop and Office Act of Sri Lanka. Furthermore, employees whose families were impacted by COVID-19 were given special leave considerations to manage the added burdens faced in such unexpected times. The Company's practice of giving unpaid leave for employees who face serious ailments was also in effect during the year. In total, employees were given 188 days of unpaid leave to recover from unexpected illnesses.

Other than the impact of COVID-19, being a financial institution, where work is office-based, our employees are not exposed to any major job-related injuries. Still, being conscious of the fact that accidents occur unexpectedly, we strive to design our office spaces according to safety requirements in case of fires or other calamities. No major incidents of work-related injuries were reported or noted during the year under review.

Employee-Management Relations

Continuing to build collaborative and mutually beneficial relationships between the Management and employees is an integral part of how the Company keeps employees motivated and engaged. Such employee-management partnerships also encourage employees' genuine efforts to integrate within our organisational culture and foster a shared vision which leads to creating human capital value and sustainable business growth.

Communication plays a critical role in building employee-management relations. Hence, the Company continues to develop myriad communication channels to keep employees informed of key developments within the organisation. The Company maintains a range of formal and informal communication channels to connect with employees and share information and receive feedback as required. We also have clear lines of reporting between employees, their immediate supervisors, and the Management, enabling direct, one-on-one interactions as needed.

To facilitate continuous communications and information sharing, monthly meetings are conducted at an external location in Colombo by all Head Office departments, while branches conduct weekly employee meetings. These meetings are used to:

- ❑ Share information on departmental goals and targets for the forthcoming month,
- ❑ Share business developments in the previous month,
- ❑ Discuss problems/issues faced by employees with any organisational processes and/or systems,
- ❑ Celebrate employee achievements and success stories,
- ❑ hare details on changes to job roles and responsibilities,
- ❑ Share and learn from failure to meet customer expectations and significant customer complaints, and
- ❑ Keep employees informed of any substantial changes to business operations and/or processes to be implemented in the future.

These monthly and weekly meetings also provide an open forum for employees to ask questions from the Management, give feedback, or make suggestions.

Employee health and safety measures amidst the COVID-19 pandemic.

CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

While no collective bargaining agreements are in place at Vallibel Finance PLC, employees have the freedom to negotiate terms and conditions of employment and join unions if they so desire. However, employees are informed of any changes to operations of the Company in advance on a need basis. Information dissemination regarding these changes are also dependent on the impact to the employees' job and seniority level within the corporate hierarchy.

Grievance Handling

The Company has over the years ensured that our employees are aware of their rights and their right to bring to the notice of Management any issues or concerns they may have in the workplace. To facilitate employee grievances, we maintain an open-door policy enabling employees to raise their concerns to their immediate supervisor, department head, or the head of human resources. Employees are free to voice issues and raise complaints regarding work; working conditions; and issues with colleagues, peers, or even supervisors. We also strive to maintain a work environment which promotes professionalism, respect for all, and safety while at work. The Company also respects the right of an employee to legal counsel as needed, and we will abide by this right without prejudice or discrimination.

The Company presently has no formal grievance handling process. However, as a first step, we put in place a company-wide whistleblower policy in the Financial Year 2020 to assist in matters related to reporting illegal actions, frauds, other financial irregularities, or other wrong doing by employees. This aspect of human resource management will be further improved in the future.

Employee Engagement and Motivation

Employees need to build not only work relationships but also personal relationships with team members and peers to enable organisational success. Keeping this premise at the forefront, we undertake many programs and activities to foster greater employee engagement and motivation. During the year under review, the Company had to cancel or postpone many employee engagement activities and Company events to abide by the health and safety measures to curb the spread of the coronavirus. However, we safely conducted the safely conducted the Business Review Meeting which was held on the 17th July 2020 at the Kingsbury, Colombo.

Business review meeting held at the Kingsbury, Colombo.

Future Outlook

Our human capital will always be the drivers of our corporate goals and strategies. Resultantly, we will continue to emphasise the importance of human resource management in business operations and allocate adequate resources to strengthen and improve our human resource management processes to create human capital value for every employee of the Company.

As we complete another financial year and move forward to embrace the forthcoming financial year, the Company will strive to identify gaps in our human resource processes and undertake changes to remain relevant with the changing economic environment and business operating landscape. Our concentration will revolve around creating value within our four key pillars: people-centric approach, talent management, learning and development, and employee well-being. We will focus on creating value in these areas which will result in creating value for our employees. Thus, learning and development, employee engagement will continue to be evaluated regularly to ensure proper resource allocations and the best benefits reaching our employees. We will also further evaluate a robust model for learning and development becoming a digitalised platform to suit the needs of the future generation of our employees.

We will abide by all relevant laws and regulations; and focus on ensuring our human resource policies are reviewed and updated to align with changing industry norms and employment laws and regulations. Technology will continue to change the landscape of human resource management and play a vital role in increasing process and system efficiencies.

An element which heretofore was considered less material to the Company was occupational health and safety of our people as we operate in the financial industry which does not utilise heavy machinery or processes considered harmful to human health. However, during the year under review, the importance of occupational health and safety was brought to light in an unforeseen manner, as the world faced a pandemic situation. Hence, the Company will focus on further enhancing the health and safety of our employees considering non-traditional impacts negatively impacting business operations. Further research will be done, and we shall put in place a comprehensive health and safety plan which considers such occurrences as pandemics and other man-made and natural disasters changing business operations.

Another area of focus for the Company in the coming years will be to establish a formal process for handling employee grievances. While the semi-formal and informal processes in place have worked well in the past, as the operating environment changes and our business interests continue to expand, we believe an established mechanism and procedures for grievance handling will benefit both the Company and our employees.

Challenges related to talent management, especially attracting and retaining high calibre employees, will continue to plague the Company in the coming years as market opportunities increase and competition to attract the right talent for the right job becomes more aggressive in the industry and across other business sectors. Thus, we will focus on adapting innovative methods to retain our employees while simultaneously creating a culture which is conducive to the new generations of employees who thrive on ambition, career growth, and professional achievements. We will also have to focus on adapting business operations to suit millennials and Gen Z individuals who will become the leaders of tomorrow.

COVID-19 Impacts

Health and Safety

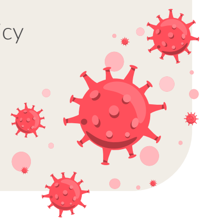
- Advocating changes to how business operations are conducted by employees.
- Mandating daily temperature checks.
- Strictly instructing employees to wear face masks, face shields, gloves, and other forms of protective equipment when at work and interacting with customers.
- Cancellation or postponement of employee events and company outings.
- Increased concerns for employee safety, health, and well-being.

Learning and Development

- Reduced number of training programs

Talent Management

- Work from Home policy



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FINANCIAL CAPITAL

Material Aspect

Sustainable Growth of Earnings

Stakeholders Impacted/Affected

Shareholders

Business Partners

Customers

Government Institutions & Regulators

How We Create Value

Strategic Goal

Our business activities are ultimately aimed at creating value for our shareholders. We do this by pursuing sustainable strategies for business operations resulting in sustained business growth and year-on-year growth in earnings.

Our Approach

- Diversify the Company's funding sources
- Continually increase business volumes
- Ensure asset quality in the long term
- Maintain the NPL ratio below the industry average
- Deliver consistent returns to shareholders

Our Achievements 2020/21

Total funding mix consisted of 15.56% Shareholders' funds, 61.13% public deposits, and 23.31% bank and other borrowings

Lending portfolio (gross) valued at Rs. 50.08 Bn with a growth of 16.88%

Deposit base grew by 10.01% to reach Rs. 32.17 Bn as at 31st March 2021

Non-Performing Loan (NPL) ratio was well below the industry average at 4.48%

A 26.40% increase in shareholders' funds by amounting to Rs. 8.19 Bn as at 31st March 2021

Achieved a 23.57% return on equity for the FY 2020/21

Challenges Faced & Planned Future Action

Challenges 2020/21	Planned Actions
The unprecedented outbreak of the COVID-19 pandemic resulting in many upheavals in normal business operating conditions and changing the macroeconomic environment impacting industry operating conditions.	❑ Strengthen the Company's liquidity management processes to retain and/or improve the healthy liquidity position currently achieved. ❑ Pursue sustained growth by diligently monitoring prevailing market conditions and changing consumer needs to focus on offering relevant and non-traditional financial products. ❑ Pursue a cautionary by utilising selective lending strategies combined with extensive screening measures and strict adherence to processes to ensure a viable customer base. ❑ Diversify funding sources to maintain an acceptable funding mix to strengthen the Company's financial base.
Changing regulations	❑ Monitor regulatory channels to get updates on changes as and when they occur. ❑ Continue to regularly review and update external policy changes with internal policies. ❑ Develop long-term relationships with regulators.

Challenges 2020/21	Planned Actions
Cost management	❑ Implement measures to proactively optimise costs by adopting technology advancements and improving operational efficiencies through process improvements.
Managing the NPL Ratio	❑ Continue to enhance recovery efforts and strengthen field recovery processes. ❑ Augment the collection monitoring process to better manage re-payment status and changes. ❑ Continuously strengthen the credit evaluation and client investigation processes to maintain a healthy customer base.

Introduction

The Company's sustainability and growth in business operations are highly dependent on financial capital this capital is the principal provider of funds which enables investments in other capitals to create value for the Company's stakeholders. The Company's financial capital is comprised of retained earnings, short and long-term debt capital obtained from banks, and deposits mobilised from the public. To create financial capital value the Company must effectively invest these funds in strategic business activities such as the disbursement of loans and advances, and other short-term investments which will generate sustainable long-term returns. This input and output of funds when processed with the Company's business and value creation models create value for not only our shareholders through the satisfactory return in investments but also other stakeholders.

The outbreak of the COVID-19 pandemic in March 2020 continued to impact economic activity in the financial year under review and created many challenges for people and business entities. The Non-banking financial institutions (NBFI) sector of which Vallibel Finance is a leading player, was also negatively impacted, with sector growth declining and consumer confidence eroding. Issues such as reduction in new lending and the rising Non-Performing Loan (NPL) ratio further challenge industry growth and performance. However, the robust contingency plans together with the focused strategies adopted to overcome the prevailing and emerging challenges by adopting a flexible approach enabled us to maintain the growth momentum and reiterate the resilience of our financial performance in the year under review.

Management Approach

The approach used to manage financial capital is highly reliant on regulatory requirements. The Company principally follows the rules and regulations as set out by the 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. The Company has developed comprehensive systems to meet the diverse and complex requirements of the above-mentioned regulatory bodies thereby enabling us to stringently follow all relevant compliances.

The Company's leadership adopts structural changes to key financial capital elements as and when required thereby ensuring prudent financial resource management. Thus, during the financial year under review, the Company focused on developing procedures to manage the emerging developments due to the pandemic which impacted business activities while continuing to adopt strategies and tactics to optimise overhead and other operational costs. This enables us to proceed successfully in achieving our identified financial objectives while creating value for our stakeholders. We also employ and rely on the expertise of qualified financial professionals to guide the Company in setting appropriate and acceptable financial policies and processes to meet the needs of financial regulations. They are also tasked with regularly incorporating changes and new developments in accounting policies, financial management tools and methodologies, and financial reporting measures.

This approach enables the Company to overcome challenges and attain a place as one of the few financial institutions in Sri Lanka to have achieved growth while creating value for our shareholders in turbulent operating conditions while remaining true to our vision.

Shareholders Value Creation while Achieving Sustained Business Growth

Financial Performance

The prevailing challenges in the macroeconomic environment and the LFC's sector continued to worsen due to the outbreak of the COVID-19 pandemic in March 2020. The financial year under review saw the Company operating differently and managing many challenges heretofore never experienced before. However, the legacy build over 14 years of sustained, transparent, and ethical business operations resulted in the Company continuing its growth momentum managing and achieving a successful financial performance for the financial year under review. Much of the success is derived from the focus of our strategies and the people who diligently work towards steady and sustained business growth. This positive trend together with the flexibility in adapting to the changing external environment has resulted in many of the Company's key financial indicators achieving double-digit growth, albeit at lower levels than experienced in the past few years.

Total Income

While the loans and advances portfolio continues to be the principal source of income, the Company's total income decreased by 2.32% to Rs. 9.47 Bn during the year under review compared to Rs. 9.69 Bn earned in the previous financial year. The prevailing low-interest rate environment is the predominant reason for this decrease.

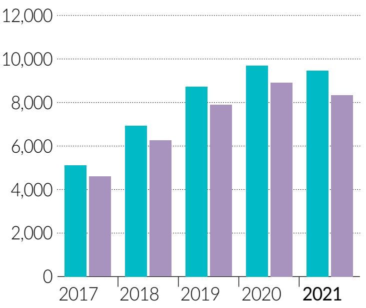
CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

The interest income earned from loans and advances portfolio during the financial year under review declined by 5.85% to Rs. 7.95 Bn compared to Rs. 8.45 Bn earned in the previous financial year. Other investments also recorded a decline, earning an interest income of Rs. 379.46 Mn during the year ended 31st March 2021. Total non-interest income earned during the year under review, however, recorded a significant increase of 45.40%, amounting to Rs. 1,138 Mn compared to Rs. 783.11 Mn recorded in the previous financial year.

Composition of Revenue

Rs. Mn

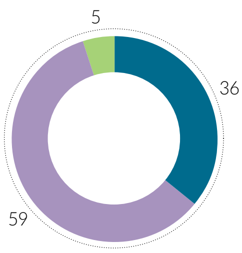


Interest Income

The interest income earned by the Company during the financial year under review decreased by 6.52% to Rs. 8.33 Bn compared to the Rs. 8.91 Bn earned in the previous financial year. Finance leases and other loans and advances were the key contributors to interest income earnings for the financial year under review.

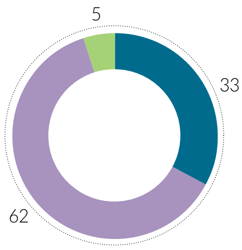
Composition of Interest Income 2020

%



Composition of Interest Income 2021

%



The finance lease component continued its declining trend in the financial year under review, falling by 3% and reducing total contribution to interest income to 33%. Thus, the interest income earned from finance leases decreased by 13.85% to Rs. 2.75 Bn during the year under review compared to Rs. 3.19 Bn earned in the previous financial year.

Interest income earned from other loans and advances recorded a 62% contribution to the total interest earned by the Company compared to 59% recorded in the previous financial year. Total interest income earned from other loans and advances decreased marginally by 0.98% to Rs. 5.20 Bn during the year under review compared to Rs. 5.25 Bn recorded in the previous financial year. Vehicle loans, gold loans, auto draft, and personal loans were the key contributors to interest income earned by the other loans and advances portfolio.

The Company's other interest income comprising of interest earned on placements with banks and other finance companies, and interest income from investments in Government securities such as Treasury Bills, Treasury Bonds, etc amounted to Rs. 379.46 Mn during the financial year under review.

The continued implementation of the macro-prudential policy measures to reduce vehicle imports and manage credit issues, low business confidence, and the slowdown in economic activity continued to impact the Company's business growth. Reducing demand from consumers on core lending products in the light of the severe challenges from the impact of the COVID-19 pandemic also impacted the Company. However, the selective approach taken together with the long-standing relationships with our customers and the Vallibel Finance corporate reputation enabled the Company to maintain growth and minimise extensive erosions in interest income growth during the financial year under review. Hence, we achieved acceptable growth in the other loans and advances portfolio through increasing business volumes. The growth momentum achieved in the other loans and advances portfolio over the last couple of years is expected to continue in the forthcoming financial year as emerging developments from the pandemic impacts the operating environment. However, we will continue to focus on developing this portfolio as a strategic product range to remain viable and competitive in the marketplace.

The relatively unfavourable operating climate emerging over the last few years resulted in the Company adopting a reduction strategy through the temporary or permanent cessation of several loan products to manage risks and optimise the loans and leasing portfolio. Accordingly, the secession of hire purchase loans resulted in the continued decline of the net hire purchase portfolio which amounted to Rs. 4.32 Mn as at 31st March 2021. Similarly, the focus was on recoveries and the management of undue losses arising from non-repayment from the existing microfinance portfolio, while the offering of group personal loans was also limited in the last few years. The Company maintained these strategies in the year under review and will continue to monitor the external environment to make necessary changes in the medium to long terms depending on the revival of the external economy and the re-emergence of a conducive business operating environment.

Interest Expenses

Total interest expenses comprise of interest due to customers and banks, debt issued, and other borrowed funds. Interest expenses recorded a decline of 16.21% during the year under review compared to the 7.29% increase recorded in the previous financial year. This decline is mainly attributed to the prevailing low-interest rate operating environment. Total interest expenses as at 31st March 2021 was Rs. 4.07 Bn compared to Rs. 4.85 Bn incurred in the previous financial year.

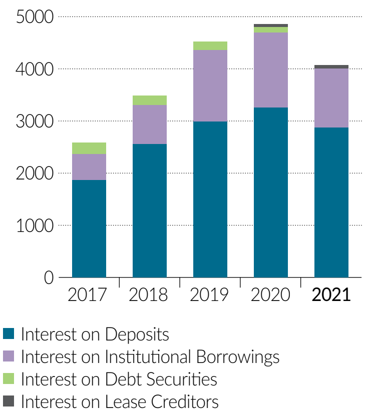
Deposits continued to incur the largest component of interest expenses, consisting of 71% of the total interest expenses of the Company. However, interest expenses on deposits decreased by 11.61% to Rs. 2.87 Bn during the financial year under review compared to the growth of 8.78% to Rs. 3.25 Bn realised in the previous financial year.

Interest expenses on institutional borrowings including bank overdrafts, bank term loan facilities, and securitised borrowings decreased by 21.97% to Rs. 1.13 Bn during the financial year under review compared to Rs. 1.44 Bn incurred in the previous financial year. The Company obtained new loan facilities of Rs. 4.12 Bn and repaid Rs. 4.78 Bn in loans during the year under review. Thus, the total institutional borrowings decreased by 6.17% to Rs. 11.25 Bn as at 31st March 2021 compared to Rs. 11.99 Bn recorded as at 31st March 2020.

The prevailing low-interest rate regime enabled the Company to benefit from pursuing a strategy to increase the retail deposit base which also supported greater flexibility and more effective cost management processes to be adopted during the year under review.

Composition of Interest Expense

Rs. Mn



Net Interest Income

The Company's focused efforts to manage interest income and expenses by strategically re-pricing products and changing the funding structure resulted in a net interest income growth during the financial year under review. Net interest income growth for the year under review was 5.08% to Rs. 4.26 Bn compared to Rs. 4.06 Bn recorded in the previous financial year.

Net Interest Income (Rs Mn)

	2017	2018	2019	2020	2021
Total Interest Income	4,597	6,257	7,888	8,912	**8,331**
Total Interest Expense	2,604	3,500	4,525	4,855	**4,068**
Net Interest Income	1,993	2,757	3,363	4,057	**4,263**

Other Operating Income

Other operating income or non-interest income is comprised mainly of fee and commission income; early termination income; gain/loss on disposals of property, plant, and equipment; and gain/loss from financial investments and other income. During the financial year under review, the total non-interest income of the Company increased by 45.40% to Rs. 1,138.64 Mn compared to Rs. Rs. 783.11 Mn earned in the previous financial year. The largest share of operating income was earned from fee and commission income and early termination income which accounted for 84.64% of other operating income.

Total Operating Income

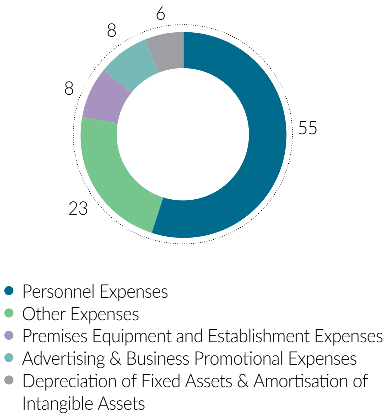
Total operating income comprising of net interest income and other income amounted to Rs. 5.40 Bn for the year ended 31st March 2021 compared to Rs. 4.84 Bn earned in the previous financial year. This increase is mainly attributed to the earning from other income which contributed 13.47% to total operating income.

Operating Expenses

The Company's total operating expenses increased by 3.02% to Rs. 1.97 Bn for the financial year under review compared to Rs. 1.91 Bn incurred in the previous financial year. Premises, equipment, and establishment expenses increased by 10.57% to Rs. 0.17 Bn mainly due to the Company's branch expansion, refurbishment, and relocation undertaken during the year under review. Personnel expenses increased by 1.47% to Rs. 1.07 Bn due to new recruitments and the increasing employment benefits, while the total advertising and business promotional expenses contributed 5.61% to total operating expenses amounting to Rs. 110.37 Mn for the year ended 31st March 2021.

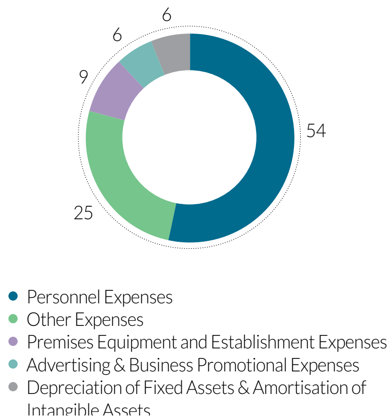
Composition of Operating Expenses 2020

%



Composition of Operating Expenses 2021

%



CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

Cost to Income Ratio

This is an important indicator to monitor cost management initiatives of the Company and help us to improve the efficacy of business operations. The Company's cost to income ratio further decreased to 36.44% during the financial year under review compared to 39.48% recorded in the previous financial year. This reduction further reinforces the effectiveness of our cost control and management measures while inspiring the Company to further strengthen operational efficiencies.

Impairment Charges

Increasing gross non-performing loans resulted in increasing the Company's impairment charge by 17.89% to Rs. 575.08 Mn for the financial year under review compared to Rs. 487.81 Mn recorded during the financial year ended 31st March 2020. The continuing impact from the COVID-19 pandemic and low levels of economic activity together with the declining performance of the LFCs sector all contributed to this situation. Despite experiencing some negative impact from loan recoveries, the Company's focused strategies enabled us to control increasing impairment charges during the year under review.

Taxation

The Company's taxation charges encompass both direct and indirect taxes including corporate income tax, financial service taxes, Value-Added Taxation (VAT), withholding tax, National Building Tax (NBT), and Debt Repayment Levy. The effective income tax rate for the financial year under review was 39.54% compared to the applicable rate of 48.67% in the previous financial year.

The Company's total tax burden decreased by Rs. 58.11 Mn during the financial year under review, due to revisions in tax rates and withdrawal of Debt Repayment Levy and NBT. Total corporate income tax expenses aounted to Rs. 661.60 Mn compared to Rs. 608.69 Mn owed in the previous financial year. Tax on financial services was Rs. 468.77 Mn for the financial year ended 31st March 2021 compared to Rs. 579.80 Mn in the previous financial year.

Type of Taxation (Rs Mn)

Taxation Charges for the year ended 31st March	2020	2021
Income Tax	609	662
Value Added Tax on Financial Services	382	468
Nation Building Tax on Financial Services	33	-
Debt Repayment Levy	164	-
Total	1,188	1,130

Profitability

Despite operating in one of the most challenging external environments during the financial year under review, the Company achieved double-digit net profit growth of 37.88% amounting to Rs. 1.73 Bn compared Rs. 1.25 Bn recorded in the previous financial year. This was possible due to the strong foundations build on a legacy of trust and reliability and the financial security offered to our customers.

The Company's profit before taxation increased by 17.06% to Rs. 2.86 Bn for the financial year under review. This growth is mainly attributed to increased non-interest income, low funding cost due to the prevailing low-interest rate regime, and the effectiveness of the Company's cost management initiatives.

The Company's Return on Average Assets (ROA) calculated on profit after tax gained an increase of 0.71% as at 31st March 2021 and recorded 3.24% compared to 2.53% as at 31st March 2020. Return on Average Equity (ROE) increased by 2.59% to 23.57% as at 31st March 2021 compared to the ROE achieved as at 31st March 2020. While the total ROE is a noteworthy achievement, the slower growth is attributed to the excessive negative pressure on business activities due to the prevailing conditions in the low growth operating environment. It must be noted that the Company's ROE remains well above the industry average of 6.1% (Source: CBSL Annual Report 2020).

Profitability (Rs Mn)

	2017	2018	2019	2020	2021
Profit Before Taxation	1,324	1,894	2,286	2,442	2,859
Taxation	598	876	1,157	1,188	1,130
Net Profit	726	1,018	1,129	1,253	1,728

Financial Position

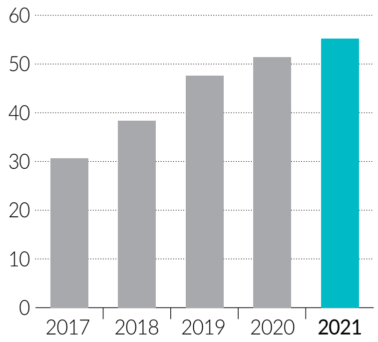
Vallibel Finance enjoys a 14-year legacy of financial stability and growth, strengthening its financial position year-on-year through targeted strategies and detailed planning. Maintaining the Company's credit quality, by driving deposit portfolio growth despite the general negative public perception of the Licensed Finance Companies (LFCs) sector in a local context. The leadership and drive to create value for our shareholders and other stakeholders remain focal points enabling us to traverse challenges in the operating environment to attain year-on-year growth in shareholders' funds. During the year under review, the Company maintained its position by implementing robust strategies while remaining flexible to overcome emerging external environmental challenges.

Total Assets

The total assets of the Company recorded an increase of 7.39% to Rs. 55.22 Bn as at 31st March 2021 despite operating amidst turbulent industry and macroeconomic challenges. However, the overall growth in assets in the last two financial years is mainly attributed to the declining growth of the LFCs sector due to industry and external environmental challenges, while the growth in assets achieved by the Company is attributed to the focused efforts to pursue business growth. The growth in assets during the financial year under review is mainly attributed to expansion in business volumes of the loans and advances products. However, the Company continues to strictly monitor asset mix and applies appropriate measures for effective management to optimise asset growth and stability while maintaining the high quality of the asset portfolio.

Total Assets

Rs. Bn



Liquidity Position

The Company's total liquid assets comprising of cash and short-term funds, investment in Government securities, treasury bills, and placement with commercial banks desceased to Rs. 2.93 Bn as at 31st March 2021 compared to Rs. 5.77 Bn recorded as at 31st March 2020. However, the Company's liquid assets to total deposits ratio as at 31st March 2021 was only 9.06%, still maintaining well above the 6% required by the Central Bank of Sri Lanka (CBSL). Thus, despite the decrease in the liquidity ratio compared to the previous financial year, the Company is well-positioned to meet industry regulatory requirements and while maintaining the strong financial positions attained over the years.

The Company will continue to pursue maintaining a strong liquidity position as it is a basis for sustainable competitive advantage while enabling the Company to create long-term value to shareholders and other stakeholders. The Company continued to comply with the short-term measures enacted by the regulatory authorities to tackle the negative impacts of the COVID-19 pandemic and will continue to do so while implementing necessary measures to ensure the continuation of confirmed credit lines with banking institutions.

Lending Assets

The net lending portfolio achieved a moderate growth of 16.11% amounting to Rs. 47.75 Bn during the year under review, compared to Rs. 41.12 Bn recorded in the previous financial year. The total finance lease net portfolio increased by 4.39% to Rs. 14.08 Bn as at 31st March 2021 compared to Rs. 13.49 Bn recorded as at 31st March 2020. Net hire purchase receivables further decreased to Rs. 4.32 Mn as at 31st March 2021 compared to 5.26 Mn recorded as at 31st March 2020. Resultantly, the lease rental and hire purchase receivables accounted for 30% of the total lending portfolio, while other loans and advances remained the largest contributor, similar to the trend realised in the past few years. Other loans and advances accounted for 70% of the total lending portfolio as at 31st March 2021.

Lending Portfolio Distribution for Last Five Years

Rs. Bn

Gross other loans and advances (loans and receivables to other customers) comprised mortgage loans, personal loans, vehicle loans, gold loans, fixed deposit loans, group personal loans, business loans, and microfinance grew by 22.41% during the year under review. The net portfolio of other loans and receivables increased by 21.85% to Rs. 33.66 Bn as at 31st March 2021, compared to Rs. 27.63 Bn recorded as at 31st March 2020. This increase was largely attributed to the significant growth achieved in the gold loan portfolio and the expansion seen in the vehicle loans portfolio.

Composition Of Other Loan And Advances (Rs Mn)

	2017	2018	2019	2020	2021
Gold Loans	897	1510	2,513	3,527	5,385
Loans Against Fixed Deposits	378	388	532	500	652
Other Loans & Advances	11,192	16,175	21,287	23,599	27,623
Total other Loans & Receivables (Net)	12,467	18,073	24,332	27,626	33,661

Credit Quality

The Non-Performing Loan (NPL) ratio is a key indicator of the Company's credit quality. The Company's NPL ratio as at 31st March 2021 decreased by 0.53 % to was 4.48% compared to 5.01% recorded in the previous financial year. This was a noteworthy achievement for the Company, with the industry average recording 13.9% as at 31st December 2020 ((Source: CBSL Annual Report 2020).

The Company's decreasing NPL ratio is attributed to the strategic management of recoveries and the selective strategy approach used for new loans given. The continued focus to further strengthen the credit risk management and recovery processes during the year under review continued to be a priority to enable us to manage our credit quality over the longer term. The Vallibel Finance Credit Division and Recovery Division also remained focused on mitigating undue credit risks and maintaining the NPL ratio at levels acceptable to the Company.

As we progress into the forthcoming financial year with COVID-19 continuing to impact economic performance and reduce investor and business confidence, maintaining the NPL ratio at levels acceptable to the Company's business progress will remain a priority as this will also improve risk forecasts and mitigate undue credit risks.

CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

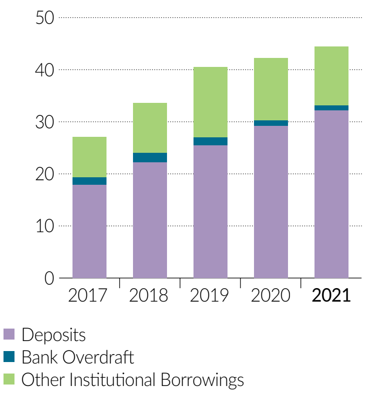
Total Liabilities

The Company's total liabilities comprise the deposit base, bank overdraft facilities, term loan facilities obtained from banks, securitised borrowings, debt securities, and other liabilities. The total liabilities increased by 4.65% to Rs. 47.04 Bn as at 31st March 2021 compared to Rs. 44.95 Bn recorded as at 31st March 2020. Public deposits constituted the largest part of the total liabilities and increased by 3% to record 68% of the total liabilities as at 31st March 2021 compared to 65% as at 31st March 2020. Retail deposits remained the key contributor to the increasing public deposits of the Company.

We continue to implement a strategy to reduce bank borrowings and focus on increasing retail deposits to maintain funding mix advantage to overcome challenging and turbulent operating environments. Hence, the Company's exposure to bank borrowings (interest bearing borrowings) further decreased during the financial year under review, representing only 24% of total liabilities as at 31st March 2021 compared to 27% recorded as at 31st March 2020. The Company's bank borrowing constituting of term loans, and securitised borrowings decreased by 6.27% to Rs. 11.28 Bn as at 31st March 2021, compared to Rs. 12.04 Bn recorded as at 31st March 2020. During the financial year under review loan facilities worth Rs. 4.12 Bn were obtained from leading banking institutions in Sri Lanka while facilities worth Rs. 4.78 Bn were repaid.

Deposit Base, Overdraft & Other Institutional Borrowings

Rs. Bn



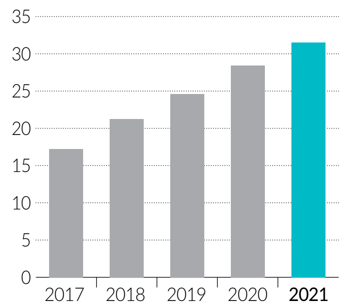
Total Fixed Deposits

The Company's public deposits increased by 10.01% to Rs. 32.17 Bn as at 31st March 2021 compared to Rs. 29.24 Bn as at 31st March 2020. This increase amidst the general reduction in public confidence due to prevailing market conditioned exacerbated by the increasing mistrust of LFCs is a noteworthy and commendable achievement for Vallibel Finance. The growth in deposits is attributed to the Company's reputation in the industry as a leading and ethical financial institution as well as the trust placed by the public in the Vallibel Finance brand.

Fixed deposits recorded an increase of 10.86% to Rs. 31.52 Bn as at 31st March 2021 compared to Rs. 28.43 Bn recorded as at 31st March 2020. The value of Certificate of Deposits as at 31st March 2021 was Rs. 651.69 Mn compared to Rs. 811.30 Mn recorded as at 31st March 2020. As at 31st March 2021, fixed deposit accounted for 98% of the total deposit base, while Certificate of Deposits contributed only a modest 2%.

Fixed Deposits

Rs. Bn

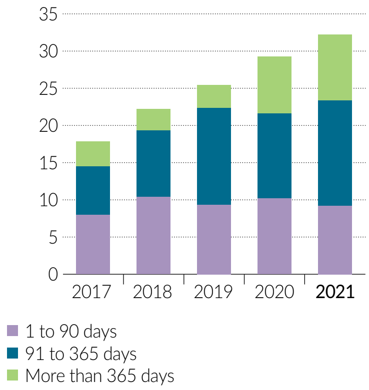


Deposits by Maturity

The Company's deposit base constitutes 73% of deposits with a maturity of less than one year while the remaining 27% of deposits have much longer-term maturities. The Company continued to maintain this mix to focus on obtaining medium and long-term funding to minimise mismatches in interest-bearing assets and liabilities through the provision of competitive rates. This mix also supports us to improve customer service and the overall efficiency of the system.

Analysis of Deposits by Maturity Date

Rs. Bn



Capital Adequacy

The capital adequacy which measures the financial strength of a Company stated as a ratio of its capital to its risk-weighted assets indicates the ability to maintain adequate capital in the form of equity and supplementary capital to meet any unexpected losses.

According to regulations, under the new capital adequacy framework, the LFCs and SLCs sector with an asset base less than Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 6.5% and a total capital ratio of 10.5% effective 1st July 2019 to 1st July 2021. Thereafter a stage-by-stage annual increase is expected up to 1st July 2022. The minimum Tier 1 capital ratio and total capital ratio will rise to 7% and 11% respectively with effect from 1st July 2021. Accordingly, Vallibel Finance has maintained a Tier I capital ratio of 12.98% as at 31st March 2021 while the total risk-weighted capital ratio was 14.09% as at 31st March 2021. It is worth noting that both ratios exceed the minimum regulatory limits of 6.5% and 10.5% respectively. The Company's core capital ratio was 11.93% and the total risk-weighted capital ratio was 13.04% as at 31st March 2020. The core capital and capital funds of the Company amount to Rs. 8.05 Bn which comfortably exceeds the regulatory requirements set by the Central Bank of Sri Lanka. The detailed breakdown of the capital adequacy ratio computation is given in the Note 55.D of the Financial Statements.

Shareholders' Fund

The continued focus to create value for shareholders remains a key priority for the Company. Our efforts enabled us to significantly increase retained earnings which is a primary source of capital by 35.70% to Rs. 5.17 Bn as at 31st March 2021, compared to Rs. 3.81 Bn recorded as at 31st March 2020. Resultantly, the total shareholders' fund increased by 26.40% to Rs. 8.19 Bn as at 31st March 2021 compared to Rs. 6.48 Bn recorded as at 31st March 2020. The return on average shareholders' funds increased to 23.57% as at 31st March 2021 compared to 20.98% recorded as at 31st March 2020.

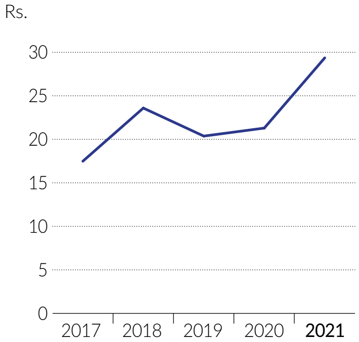
The Company's efforts to maintain growth momentum is attributed to our legacy of financial stability and ethical business practices combined with our commitment to succeed even in tough operating environments to enable the Company to achieve sustainable long-term growth.

Review of Key Ordinary Share Indicators

Earnings per Share

The earnings per share (EPS) increased by 37.88% to Rs. 29.36 for the 12 months ending 31st March 2021 recording compared to Rs. 21.29 recorded for the 12 months ending 31st March 2020. The increase in earnings during the year under review is attributed to the increase in the EPS of the Company.

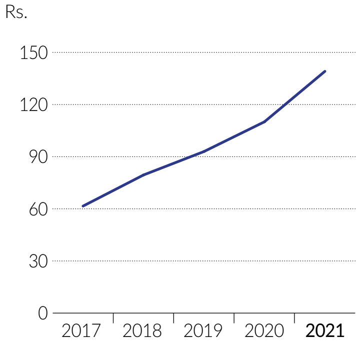
Earnings per Share



Net Asset Value per Share

The Company's focused efforts to create shareholder efforts resulted in the net asset value per share increasing by 26.40% to Rs. 139.10 as at 31st March 2021 compared to Rs. 110.05 recorded as at 31st March 2020.

Net Asset Value per Share



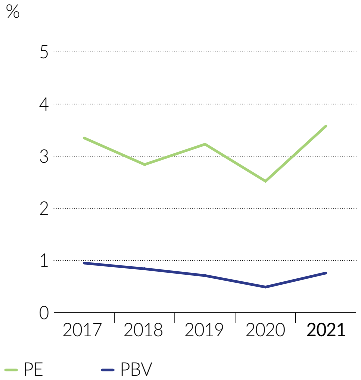
Price Earnings (P/E) Ratio

The Company's P/E ratio recorded an increase to 42.42% to 3.58 times as at 31st March 2021 from 2.52 times recorded as at 31st March 2020. The growth is attributed to the positive market outlook despite the challenges faced due to the COVID-19 pandemic and the Company's reputation in the industry and amongst the investor community.

Price to Book Value Ratio

The price to book value ratio also increased by 55.36% (0.27 times) to 0.76 times as at 31st March 2021 compared to the decline recorded in the previous financial year.

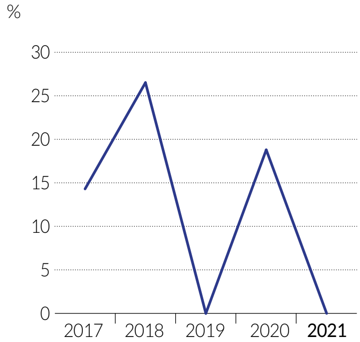
Price Earnings (P/E) Ratio and Price to Book Value (PBV) Ratio



Dividends

The Company will continue to pay dividends despite the challenging environment maintaining our stance to reward our shareholders for their continued support and trust placed in the Company.

Dividend Payout



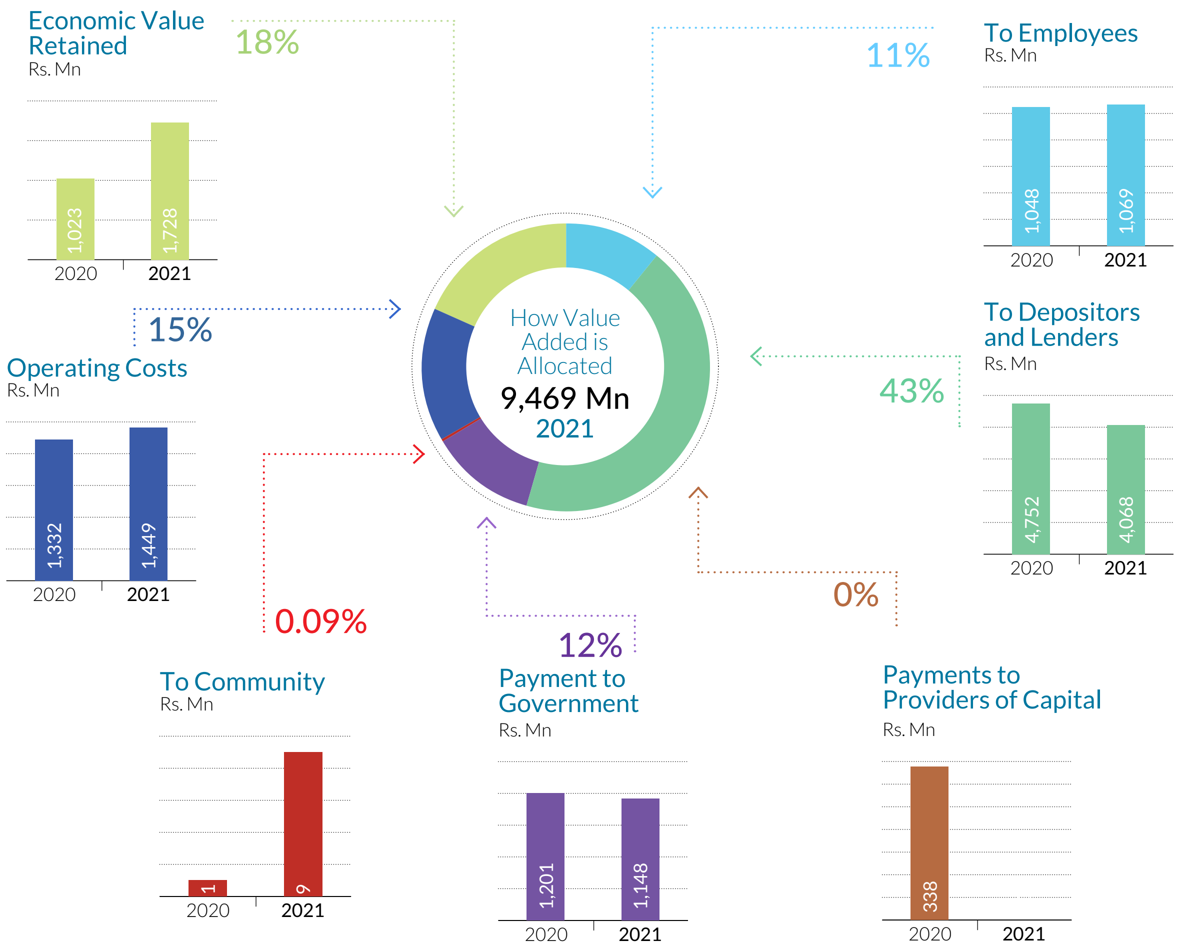
FINANCIAL CAPITAL

Economic Value-Added and Distributed to Stakeholders

The Company's value-added statement provides information on the value created for the Company's stakeholders from a financial perspective. During the year under review, the total value added by the Company discreased marginaly by 2.32%.

The non-financial value created to these stakeholders is disclosed and discussed in detail with the Capital Review Reports from pages 62 to 116 of this annual report.

For the year ended 31st March	2021		2020	
	Rs.	%	Rs.	%
Direct Economic Value Generated				
Interest Income	8,331,297,497	87.98%	8,912,195,796	91.92%
Fee Commission Income	373,550,576	3.94%	350,337,255	3.61%
Net Gain/(loss) From Trading	37,205,669	0.39%	63,454,552	0.65%
Other Operating Income	727,888,021	7.69%	369,318,495	3.81%
Total Economic Value Generated	9,469,941,763	100.00%	9,695,306,098	100.00%
Economic Value Distributed				
To Employees				
Employees Salaries & Benefits	1,068,618,451		1,048,021,933	
	1,068,618,451	11.28%	1,048,021,933	10.81%
To Depositors and Lenders				
Interest Expenses	4,067,534,369		4,751,804,785	
	4,067,534,369	42.95%	4,751,804,785	49.01%
Payments to Providers of Capital				
Dividend to Shareholders	-		235,453,400	
Interest to Debenture Holders	-		102,711,000	
	-	0.00%	338,164,400	3.49%
Payment to Government				
Income Tax Expenses	661,604,106		608,691,237	
VAT on Financial Services	468,767,648		382,645,466	
NBT on Financial Services	-		32,608,067	
Debt Repayment Levy	-		164,541,826	
Crop Insurance Levy	17,284,101		12,787,286	
	1,147,655,855	12.12%	1,201,273,882	12.39%
To Community				
Social Responsibility Projects	-		1,201,938	
Donations	8,725,508		121,913	
	8,725,508	0.09%	1,323,851	0.01%
Operating Costs				
Depreciation & Amortisation Set Aside	115,042,317		112,714,413	
Impairment Charge for Loans and Other Losses	575,076,255		487,815,203	
Training Cost	144,200		5,219,844	
Other Operating Expenses	758,822,507		725,791,232	
	1,449,085,279	15.30%	1,331,540,691	13.73%
Economic Value Retained	1,728,322,301	18.25%	1,023,176,556	10.55%
Total Economic Value Distributed	9,469,941,763	100.00%	9,695,306,098	100.00%



Future Outlook

The year financial under review required the Company to be flexible while pursuing business growth strategies. The financial performance achieved in such a challenging environment is a testament to the resilience of the Company's policies, processes, and people. The Company's focused efforts to manage the funding mix and the product mix resulted in enabling us to overcome several challenges and minimise negative impacts. Furthermore, the strategy to adopt a minimal borrowing regime while pursuing a strong liquidity position enabled us to maintain our growth momentum and convert adversities to positive outcomes.

As the COVID-19 pandemic continues to prevail in the operating environment and impacts economic and business activity through emerging developments, the Company will continue to take a prudent approach to business growth and financial performance in the forthcoming year.

We expect uncertainties to continue and will be required to change our approach to implementing business plans to manage external environmental challenges. Resultantly, some shortfalls in meeting strategies and making progress in the short to medium terms are anticipated. However, the resilience shown over the previous year in terms of both operations, flexibility, and dedication by employees remains a cornerstone for the Company's anticipated success in the forthcoming financial year. While managing fluctuating operating conditions amidst economic disruptions, the Company will continue to focus on meeting the required financial compliances and any emerging regulatory requirements as set out for the LFCs sector to maintain our reputation and recognition as a leading financial services institution in the industry.

The Company will continue to focus on value-adding to our business lines, reconsidering product terms and financial structures to increase year-on-year volumes of the lending portfolio. Maintaining an optimal funding mix strategy will be crucial for sustained business growth. Thus, while the Company continues business within the context of emerging challenges due to the pandemic, we monitor changes in the environment and review our medium and long-term strategies to consider emerging opportunities which naturally develop from adversities faced.

We remain cognisant of our duty to provide access to funds for the nation's people. Hence, we will support our customers while still maintaining growth momentum to ensure creating value for all our stakeholders. Financial assistance will continue to play an integral role in revising economic activities and propelling businesses for future success. Thus, we will maintain a financial strategy which supports the nation's economic growth by implementing necessary actions at the right time in the right place.

GRI: 103, 102-4, 102-6, 203, 418

MANUFACTURED CAPITAL

Material Aspect

- Sustainable Growth of Earnings
- Customer Satisfaction
- Ethics, Compliance and Good Governance

Stakeholders Impacted/Affected

- Customers
- Employees
- Business Partners
- Society/ Community

How We Create Value

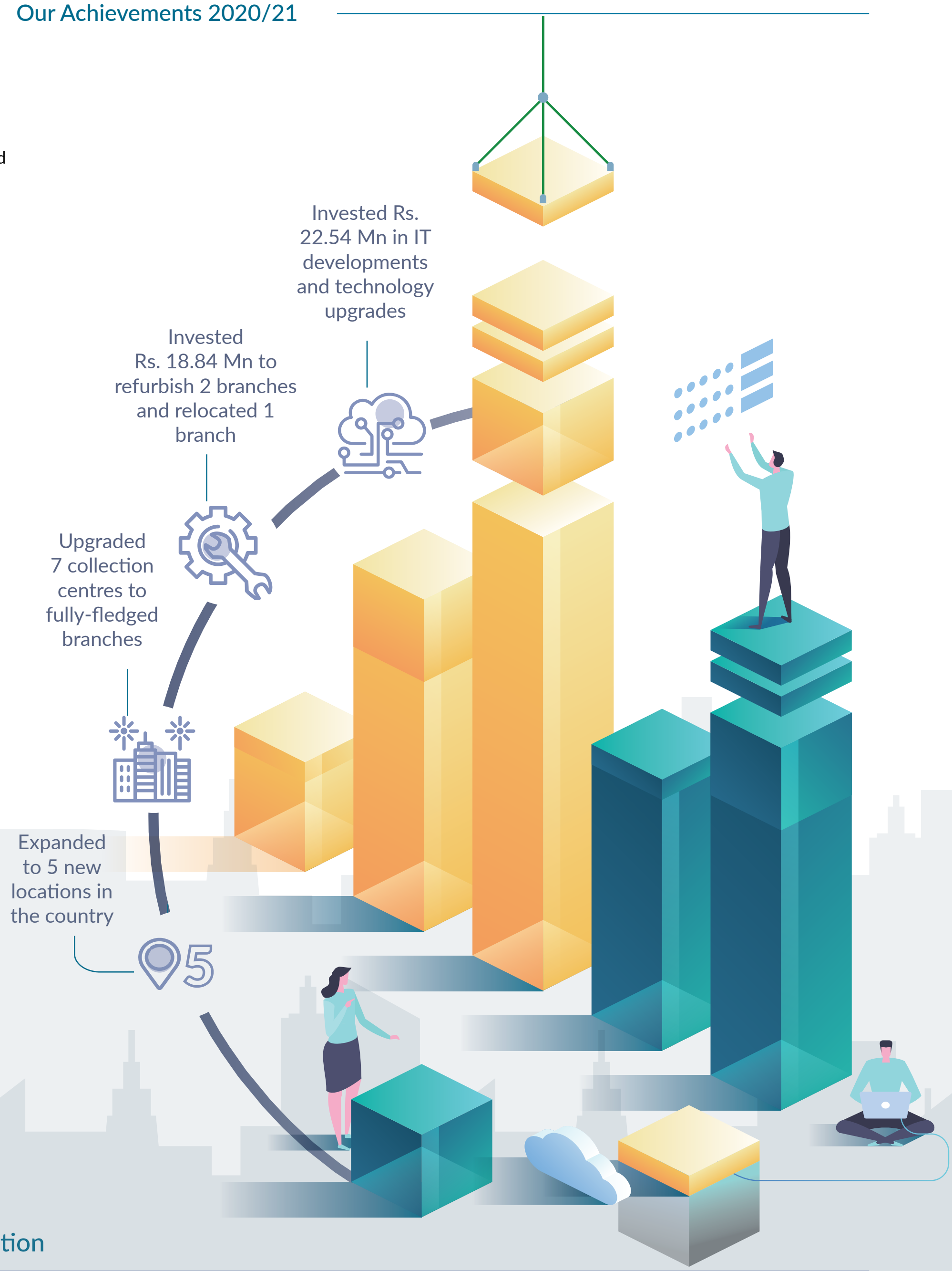
Strategic Goal

Our investments are aimed at improving day-to-day operational efficiency thereby facilitating the needs of our expanding business ventures while enabling the Company to maintain optimal and sustained customer accessibility.

Our Approach

- Expanding business operations across the country
- Timely upgrades of collection centres to fully fledged branches to optimise value creation and increase efficiency.
- Investments in technology-based innovations
- Strengthening support systems to enhance overall operational efficiency across the business.

Our Achievements 2020/21



Challenges Faced & Planned Future Action

Challenges 2020/21	Planned Actions
A gap in the adequate use and deployment of information technology to serve customers digitally and conveniently in an unforeseen COVID-19 pandemic era.	❑ Enhance customer service and experience by leveraging on information technology developments. ❑ Continue implementing user-friendly and trending technologies to encourage customers to adopt convenient online and virtual methods of obtaining Company products and services.
High cost of technology investments limiting the pace of adoption of new technologies	❑ In-depth evaluation to obtain value for money when investing in new and advanced technologies. ❑ Strategic investments in information technology infrastructure and systems to improve internal operational efficiencies to manage and leverage cost-benefit aspects.

Introduction

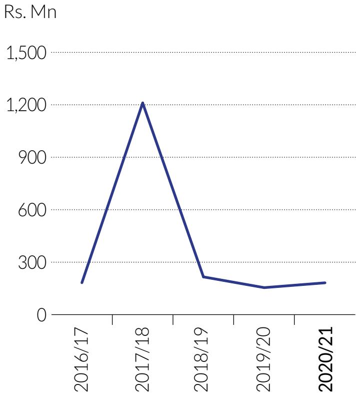
Our manufactured capital provides a tangible foundation on which to build our business operations. Comprising of own and leased properties (head office and branches), the new head office complex, information technology infrastructure, furniture and fittings, and other machinery and equipment used to conduct business. The investments made to maintain and enhance manufactured assets bolsters the process of creating manufactured capital value while enabling us to enrich our value proposition to our stakeholders while gaining a competitive advantage in the marketplace.

The integrated nature of the capitals means that manufactured capital interacts with the other capitals to create value for stakeholders and the business while helping to develop an overall Company structure aimed at guiding sustainable business operations through continuous improvements in efficient business operations and service delivery. Thus, manufactured capital supports the Company to be proactive and future-ready while strengthening our resilience to change and the sustainability of our organisation.

Our strategies to create manufactured capital value have evolved over time due to the changes in the operating environment, the industry, and the market within which we operate. It also enables the Company to continuously achieve milestones, while spurring innovation and delivering an unparalleled customer experience.

The Company made a total investment of Rs. 151.91 Mn on Manufactured Capital during the year under review. Branch network expansions amounted to Rs. 44.27 Mn for thereby increasing the total reach to 46 branches across the country. Rs. 85.10 Mn was invested for the purchase of office furniture and equipment, and Rs. 22.54 Mn was spent on advancing and maintaining information technology infrastructure and information security systems. These investments support the creation of value for manufactured capital while we succeed in business expansion goals, increasing marketplace visibility and continuing to increase service efficiency for our customers.

Total Investment in Manufactured Capital for Five Years



Management Approach

To create value for manufactured capital value, our focussed approach is built on the fundamental tenet of making financial services accessible to consumers with diverse needs across the country. As such, our geographic expansions are centred on locations which currently lack appropriate financial services offerings to cater to different consumer and business needs. The Company undertakes extensive research to carefully select towns which are experiencing accelerated growth due to increasing population and urbanisation. A significant aspect of the branch strategy is continuous improvement of amenities which enables us to offer quality and efficient services to customers, provide a conducive work environment to employees, and add value to our brand image. This is done by making periodic investments for maintenance work and the purchase of the requisite equipment, furniture, and fittings.

Information Technology (IT) is another part of how we create value for manufacturing capital. Strategic investment in IT infrastructure enables us to meet our corporate goals and achieve success in an increasingly automated work and operating environment. The intrinsic value of IT and digitalisation was realised in the year under review when the Company had to adopt new ways to continue business operations amidst the COVID-19 pandemic. The Company's focused efforts to remain up-to-date and upgrade relevant IT systems to increase internal efficiencies, utilise the latest equipment and technology to enhance customer convenience, and increase operational efficiencies, proved to be of great value to our employees, customers, and other stakeholders.

Developments in Our Branch Network

The Company's robust branch expansion strategies held strong in a year of many challenges. Our dual aim of continuing to create an inclusive financial community while supporting the economic development of smaller cities and towns remained the driving force behind the Company's desire to expand our geographic footprint in a period where economic activities were low. Resultantly, we launched and successfully commenced operations off five new branches at a total investment of Rs. 44.27 Mn and modernised and refurbished three other branches in the financial year 2020/21.

The Company first focused on commenced operations with the ceremonial opening of the Kohuwala branch on June 2020, where as the official opening of the branch was in March 2020 with a cost of Rs. 10.08 Mn. Thereafter, we opened our branch in Ambalathota, a town renowned for maritime and agricultural trade, in October 2020 at an investment of Rs. 8.87 Mn. As Government initiatives to control the pandemic showed success and the economy slowly re-opened in the last quarter of 2020 calendar year, we progressed with our branch network expansion plans and opened two branches in Thambuttegama and Ja-Ela in December 2020. The total investment for the development of these branches was Rs. 7.78 Mn and Rs. 9.56 Mn, respectively. The final branch opening for the year under review took place on the 11th March 2021 at Horana, a newly urbanising town at an investment of Rs. 7.97Mn.

CAPITAL MANAGEMENT REVIEW

MANUFACTURED CAPITAL

Kohuwala Branch opening

Ambalanthota Branch opening

Thambuttegma Branch opening

Ja-Ela Branch opening

Horana Branch opening

The Company also continued to make strategic investments to relocate branches to more convenient locations and make necessary upgrades to branch infrastructure with relevant technology advancements to serve our customers more conveniently. Thus, the Piliyandala branch was relocated and refurbished at an investment of Rs. 9.97 Mn with the official opening took place in August 2020. We also invested Rs. 2.34 Mn to modernise our Galle branch and Rs. 6.53 Mn to upgrade the infrastructure of our branch in Anuradhapura during the year under review.

Galle branch re-opening

Anuradhapura branch re-opening

Pilyandala branch re-location

Geographical Distribution of the Branch Network

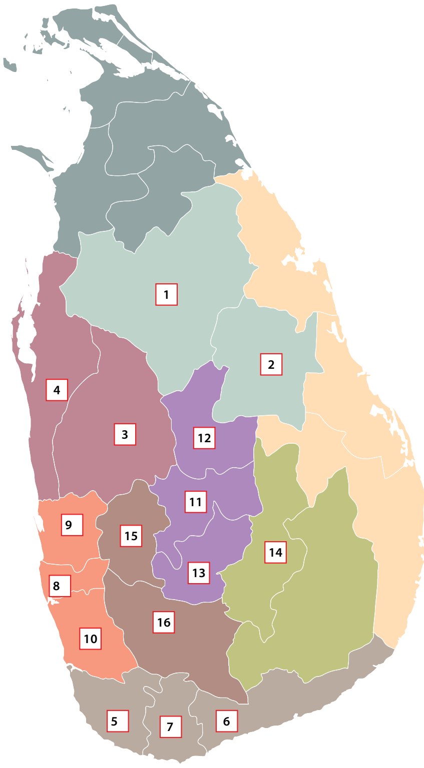
The Company considers investments in our branch network expansion and refurbishment as a true test of pursuing value creation for stakeholders in terms of manufactured capital.

North Central Province	3	41
1. Anuradhapura District	2	28
2. Polonnaruwa District	1	13

North Western Province	6	79
3. Kurunegala District	4	54
4. Puttalam District	2	25

Southern Province	4	57
5. Galle District	2	34
6. Hambantota District	1	11
7. Matara District	1	12

Western Province	24	757
8. Colombo District	15	609
9. Gampaha District	5	88
10. Kalutara District	4	60



Central Province	3	43
11. Kandy District	1	18
13. Nuwara Eliya District	1	12
14. Matale District	1	13

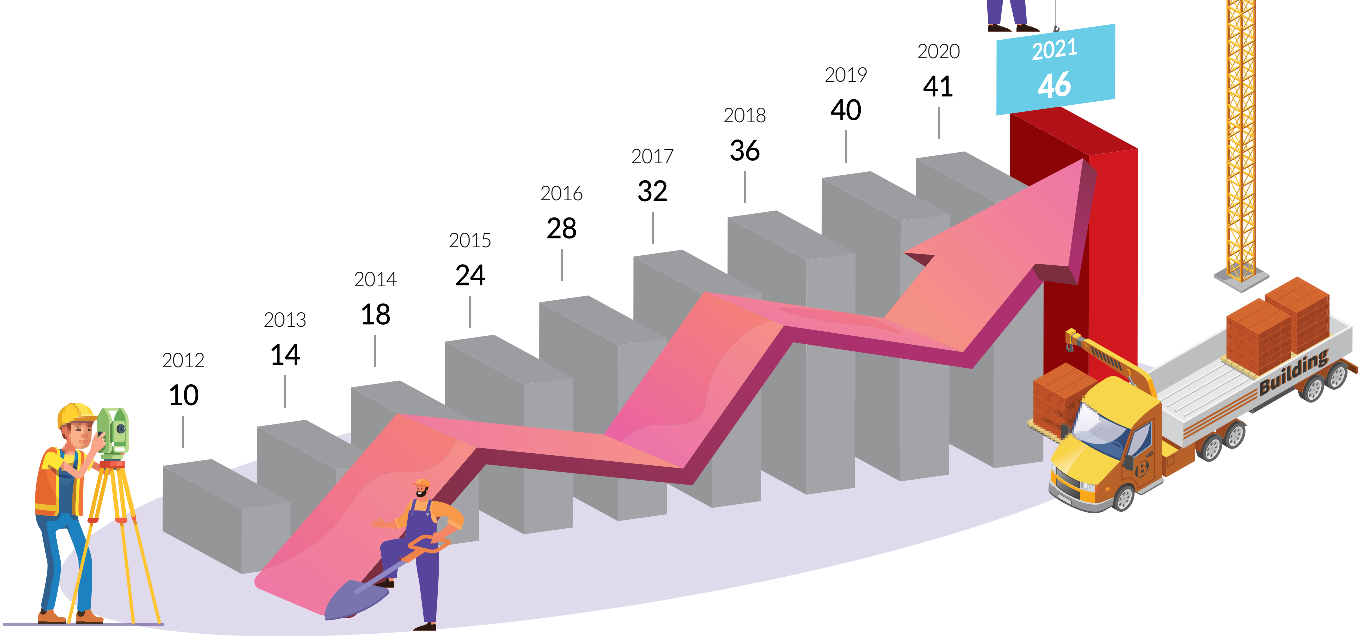
Uva Province	1	15
14. Badulla District	1	15

Sabaragamuwa Province	5	75
15. Kegalle District	2	27
16. Ratnapura District	3	48

Employees **1,067**

Branches **46**

Year-on-Year Growth in Branch Network



MANUFACTURED CAPITAL

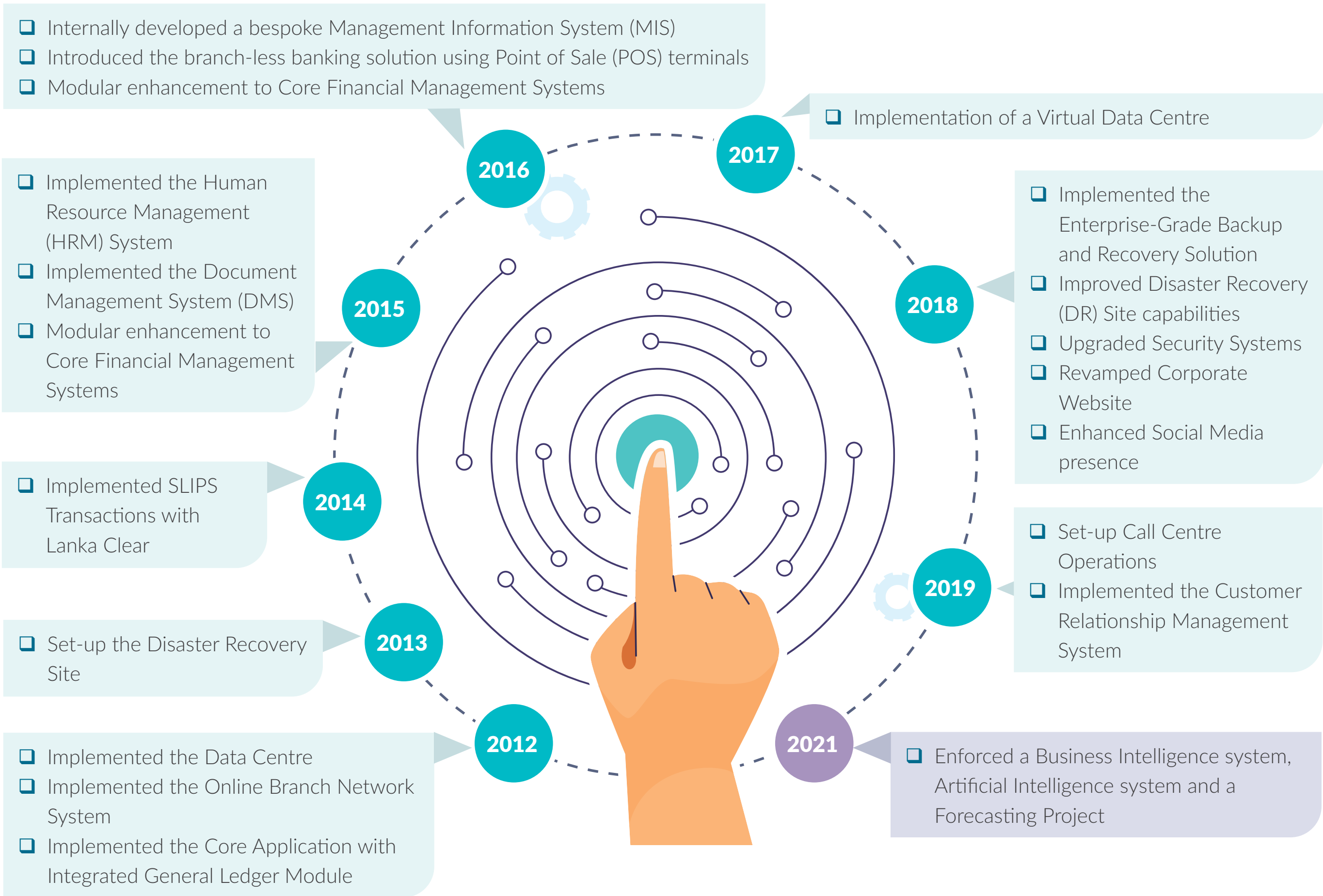
Developing a New Operational Headquarters

We began the process of building a 16-storey Head Office complex in the financial year 2019/2020 with the aim of providing a range of conveniences to our customers and employees while propagating good practices in natural resource conservation through the adoption of modern architectural and sustainable building concepts and by incorporating state-of-the-art technological and electronic systems.

Construction commenced in the previous financial year, and work progressed according to plan in the year under review although some delays were experienced due to the curfew and lockdown situation experienced from April to May 2020. Despite the difficulties experienced, the team of skilled architects and engineers together with a dedicated workforce have ensured the progress of work during the year. The Company hopes to move into the new complex in the forthcoming financial year creating a higher value for manufactured capital. This complex will be managed and maintained under our subsidiary, Vallibel Properties Limited.

Construction of the New Head Office Building

The Information Technology Journey of Vallibel Finance



Developments in the Technology Sphere

Our information technology systems and infrastructure are the underpinning facets that drive business operations in a world which had becoming digitally advanced with rapid consumer acceptance of new technologies. Thus, technology plays a critical role in ensuring business sustainability and the achievement of business strategies. In this context, we continuously invest in IT systems and infrastructure to build a platform on which we can proactively manage industry developments, market movements, and evolving customer preferences.

The year under review proved the importance of IT to continue business activities without interruption while ensuring the health and safety of our employees and customers. The Company's investments in adopting emergent technologies to sustain business operations aided our efforts to overcome the challenges we faced but also showcased gaps which must be improved in the future.

CAPITAL MANAGEMENT REVIEW

MANUFACTURED CAPITAL

Some of the key developments in the year under review include:

- The Company's website was transferred to be hosted under Amazon Web Services (AWS) which is renowned globally as a secure and stable website management service.
- Push notifications were implemented to send alerts and messages to the Customer in real time.
- Bots for Business was implemented typically within a conversational framework to supplement human interactions for any individual who visits the Company web site.
- Enforced a Tableau software which is a data visualization software focused on business intelligence.
- Administered Barracuda Networks which is a worldwide leader in security, Application Delivery and Data Protection Solutions
- Implemented the use of World Check One which is an essential screening platform created to support due diligence needs and manage financial, regulatory and reputational risk.
- The Company invested Rs. 22.54 Mn on IT hardware and infrastructure during the year under review.

We use only licensed IT software, and all such licences are renewed annually or as per licensing requirements as these have in-built security protocols. The Company also undertakes periodic reviews of information security software and upgrades or replaces these with new and improved technologies as they become available.

Information Security Systems

The increasing use of IT concurrently increases the security threats against the Company's IT systems and software, requiring increasing strategic investments in cyber security measures to be adopted. As a responsible financial institution committed to upholding stakeholder interests by ensuring uninterrupted business operations, we continually invest in IT security systems and have in place strict control measures and monitoring systems to prevent and manage IT security threats. These strategies also support our efforts to protect customer privacy and confidential information while reducing the likelihood of cyber-attacks which can harm our business reputation and cause a financial loss.

Accordingly, we use only licensed IT software, and all such licences are renewed annually or as per licensing requirements as these have in-built security protocols. The Company also undertakes periodic reviews of information security software and upgrades or replaces these with new and improved technologies as they become available. During the year under review, we updated and upgraded security software and purchased and renewed software licenses across our business functions and by employees.

During the year under review, no substantiated complaints were received regarding customer privacy and loss of customer data.

Future Outlook

The planned approach adopted by the Company to manage manufactured capital has enabled us to successfully create value for the capital despite unprecedented challenges faced in the year under review mainly due to the rapid spread of the COVID-19 disease across the country. Our new strategies and goals to create value for manufactured capital have been reviewed in light of the persistent impacts of the COVID-19 pandemic, and we are satisfied that we have the necessary resources to pursue our goals within the new operating environment. Thus, as we move forward to a year where a new normal for business is being adopted with information technology playing a key role, we will focus our efforts to review and upgrade our value creation process to ensure continued positive results to our stakeholders.

Our branch network expansion will continue without disruption. We have planned new branch openings by undertaking a comprehensive analysis to bridge existing service gaps and will continue to refurbish and modernise existing branches as well as evaluate the need for relocations with a view to creating a greater value for our stakeholders through manufactured capital. We will continue to focus on furthering business expansion within the Western Province by opening new branches in Colombo and focusing on expanding in the Greater Colombo area. Plans are firmly in place to re-align our goals and focus efforts to expand our regional presence in the medium term by opening the new branches in Homagama, Maradana, Neluwa, and Wellawaya in the coming financial year.

A critical development for the Company in the forthcoming year will be the huge addition to the manufactured capital value of the business as we complete the development and operationalise our new 16-story head office complex. This will also create many opportunities for ensuring that overall business value is created as we take on a new path for our business success.

COVID-19 Impacts

Staff Transport
Rs. 2.53 Mn

Sanitizer
Rs. 1.78 Mn

Disinfectant Treatment
Rs. 0.28 Mn

COVID 19 Safety Items
Rs. 1.03 Mn

PCR Tests
Rs. 1.00 Mn

GRI: 102-16, 103, 205, 206

INTELLECTUAL CAPITAL

Material Aspect

Company Brand and Reputation

Ethics, Compliance and Good Governance

Stakeholders Impacted/Affected

Employees

Business Partners

Shareholders

How We Create Value

Strategic Goal

To make strategic investments to reinforce the avenues of competitive advantage gained by enhancing our corporate brand reputation by nurturing a learning organisational culture and focusing on improving ethical and transparent business practices to drive our growth ambitions into the future.

Our Approach

- Adopt strategies for the continued reinforcement of the Vallibel Finance brand.
- Continuously strive to maintain and improve the Company's credit rating.
- Nurture a learning organization culture.
- Persist in enhancing ethical and transparent business practices to align with industry and global best practices.
- Review, re-evaluate, upgrade, and augment internal processes and procedures.
- Continue to adhere to all relevant governance and regulatory requirements to sustain the corporate brand reputation at high levels.

Our Achievements 2020/21

Given a A+ brand rating with a brand value of Rs. 1,458 Mn

Placed amongst the Top 40 Great Places to Work in Sri Lanka

Maintained the Credit Rating of BBB with Stable outlook

A dedicated and long serving management team driving strategy since inception

275 new recruits bringing new ideas to enrich our tacit knowledge base

Challenges Faced & Planned Future Action

Challenges 2020/21	Planned Actions
Retention of tacit knowledge from loss of key personnel.	❑ Increase employee motivation and engagement measures. ❑ Increase investment in employee training and development. ❑ Focus on building mentorship programmes for employees with proven leadership abilities. ❑ Develop processes and systems to promote greater workplace collaboration.

Challenges 2020/21	Planned Actions
Sustaining the brand identity and corporate reputation	Continuously focus on building a brand which becomes synonymous with trust by: ❑ Increasing the adoption of voluntary best practices and standards, ❑ Improving ethical business processes, and ❑ Complying with all applicable regulations in the non-banking financial sector.
Enhancing process efficiencies	❑ Replacing manual processes via system automation. ❑ Focusing on process efficiencies targeting consumer convenience. ❑ Automation of consumer-relevant processes to support online operations. ❑ Introducing new and advanced systems to enable business efficiency. ❑ Providing additional training to employees on new technologies and how to use them effectively. ❑ Involving employees in change management discussions from inception to gain buy-in.

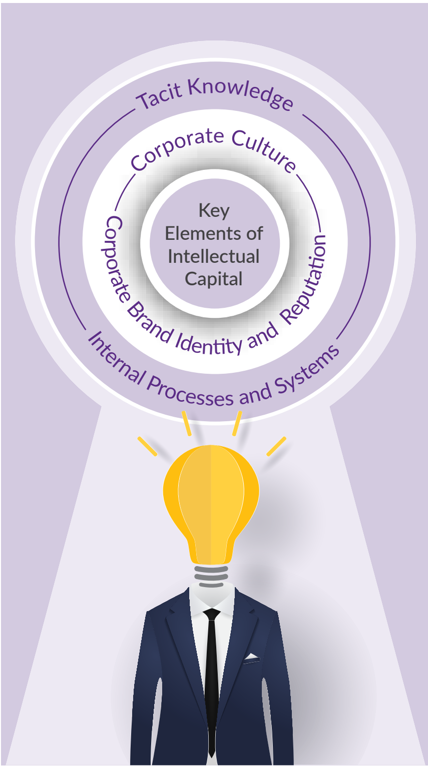
Introduction

Our intellectual capital represents fundamental elements on which our business is built and comprises largely of intangibles such as a unique brand identity, corporate culture, core values, systems and processes, governance structure, and tacit knowledge. These elements synergistically interact to guide the Company towards a future centred on operational excellence and ethical business practices. Intellectual capital value, while not always tangible, adds value to our overarching business proposition while enabling us to differentiate our business from competitors and form core competencies unique to our business.

Creating intellectual capital value for our stakeholders is founded on continually enriching our tacit knowledge; conducting business transparently and ethically; enhancing customer perception of the Company, our products, and corporate brand, and creating an environment where the people can thrive and develop within a learning organisational culture.

The Company made a total investment of Rs. 59.72 Mn on enhancing the value for intellectual capital during the year under review. Rs. 22.54 Mn was invested in systems and process efficiencies, Rs. 36.63 Mn was invested in brand-building initiatives and Rs. 0.55 Mn was invested to train and develop employees thereby supporting our efforts towards building a learning organisational culture and enhancing our tacit knowledge base. These investments support the creation of value of intellectual capital value while supporting business growth, increasing the market perception of the Company's brand reputation, and increasing the efficacy of business activities.

Management Approach



To create value for intellectual capital, we focus on adhering to the rules and regulations of the country and industry; adopting best business practices; disseminating timely and accurate information to stakeholders; and disclosing relevant changes in business structure, key personnel, and business operations as and when they occur. The Company also focuses on updating and modernising internal systems and processes to support long-term business growth and meet the changing needs of key stakeholder groups, especially our customers and business partners. This is strengthened by the integration of high levels of corporate governance within our overreaching corporate governance strategy.

We also follow through on the belief of remaining competitive in the marketplace while staying far away from behaviours considered as anti-competitive. We uphold all applicable laws on thwarting bribery and corruption in all the jurisdictions of our business operations. These factors invariably contribute to the creation of intellectual capital value to both the Company and our stakeholders.

INTELLECTUAL CAPITAL

A key factor for increasing tacit knowledge is the high retention rates of the Company which enables knowledge to be carried forward without interruption. Our culture also encourages continuous learning and knowledge sharing with employees being given many opportunities to attend myriad training programs.

Employees utilise their professional expertise and industry experience to contribute towards building our tacit knowledge base while embodying our corporate values and culture in the deployment of business activities. They also are well-informed on current market trends and developments, the Company's financial services products, and understand the importance of integrating and adopting information technology to create a competitive advantage. They follow through on remaining professional, honest, and ethical in business dealings and taking a zero-tolerance approach to bribery and corruption, thereby safeguarding Vallibel Finance's reputation in the industry.

During the financial year under review, the Company was not accused of any anti-competitive or anti-trust behaviours nor were we accused or fined for resorting to bribery and/or corruption to propel business success.

Our Tacit Knowledge

The Company's tacit knowledge is derived from the learning gained from successes and failures since inception. This is a key factor in differentiating Vallibel Finance from competitors while driving our year-on-year successes resulting in the Company becoming a leading player in the industry. The combination of tacit knowledge and the professional expertise and experience of our people continues to add value to the organisational learning curve and helps increase intellectual capital value, annually. This is made possible by the Company's qualified and well-trained employees who remain vital to successful business operations and the creation of intellectual capital value by adding to our tacit knowledge base.

Our loyal employees comprise highly experienced personnel who have been with the Company for many years as well as newly qualified millennials and Gen Z who thrive on learning and knowledge enhancement. A key factor for increasing tacit knowledge is the high retention rates of the Company which enables knowledge to be carried forward without interruption. Our culture also encourages continuous learning and knowledge sharing with employees being given many opportunities to attend myriad training programs. Many of our longstanding and experienced employees act as mentors and willingly share their accumulated knowledge and know-how with younger less-experienced employees and recruits.

During the year under review, the Company invested Rs. 0.546 Mn towards building our tacit knowledge base.

For more details on employee training and knowledge sharing, refer to the Human Capital Review on pages 62 to 73 of this Annual Report.

Our Corporate Culture

The Company's corporate culture is underpinned by our vision, mission, and core values, which drive corporate strategy. The learning culture adopted by the Company brings together the five key elements-systems thinking, personal mastery, mental models, building shared vision, and team learning to further enrich the culture of our organisation. Together these create many opportunities for the business thereby adding value to intellectual capital and resultantly creating value for our stakeholders.

Our Corporate Values

Adhering to these precepts, we encourage employees to participate in decision-making and applaud out-of-the-box and innovative thinking. Remaining true to cultural priorities we invest in activities to enhance our corporate culture which includes strategic investments in training and development programmes; employee engagement activities focused on team building and team working; and initiatives to build a shared vision by increasing employees' familiarity with the Vallibel Finance vision, mission, core values, and organisational cultural belief. The systems thinking and performance-driven aspects of our culture support organisational growth and help employees to meet personal and corporate objectives, satisfy customers, and gain experience for long-term personal growth.

The Company's corporate governance framework adds to our corporate culture by ensuring business operations comply with the rules and regulations of the relevant regulatory authorities. We also adopt voluntary standards which help enhance our transparent and ethical business practices and further our standing as a leading financial sector organisation in Sri Lanka. The Company's Risk Management framework which identifies existing and emerging risks and provides guidance on risk minimisation and mitigating activities is also another critical element of building a cohesive organisational culture.

For more details on Corporate Governance and Risk Management, refer to pages 130 to 162 and pages 163 to 176, respectively of this Annual Report.

Our Corporate Brand Identity and Reputation

Our brand philosophy is centred on the Vallibel Finance 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 a relentless passion to seek out people who need help".

Over the last 14 years, this vision has helped drive business growth and success and has supported corporate strategy development while slowly but steadily moving the Company's business operations to meet our unwavering commitment to the people of this country.

Our vision is, therefore, the foundation on which the Vallibel Finance brand is developed. This is augmented by our core values and corporate culture which is the guiding path to creating a cohesive brand message and identity. Over the years, we have implemented strict controls in the stewardship of our brand philosophy and elements, thereby ensuring all business actions to be consistent and aligned to our core values and culture communicating a single cohesive message.

Our brand reputation has also grown over the years, as we have become a reputable and recognised financial services institution in Sri Lanka. This recognition has been obtained due to our increasing presence across the country, adherence to streamlining our brand appearance through branch refurbishment efforts, targeted promotional activities conducted on both traditional and social media, efforts to build good relations with surrounding communities, and focus on operating an ethical business which provides high quality and reliability service to our consumers. These efforts have also supported the strengthening of the Company's market positioning and presence while creating value for all our stakeholders.

Our Brand Value

To manage and maintain our corporate brand identity, during the financial year under review, we invested Rs. 36.63 Mn for brand promotional activities. Such investments create value for the Company and increase intellectual capital value while adding value to key stakeholders including shareholders and community members. During the financial year 2020/21, the two key brand-building activities were:

- The sponsorship of the AGM of the Vehicle Importers Association of Sri Lanka was held at Cinnamon Grand, Colombo on July 18th, 2020.
- A social media campaign promoting the Company was conducted on our Facebook page where one winner would receive Rs. 10,000 as a prize if he/she followed both our Instagram and Facebook pages and posted a selfie with a vehicle. The winner was chosen based on his/her presence on both these social media platforms.
- Vallibel "Ran Kasi Deemana" was implemented in February 2020 where two customers are selected per month via a monthly raffle draw. Each winner was gifted with a Gold Coin at a celebration held at the Kingsbury Colombo.

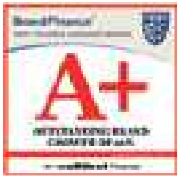
Rewarding the winner of the 'selfie with vehicle' competition.

CAPITAL MANAGEMENT REVIEW

INTELLECTUAL CAPITAL

Awards and Accolades

Brand recognition is mainly measured by the awards and accolades received from external sources. We consider this the ultimate acknowledgment of our success and increasing value to our brand. Over the years, the Company has received many awards that salute our growth and achievements. These awards have invariably strengthened our brand reputation and supported the growth of our brand identity. They also contribute towards increasing the Vallibel Finance brand value. The awards and accolades the Company received in 2020/21 are highlighted below.



Brand Finance Sri Lanka, ranked Vallibel Finance PLC at 56th place, with a brand rating of A+ valued at Rs. 1,458 Mn for the financial year 2020/21.

Vallibel Finance was certified as one of the 'Top 40 Best Places to Work in Sri Lanka' by The Great Places to Work®, demonstrating our consistent efforts to remain a preferred employer in the country.

Awarding winners of the Vallibel 'Ran Kasi Deemana

Credit Rating

A credit rating lends towards increasing the reputation and reliability of an organisation in the eyes of many different stakeholders. Hence, we are proud to have retained the credit issuer rating of (SL) BBB with a Stable outlook which was reaffirmed in 31st August 2020 by ICRA Sri Lanka, a group company of Moody's Investors.

Internal Processes and Systems

Our internal processes and systems help streamline and enhance the Company's operations and thus, contribute towards creating intellectual capital value. These processes and systems enable us to offer high levels of customer service standards, work with suppliers effectively, and implement ethical and transparent business practices. Our internal processes and systems are also guided by regulatory requirements of the non-banking financial sector, the regulations and governance practices required for operating as a listed entity, the general laws and regulations of the country, and the voluntary standards and best practices which the Company adopts as a good corporate citizen.

During the year under review, the efficacy of our internal systems and process was a significant aspect of the Company's continued operations in a transformed operating environment brought on by the COVID-19 pandemic. The considerable strategic focus and resources allocated to ensure internal systems are regularly reviewed, modified, and upgraded to ensure the business can operate effectively and efficiently was rewarded while stakeholders reaped the benefits of the Company's efforts in this regard as we continued to operate in this new work environment.

Future Outlook

The planned approach adopted by the Company to manage intellectual capital considers the different elements which cohesively combine to create synergistic value. The Company has made good progress in improving systems and processes by adhering to relevant laws and regulations and adopting voluntary standards to enhance business practices. However, improvement does not stop, and we will focus on continuously improving our business processes to increase the value created for our stakeholders.

Some aspects, such as measures to ascertain and monitor conduct and progress related to conflict of interest and anti-corruption are not completely formalised. The Company is researching different methods and plans to implement right-fit processes in the medium term. Currently, both these areas are covered as expected norms within the Company's culture, but a formal approach will re-enforce our commitment and add greater value to the Company's reputation and enhance stakeholder perceptions.

Brand identity is inherently dependent on the Company's reputation which can increase or decrease depending on how we operate our business, treat employees, cater to customers, interact with community members, and satisfy the needs of other stakeholders. We will, therefore, continue to deploy adequate resources to promote the Company and communicate effectively and transparently, while addressing any negative comments or issues which arise on a timely basis. Our positive relations and interactions with stakeholders will also continue and support our efforts to increase brand image, reputation, and value. The new head office complex will also add to the intellectual capital value as it will provide a visual brand presence while increasing brand reputation as the build is being constructed to conform to sustainable building concepts enabling us to increase efforts to conserve natural resources and serve our customers more conveniently.

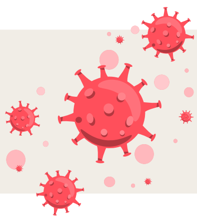
Innovation will continue to add value to the elements of intellectual value and resultantly increase the overall value created. In the coming years, we will continue to invest in innovative processes and systems to support the different aspects of our business to remain relevant within the robustly changing operating environment, especially in light of the changes seen in conducting business in a pandemic environment. To support these endeavours, the Company will continue to invest in adopting relevant value-adding technologies and digitalisation to drive value creation across stakeholder groups and enable the Company to maintain robust, efficient, and effective internal processes and systems to remain true to our brand philosophy.

The Company's ability to convert tacit knowledge to new and improved business processes will be a critical success factor as the industry adopts advanced technologies to drive growth and interact with customers. Thus, continuing to promote a learning organisational culture will remain valid in the coming years. We will also invest in training programs for our employees and increase opportunities for them to interact with like-minded peers as a measure to expand their knowledge and know-how.

We are happy with our progress to date. However, our investments and strategic focus will continue it evolve aligned to changes required to remain relevant in the industry and operating environment which is transforming. We will continue to focus on our chosen path as it has reaped rewards in the past and will continue to reward the Company and our stakeholders in the future.

COVID-19 Impacts

- Majority of the monthly meetings in the Fixed Deposit, Gold Loan and Recovery teams were held via zoom.
- Process development sessions were conducted online.



GRI: 103, 102-9,102-10,203, 204, 413, 416, 417

SOCIAL & RELATIONSHIP CAPITAL

Material Aspect

Customer Satisfaction | Ethics, Compliance and Good Governance | Community Upliftment

Stakeholders Impacted/Affected

Customers | Business Partners | Society/ Community | Regulatory Authorities

How We Create Value

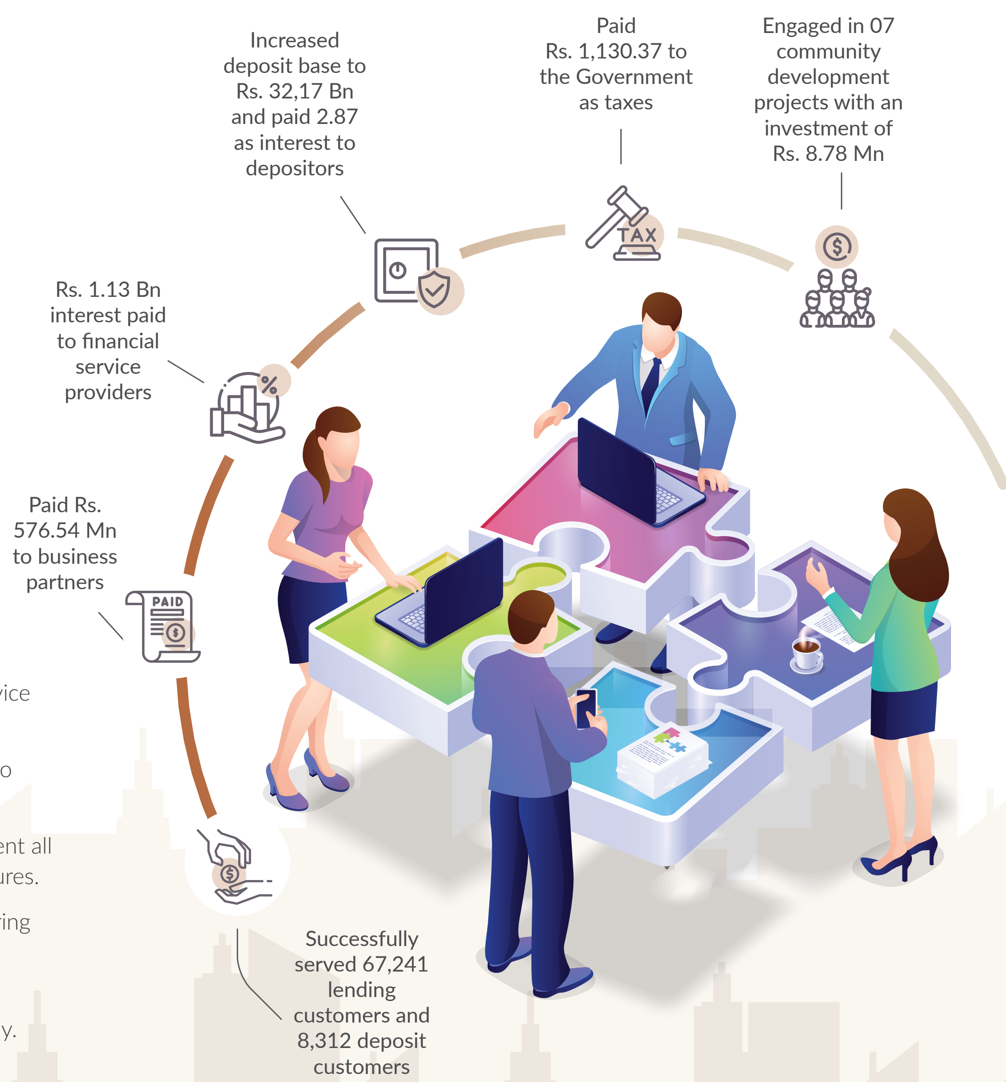
Strategic Goal

To actively engage with our stakeholders and build mutually beneficial relationships which create long-term sustainable value for all.

Our Approach

- Continually enhance customer value and service experience.
- Work collaboratively with business partners to develop sustainable partnerships.
- Cooperate with relevant authorities to augment all regulatory and voluntary policies and procedures.
- Consider shareholder interests to build enduring relations for continuous support
- To research community needs and assist in developing communities directly and indirectly.
- Use digital communication platforms such as social media for increased engagement with stakeholders.

Our Achievements 2020/21



Challenges 2020/21	Planned Actions
Ever-changing customer needs and wants and satisfying the Customer	Continuously research and develop innovative products and improve operational processes to meet customer requirements in the most efficient manner
Addressing customer complaints in a transparent and satisfactory manner	Customer complaint handling process to be streamlined aligned to the Customer Relationship Management system
Rapidly evolving competitive Landscape	Need to focus on digitisation efforts and embarked on process re-engineering initiatives to create more value for our customers
Discovering the 'right fit' alliances to help boost value creation for the community while concurrently serving other stakeholders to their satisfaction	Identifying the most critical community development projects and uplift the well-being of critical communities
Employee Health and Safety during the COVID-19 pandemic	Continuing to operate with minimum staff and further implementing the work from home basis.

Introduction

Our social and relationship capital represents our freedom to operate a successful business sustained due to the relationships we have established and maintain with all our stakeholders. Since its inception, the Company has been committed to generating long-term and mutually beneficial value to all stakeholders as we remain a productive and conscientious business entity contributing towards the betterment of the nations and its people. These relationships are nurtured through our engagement processes and support the Company's strategy formulation process while guiding decision-making for the best possible outcomes to benefit overall value creation for all.

This section will focus on how the Company creates social and relationship capital to our key stakeholder groups - shareholders, customers, business partners and suppliers, government institutions and regulators, and the community/society – who support our business and for whom we operate our business.

The Company made a total investment of Rs. 585.3 Mn on social and relationship capital during the year under review. We invested Rs. 576.5 Mn on creating value for our business partners and suppliers, and Rs. 8.78 Mn on corporate social responsibility projects. These investments continue to support the creation of value for social and relationship capital and strengthen the relationships with our stakeholder groups thereby driving our business towards a sustainable future.

Our Approach to Creating Stakeholder Value

Stakeholders	Activities	How Value is Created
Shareholders	Adequate returns	Wealth created through optimised and sustainable business operations Tranparent and ethical business operations
Customers	Product development Product enhancement Branch network expansion Marketing activities	Serving a wider customer base through a focused segementation 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	Tranparent and ethical business operations
Community/ Society	Community projects Branches in remote and rural areas	Helping communities to meet their social needs Assisting upliftment of communities Assisting development of small towns

Management Approach

To create social and relationship capital value for our external stakeholders, the Company uses the stakeholder engagement and materiality analysis procedures to identify the needs of key stakeholders and integrate them within the Company's strategic plans. Furthermore, we evaluate emerging new developments which could negatively impact our stakeholders, such as the COVID-19 pandemic which resulted in the Company having to adopt different ways of doing business and interacting with stakeholder to safeguard their health. In such situations, we allocate necessary resources to support our stakeholders, without compromising the value creation process for the organisation and our stakeholders..

SOCIAL & RELATIONSHIP CAPITAL

Over the years, much success has been derived by the Company in creating social and relationship capital value to our stakeholders as we endeavour to remain relevant by accommodating changes in our business operating environment, as well as adopting digitalisation and technology advancements. Regularly reviewing and updating business processes and procedures, as well as embedding the concept of relationship management within key client-facing teams add greater value to our stakeholders.

These processes have supported our efforts to build trust amongst our stakeholders. By operating transparently and being open to understanding stakeholder needs and concerns, has also gained respect and enhanced the Vallibel Finance reputation, indirectly benefiting value creation for other capitals. This has supported our efforts to build long-standing relationships with our stakeholders which in turn have supported business growth. Many of our business activities including product enhancements, new product developments, technology adoption, and branch expansions reflect insights received from our stakeholders regarding their needs and expectations.

Our customers receive the most direct benefit from social and relationship capital value additions, especially in terms of new or enhanced financing products as well as more efficient and convenient services. The communities residing in proximity to our business operations also benefit from such aspects as new job opportunities and increasing economic development when we set up new branches in newly developing towns across the country. Ancillary business activities such as extensive marketing campaigns and community development projects are also integrated within business operations to provide added value to the wider community and ensure timely and adequate availability of information to current and prospective customers.

For business partners and suppliers, the value created from social and relationship capital is more focused as Company initiatives are often individually fixated to give one-on-one direct benefits. Some areas of emphasis remain timely settlement of payments and the continuation of business activities in the longer term even amidst challenges such as those which arose due to the COVID-19 pandemic. To create value for our shareholders, Government institutions, and regulators; the Company embeds ethical and transparent business practices in our operations and adheres to the rules of law, follows relevant regulations in business and industry.

Customer Value Creation

Our business success is credited to our diversified customer base derived from all classes and ethnicities of Sri Lankans. We are cognisant that customers remain a key stakeholder and a critical success factor of the Company. Thus, we strive to provide a diversified product portfolio to meet their varied needs while striving to offer continually improving service quality to enhance their everyday experience with Vallibel Finance. Furthermore, we also focus on building relationships with our customers that transcend time so that their interaction with the Company becomes more personalised and meaningful will creating long-term value for them.

To ensure our customers' voice is heard at all times, we engage with them via different communication platforms throughout their lifetime with the Company. We work toward developing strategies which identify the changing needs of our customers; so that the Company is well-positioned to offer unique and customised financial solutions which enhance their lifestyles and livelihoods. We also focus on customer experience which creates a competitive advantage for the Company while ensuring our service quality remains at the highest standards thereby continuing to put the customer first, always.

The value created for our customers also creates value for the Company and the community at large.

<table>
<tr><th>Value for Customers</th><th>Value for Vallibel Finance</th><th>Value for the Society</th></tr>
<tr><td>Customised products to satisfy diverse and specific financial needs of individual customers or customer segments</td><td>❑ Income generated from the lending portfolio</td><td rowspan="4">❑ Ensure financial well-being
❑ Enable economic growth
❑ Able to support the development of the financial services industry and the Company
❑ Increase the level of trust by the public in the industry
❑ A more sophisticated customer enabling economic development to the next level
❑ Increasing awareness of the advantages to be derived by obtaining the right financial services to improve lifestyles and livelihoods</td></tr>
<tr><td>Investment in new products to increase the choice for customers to meet their savings, life, and livelihood goals</td><td>❑ Enabling customer retention and the acquisition of new customers
❑ Receive funds for business growth and further investments in innovative product development</td></tr>
<tr><td>Offer responsible and objective financial advice to increase value obtained by customers</td><td>❑ Improving corporate reputation and thereby enabling increasing market share through new customer acquisitions
❑ Increasing customer retention goals and developing long term relationships thereby strengthening future business growth</td></tr>
<tr><td>Adopting technology and innovating services to continually augment customer experience</td><td>❑ Customer loyalty leading to long term customer relationships which propel business growth and viability
❑ Ability to cross-sell products thereby increasing sales and leading to business growth</td></tr>
</table>

Diversified Product Portfolio

To meet the distinct needs of our diversified customer base, the Company has developed and continues to develop a wide-ranging product portfolio. Our products are broadly categorised as Lending and Deposit products. Leasing is the primary lending product, while fixed deposits are the primary deposit product. The Company's leasing facilities extend beyond traditional leasing products and offer customised solutions to our customers. We also offer attractive rates which are designed to suit the unique financial requirements of our customers. The Company's other popular lending products include Auto Draft, Gold Loan, Property Loan, , Microfinance, Wheel Draft, and Western Union. During the year under review, the Company did not launch any new products due to the prevailing pandemic situation.

Product	Description
Deposits	Deposit products are the main source of funds for the Company, offering several options – from one-month deposits to 5-year deposits.
General Leasing	A leasing facility for medium to high-income earners requiring the purchase of high-value assets..
Micro Leasing	A leasing facility offered for the financing of low investment vehicles such as three-wheelers and motorbikes, with tailor-made payment plans and competitive interest rates.
Vehicle Mortgage Loans	A facility for obtaining a loan by mortgaging their vehicles.
Personal Loans	A facility which provides financial assistance for any personal requirement of individuals by offering competitively low-interest rates and a convenient application and settlement process.
Property Mortgage Loans	A facility for Government and private sector employees as well as self-employed professionals and businessmen in urgent need of cash or those required to purchase land or building to obtain a loan by mortgaging their property.
Group Personal Loans	A facility for salaried employees to obtain financial assistance to improve their lifestyle and living standards.
Business Loans	A revolving facility that offers flexible financing to small and medium-sized businesses which require short-term loans for the purchase of fast-moving stocks.
Auto Draft	Auto draft product is considered to be more economical than a bank overdraft facility.
Wheel Draft	An innovative product coupled with the features of an overdraft facility targeted at owners of registered and un-registered three-wheel vehicles.
Gold Loans	A facility for individuals to obtain loans secured against their gold jewellery.
Loans against Fixed Deposits	A facility specifically aimed at a niche customer segment – the Company's most valuable fixed deposit customers. Loans against fixed deposits are offered as a short-term solution to meet urgent financial requirements while offering low-cost rates.

As part of our efforts to remain transparent and ensure our customers have adequate information about our products, the Company's customer-facing employees are trained to understand the characteristics and terms of every product in our portfolio so that they can in turn explain all products and service-specific terms to customers. Products details are also available on our website and marketing collateral which is easily accessible to existing and prospective customers.

As a responsible and ethical corporate entity, the Company ensures that all our financial products are designed to meet the relevant industry regulations. We also take a customer-centric approach when developing product features thereby making understanding our products and their terms easy for the layman. We also take steps to make sure our products do not become another financial burden to our customers causing them added stress. Our good practices in this regard have ensured that the Company has not been subjected to any fines or warnings during the year under review for non-compliance with relevant laws and regulations or cause of any health and safety issues for our customers.

SOCIAL & RELATIONSHIP CAPITAL

Customer Relationship Management

Over the years, we have developed progressively advanced methods to interact with and manage relationships with our customers. Offering customised products and services to suit diverse customer segment needs has been the leading differentiator. However, the Company's steadfast approach in treating every customer as important irrespective of the size of the business they conduct with us has been a key success factor which has given us a strong foothold for building long-term relationships with our customers. This is supported by the Company's product policy which focuses on satisfying identified customer needs first before expanding our reach to other customer segments.

The Company's 271 marketing personnel play an important role in Customer Relationship Management by offering our customer's an unparallel experience through effective customer services. Our commitment to exceptional customer experience and high-quality customer services is supported by the Company's policies, procedures, and guidelines which our client-facing marketing personnel must follow during their interactions with customers. All customer-facing employees are given adequate annual training to enhance their soft skills to enable them to serve our customers at exceptional service levels and to the best of their abilities. CRM has enabled the Company to maintain long-term customer relationships, improve customer retention rates and attract new customers in turn supporting the value creation process for all stakeholders.

Customer Experience

Giving our customers an unmatched customer experience when they do business with the Company is intrinsically embedded in our corporate culture and our brand promise. Thus, every business decision considers aspects of customer experience and this factor is incorporated into our corporate strategy and cascaded across the Company's processes.

Enhancing customer experience by offering incomparable customer services is intrinsically linked to our corporate culture and brand promise.

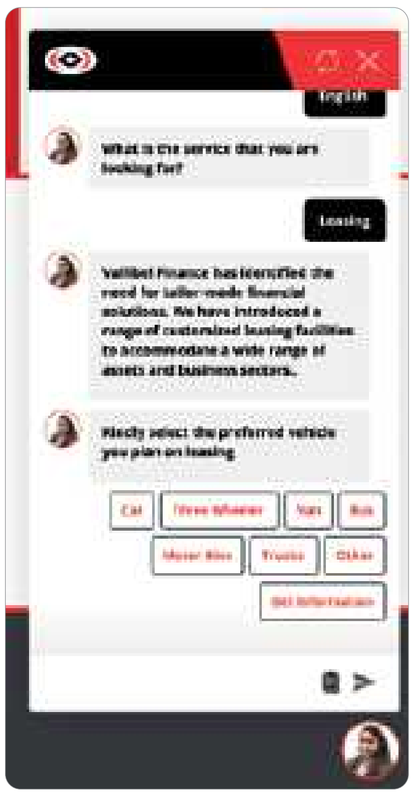
Branch Network Expansions

Our branch network strategy is a key method used to augment customer experience. We operate 46 branches located in key towns and cities across the country. Our branch operations and facilities undergo relocations, refurbishments, and upgrades to ensure they offer an optimal experience to our customers in terms of services, convenience, efficiency, and effectiveness.

The Company also annually opens new branches in locales where there is a dearth of financial services for the local population. In the year under review, we opened five new branches, and modernised three branches at a total investment of Rs. 63.11 Mn. For more details refer to the Manufactured Capital review on pages 84 to 91 of this Annual Report.

Marketing and Communication

Marketing and communications also are important aspects of customer experience. By disseminating timely and relevant information about the Company and our products and services using modern and traditional marketing and communications supports the overall experience of our customers when doing business with the Company. To cater to the diverse ethnicities and generations of our customers, both existing and prospective, our marketing and promotional campaigns are done in English, Sinhala, and Tamil. We also use different media such as newspapers, television, radio, outdoor hoardings, and social media, to reach the country's population.



Chatbot in our corporate website.

In today's digitalised world, information technology plays a critical role in ensuring convenient, modern, and seamless communication between the Company and its customers, as well as other stakeholders. Thus, we continuously review and adopt new technologies and social media to reach our customers according to their preferred communication method. This resulted in the Company implementing a Chatbot in our corporate website to conduct instant online conversations instead of providing direct contact with a customer service representative. The Company also took measures to optimise, to optimise search engine rankings of our corporate website using specific keywords to increase the probability of prospective customers being able to find us through a Google® search.

In the year under review, the Company's marketing and promotional activities were undertaken in both traditional and digital media at an investment of Rs. 36.63 Mn. Considering the prevailing COVID-19 pandemic situation, we used our Facebook presence to keep our customers, other stakeholders and the public informed of developments regarding the pandemic and COVID-19 protection tips. We also shared posts on current events, promotions, and relevant information through our digital presence.

Social Media Advertisement

Remaining true to our ethical business practices, the Company strictly follows ethical advertising and marketing practices, as well as adopts best practices for online marketing and our digital presence; so that our customers and the public are never misled or intentionally harmed through our communications.

Call Centre

The dedicated call centre of the Company also adds value to the overall experience of our customers when doing business with us. The sophisticated Customer Relationship Management (CRM) software uses real-time client data and records caller data and other pertinent information regarding the inquiry or the complaint. The system also sends out internal notifications for timely follow-ups. Furthermore, as the call centre is operational only during official work times and days, the CRM sends out emails to pre-designated personnel across the Company's branch network when calls are received during non-working hours and holidays. Overall, the CRM has helped to streamline inquiry and complaint management; increase the efficacy and accuracy of information sharing with existing and prospective customers and helped resolve customer issues, queries, and problems at a faster rate.

The system's predictive data models have also facilitated the Company to gain insight into customer behaviour, needs, and expectations so that we can continue to offer greater personalisation and customised services to our customers.

Dial **+94 11 7 480 480**
for immediate access to
our dedicated Call Centre

SOCIAL & RELATIONSHIP CAPITAL

Social Media Advertisements

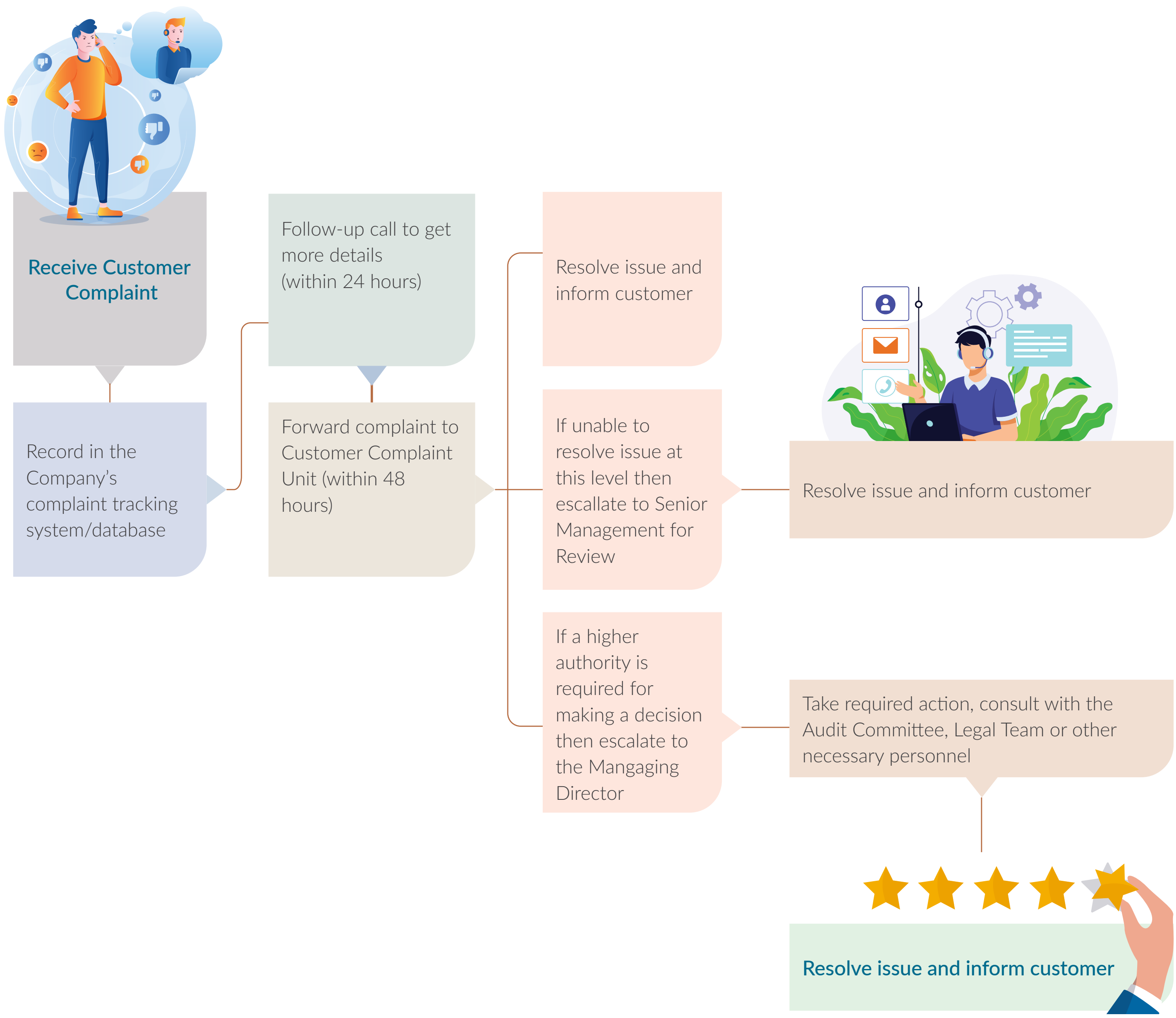
Customer Grievance Handling

Handling customer grievances diplomatically and promptly is an important aspect of the Company's Customer Relationship Management (CRM) process. While some grievances are received through our Call Centre, we also have other methods through which our customers can lodge their grievances. During the year under review, we also created a dedicated email service known as 'Tell-Us' through which customers can directly voice their grievances. The email service is handled by our call centre and compliance division as the first line of contact. Thereafter, the email is forwarded to the relevant DGM and/or managers depending on the severity of the grievance. Once the grievance is resolved, a call centre personnel follows up with the customer via a phone call.

The Company also carefully reviews messages and posts on our Facebook page which sometimes brings to our notice customer's issues and/or problems, and also takes note of customer complaints received through any client-facing employees. Such complaints are forwarded to the Customer Complaint Unit to be formally handled according to the Company's grievance handling process.

Details on how customers can contact the Company to lodge their grievances is communicated via our corporate website and notices placed in prominent locations at the head office and all branches and service centres of the Company. The Company benchmarks one working day to make the first acknowledgement to the customer regarding his/her grievance with the Company. Thereafter, periodic updates are provided to the customer so that they are aware of the stage at which the grievance review has progressed, and when they can expect feedback.

The Company's customer grievance handling process is shown below.

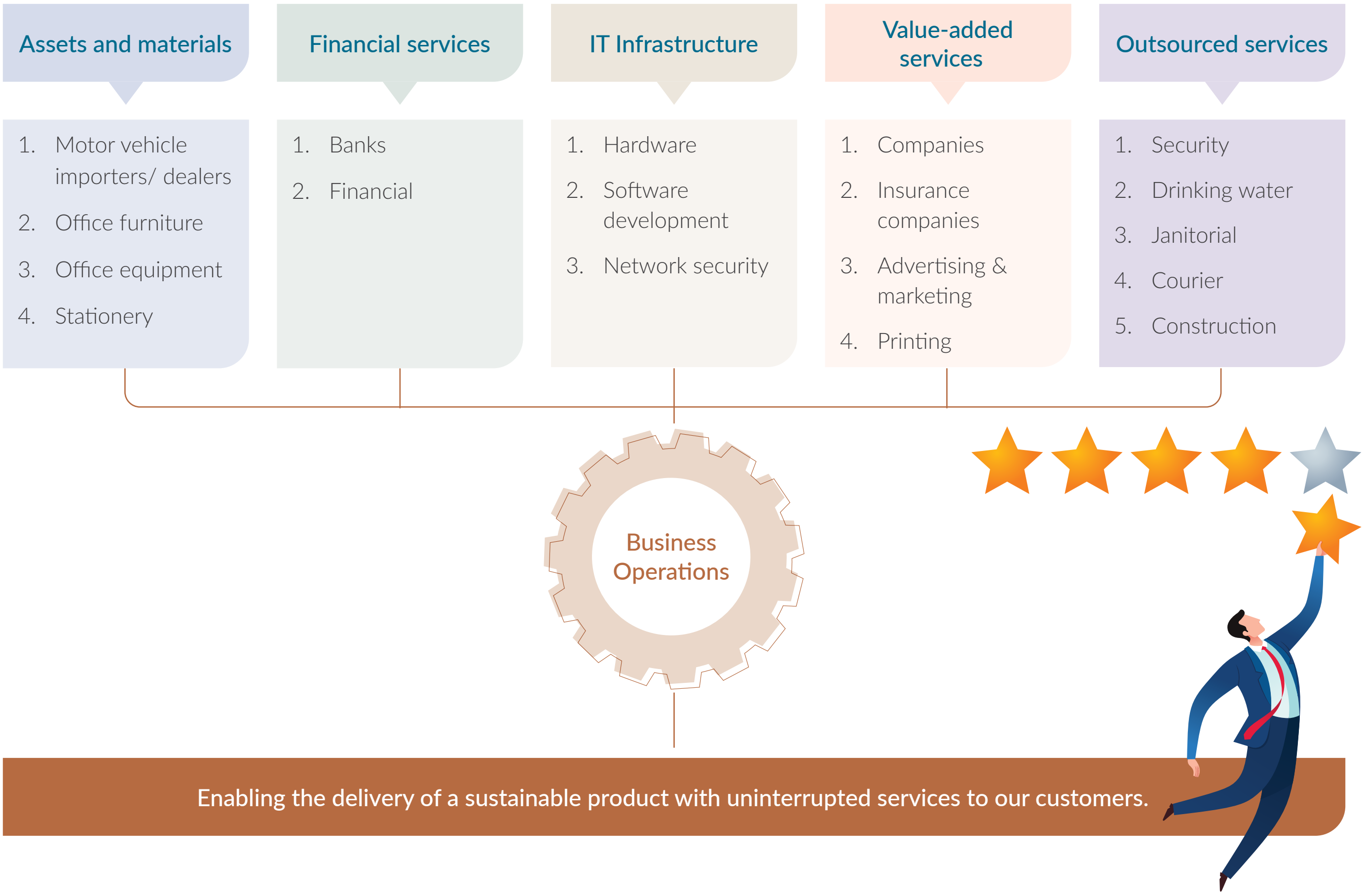


CAPITAL MANAGEMENT REVIEW

SOCIAL & RELATIONSHIP CAPITAL

Business Partner and Supplier Value Creation

Our business partners and suppliers support the Company's endeavours to meet the needs of our customers and are considered an essential element of our supply chain and an intrinsic part of our sustainable business operations. The Company works toward creating value for them by establishing responsible relationships by aligning with our corporate values and culture and ethical business practices. Our goal is to pursue enduring business partnerships, based on trust, and creates value for all while simultaneously enabling us to deliver a sustainable product and uninterrupted services to our customers.



We operate our business on the principles of supply chain management which helps us to manage costs, maximise customer value for the longer term, and increase the value created for our business partners and suppliers. This process also helps the Company to add value to the community/society at large.

Value for Customers	Value for Vallibel Finance	Value for the Society
Timely settlement of payments	❑ Better market success through business continuity	❑ Improves trust in the NBFI sector
Building long-term relationships	❑ Increased profits ❑ Reduced mistakes/returns	❑ Enhances service quality ❑ Uninterrupted financial services ❑ Increased economic prosperity

Adopting Transparent Procurement Processes

All procurement of goods and services are centrally managed by our administration department. As the Company's procurement process is linked to the principles of supply chain management, we are also able to minimise waste, obtain the most competitive prices, and manage the delivery of goods and services on time and at the highest quality levels. This supports our ultimate goals of offering the best customer experience and having resources to manage business operations and streamline processes. By following this process, we are able to adopt a transparent and traceable procurement procedure and meet the expectations of these stakeholders.

A crucial element of the Company's procurement guidelines is the equal and fair treatment of all suppliers irrespective of size or value of purchases. This helps us build sustainable business partnerships which are mutually beneficial for all concerned. Furthermore, as we progress in the adoption of more inclusive and sustainable procurement practices, the Company will endeavour to encourage our business partners to incorporate ethical and non-discriminatory labour practices within their business operations and apply standards of responsible and sustainable sourcing for goods and services.

Sustainable Business Partnerships

Our business partners being a key part of our value chain, the Company adopts different methods to create and manage these relationships in a sustainable manner. During the year under review, we sponsored the Annual General Meeting of the Vehicle Importers Association held at the Cinnamon Grand Hotel, Colombo on July 18, 2020, as our continued efforts to add value to them.

Government and Regulator Value Creation

The Government and industry regulators are also important stakeholders for the Company. As such, we continue to adhere to the rules and regulations, laws and best practices, and the recommendations of these stakeholders as part of being a responsible corporate citizen and also as a part of our efforts to create value for the country's Government and industry regulators.

Our efforts in this regard were seen during the year under review when we proceeded to adopt the health and safety guidelines as recommended by the Government health department and offered the moratorium as recommended by the Central Bank of Sri Lanka to manage the negative impacts caused by the COVID-19 pandemic.

Furthermore, we also work with regulators for the betterment of the industry and the nation's people who also help build a rapport based on trust and reliability. For additional details, refer to the corporate governance report on pages 130 to 162 of this annual report.

Value for the Government and Regulators	Value for Vallibel Finance	Value for the Society
Maintain transparent and ethical business practices	❑ Recognition as a responsible and reliable Company	❑ Taxes paid will directly influence economic growth ❑ Will improve the industry's reputation and standing in the society
Payment of fees and other dues on time		
Compliance with laws and regulations		
Follow through on recommendations		

Shareholder Value Creation

Creating value for shareholders is a primary objective for any organisation. We do this by increasing shareholder wealth year-on-year. Thus, the goal to increase shareholder wealth is an integral part of our business operations, while maximising shareholder wealth is a long-term strategic imperative of the Company. As part of our efforts to create value for our shareholders, we operate an ethical and transparent business entity, work on adopting best governance practices and risk management processes, and work toward strategic business growth and expansion.

Value for Shareholders	Value for Vallibel Finance	Value for the Society
Increasing income resulting in increased profits	❑ Increasing market share ❑ Diversifying the product portfolio	❑ Supports economic and industry growth ❑ Employment opportunities ❑ Increasing the viability and reach of financial services
Embracing a long-term mindset ensuring the going-concern concept	❑ Garner higher returns and plan for successful future growth	

For complete details on the value created for our shareholders, refer to the financial capital review on pages 74 to 83 of this Annual Report.

SOCIAL & RELATIONSHIP CAPITAL

Community Value Creation

We remain committed to the community within which we operate our business. The Company continues to actively support community upliftment and ensures our investments create long-term value which generates sustainable benefits for the community at large. As part of our efforts to support the community we annually sponsor and support various community projects and events.

Value for the Community	Value for Vallibel Finance	Value for the Society
Development of rural community locations Upliftment of communities Supporting health and safety of community members Contributing to community projects and programs	❑ Recognition as a responsible Company thereby increasing brand recognition and equity ❑ Increasing market share ❑ Pride in being a corporate citizen ❑ Acceptance by community members	❑ Advancement of the nation's socio-economic agenda ❑ Aiding in the upliftment of the living standards of the society as a whole ❑ Assisting in economic growth ❑ Helping communities to develop and prosper ❑ Supporting efforts to reduce the spread of COVID-19

During the year under review, the Company invested Rs. 8.78 Mn in our efforts to significantly contribute to improving the lives, livelihoods, and health and well-being of communities across the country. An overview of our community development projects for the year 2020/21 is given below.

Health and Wellbeing of Community Members

Donation of Ventilators	Date: 21st May 2020
Description	The Company donated two Hamilton C3 model mechanical ventilators manufactured in Switzerland to the Neurology Unit of the Kurunegala Teaching Hospital. The donation was made in support of the national efforts to treat people infected by the COVID-19 virus.
Social Impact	❑ Contributing to the betterment of the health of community members. ❑ Bolstering the availability of free medical facilities in the country.
Stakeholders Engaged	Employees

Donating Ventilators to Kurunegala Teaching Hospital

Health and Wellbeing of Community Members

Traffic Signboards	Date: 22nd December 2020
Description	In collaboration with the Hanwella Police Station, the Company's Hanwella branch donated 20 traffic signboards.
Social Impact	❑ Promote road safety among pedestrians and drivers ❑ Avoid traffic congestion on the road
Stakeholders Engaged	Community

Donating Traffic sign Boards to Hanwella Police

Increasing COVID-19 Awareness	Date: 29th October 2020
Description	We ran a COVID-19 protection campaign on our Facebook page using animated posts to educate and create greater awareness of best practices to adopt to protect against the spread of the COVID-19 pandemic.
Social Impact	❑ Increase awareness of how to protect against the pandemic. ❑ Educate the public on the importance of protecting themselves and others from the pandemic. ❑ Contributing towards the creation of a health and safety culture in the nations
Stakeholders Engaged	Employees, Customers, Community

Facebook campaign to raise awareness against COVID-19

SOCIAL & RELATIONSHIP CAPITAL

Assisting Public Sector and Religious Organisations	Date: 4th May 2020
Description	The Company made a monetary donation to the Siri Alanmathiniyarama Viharaya for the distribution of dry rations amongst the less affluent communities to aid them in times of hardships faced due to the prevailing pandemic situation. Another monetary donation was made by the Company to the USQ Alumni chapter Sri Lanka to distribute bags of dry rations to needy families during the Christmas season.
Social Impact	❑ Supporting the less affluent communities of the society ❑ Improving community relations
Stakeholders Engaged	Community

Education Advancement Projects

Supporting Continued Education of Students	Project 1 : Donation to Grade 5 Scholarship Student Date: 22nd January 2021	Project 2 : Donation of Cricket Equipment to R/EMB/Keealagama, Sri SunadaMahaVidyalaya,Kolonna Date: 1st February 2021
Description	**Project 1:** The Company made a monetary donation to a student of the Hapugala Primary School, Galle, who passed the Grade 5 Scholarship Exam with excellent results. The student is from a low-income earning family and had requested financial aid to purchase a laptop to support further studies. **Project 2:** The Company researched schools in the Embilipitiya area which play hardball cricket and donated much-needed cricket equipment to the selected school team.	
Social Impact	❑ Contributing towards educational advancement of the future generation ❑ Contributing towards the future enhancement of per capita income of the country's population. ❑ Reducing the burden on low-income families	
Stakeholders Engaged	Employees, Community	

Scholarship given to P K B Pahasarani

Donating Cricket Equipment to R/EMB/Keealagama, Sri Sunada Maha Vidyalaya, Kolonna

Future Outlook

Our approach to creating social and relationship capital value encompasses myriad stakeholders and through a cohesive approach which identifies differing needs which can be met through an overarching strategy. This approach has supported the Company's efforts over the years and has aided us to improve our internal processes and systems to manage different stakeholder requirements and implement changes which benefit business operations to remain sustainable in the long term. We also ensure that while we create long-term value for social and relationship capital we do so by allocating adequate resources without compromising business growth and development which is the ultimate aim of our Company.

As we approach the coming financial year, we will continue this path and focus on maintaining current relationships while building new relations which will sustain the business over time. Furthermore, the Company's new head office complex which is expected to be operational towards the end of the financial year 2021/22, will add more value to our customer relationships through enhanced customer experience and convenience of obtaining our services. The value will also be created for other stakeholders as the head office complex will create value in terms of the other capitals.

Our strategic goals which include branch expansions, new product developments, service quality improvements will continue to create value in terms of social and relationship capital as it will cater to the different needs of shareholders, Government and regulators, community members, business partners, suppliers, and customers. While endeavouring to fulfil their needs we will also focus on resource optimisation and cost management which is integral for the continued value creation process for future generations.

The Company will pursue further additions and enhancements to our Customer Relationship Management and supply chain management processes which we foresee as deriving benefits not only to our stakeholders but also to the Company's operations in the long term. We will also continue to integrate supply chain management principles more comprehensively within our corporate strategies thereby enabling us to add value to many stakeholders, both directly and indirectly. All these activities will be supported by a competitive pricing strategy, promotional activities, and new and enhanced business partnerships enabling continued success for all.

Plans which were to be implemented for the year under review to increase customer convenience and privacy by developing and implementing a secure payment gateway on the corporate website and displaying digital signage of product flyers, fixed deposit rates, and special promotions at our branches as part of our efforts to increase the effectiveness of transparency of marketing communications were delayed due to the COVID-19 pandemic. However, these plans will be pursued in the forthcoming financial year as the immediate danger from the pandemic subsides.

Having gained much insight on operating in a pandemic era where social distancing measures are practices, we will also utilise technology to create opportunities for increased digitalisation thereby being future-ready to tackle greater online stakeholder interactions. This has also resulted in the Company's firm plans to use information technology to initiate an 'Artificial Intelligence in Finance' project to solve problems related to chatbots, compliance, credit scoring, cyber security, and other similar issues we have faced in the past year. Further evaluation on this will continue in the coming year.

The Government and industry regulators will continue to derive value from the Company as we augment our efforts to streamline and refine our internal processes and systems which will support the development of the industry as a whole and benefit the country's economy in the long term. Ethical and transparent business operations across our value chain will always remain an area of critical importance, and our management is cognisant of the need to remain relevant amidst the changing business environment by transforming how we operate while remaining true to our fundamental beliefs.

Our efforts to support our community and the society, of which we are a part, will continue uninterrupted. As seen, we endeavoured to do our best to support the community in the year under review while we operated with several constraints. As we pursue our strategic plans for the coming year we will continue to work towards uplifting communities and aiding the livelihoods of the country's people for a better and brighter tomorrow.

GRI: 302, 303, 306, 307

NATURAL CAPITAL

Material Aspect

Commitment to the Environment

Stakeholders Impacted/Affected:

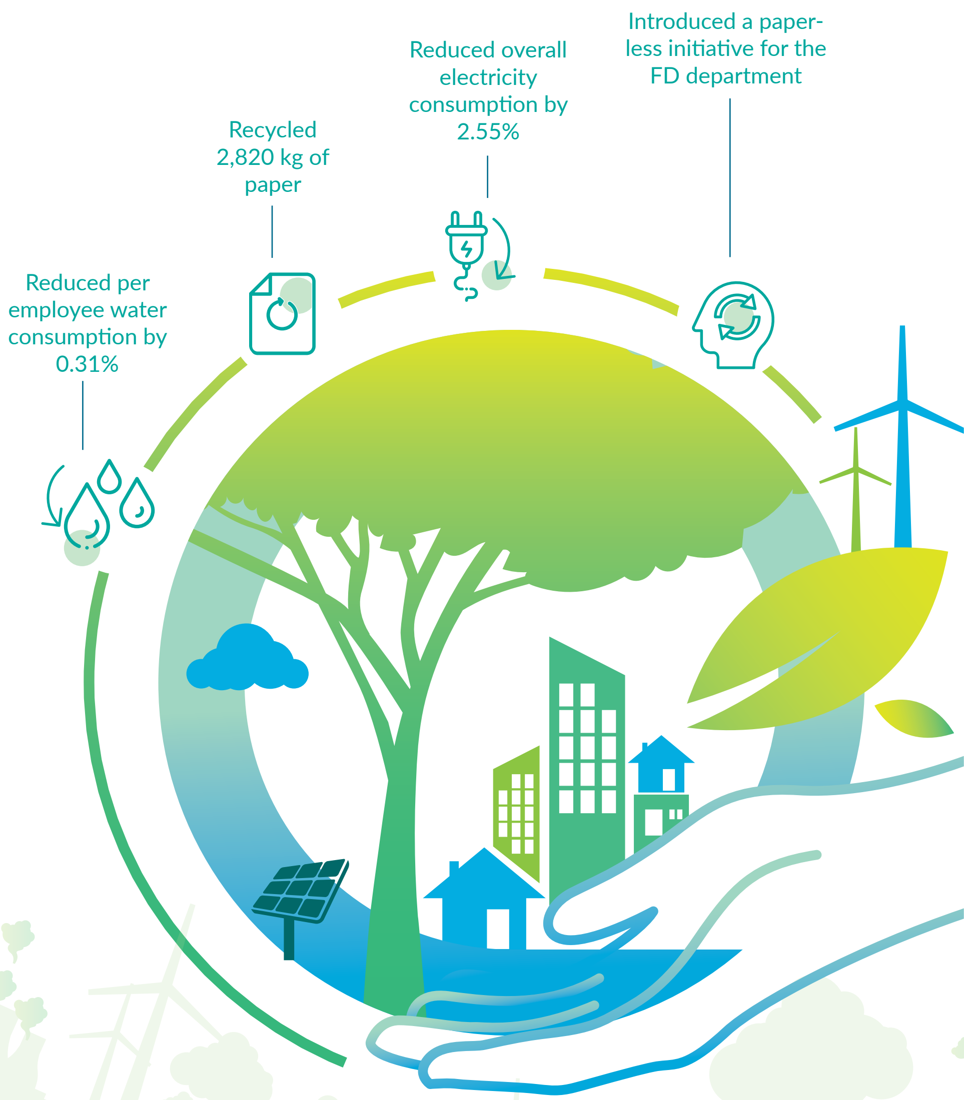
Employees

Business Partners

Society/ Community

Regulatory Authorities

Our Achievements 2020/21



How We Create Value

Strategic Goal

To promote broader sustainability initiatives by focusing on the environment and natural resource consumption through safeguard and conservation efforts across business operations and stakeholder groups.

Our Approach

- Minimising the use of non-renewable natural resources, wherever and whenever possible.
- Continually implement energy saving measures.
- Applying the principles of the 3R concept – Reduce, Reuse & Recycle when using both renewable and non-renewable natural resources.
- Advocating the purchase of environmentally friendly products and services.

Challenges Faced & Planned Future Action

Challenges 2020/21	Planned Actions
Reducing paper usage by transferring paper-based systems to electronic/digital systems	Promote electronic and online communication methods and monitor paper usage.
Lowering carbon footprint in all location across in which the Company operates	Educate employees on the importance of reducing energy usage and efficient use of natural non-renewable resources

We appreciate the importance of identifying and measuring the environmental impacts of our business operations and understand it is our responsibility to mitigate both direct indirect impacts caused by the Company.

Introduction

Despite being a service organisation, our business operations continually use natural resources and interact with the environment. Thus, we are aware of our responsibility to preserve the environment and natural resources for future generations. The Company uses energy, water, fuel, and paper in our Head Office and branches as well as indirectly through our lending operations. We also generate waste and cause emissions while conducting day-to-day business activities.

Hence, we appreciate the importance of identifying and measuring the environmental impacts of our business operations and understand it is our responsibility to mitigate both direct indirect impacts caused by the Company. In this context, the Company will continue to work towards managing our environmental footprint while addressing the need to control the use of natural resources which are materially impacted due to our business operations.

Management Approach

To create value for natural capital the Company has over the years adopted green business practices and has endeavoured to minimise the use of non-renewable resources such as water, electricity, and fuel by adopting in-house conservation methods and the 3Rs concept of Reduce, Reuse, and Recycle. In addition, the Company also educates employees about the benefits of conserving natural resources while also promoting such best practices in the workplace.

In the previous financial year, we implemented the first formal recording and monitoring processes for the use water consumption, electricity consumption, and fuel usage. We continued with recording and monitoring process in the year under review and this is the first year in which a comparison is available and included in this review.

Continuing to improve our waste management endeavours, the Company partnered with a paper recycling operator which will help us become more conscientious in our paper usage and also our paper disposal mechanisms. However, there is currently no recording mechanism for any other waste generated and disposal.

The Company has green lending facilities, although no specific policy has been developed. However, currently, the focus remains on lending to individual consumers who purchase environmentally friendly products such as hybrid vehicles.

Our efforts to report on natural capital usage are still in its early stage. We will continue to increase our reporting efforts and continue to make advances as we mature in our reporting and understanding of best methods to suit our growing business needs.

Effective Use of Green Operational Concepts

The Company's commitment to green business concepts and practices and developing a sustainable business environment is founded on the adoption of the universally accepted best practices related to the 3Rs - Reduce, Reuse, and Recycle. The 3Rs advocate minimising the amount of waste generated (Reduce), reusing products as much as possible (Reuse), and sending for reprocessing any materials that can be converted to a new product for another purpose (Recycle).

By continually embedding these 3Rs within our day-to-day business processes and operations, the Company has been successful in saving water; reducing energy consumption, paper usage, and waste generated; and embedded in our employees the need for responsible practices when using natural resources. Some of these best practices implemented over the years, include:

- reusing paper and envelopes for internal purposes,
- printing on both sides of the paper,
- limiting the number of printers and photocopy machines on a floor,
- avoiding the use of plastic plates and cutlery, and
- Encouraging the use of glass water bottles by employees to inculcate 'good habits' within our corporate culture.

Responsible Business Operations

Water Conservation

The Company uses water mainly for drinking and sanitary purposes. Our business is not a water intensive operation, and as such, there is no significant negative impact on natural water bodies or related habitats due to our commercial activities. However, we are aware that access to quality water is increasingly becoming scarce. Therefore, we have processes in place to regularly check for water leakages and immediately repair damaged pipes, use low-flow latrines and water taps for optimal water usage in the course of doing business. The Company also educates employees on the importance of water conservation by conducting awareness programs and displaying 'Save Water' tags and notices at prominent places within our office premises.

The Company relies on water supplied by the national water board and does not use any other water source for the daily needs of employees, except for drinking water. As part of our efforts to supply clean drinking water to all employees, the Company has contracted with a third-party mineral water supplier to provide all drinking water requirements the Head Office and all our branches.

The water consumption of the Company has been increasing year-on-year, due to the increase in the number of employees and the increase in the number of branches As a result, there is no significant reduction in the consumption of water.

The table below shows the Company's water consumption during the financial year under review.

CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

Water Consumption (m^3)
2020/21 | 2019/20

Total Consumption**	Consumed per Employee[1]	Consumed per Workday
15,523 m^3	**14.55 m^3**	**50 m^3**
14,550m^3 (2019/20)	14.86m^3 (2019/20)	49m^3 (2019/20)

Consumed at Head Office (Total employees - 349)	Consumption per Branch/Service Centre	Consumption by all 45 Branches/ Service Centres (Total employees - 718)
5,077.95 m^3	**232.15 m^3**	**10,446.9 m^3**
5,900m^3 (Total employees - 397 - 2019/20)	216m^3 (2019/20)	8650m^3 (2019/20) (Consumption by all 40 Branches/ Service Centres (Total employees - 582 - 2019/20)

1 Total consumption per employee is calculated based on 1st April 2020 number of employees as at 31st March 2021 using the total water consumed from 1st April 2020 to 31st March 2021.

2 There are a total of 308 working days from 1st April 2020 to 31st March 2021. Hence, the total consumption was divided by 308. It is calculated as 24 working days per month (including ½ day working Saturdays) from 1st April 2020 to 31st March 2021 (12 months). Even though the employee base has increase by 8.9% the consumption per employee has increased by 6.69% due to our employees working from home and closure of branches due to the COVID-19 pandemic.

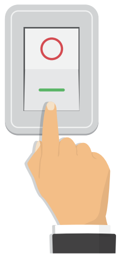
** Consumption varies between months due to the addition of four new branches as well as changes in the employee base at the head office and branches. Thus, consumption shown is an average for the year.

Energy Consumption

With the aim of positioning the Company as a responsible energy manager, we have remained firmly committed to promoting energy efficiency and reduced energy usage across all business operations and locations. Accordingly, we use energy efficient lighting systems at our Head Office and all of our branches.

The Company's obtains energy from the national electricity grid which predominantly uses hydro power. However, we also use petrol and diesel which are categorised as non-renewable energy sources to operate generators used during emergencies and power outages and to operate vehicles to carry on business activities. During the financial year under review, the Company purchased 34,583.92 litres of diesel and 4,474.76 litres petrol to operate such vehicles.

Measures used to curb energy usage have been successful; however, the Company's energy consumption has been increasing year-on-year due to business growth and success.The table below shows the Company's electricity consumption from for the financial year under review.



Electricity Consumption (KwH)

2020/21 | 2019/20

Total Consumption**	Consumed per Employee[1]	Consumed per Workday[2]
1,045,505 KwH	980 KwH	3,394 KwH
1,072,809 KwH (2019/20)**	1,096 KwH (2019/20)	3,624 KwH (2019/20)

Consumed at Head Office (Total employees - 349)	Consumption by all 45 Branches/ Service Centres (Total employees - 718)
341,971 KwH	703,534 KwH
239,411 KwH (Total employees - 397 - 2019/20)	637,768 KwH (2019/20) (Consumption by all 40 Branches/ Service Centres (Total employees - 582 - 2019/20)

1 Total consumption per employee is calculated based on number of employees as at 31st March 2021 using the total electricity consumed from 1st April 2020 to 31st March 2021.

2 There are a total of 308 working days from 1st April 2020 to 31st March 2021. Hence, the total consumption was divided by 308. It is calculated as 24 working days per month (including ½ day working Saturdays) from 1st April 2020 to 31st March 2021 (12months). Even though the employee base has increased by 8.98% the total consumption has decreased by 2.55% due to our employees working from home and closure of branches due to the COVID-19 pandemic.

3 Consumption varies between months due to the addition of five new branches as well as changes in the employee base at the head office and branches. Thus, cinsumption shown is an average for the year.

Paper Usage

The Company uses paper for many of its business processes as well as for documenting customer product requests and other pertinent information. Paper is also for developing marketing materials such as leaflets, posters, and handouts. The Company's reduce, reuse, and recycle concept is stringently applied to the paper used in business operations. As such, we promote printing on both sides of the paper, communicating via email or telephone whenever appropriate, and sharing documents electronically rather than taking printouts or photocopies as good practices. Similarly the Company uses a documentary management system to reduce printouts.

In the year under review, to further reduce paper used in conducting Company business, we developed a policy to send SMS notifications to the customers to notify them about their interest payments instead of using the traditional paper notice sent by post. Similarly, we continued to carry out business promotion activities using social media to attract younger generations. Types of social media promotions done can be seen under the Social and Relationship Capital report in pages 98 to 111.

NATURAL CAPITAL

Waste Management

As a service-based business, the Company mainly generates normal organic, plastic and paper-based waste as part of the day-to-day business operations. All other waste is segregated and collected by the Municipal Council waste management operations. Waste which does not fall into this category including printer cartridges, batteries, and other inorganic materials is responsibly disposed of using third party licensed operators as and when required.

The largest quantity of waste generated by the Company is paper-based waste. During the financial year under review, the Company partnered with M/S Paper Recyclers as part of our continued process improvements in managing paper waste. We successfully handed 2,820 kilograms of paper for recycling in the year.

The Company's does not generate any hazardous waste or effluents and does not record any hazardous waste water discharges into any natural water bodies.

Responsible Products and Services

Green Lending Facilities

The Company broadly aims to promote the development of eco-friendly businesses and growth of industries involved in the production and sale of environmentally friendly goods and services, encourage consumers to purchase and use such goods and services, and support businesses with eco-friendly operational models.

As a first step, we have lending facilities for our customers to purchase hybrid vehicles which are renowned for fuel efficiency and low emission levels. During the year under review, 726 lending facilities amounting to Rs. 1,862 Mn were given to our existing customers, despite the challenges which prevailed due to the COVID-19 pandemic. These initiatives will also indirectly support the Company in contributing to the reduction of carbon emissions and air pollution in the country.

Environmental Compliance

The Company did not pay any fines and has not been received any other non-monetary penalties for non-compliance with the Sri Lankan environmental laws or regulations during the financial year under review.

Future Outlook

The Company has over the years been gradually adopting sustainable business and environmentally friendly practices to conserve natural resources to safeguard them for future generations. While we have still not completely formalised a policy regarding our conservation efforts regarding the natural capital resources used in our day-to-day business operations, we took a significant step to start recording water, electricity, and fuel consumption in the previous financial year. Thus, we recorded data for the second consecutive year, which has given us a true view of how the Company uses these scarce resources. This captured data will enable us to better analyse where to best apply processes and systems to gain the most benefits to reduce the use of scarce natural resources. The Company will be in a better position to develop more advanced initiatives for the minimisation and reduction of water usage while considering new actions to be implemented for energy management in the medium term.

While we had firm plans to move forward with the introduction of new monitoring systems for waste management and recycling of waste, the spread of the COVID-19 virus resulted in a delay. Hence, we plan to proceed with these plans in the coming financial year, which will help us bridge the gap in our approach to environmental management. Furthermore, any upgrades planned for the Customer Relationship Management System and the paper usage monitoring systems has also been delayed for the same reason. These initiatives will also be implemented in the forthcoming year.

Our efforts to create greater awareness of natural resource conservation within our employee cadre and other stakeholders will also continue into the future. We will also remain on the path of new technology adoption as the automation of processes and digitalisation is bound to create greater natural capital value across our business and for our stakeholders as such new technologies will enable greater savings and further reduce consumption in the long-term.

The Company's green lending facilities remain at the inception stage of the lifecycle. Our efforts to move forward were stalled in the year under review, due to the prevailing economic and market conditions caused by the negative impact of the COVID-19 pandemic. However, the management plans to swiftly formalise goals and objectives in the coming financial year so that we can then progress to the next stage of in-depth market research. We believe growing our green lending portfolio will be critical in making our efforts to create natural capital value more robust in the coming years.

Other initiatives which will support the adoption of systematic methods to reduce the Company's carbon and environmental footprint in the longer-term are in the pipeline and will be further developed in the longer-term.

COVID-19 Impacts

- Slowed the Company's plans to adopt move forward with putting in place new monitoring systems for waste management and recycling of waste.
- Delayed the implementation of the paper usage monitoring system.
- Positively impacted water, energy, and fuel usage due to closure of operating facilities and the implementation of the work from home policy.

BUILT ON STRATEGIES

At Vallibel Finance our business model is built on strategies with the potential to secure long-term and sustainable growth- and that's why we are focused on delivering value to every stakeholder, while remaining resilient through immensely challenging terrains.

BUSINESS REVIEW

Continuing our commitment to our stakeholders despite prevailing challenges in the operating environment was only possible due to the leadership's focused approach to navigating a clear path through emerging challenges and the dedication of our employees to meet the needs of our customers.

The financial year ended 2020/21 continued to face repercussions mainly due to the continuing impact from the COVID-19 pandemic. While the many challenges continued to impact the business operating environment, the strategies developed for the year under review enabled us to focus on achieving our performance goals and enabled sustainable business growth by catering to the changing needs of our customers. Resultantly, we successfully expanded our business presence across the country and utilised technology to enable uninterrupted business services.

Total Loans

Rs. 47.75 Bn

Grew by 16.11% in 2020/21, reinforcing the Company's continued commitment to meet the needs of our customers even in difficult times.

Fixed Deposits

Rs. 32.17 Bn

The double-digit growth reinforces the trust placed in the Company by our customers.

Gold Loans

Rs. 5.38 Bn

Achieved a remarkable growth of 52.68% in 2020/21 compared to the previous financial year.

Our Product Portfolio

Deposit Portfolio

For general public and institutional investors

Lending Portfolio

For salaried employees, self-employed, professionals, corporate clients and SMEs

- Finance Leasing
- Auto Draft
- Mortgage Loans
- Wheel Draft
- Property Mortgage Loans
- Gold Loans
- Vehicle Loans
- Business Loans
- Personal Loans
- Loans against Fixed Deposits

DEPOSITS

The Company's fixed deposit product with focused attention to quality, security, and customer services is available to a wider consumer segment enabling the achievement of year-on-year portfolio growth.

Performance for 2020/21

During the financial year 2020/21, the Company's total deposits grew by 10.01%, amounting to Rs. 32.17 Bn as at 31st March 2021 compared to Rs. 29.24 Bn recorded as at 31stMarch 2020. Interested expenses decreased by 11.61% to Rs. 2.87 Bn in the year under review compared to the Rs. 3.25 Bn in the previous financial year. Fixed deposit accounted for 97.97% of the total deposit base, while Certificate of Deposits contributed only a modest 2.03% for the financial year ended 31st March 2021.

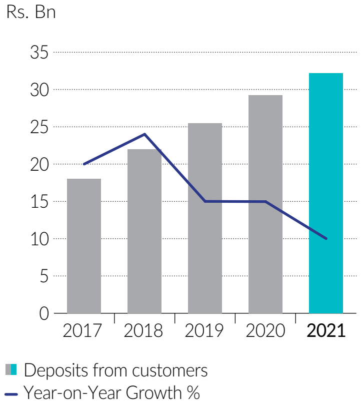
Key Features

- Guaranteed return on investment.
- Able to obtain a pre-approved loan against a fixed deposit with an interest being charged only on the amount used.
- One-month deposits to 60-month deposits.
- Flexible interest payment terms.
- Free investment advisory services.
- Eligible senior citizens given a higher interest rate on fixed deposits.
- Eligible deposits are insured with the Sri Lanka deposit insurance scheme.
- Offers high levels of customer service standards.
- Easy access through an extensive branch network.

Outlook for 2021/22

The outbreak of the COVID-19 pandemic continues to impact economic and industry growth and has resulted in deteriorating the performance of the LFC sector. This situation is expected to continue to impact the Company's performance in the forthcoming year as the country faces a third wave of the pandemic. Hence, the Company will continue to monitor the situation and strategically manage business activities to ensure minimal impact to deposit portfolio growth in the medium to long terms. However, considering the prevailing operating environment and consumer sentiment, growth is expected to be moderated and continue along similar lines as achieved in the year under review. Still, much is dependent on Government actions and regulatory fiscal policies which may be enforced to manage macroprudential impact on the country's economy. The Company will also expend resources to continue to manage relations with our deposit customer base and retain their confidence in the longer-term. We are confident that our brand strength and the founding legacy of transparent and ethical business practices will enable us to navigate emerging uncertainties and fulfil the needs of our deposit holders without compromising business sustainably.

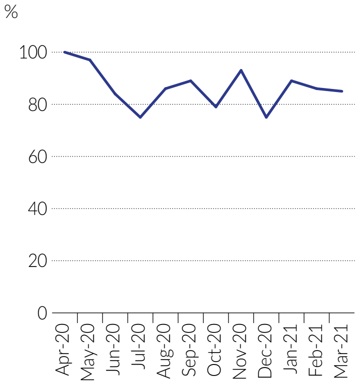
Growth in Deposit Base



The year-on-year growth achieved, even in times of uncertainties, is attributed to the Company's product features including product flexibility and quality, competitive interest rates, and the adoption of ethical and transparent business practices. The Vallibel Finance reputation as a trustworthy and ethical financial institution

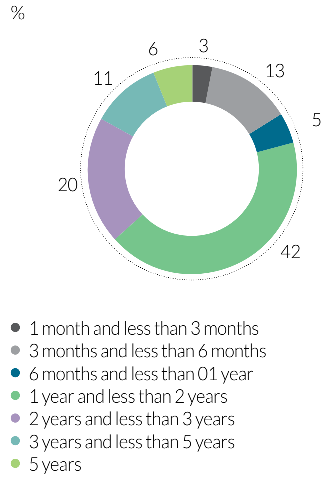
and the legacy of a strong fiscal foundation has greatly contributed to strengthening our fixed deposit base over the years.

Fixed Deposit Renewal Ratio



The high renewal ratio rate we have been able to main over the years is testament to the Company's reputation in the financial services marketspace and the experience of providing fixed deposit products to our customers for over 14 years. The sustainable relationship developed with our customers has resulted in increasing the credibility of the Company and resulted in the Vallibel Finance successfully retaining a fixed deposit renewal ratio well-above 85% for the year under review.

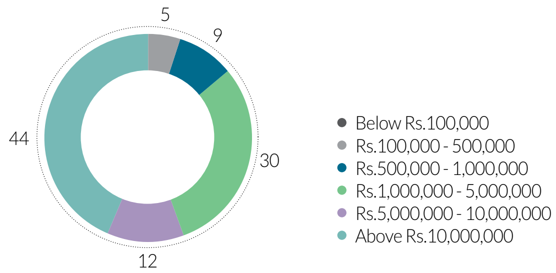
Tenure wise Fixed Deposits Base as at 31st March 2021



To maintain an optimal mix in our deposit base, we continued to focus on growth in the medium to long-term tenured fixed deposits in the year under review. Thus, the focus was on fixed deposits which ranged from one month to five years with monthly or at maturity interest payments.

Amount wise Deposits Base as at 31st March 2021

%



The Company continues to retain a large share of the high net worth customer segment in the industry as shown by 44% of the Company's deposits amounting to greater than Rs. 10 Mn each. Another 42% of the deposit portfolio consists of customers with deposits ranging between Rs. 1 Mn and Rs. 10 Mn, indicating the trustworthiness we have garnered in the financial market space of the country.

LENDING PRODUCTS

Our lending portfolio consist of a wide range of products to cater to the diverse customer segments which we target to create long term value for our stakeholders. The mixture of our lending products also enables us to maintain a risk profile which we are able to manage in the medium to long terms and safeguard the sustainability of our business. The Company's key products are finance leasing facilities, vehicle loans, auto drafts and gold loans.

Key Features

- Competitive interest rates
- Regularly reviewed and revised product features to match changing consumer needs.
- Flexible terms and conditions to suit customer needs pre-agreed at the time of obtaining the lending facility.
- Transparent and pre-arranged terms for recoveries at the time of obtaining the lending facility.
- Offering of high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

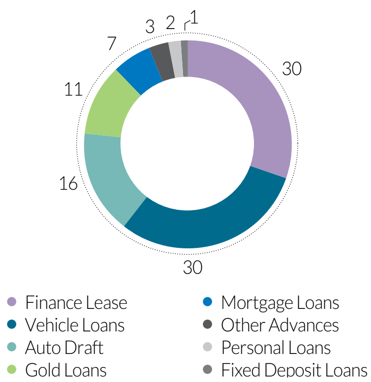
During the financial year under review, the total gross lending portfolio grew by 16.88% to Rs. 50.08 Bn compared to Rs. 42.85 Bn recorded in the previous financial year. Auto draft, vehicle loans, gold loans, and fixed deposit loans were the key drivers of portfolio growth in the year under review. Vehicle loans remains a popular product with consumers and accounted for 30.24% of the portfolio, while finance leases accounted for another 30.26% of the total lending portfolio for the year ended 31st March 2021. The successful re-launch of Auto Draft facilities during the previous financial year, amounted to Rs. 8.23 Bn and accounted for 16.43% of the total lending portfolio. However, the interest income generated by the total lending portfolio decreased by 5.85% to Rs. 7.95 Bn for the year under review compared to Rs. 8.45 Bn earned during the previous financial year. This reduction is attributed mainly to the reduced lending rates offered on products throughout the year to make access to funds more affordable to cash strapped customers while aligning with the downward trend of interest rates in country to maintain the financial stability of the economy and our customers.

Outlook for 2021/22

The prevailing challenges in the operating environment due to the emerging developments with the COVID-19 pandemic's third wave is expected to impede economic and industry performance in the forthcoming year. The Company will, however, apply focused strategies and continue to offer competitive products to our customers to enable them to meet their financial needs. We will also diligently review loan applications to ascertain customer viability to ensure sustainable business growth and long-term creation of value for our stakeholders. We will persist with our commitment to assist our customers to remain financially viable in these uncertain economic environments. However, these measures are likely to have a negative impact on the short-term growth of the Company. We will remain flexible and review our strategic plans to align them to developments in the external environment.

Lending Portfolio Composition as at 31st March 2021

%

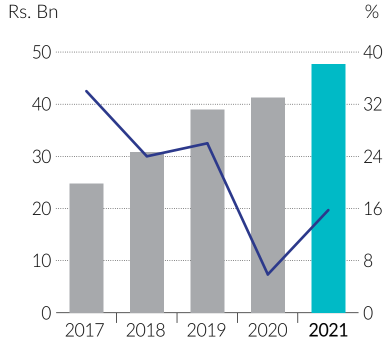


The Company's lending portfolio is diverse and has a good mix of products to serve the needs of our various customer segments. Finance leasing and vehicle loans have an equal 30% share each of our lending portfolio, while the gold loans and auto draft products have shown significant growth in the year under review.

BUSINESS REVIEW

The slower growth in the Company's lending portfolio in the past two financial years is mainly attributed to the challenging operating climate attributed to adverse impacts on the country, first from the terror attacked in April 2019 and then the COVID-19 pandemic outbreak in March 2020. The pandemic, especially, caused much disruption in business activities during the financial year under review with business operations facing server challenges to operate in a suddenly social distanced environment. Many of the Company's customers also faced adverse impacts due to the sudden reduction in economic activity. Resultantly, to ascertain the external market situation and the emerging developments related to the pandemic, the Company ceased lending operations for the first two months of the financial year. However, on reinstating operations within the new normal, a slowdown in loan disbursements was realised as the Company focused on lending only to the viable sectors to manage negative impacts to the bottom-line. The overall operating situation was further worsened when vehicle imports were curtailed to manage impediments to macroeconomic growth. Thus, the 16.11% growth of the lending portfolio achieved in the financial year ended 31st March 2021 is considered satisfactory by the Company in year which was inundated with many challenges resulting in a contracted growth of the Licenced Finance Companies (LFCs) sector.

Growth in Lending Portfolio



LEASING

We offer two key categories of leasing products – general leasing and micro leasing. General leasing facilities provide individuals or businesses funds to purchase high-value products, while micro leasing facilities offer tailor-made payment options with competitive interest rates for the purchase of low investment vehicles such as three wheelers and motor bikes.

Performance for 2020/21

Leasing facilities achieved a moderate growth of 6.08% amounting to Rs. 15.15 Bn for the financial year under review compared to Rs. 14.28 Bn in the previous financial year. The ongoing impact of the pandemic with reduced economic activity and adverse macro prudential policies in place to minimise macroeconomic impacts continued to curb growth of the portfolio. Thus, the total leasing portfolio accounted for 30.26% of the total lending portfolio a marginal reduction compared to 33.34% recorded in the previous financial year. Interest income from finance leases also decreased by 13.77% amounting to Rs. 2.75 Bn compared to Rs. 3.19 Bn recorded in the previous financial year.

Key Features

- Two key categories of leasing products – general leasing and micro leasing
- Regularly reviewed and revised to match changing consumer needs.
- Available to individuals or businesses
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Outlook for 2021/22

The continuing impact of the pandemic is likely to impact growth in the coming year. However, the Company's focused strategies together with the trust developed with our customers is expected to enable the Company to maintain growth momentum to levels achieved in the financial year 2020/21. However, we will continue to take a cautionary approach in pursuing growth of the leasing portfolio in the short term, focusing on reliable and good quality lending activities. In this context, it is likely a selective lending strategy will be adopted by Vallibel Finance to ensure maintenance of a consistent margin with minimum risk of default.

Vehicle Loan

The vehicle loan product was a key growth driver of the total lending portfolio, becoming the second largest contributor to the Company's lending portfolio during the financial year under review.

Key Features

- Flexibility offered through a customisation policy
- Faster and more convenient loan processes
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The gross vehicle loans portfolio increased by 10.35 % to Rs. 15.14 Bn as at 31st March 2021 compared to Rs.13.72 Bn in the previous last financial year. Interest income earned was Rs. 2.32 Bn for the year under review. Overall portfolio growth contributed to the growth of the Company's lending portfolio comprising 30.24% of the total lending portfolio during the financial year under review.

Outlook for 2021/22

The continuing restrictions on vehicle imports will impact the growth of the portfolio in the forthcoming year. The Company's will focus on adequately maintaining the existing portfolio by re-evaluating risks and re-negotiating terms with our customer base. A cautionary approach will be adopted while pursuing growth by the utilisation of selective lending strategies and the adoption of in-depth screening mechanisms. Stringent procedures and processes will also continue to be implemented together with relevant monitoring mechanisms.

Mortgage Loan

Key Features

- Ability to obtain funds by mortgaging assets such as vehicles or property owned.
- Flexible with the ability to be customised to the financial situations and needs of individual customers.
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The Company's gross mortgage loan portfolio decreased by 47.19% to Rs. 2.90 Bn during the year under review compared to Rs. 5.50 Bn recorded in the previous financial year. Mortgage loans comprises 5.80% of the total lending portfolio during the year under review. The Company's continuing decision to slowdown vehicle mortgage loan facilities due to the increasingly complicated and cumbersome processes involved in loan disbursement and resultant delays in meeting customer needs remains the main reason for the declining growth. However, the offering of a substitute Vehicle Loans product caused minimal disruptions to our valued customers. The interest income earned from mortgage loans was Rs. 700.91 Mn for the year under review.

Outlook for 2021/22

The prevailing economic and market conditions is anticipated to increase the demand for mortgage loan facilities as individuals and SMEs endeavour to manage within constrained economic activity as the third wave of the pandemic causes increased restriction in movement in the coming year. We will focus on the housing loan market in the forthcoming year to further develop the mortgage loan portfolio and achieve cumulative year-on-year long-term growth.

Property Mortgage Loan

Property mortgage loans are targeted at Government and private sector employees, self-employed professionals, and businessmen to facilitate the purchase of a land or a land with a house or a building, for the construction of a house or a building, to redeem or to settle an existing loan facility, or for any other personal requirement.

Key Features

- Ability to obtain funds by mortgaging property owned.
- Flexible with the ability to be customised to the financial situations and needs of individual customers.
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The Company's property mortgage loans showed a growth of 12.15% amounting to Rs. 1.09 Bn for the financial year under review compared to Rs. 970.01 Mn recorded as at 31st March 2020. The loan portfolio accounts for 2.17% of the total lending portfolio and 37.45% of the total mortgage loans portfolio as at 31st March 2021.

Outlook for 2021/22

The increasing consumer demand resulted in the increased growth achieved during the year under review and this trend is expected to continue in the forthcoming financial year. The Company's focus on the housing loan market is also expected to positively impact the growth if this portfolio in the medium to long terms.

Gold Loan

Gold loans remains a key contributor to the Company's year-on-year lending portfolio growth, having gained popularity in recent years, and garnering more interest as uncertainties abounded in the operating environment during the year under review.

Key Features

- Offered to Individuals to obtain loans secured against their personal gold jewellery
- Loan value equivalent to value of the gold at the date of obtaining the funds.
- Regularly reviewed and revised to match changing consumer needs.
- Greater convenience, hassle-free, and easier means of obtaining cash quickly.
- Offers high service standards.
- Easy access to products and services through an extensive branch network and digital presence.

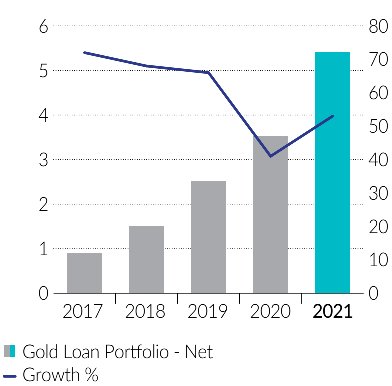
Outlook for 2021/22

As we proceed towards a new financial year, the Company will pursue strategic growth of the gold loans portfolio through market penetration activities, while reviewing acceptable market growth strategies which will enable us to diversify into new markets heretofore unexplored by the non-banking financial services sector. The Company's focus on providing flexible and customised products to cater to individual customer needs will give Vallibel Finance a competitive advantage to reach a diverse customer base to for long-term sustainable growth of this business line.

Performance for 2020/21

The Company's gold loan portfolio performed exceptionally well growing by 53.03% and exceeded the Rs. 5 Bn milestone in the financial year under review. This growth is attributed to the focused strategy of targeting customer segment with a preference for obtaining loans secured against gold. Resultantly, the gold loans accounted for 10.80% of the total lending portfolio as at 31st March 2021. The total gross gold loan portfolio amounted to Rs. 5.41 Bn as at 31st March 2021 compared to Rs. 3.53 Bn recorded in the previous financial year. During the year under review, five additional branches of the Company added the gold loan to its lending portfolio, making the gold loan facility available in 43 branches out of a total of 46 branches of the Company as at 31st March 2021. The interest income earned from the gold loans portfolio was Rs. 917.37 Mn for the financial year under review.

Growth in Gold Loan Portfolio



The Company has achieved exceptional growth in our gold loans portfolio since its introduction in 2016. While year-on-year growth has shown slight declines over the last few years, the prevailing economic conditions had resulted in increasing consumer interest in obtaining gold loans as seen by the growth achieved in the financial year under review. However, the Company's net gold loan portfolio has been increasing year-on-year.

Vallibel Auto Draft

Vallibel Auto Draft operates on the concept of a speed draft product which is more economical than obtaining a bank overdraft facility, although with a requirement to provide security against a vehicle or personal guarantor.

Key Features

- Greater convenience and hassle-free loan option.
- Highly competitive interest rates.
- Unmatched repayment terms designed to be easily re-payable in 12 parts – the interest amount in the first eleven months and the capital in the 12th month together with the interest amount for that month.
- Option given to change the tenure of the loan to meet individual customer needs for a maximum of 24 months.
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The Company's total Auto Draft portfolio, including Auto Drafts under different products lines amounted to Rs. 8.84 Bn as at 31st March 2021 compared to Rs. 7.78 Bn recorded in the previous financial year. This growth was driven by the increasing borrower interest in obtaining auto draft facilities due the lower levels of economic activity and the prevailing uncertainties in the marketplace. The interest income earned was Rs. 1.25 Bn for the year under review. The total Auto Draft portfolio accounted for 17.66% of the total loan portfolio as at 31st March 2021.

Outlook for 2021/22

The continuing restriction on vehicle imports and the LTV restrictions will impact portfolio growth and restrict market share for all product lines of the Auto Draft portfolio in the forthcoming year. The focus on penetrating into the three-wheeler market will continue in the short term while other new products lines will be researched and introduced to ensure the innovative Auto Draft product continued to meet the Company's growth expectations in the future. The potential to enter the emerging market for the micro vehicle range remains, however, the Company will only pursue this avenue for growth by further evaluating the market growth potential in the context of today's operating environment.

Vallibel Wheel Draft

Vallibel Auto Draft operates on the concept of a speed draft product which is more economical than obtaining a bank overdraft facility, although with a requirement to provide security against a vehicle or personal guarantor.

Key Features

- For owners of registered and un-registered three-wheelers.
- Customised repayment period depending on the value of the loan facility.
- Flexible capital repayment period agreed upon with the customer up to a maximum of 24 months.
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The wheel draft portfolio amounted to Rs. 0.24 Bn as at 31st March 2021 compared to Rs. 0.16 Bn recorded in the previous financial year. The wheel draft is the most popular within the different products lines of the Auto Draft portfolio and consisted of 2.71% of the total Auto Draft portfolio of the Company as at 31st March 2021.

Outlook for 2021/22

As the most popular offshoot of the Auto Draft product line, growth of the Wheel Draft product will remain the focus for the forthcoming year. However, considering the continued restrictions on vehicle imports and on the LTV ratio, the focus will be to increase the existing market share in the registered three-wheeler segment. This strategy will be re-evaluated when changes to the prevailing restriction are eased in the future.

BUSINESS REVIEW

Personal Loan

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

Key Features

- Competitively low interest rates.
- Easy and convenient application and settlement process.
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The gross personal loan portfolio decreased by 45.86% amounting to Rs. 1.23 Bn during the financial year under review compared to Rs. 2.28 Bn recorded in the previous financial year. This decline is due to the Company's strategic choice to promote other lending facilities to maintain an acceptable lending portfolio mix to manage risks and ensure long-term business sustainability. Personal loans only account for 2.43% of the total lending portfolio. The interest income earned from personal loans was Rs. 262.48 Mn for the year ended 31st March 2021.

Outlook for 2021/22

Given the demand for personal Loans is predominantly market driven, the Company plans to focus on increasing our market share by pursuing focused strategies to promote this product to both existing and new customers in the forthcoming year to meet growth targets. However, given the personal loans business line is a highly competitive market space, Vallibel Finance will need to strongly focus on differentiating factors and high customer service levels to propel growth in an environment which is expected to remain challenging in the short- to medium-terms.

Business Loan

This loan facility enables small and medium sized businesses to pursue business growth and expansion while still being able to fulfil their financial obligations without undue stress.

Key Features

- Flexible financing solution for small and medium sized businesses requiring short-term loans for the purchase of fast-moving stocks.
- Regularly reviewed and revised to match changing consumer needs.
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

Considering the subdued operating environment for the year under review, the Company did not pursue growth of this portfolio. The gross business loans portfolio amounted to Rs. 40.47 Mn as at 31st March 2021.

Outlook for 2021/22

The Company will continue to monitor the prevailing low economic growth environment and re-evaluate our strategy to slowdown focus on business loan facilities in the marketplace. We will continue to monitor the third wave developments with the COVID-19 pandemic situation as our efforts to support SME sector growth in these challenging times is greatly depended on how effectively the spread is controlled and the economy rebounds to a positive outlook for the SME sector.

Loans against Fixed Deposits

Loans against fixed deposits is a unique product offered by the Company taking the form of a value-added service for our most valuable fixed deposit customers.

Key Features

- Low cost compared to other lending products.
- Regularly reviewed and revised to match changing consumer needs.
- A short-term solution to meet the urgent financial needs
- Offers high service standards.
- Easy access to products and services through an extensive branch network.

Performance for 2020/21

The loans against fixed deposits achieved a growth of 30.41% during the financial year under review, although it accounts for only 1.30% share of the total lending portfolio. Resultantly, the portfolio amounted to Rs. 651.91 Mn as at 31st March 2021 compared to Rs. 499.90 Mn recorded in the previous financial year. The interest income earned for the year ended 31st March 2021 was Rs. 77.50 Mn.

Outlook for 2021/22

The prevailing challenges in the industry and marketplace is expected to result in an increased demand for loans against fixed deposits, as individuals and SME adopt recovery strategies to emerge from the low levels of business confidence and slow economic activity due to the impacts of the COVID-19 pandemic. Vallibel Finance while endeavouring to serve our customers to the best of our abilities will ensure distributing such loan facilities to customers who meet the credit standards set by the Company.

GOVERNANCE

Demonstrates the corporate governance procedures and compliance, information on board composition, statements on the Company's performance, and information about compliance and conformance with best practices for Vallibel Finance to thrive.

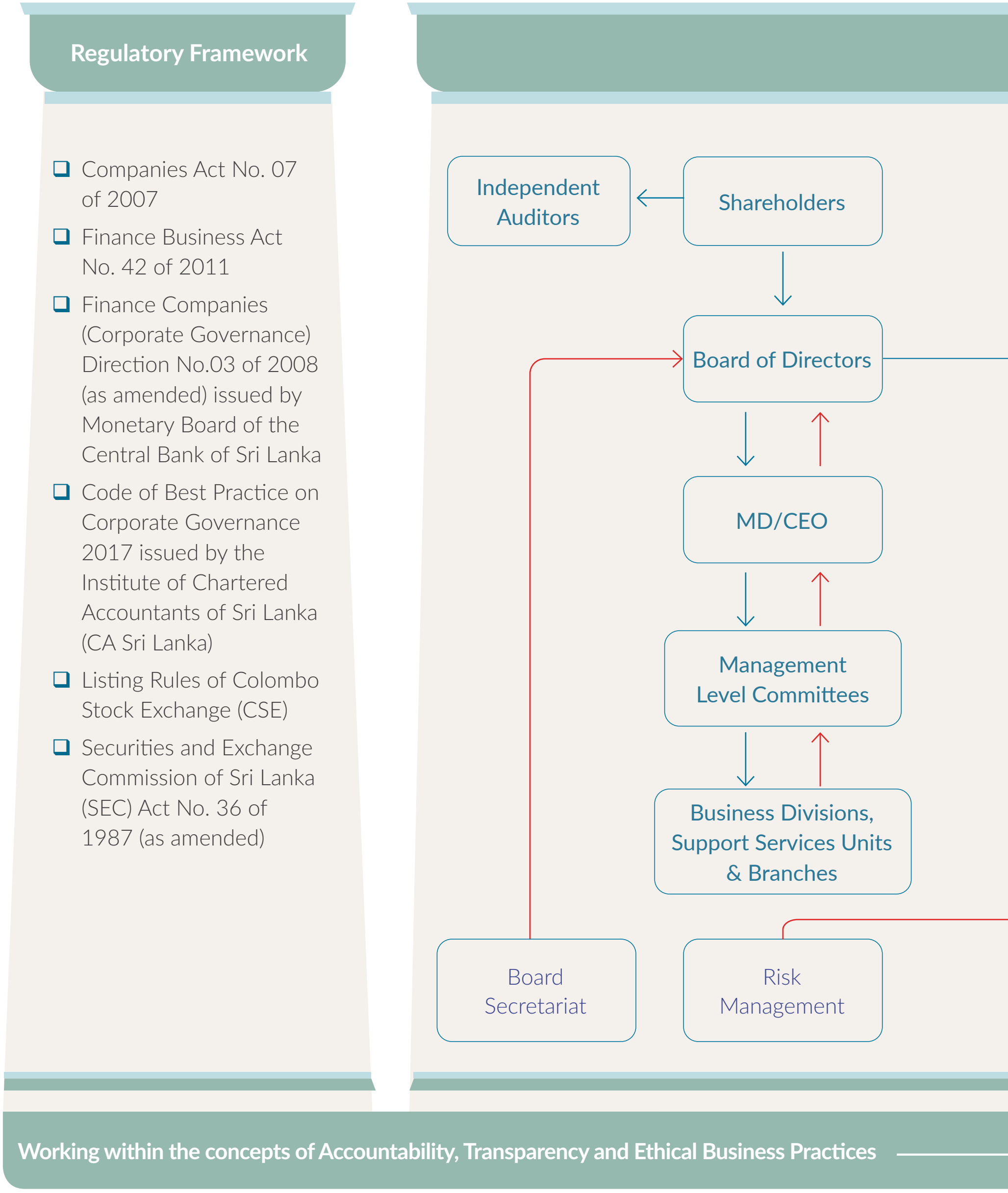
CORPORATE GOVERNANCE

Approach to Corporate Governance

Corporate governance is an integral part of Vallibel Finance PLC's 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.

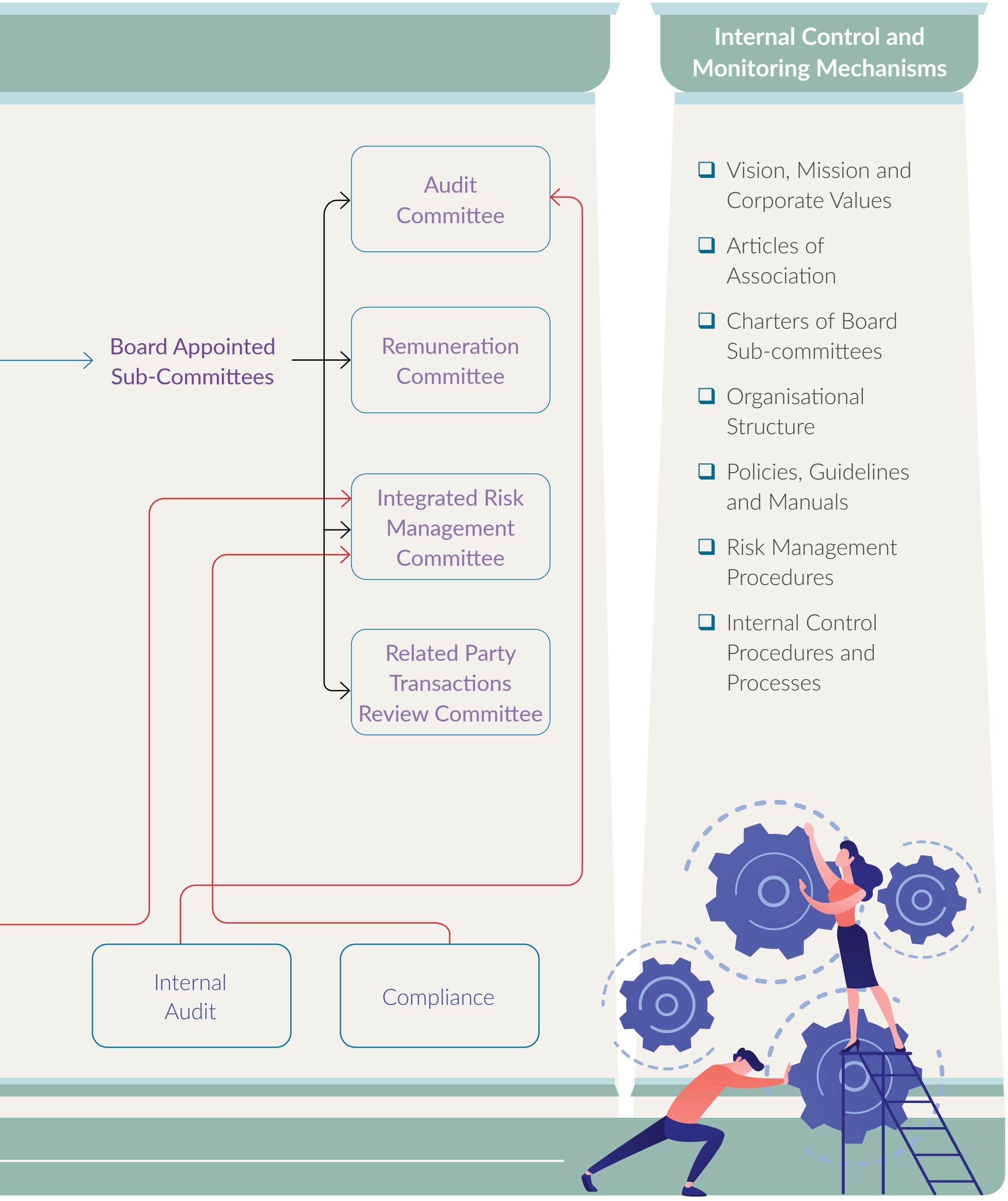
The Board of Directors (BOD) of Vallibel Finance PLC retain oversight for all governance related matters on behalf of the Company. They are responsible for setting governance policies and facilitating the governance process by mandating accountability and reporting lines across the organisational hierarchy. 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 placed which facilities the defining of roles and responsibilities, establishment 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 PLC reputation and brand value within the industry.

Corporate Governance Framework



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.



Appointment flow
Reporting flow

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 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.

Application of Corporate Governance Practices at Vallibel Finance PLC

Vallibel Finance PLC 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 2021.

Board of Directors

The Board is the highest governing body of Vallibel Finance PLC that carries 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 eight (08) 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.

No.	Name of Director	Status	Date of Appointment to the Board
01	Mr. R M Karunaratne	Chairman - Independent Non-Executive Director	30.04.2013 Appointed as the Acting Chairman w.e.f 15.03.2019 Appointed as the Chairman w.e.f 16.07.2020
02	Mr. S B Rangamuwa	Managing Director	14.03.2007
03	Mr. Dhammika Perera	Executive Director	22.08.2005 Appointed as an Executive Director w.e.f 21.08.2014
04	Mr. T Murakami	Non-Executive Director	16.07.2014
05	Mr. K D A Perera	Non-Executive Director	12.08.2014
06	Mr. A Dadigama	Independent Non-Executive Director	15.09.2014
07	Mr. S S Weerabahu	Executive Director	20.04.2018 Appointed as an Executive Director w.e.f 19.12.2019
08	Mr. J Kumarasinghe	Independent Non-Executive Director	01.02.2019
	Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive Director	10.12.2015

In terms of paragraph 7(3) of the Finance Companies Direction No. 3 of 2008, it is declared that Messrs Dhammika Perera and K D A Perera are siblings.

Based on declarations submitted by the Non-Executive Directors, the Board has determined that three (03) Non-Executive Directors, namely Mr. R M Karunaratne, Mr. A Dadigama and Mr. J Kumarasinghe are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

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. R M Karunaratne serves as the Chairman and Mr. S B Rangamuwa serves as the Managing Director/CEO.

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.

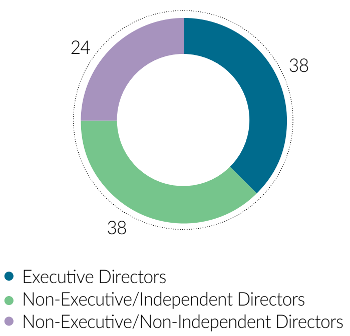
Board Meetings

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 2021, twelve (12) meetings of the Board were held. The attendance at the meetings was:

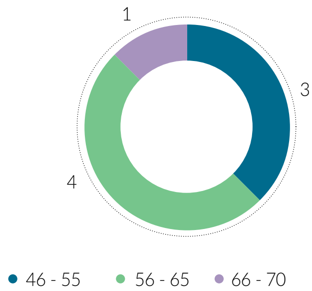
Board Composition

%



Board Composition by Age

No.



Tenure of Directors

Tenure	No. of Directors
Less than three years	2
3 to 5 years	0
Above 5 years	6

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. R M Karunaratne	Independent Non-Executive	12/12
Mr. Dhammika Perera	Executive	09/12
Mr. S B Rangamuwa	Executive	12/12
Mr. T Murakami	Non-Executive	-
Mr. K D A Perera	Non-Executive	11/12
Mr. A Dadigama	Independent Non-Executive	12/12
Mr. S S Weerabahu	Executive	12/12
Mr. Janaka Kumarasinghe	Independent Non-Executive	12/12
Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive	11/12

Audit Committee

An Audit 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	Independent Non-Executive Director	5/5
Mr. R M Karunaratne	Independent Non-Executive Director	5/5
Mr. J Kumarasinghe	Independent Non-Executive Director	5/5

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

Remuneration Committee

A Remuneration 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. J Kumarasinghe	Independent Non-Executive Director	3/3
Mr. R M Karunaratne	Independent Non-Executive Director	3/3
Mr. K D A Perera	Non-Executive Director	3/3

Related Party Transactions Review Committee

A Related Party Transactions 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	Independent Non-Executive Director	4/4
Mr. R M Karunaratne	Independent Non-Executive Director	4/4
Mr. J Kumarasinghe	Independent Non-Executive Director	4/4

The Report of the Related Party Transactions Review Committee is given on page 182.

Integrated Risk Management Committee

In compliance with the Finance Companies (Corporate Governance) Direction No.3 of 2008 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 Committee 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	Independent Non-Executive Director	4/4
Mr. S S Weerabahu*	Executive Director	4/4
Mr. Niroshan Perera	Senior Deputy General Manager - Credit	4/4
Mr. K D Menaka Sameera	Senior Deputy General Manager - Finance & Administration	4/4
Mr. T U Amaraweera	Deputy General Manager - Asset Management	4/4

**Appointed w.e.f 29.06.2020*

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/CEO. 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 PLC 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 No.2 of 2006.

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 2021 and as at the date of this Annual Report, the Company was compliant with the Listing Rules of the Colombo Stock Exchange and Finance Companies Direction No. 03 of 2008 on Corporate Governance and amendments thereto.

In addition, tables set out in pages 147 to 158 depict the extent of adherence with the Code of Best Practice on Corporate Governance 2017 issued by the Institute 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

4th June 2021

Section one

The Finance Companies (Corporate Governance) Direction No. 3 of 2008 and subsequent amendments thereto on Corporate Governance 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 which comprises of nine subsections, namely:

1. The Responsibilities of the Board of Directors
2. Meetings of the Board
3. Composition of the Board
4. Fitness and Propriety of Directors
5. Delegations of Functions
6. The Chairman and Chief Executive Officer
7. Board Appointed Committees
8. Related Party Transactions
9. Disclosures

Directions			Extent of Compliance
2. The Responsibilities of the Board of Directors			
2. (1) The Board of Directors shall strengthen the safety and soundness of the finance company by-			
	a)	Approve, oversee and communicate the strategic objectives and corporate values;	**Complied with.** Strategic objectives and values are incorporated in the Board approved strategic plan and these have been communicated to the staff. The Board of Directors approves and oversees the implementation of strategies mainly through the monthly Board meetings and the Board's views relating to such strategies are communicated to the staff through management meetings.
	b)	Approve the overall business strategy, including the overall risk policy and risk management procedures and mechanisms;	**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. The Board sub-committees namely, Audit Committee and the Integrated Risk Management Committee oversee the risk management aspect of the Company. A risk policy and risk management framework is also in place.
	c)	Identify the risks and risk management procedures;	**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 actions taken to mitigate possible risks are submitted for Board's information where necessary. Please refer Risk Management report on pages 163 to 176 and Integrated Risk Management Committee report on page 183 for further details.

Directions			Extent of Compliance
	d)	Communication with all stakeholders;	**Complied with.** Board approved Communication Policy covering all stakeholders are in place.
	e)	Review company's internal control systems and Management Information Systems;	**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 action taken are submitted for Board's information and/or action (if deemed necessary).
	f)	Identify and designate the key management personnel;	**Complied with.** The Board has identified and designated the Key Management Personnel, as defined in the Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosures", who significantly influence policies, direct activities and exercise control over business activities of the Company.
	g)	Authority and key responsibilities for the Board and key management personnel;	**Complied with.** The key responsibilities of the corporate management personnel are defined in their job responsibilities, whilst the Directors derive their responsibilities from the regulations and directions, mainly, the Directions issued under the Finance Business Act No. 42 of 2011.
	h)	Oversight of the affairs of the Company by Key Management Personnel;	**Complied with.** The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the MD / CEO. Affairs of the Company handled by the Corporate Management are reviewed and discussed at the monthly Board Meetings. Further, Board sub-committees and other committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.
	i)	Periodically assess the effectiveness of its governance practices, including: i) the selection, nomination and election of Directors and appointment of Key Management Personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	**Complied with.** Evaluation of the Board's own governance practices are assessed by the Directors individually and collectively discussed/reviewed by the Board on a periodic basis.
	j)	Succession plan for key management personnel;	**Complied with.** A succession plan for key management personnel is in place.
	k)	Regular meeting with the key management personnel;	**Complied with.** The members of the senior management regularly make presentations 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.

Directions			Extent of Compliance
	l)	Understand the regulatory environment;	**Complied with.** The Board is updated of the changes in the regulatory environment and new directions, circulars etc. issued are made available to the Directors.
	m)	Hire and oversight of external auditors;	**Complied with.** The Audit Committee carries out the due diligence in hiring of the External Auditors and makes recommendations to the Board. The Committee reviews the work carried out by External Auditors including the audited accounts, management letter and any other documents referred to the Audit Committee. External auditors attend Audit Committee meetings by invitation.
2 (2)	Appointment of the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities		**Complied with.** The Chairman and the Chief Executive Officer have been appointed by the Board. The Chairman provides leadership to the Board and the Chief Executive Officer/ Managing Director is responsible for effective management of the Company's operations. Functions and responsibilities of the Chairman and the MD/CEO have been defined and approved by the Board.
2 (3)	Availability of a procedure determined by the Board to enable Directors to seek independent professional advice at the Company's expenses		**Complied with.** The Directors are permitted to seek independent professional advice on any matters when deemed necessary at the Company's expense. A Board approved procedure is in place for this purpose.
2 (4)	Deal with conflicts of interest		**Complied with.** Directors abstain from voting on any resolution in which the Directors have related party interests and he is not counted in the quorum for the relevant agenda item at the Board Meeting.
2 (5)	Formal schedule of matters specially reserved for Board Decision		**Complied with.** 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.
2 (6)	Disclosure of insolvency to the Director of the Department of Supervision of Non-Bank Financial Institutions		No such situations have arisen.
2 (7)	Inclusion of an annual Corporate Governance Report on compliance with the corporate governance directions in the Annual Report		**Complied with.** This report serves the said requirement.
2 (8)	Annual self-assessment by the directors and maintenance of such records		**Complied with.** The Company has adopted a scheme of self-assessment to be undertaken by each Director annually and filed with the Company Secretaries.

Directions		Extent of Compliance
3. Meetings of the Board		
3 (1)	Regular Board meetings and circulation of written or electronic resolutions	**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.
3 (2)	Inclusion of proposals by all directors in the agenda	**Complied with.** Annual calendar of Board meetings is issued at the beginning of 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.
3 (3)	Adequate notice of Board meetings	**Complied with.** Notice of Meeting is circulated to the Directors 7 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.
3 (4)	Attendance of directors at board meetings	**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 2020/2021. Refer page 133 for details of individual Directors' attendance at Board meetings.
3 (5)	Appoint and set responsibilities for Board Secretary	**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 carryout other functions specified in related laws and regulations.
3 (6)	Delegate responsibility to the Company Secretary to preparation of agenda for a Board meeting	**Complied with.** The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.
3 (7)	Directors' access to advice and services of the Company Secretary	**Complied with.** All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.
3 (8)	Maintenance of Board Minutes	**Complied with.** Minutes of Board Meetings are maintained by the Company Secretary. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.
3 (9)	Recording of Minutes of Board meetings in sufficient detail	**Complied with.** Detailed minutes are maintained by the Company Secretary covering all requirements of this direction.

Directions		Extent of Compliance
4. Composition of the Board		
4 (1)	The number of Directors	**Complied with.** The Board comprised of eight Directors as 31st March 2021.
4 (2)	The total period of service of a Director	**Complied with.** The total period of service of all Non-Executive Directors is less than 9 years as at date.
4 (3)	Appointment, election or nomination of an employee as a Director	**Complied with.** The Board consists of eight members of whom three are Executive Directors. Accordingly, the number of Executive Directors does not exceed one-half of Directors of the Board.
4 (4)	Independent Non-Executive Directors and the criteria for independence	**Complied with.** The Board comprises of three Independent Non-Executive Directors. Accordingly, the number of Independent Non-Executive Directors exceeds one-fourth of the total number of Directors on the Board. Based on declarations submitted by the Non- Directors, the Board has determined that three Non-Executive Directors, namely Mr. R.M. Karunaratne, Mr. A. Dadigama and Mr. J. Kumarasinghe are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
4 (5)	Appointment of Alternate Directors	Not applicable as no Alternate Directors have been appointed to represent Independent Non-Executive Directors.
4 (6)	Skills and experience of Non-Executive Directors to bring an objective judgment	**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 24 and 25.
4 (7)	Meetings of the Board with at least one half of Non-Executive Directors in the quorum	**Complied with.** At all Board meetings held during the year 2020/2021, more than one half of the numbers of Directors that constitute the quorum were Non-Executive Directors.
4 (8)	Express identification of the Independent Non-Executive Directors in corporate communications and disclosing the details of Directors	**Complied with.** Please refer page 132 of the Corporate Governance Report.
4 (9)	Procedure for the appointment of new Directors and for the orderly succession of appointments to the Board	**Complied with.** All new appointments to the Board are subject to regulatory provisions.
4 (10)	Directors appointed to fill a casual vacancy to be re-elected at the first general meeting after their appointment	**Complied with.** All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.
4 (11)	Communication of reasons for removal or resignation of Directors	**Complied with.** Resignation of Directors and their reasons are duly communicated to the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. All appointments, removal or resignations of Directors are informed to shareholders, through notifications made to the Colombo Stock Exchange.

Directions		Extent of Compliance
5. Criteria to assess the fitness and propriety of Directors		
5 (1)	The age of a Director shall not exceed 70 years. However, with the prior approval of the Monetary Board, a Director who is already holding office, and who attains the age of 70 years allow to continue in office as Director.	**Complied with.** All Directors are below the age of 70 years as at 31st March 2021.
5 (2)	Directors shall not hold office as a Director of more than 20 Companies / Societies / Corporate bodies including Associate and Subsidiary Companies	**Complied with.** No Director holds directorships of more than 20 companies/ societies/ bodies/institutions.
6. Delegation of Functions		
6 (1)	Delegation of work to the Management	**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 CEO and other key management personnel. All delegations are made in a manner that would not hinder the Board's ability to discharge its functions.
6 (2)	Review delegation of Board functions on a periodic basis	**Complied with.** The delegation process to the Board Sub-committees and to the CEO and Key Management Personnel is reviewed by the Board based on business requirements.
7. The Chairman and the Chief Executive Officer		
7 (1)	Division of Responsibilities of the Chairman and CEO	**Complied with.** The positions of the Chairman and the Chief Executive Officer are separate and performed by two different individuals.
7 (2)	Designation of an Independent Non-Executive Director as the Senior Director when the Chairman is not an Independent Non-Executive Director	**Complied with.** The Chairman is an Independent Non-Executive Director.
7 (3)	Disclosure of the identity of the Chairman and the Chief Executive Officer and any relationship with the Board Members	**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 CEO. Directors Messrs Dhammika Perera and K D A Perera are of the same family. No relationships prevail among the other members of the Board, other than for Directors who are common Directors of certain Companies.
7 (4)	Role of the Chairman	**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.
7 (5)	Role of Chairman in the preparation of the agenda for Board meetings	**Complied with.** 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 Secretary circulates formal agenda prior to the Board Meeting.

Directions			Extent of Compliance
7 (6)	Ensure that all Directors are informed adequately and timely of the issues arising at Board meetings		**Complied with.** Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting.
7 (7)	Encourage all Directors to make an active contribution to Boards affairs		**Complied with.** All Directors are encouraged to actively participate in Board's affairs.
7 (8)	Encourage participation of Non-Executive Directors and relationship between Executive and Non-Executive Directors		**Complied with.** There is a constructive relationship among all Directors and they work together in the best interest of the Company.
7 (9)	Avoidance of engaging in activities involving direct supervision of Key Management Personnel or executive duties by the Chairman		**Complied with.** The Chairman is an Independent Non-Executive Director and does not engage in direct supervision of the key management personnel or any other executive duties.
7 (10)	Maintain effective communication with shareholders		**Complied with.** Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.
7 (11)	Role of the Chief Executive Officer		**Complied with.** The Chief Executive Officer/Managing Director functions as the apex Executive-In-Charge of the day-to-day management of the Company's operations and business.
8. Board appointed Committees			
8 (1)	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 Secretary functions as the Secretary to these Committees. The Reports of the Audit Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are given on pages 181, 183 and 182 of this Annual Report.
8 (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 Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience. Qualifications and experience are disclosed in page 25 of the Annual Report.
	b)	All members of the Committee to be Non-Executive Directors	**Complied with.** All the members of the audit committee are Non-Executive Directors.

Directions			Extent of Compliance
	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.
	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 action was taken accordingly.

Directions			Extent of Compliance
	j)	Review of the Internal Audit Function; (i) Review scope, function and resources; (ii) Review of Internal Audit Program; (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's Internal Audit function is carried out by an in-house internal audit department and also the outsourced service provider - Ernst & Young Advisory Service (Pvt) Limited. The Company has established its own in-house Internal Audit Department and moreover, Messers Ernst and Young, Chartered Accountants provided assistance in carrying out branch and specialized audit assignments. 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 action 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 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 Chief Executive Officer, Senior Deputy General Manager – Finance & Administration, representatives of the Internal Auditors (outsourced) and in-house Internal Audit Manager 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 two times with the External Auditors, without the presence of Executive Directors.
	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 include scope and responsibilities of the Committee. The Audit Committee is authorized 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 Secretary.
	o)	Disclosures in the Annual Report	**Complied with.** The Report of the Board Audit Committee is on page 181 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 Secretary functions as the Secretary to the Committee and records and maintains detailed minutes of the Committee meeting.

Directions			Extent of Compliance
	q)	Whistle-blowing policy and relationship with External Auditors	**Complied with.** A Whistle Blower Policy is in place which covers these aspects and significant findings are reported to the Audit Committee for appropriate follow-up action. 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.
8 (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 two Independent Non - Executive Directors, two Executive Directors, including the Managing Director/CEO and, 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.
	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 163 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 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.

Directions			Extent of Compliance
	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.
9. Related party transactions			
9 (2)		Avoid conflicts of the interest that arise from transactions of the Company with related parties	**Complied with.** The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties. The Related Party Transactions Review Committee was established in August 2015 in line with the requirements of the Listing Rules of the Colombo Stock Exchange. The Report of the Related Party Transactions Review Committee is given on Page 182.
9 (3)		Related party transactions covered in the direction	**Complied with.** Information in this regard, is disclosed in Note 51 on "Related Party Disclosures" in the Financial Statements.
9 (4)		Monitoring of related party transactions defined as more favourable treatment	**Complied with.** The Board approved Related Party Transactions 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.
10. Disclosure			
10 (1)		Prepare and publish Interim and Annual Financial Statements based on applicable accounting standards and publish in the newspapers in an abridged form, 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.
10 (2)		**Responsibility of the Board to ensure the following disclosures are made in the Annual Report:**	
	a)	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	**Complied with.** Relevant disclosures are included in page 188 of the Annual Report under "Statement of Directors Responsibilities".
	b)	A report by the Board on the finance company's internal control mechanism	**Complied with.** Directors' Statement on Internal Control System Over Financial Reporting is given on page 187.
	c)	External Auditor's certification on the effectiveness of the internal control mechanism	**Complied with.** The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting.

Directions		Extent of Compliance
d)	Details of directors, including names, transactions with the finance company	**Complied with.** Profiles of Directors are given on pages 24 to 25. Aggregate fees and expenses paid to the Board of Directors during the year amounted to Rs. 5.48 Mn and deposits held as at 31st March 2021 amounted to Rs. 630.45 Mn.
e)	Fees/remuneration paid by the finance company to the directors in aggregate	**Complied with.** This has been disclosed in Note 51 to the Financial Statements.
f)	Net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds	**Complied with.** There were no accommodations outstanding in respect of related parties.
g)	The aggregate values of remuneration paid and the value of transactions with the Key Management Personnel	**Complied with.** The aggregate amount of remuneration paid during the year to Key Management Personnel (Board and selected members of Corporate Management) and the transactions with Key Management Personnel are given below. Rs. Mn Compensation to KMP: 142.53 Deposits Held: 650.10
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls	**Complied with.** This has been disclosed under the "Corporate Governance Report" and "Annual Report of the Board of Directors on the affairs of the Company".
i)	Non-compliance reporting	**Not applicable** 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.
j)	External Auditors certification of compliance	**Complied with.** 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.

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 three 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/ Chief Executive Officer 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 pages 132 and 133.

Code Ref.	Principle	Extent of Compliance
A.1.2	The role and responsibilities of the Board	**Complied with.**
	Formulation and implementation of a sound business strategy;	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 2 (1) a) and b) of Section One, the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on page 135 for details.
	Appointing the chair and the senior independent directors if relevant;	The Chairman has been appointed by the Board. The Chairman is an Independent Non-Executive Director.
	Chief Executive Officer (CEO) 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 / CEO who possess required skills, experience and knowledge necessary to implement the strategy.
	The adoption of an effective CEO and Key Management Personnel succession strategy;	Refer 2 (1) j) on page 136 of Section One.
	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;	Refer 2 (5) and 6 (1) and 6 (2) on pages 137, 139 and 104 of Section One.
	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 187, 181 and 183 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;	Refer 8 (2) g) and 10 (1) on pages 142 and 145 of Section One.
	A process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks;	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.
	A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and	Financial reports are prepared on monthly basis and circulated to the Board for their review and necessary action. Further quarterly Financial Statements, bi-annual and annual Financial Statements are prepared and published in line with CSE and CBSL regulations.
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	The Board is committed to fulfilling such other functions that are required according to the business environment.

Code Ref.	Principle	Extent of Compliance
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.** Please refer response to requirement 3 (7) to (8) of the Section One on page 138 for details on advice and services of Company Secretary. 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	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.
A.2 Chairman & Chief Executive Officer (CEO)		
A.2	Separation of the roles and responsibilities of the Chairman and CEO 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 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 Chief Executive Officer	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. Please refer 7 (4) to (10) on page 140 of Section One for further details.
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 24 and 25 for the Profiles of the Directors.

Code Ref.	Principle	Extent of Compliance
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 three 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.
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 Finance Companies (Corporate Governance) Direction No. 3 of 2008.
A.5.6	Appointment of an Alternate Director	Not Applicable as there was no appointment of Alternate Directors..
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	Appointment of Senior Independent Non-Executive Director is not required as the Chairman is an Independent Non-Executive Director.
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.** Please refer response to requirement 3 (2) and 3 (3) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on pages 137 and 138 for details.
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. Prior approval for appointment of new Directors is obtained from the CBSL in accordance with the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.03 of 2011.
A.8 Re-election		
A.8.1 & A.8.2	All Directors should be subject to reelection 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.** Refer 2 (8) on page 137 of Section One.
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 22 to 25. 2). Related party transactions are given in Note No 51 to the Financial Statements on pages 261 to 265. 3). Membership of Sub-Committees and attendance at Board Meetings on pages 133 and 134.
A.11 Appraisal of Chief Executive Officer		
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO	**Complied with.** Managing Director/CEO'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.

Code Ref.	Principle	Extent of Compliance
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 two of whom are independent as well. The committee members are; 1). Mr. J Kumarasinghe - Independent Non-Executive Director (Chairman) 2). Mr. R M Karunaratne - Independent Non-Executive Director 3). Mr. K D A Perera - Non-Executive Director
B.1.3	Membership to be disclosed in the Annual Report	**Complied with.** Disclosed in the page 179 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 for remuneration proposals and access to professional advice	**Complied with.** Chairman and MD/CEO 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.
	Non Executive Directors remuneration	Non-Executive Directors of the Company are paid a fee in line with the market practices.

Code Ref.	Principle	Extent of Compliance
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 page 179 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 51 to the Financial Statements on page 262.
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, Listing Rules of the CSE 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 maintains a record of all correspondence received and will convey such correspondence to the Board.
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.

Code Ref.	Principle	Extent of Compliance
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 pages 187 and 188. 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.
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 CEO and the Chief Financial Officer 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 188 and 'Directors' Statement on internal control system over financial reporting' is given on page 187. See 'Independent Auditor's Report' on pages 190 and 191 for the reporting responsibility of Auditors.

Code Ref.	Principle	Extent of Compliance
D.1.6	Include a Management Discussion and Analysis	**Complied with.** Please refer 'Management Discussion and Analysis' on pages 34 to 127 and 'Financial Performance Review' on pages 74 to 83.
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	**Complied with.** Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' is disclosed in Note No 51 to the Financial Statements on page 261 to 265 . Please refer responses to requirements of section 9 of the Finance Companies Corporate Governance Direction on page 145 for further details.
D.1 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.
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 163 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 183.

Code Ref.	Principle	Extent of Compliance
D.2.3	Internal audit function	**Complied with.** In addition to having an in-house Internal Audit Department, The Company's internal audit function has been outsourced and carried out by Ernst & Young Advisory Service (Pvt) Limited. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings. The development of an in-house internal audit department is also in progress.
D.2.4	Audit Committee to carryout reviews of the process and effectiveness of risk management and internal controls and documents 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.
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 8 (2) of the Finance Companies Corporate Governance Direction on pages 141 to 143 for further details.
D.3.3	Disclosures of the Audit Committee	**Complied with.** Please refer 'Audit Committee Report' on page 181 of this Annual Report.
D.4 Related Party Transactions Review Committee Transactions with related parties should be in manner that would not grant ''more favorable 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 Listing Rules of the Colombo Stock Exchange. Please refer 'Related Party Transactions Review Committee Report' on page 182 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.

Code Ref.	Principle	Extent of Compliance
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 Company wide 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.
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.

Code Ref.	Principle	Extent of Compliance
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 163 to 176 on disclosure of details relating to cyber security risks.
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, the GRI Guidelines and "A Preparer's Guide to Integrated Corporate Reporting" published by CA Sri Lanka. All efforts are taken to ensure that the Annual Report includes sufficient information in order to assess how ESG risks and opportunities are recognized, 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 34 to 127 2). Corporate Governance on pages 130 to 162 3). Risk Management on pages 163 to 176

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 200.
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 pages 296 and 297. 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 296.
7.6 (v)	The statement of each Directors' holding and Chief Executive Officer's holding in shares of the Entity at the beginning end of the financial year	**Complied with.** Please refer page 178 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 163 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 246 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 47 on 'Stated Capital' in the Financial Statements on page 259.
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 296.
7.6 (xi)	Ratios and market price information on Equity and Debt	**Complied with.** Please refer 'Financial Highlights' on page 10 and 'Information on Ordinary Shares' on pages 296 and 297.
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 246 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.

Rule Reference	Requirement	Extent of Compliance
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	There were no 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 130 to 162.
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 51 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 eight 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 eight Directors as at the conclusion of the immediately preceding Annual General Meeting.
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.

Rule Reference	Requirement	Extent of Compliance
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 178 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 2020/2021.
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 20 and 25 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.
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 three Non-Executive Directors two of whom are independent as well. The Chairman of the Committee is an Independent Non-Executive Director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer, to the Board.	**Complied with.** The Remuneration Committee recommends the remuneration payable to the Managing Director / Chief Executive Officer 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 179 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 51 to the Financial Statements.

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. 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 Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	**Complied with.** All the members of the Audit Committee are Independent Non Executive Directors. The Chairman of the Audit Committee is an Independent Non Executive Director and possesses required qualifications and this is disclosed in page 25 of the Annual Report. The MD/CEO 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 181 and responses to requirements of section 8 (2) of the Finance Companies Corporate Governance Direction on page 141 to 143 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 181.

RISK MANAGEMENT REPORT

Overview

Risk management is critical in the management and long-term viability for sustaining business operations at Vallibel Finance. The importance of risk management processes was reinforced in the year under review with the outbreak of the COVID-19 pandemic which had a global impact on people, communities, and commercial enterprise. As a prominent entity operating within the Licensed Finance Companies (LFCs) sector, the Company has over the years grasped that organisational risks are an integral part of any business enterprise which must be managed, controlled, and monitored in an optimal way to minimise risk exposure.

The Company, therefore, takes an integrated approach to ensure risk management principles and processes are intrinsically embedded within organisational strategies and objectives. To ensure long-term success and sustainability, the Company considers risks from several perspectives, including risks arising from internal and external sources, emerging short-term risks, risks which arise in the medium- to long-terms, risks which can be resolved easily, more complex risks involving myriad stakeholders and varying structures, risks due to changing consumer trends and market developments, risks driven by technological innovations, and risks arising due to new opportunities and new ways in doing business. All these different types of risks can have a limited to a significant impact on business activities and stakeholders. In considering these myriad risks and to streamline the risk management process, the Company has developed an integrated risk management framework to guarantee different risk profiles and events are duly considered and embedded within the strategy formulation and implementation stages.

The objectives of the Company's risk management process is to develop a cohesive and flexible risk management framework which enables the Company to consistently and comprehensively identify and manage the oversight of risks, define and review risk profiles and risk appetites, establish suitable risk categories, report emerging risks which require timely changes to be incorporated to the Company's strategies and materiality analysis, and build an internal culture which integrates risk management principles in day-to-day business activities.

A critical development in the year under review was the outbreak of the COVID-19 pandemic which resulted in myriad emerging risks to the business from restrictions on human physical contact, new threats to human health and safety, new ways of operating the business, the need to adopt digitalised and online technology, a slowdown in economic activity, import restrictions, and further deteriorations in credit growth and consumer spending. The Company's integrated risk management approach and framework was a key facilitator in ensuring the management of these risk exposures and developing new processes and plans to continue to operate in an environment which was inundated with some never imagines constraints.

Risk Management Process

The Vallibel Finance risk management process uses a 'continuous learning and communication' approach as shown below.

The risk management process adopted enables the Company to take a holistic approach in identifying, measuring, monitoring, managing, reviewing, and reporting on the myriad risks using an established methodology which is consistently applied across all business activities and operations.

The risk process is designed to ensure flexibility in adapting risk appetites, risk profiles, policies, and controls to reflect emerging developments, changing market conditions, changes in the external environment, and changing risk attitudes of stakeholders. The risk management process also supports amendments to the Company's strategy formulation process to have the right balance of risk-averse and risk-taking strategies. This structured, step-by-step approach enables comprehensive identification and review of risk profiles and appetites and supports the Company to proactively manage all categories of risks to minimize or mitigate their effects on business sustainability and the stakeholder value creation process.

The commitment of the Company's Board of Directors and senior management team is integral to the success of the risk management process. They oversee and guide the development of an integrated risk management process while making sure risk factors are considered in medium- and long-term plans. To ensure focused attention to integrated risk management, responsibility and authority are delegated to dedicated Board level committees and operational teams. The middle- and lower-level management are responsible for the identification, categorisation, management,

RISK MANAGEMENT REPORT

monitoring, review, and reporting on the different categories of risks of the Company in day-to-day business operations. These teams are regularly expected to provide updates to the Integrated Risk Management Committee comprising of members of the Board of Directors and the senior management team. This ensures that the top-most level of the Company's decision-makers are, aware of, and enabled to provide experienced guidance on enhancing the approach to good risk governance and management practices.

The Company's approach to continually monitoring risk profiles related to economic, financial, operational, legal, compliance, market, and reputation ensures adherence to, and compliance with, acceptable risk appetites as per industry and Company guidelines. This approach enabled us to identify and enact timely measures to control the risks arising from the COVID-19 pandemic in the year under review.

This report presents the risk governance structure and the risk management framework of the Company. We also share the key risks associated with each of our key strategies, and how risk may impact our stakeholders and business value creation process while explaining how risks are managed across our business operations.

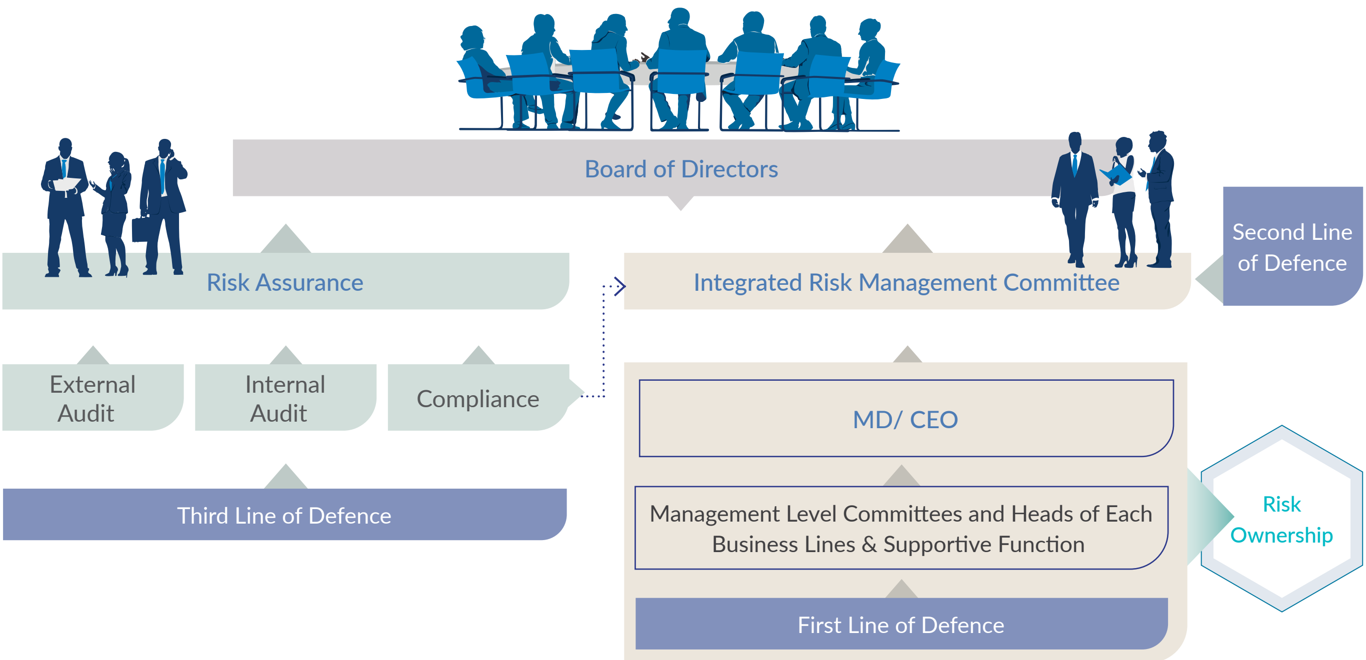
Risk Governance

A foundation for the delivery of an effective risk management process is the robust governance framework adopted by the Company. Risk governance is maintained through delegation of authority from the Board, to the Audit Committee, and the Integrated Risk Management Committee, and down the hierarchy to the management team and employees. The BOD retains the overall responsibility for effective risk management, while the Board sub-committees are responsible for the ongoing management and monitoring of risk exposures faced by the Company in the short, medium, and long terms.

The Board also has oversight for determining the risk appetite of the Company and setting appropriate boundaries. The responsibility of setting the risk appetite and risk tolerance limits has been delegated by the Board to the Integrated Risk Management Committee. The Integrated Risk Management Committee is also responsible for ensuring the implementation of risk management processes across the organisation and putting in place monitoring mechanisms to regularly review and safeguard the Company's risk profile to align with changing business needs and operating conditions. Regular risk reports are shared with the Board to enable them to successfully carry out their responsibilities with regards to the Company's risk management.

The Company has implemented a 'three lines of defence' approach to ensure applying a robust risk management system within our business operations. The risk governance framework also supports clear accountability for risk-taking, oversight, and independent assurance within the Company. This approach also enables the Company to implement and enforce its risk appetite at different levels of the organisation and within day-to-day business activities.

The Company's comprehensive risk management framework together with our approach to risk governance supported us in a challenging year where risk management processes had to be adapted to consider the emerging developments with the COVID-19 pandemic which impacted risk exposures across all aspects of business strategy and business activities. These procedures enabled the Company to implement appropriate risk control, management, and mitigation measures to minimise the impact of COVID-19 on our day-to-day business operations while enabling us to continue offering our services with minimal interruptions to our customers.



Risk Management Committees and their Responsibilities

Board and Management Committees	Responsibilities
Board of Directors	The Board of Directors (BOD) has the ultimate responsibility for the establishment of, and oversight for, the risk management process of the Company. Accordingly, the Board has established sub-committees—Audit Committee and Integrated Risk Management Committee—to assist the Board in discharging its risk management-related responsibilities. The Statement of Director's Responsibilities for the financial year ended 31st March 2021 is available on page 188 of this Annual Report.
Audit Committee	The Audit Committee assists the BOD in fulfilling its oversight responsibilities for the integrity of Financial Statements, the Company's compliance with legal and regulatory requirements, external auditor's independence, the performance of the Company's internal audit function, and soundness of the internal controls and practices. The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and evaluating the suitability of the risk management process in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by the Internal Audit team. The Committee comprises three Independent Non-Executive Directors and meets quarterly to discuss internal audit findings. he committee also meet as and when required to discuss other matters. The detailed Audit Committee Report for the financial year ended 31st March 2021 is available on page 181 of this Annual Report.
Integrated Risk Management Committee	The Integrated Risk Management Committee (IRMC) is 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 IRMC is comprised of two Independent Non-Executive Directors, two Executive Directors including the Managing Director, the Senior Deputy General Manager - Credit, the Senior Deputy General Manager - Finance & Administration, and the Deputy General Manager - Asset Management. The Compliance Officer attends the meetings by invitation. The IRMC meets every quarter 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 Integrated Risk Management Committee Report for the financial year ended 31st March 2021 is available on page 183 of this Annual Report.
Assets and Liability Management Committee	The Assets and Liability 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 risk of the Company. The ALCO is 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 is comprised of representatives from the senior management team who supervise major risk categories and is chaired by the Managing Director/CEO. All action taken by the ALCO is reported to the IRMC. The ALCO meets to review progress and developments monthly and guide the Company forward as required.
Credit Committee	The Credit Committee is responsible for formulating credit policies of the Company in consultation with business lines. In considering credit policy formulation, the Credit Committee must review customer collateral requirements and credit assessments, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. In addition, the Credit Committee must establish the authorisation structure for the approval and renewal of credit facilities. The Credit Committee also sets limits for concentrations of exposure to counterparties, geographies, and industries (for loans and advances) by the issuer, credit rating, and market liquidity. The Credit Committee is comprised of the Managing Director/CEO, Senior DGM – Credit, DGM – Credit, DGM – Asset Management, AGM – Business Development, and the Chief Manager – Credit Administration. The Credit Committee meets regularly depending on business requirements.

RISK MANAGEMENT REPORT

Review of Principle Risk Categories and Mitigation Strategies

Vallibel Finance is primarily exposed to credit risk, liquidity risk, interest rate risk, and capital risk as well as operational risk, legal risk, compliance risk, and reputational risk. The approach used to effectively manage these risks is detailed in the tables below.

Table 1: In-depth evaluation of credit, liquidity, capital, and interest rate risks for the year ended 31st March 2021

1. Credit Risk

Credit risk is defined as the risk of a financial loss if a borrower/counterparty fails to meet its contractual obligations.

Credit risk arises principally from the Company's lease and hire purchase facilities and other loans and advances to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligations, default risk, and sector risk).

Default Risk

Default risk is the exposure to loss due to non-payment by a borrower of a financial obligation when it becomes payable. The Company is exposed to default risk in terms of hire purchase, leasing and other loans and advances which account for over 86% of the total assets of the Company.

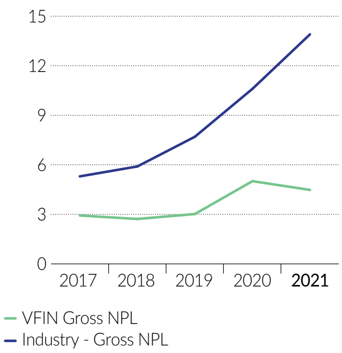
Concentration Risk

Concentration risk is the risk of uneven distribution of the Company's loans and advances to individual counterparties, products, or geographical regions. This is a result of insufficient diversification.

Key Risk Indicators - Credit Risk

Non-Performing Loans (NPL) Ratio

%



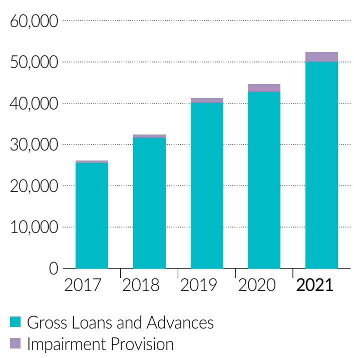
**Industry comprises of LFCs & SLCs and Data are as at 31st December (Source: CBSL)

The NPL ratio which increased to 5.01% in 2020 mainly due to the impacts from the COVID-19 pandemic, has decreased to 4.48% in 2021 with the implementation of the controls and pandemic management put in place. However, the industry continues to follow a downward trend with NPLs further increasing in the year under 2021 compared to 2020.

Compared to the industry, Vallibel Finance is in a much better position due to the implementation of good credit controls as seen by the low percentage of the NPL ratio compared to the industry level.

Gross Loans & Advances and Impairment Provision

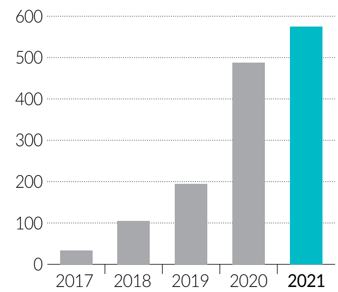
Rs. Mn



Gross Loans and advances increased to Rs. 50,081 Mn and the impairment provision was Rs. 2,336 Mn at 31st March 2021.

Impairment Charge

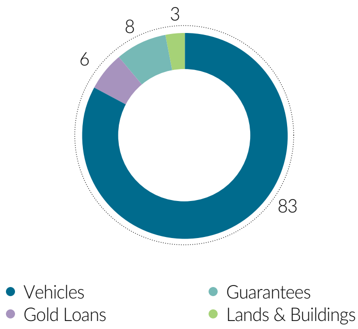
Rs. Mn



The impairment charge has been increased to Rs. 575 Mn at 31st March 2021.

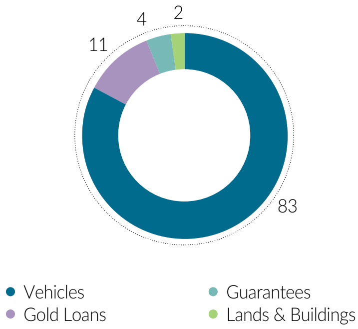
Main Types of Collateral 2020

%



Main Types of Collateral 2021

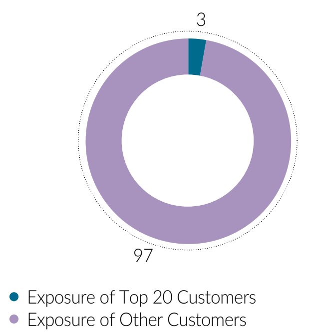
%



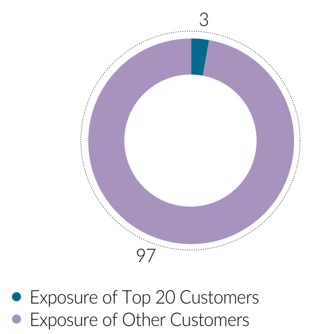
In terms of collateral offered to obtain loans and advances, the trend remains the same as the previous financial year with vehicles being used as collateral for more than 80% of the portfolio.

Key Risk Indicators - Credit Risk

Exposure to Top 20 Customers - 2020
%

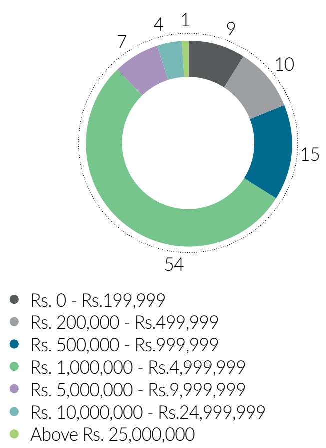


Exposure to Top 20 Customers - 2021
%

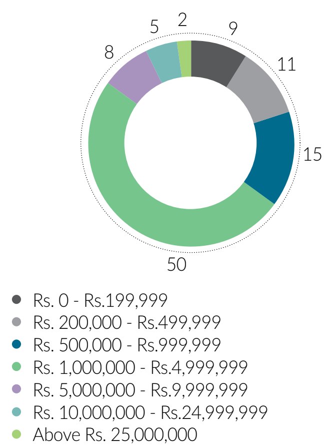


Exposures of Top 20 customers have contributed to only 3% of the portfolio and the balance customers have contributed to 97% of the portfolio in both the financial years.

Exposure by Customer Size - 2020
%

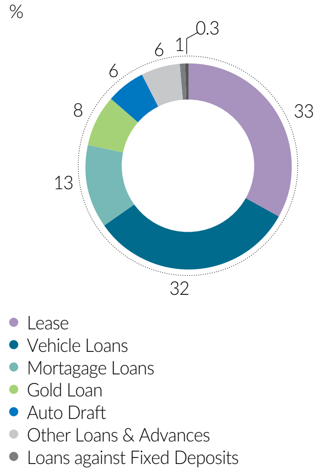


Exposure by Customer Size - 2021
%

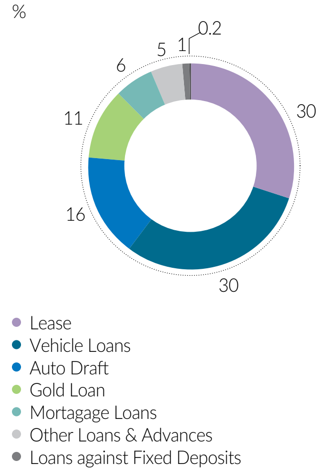


The core customer segment of the Company has an exposure between Rs. 1,000,000 to Rs. 4,999,999. They consisted of more than 54% of the portfolio in 2020 but decreased marginally to nearly 50% of the portfolio in 2021.

Product Concentration 2020
%



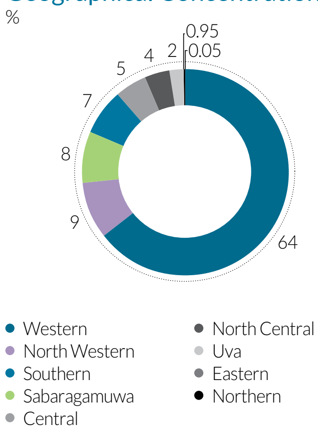
Product Concentration 2021
%



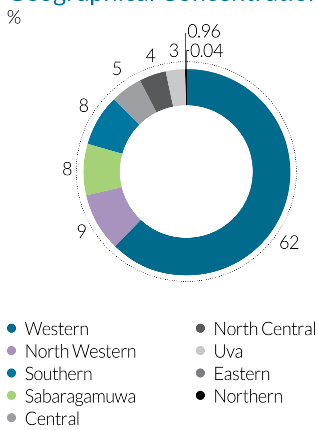
During the last two financial years, the lease portfolio and vehicle loan portfolio have contributed more than 60% to the total lending portfolio, while loans against fixed deposit contributed the lowest to the total portfolio at 1%.

Key Risk Indicators - Credit Risk

Geographical Concentration -2020



Geographical Concentration -2021



The Western province contributed over 60% to the portfolio in the last two financial years and has been the core location for achieving business growth.

	Up to 3 Months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
Total Loans and Advances (Net)	8,830	10,705	22,839	5,335	37	47,746

The maturity of Rs. 22,839 Mn of the total lending portfolio is between 1 to 3 years, being the highest among the below timelines.

Risk Mitigating Strategies- Credit Risk

Credit risk is managed within the risk appetite of the Company. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. The risk tolerance of the Company is low, and therefore, all credit is mitigated through sound credit principles, and all lending is done against appropriate security, except where other factors deem that it is not necessary to obtain specific security.

The Credit Committee of the Company is responsible for overseeing credit risk and the Credit and Recovery Departments which report to the Credit Committee is responsible for monitoring and managing the Company's credit risk.

Strategies used to mitigate credit risk by the Company are summarised below.

- Formulation of credit policies by taking into consideration collateral requirements, the credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- The implementation of a structured and standardised credit evaluation process to assess credit exposures before facilities are granted to customers.
- Setting a clear authorisation structure for the approval and renewal of credit facilities, with large facilities requiring approval by the Board of Directors.
- Periodic review of the delegated authority levels.
- Limiting concentrations of exposure to counterparties, geographies, and industries (for loans and advances) by the issuer, credit rating, and market liquidity to ensure that lending is diversified across a wide range of products, industries, and customers.
- Undertaking period reviews to monitor the compliance of business lines with agreed exposure limits, including those for selected industries and product types.
- Providing regular reports on the credit quality of the risk portfolio to the Board and undertaking appropriate corrective actions as required.
- The Credit Committee provides advice, guidance, and specialist skills to business lines to promote best practices throughout the Company for the effective management of credit risk.
- Each business line is required to implement credit policies and procedures, with credit approval authorities delegated by the Credit Committee. Each business line has an officer who reports all credit-related matters to the management and the Credit Committee. Each business line is responsible for the quality and performance of its credit portfolio and monitoring and controlling all credit risks in its portfolios, including those risk portfolios subject to central review.
- Regular audits of business lines and credit and recovery processes are undertaken by the Internal Audit team.
- Adequacy of these risk management strategies is assessed regularly by the Credit Committee, and quarterly by the IRMC.

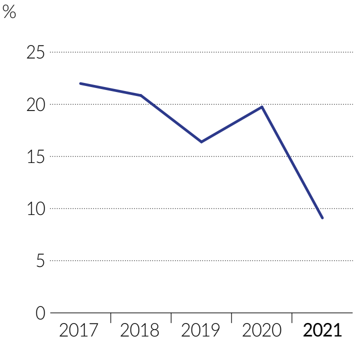
2. Liquidity Risk

Liquidity risk is the risk of loss because of insufficient liquidity to cover current payment obligations. The Company may not be able to meet its obligations due to a lack of funds or having to meet these obligations at an excessive cost. This results from maturity mismatches between assets and liabilities. The day-to-day operations of the Company are affected by liquidity flows, including the risk that the Company is unable to meet expected and unexpected payment obligations as they fall due.

Furthermore, a risk of losses may arise as a result of the Company's difficulty in disposing of or realising certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.

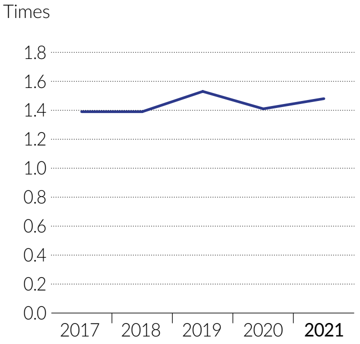
Key Risk Indicators - Liquidity Risk

Liquid Assets to Deposit Ratio



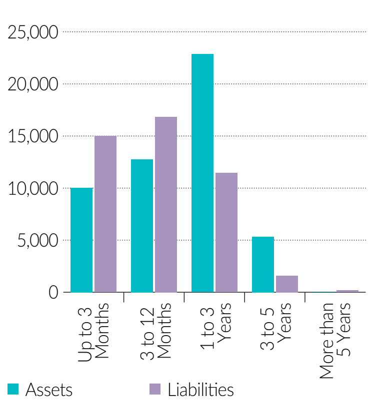
As of 31st March 2021, the liquid asset to deposit ratio is 9.10%, the lowest recorded in the last five financial years.

Movement in Advances to Deposits Ratio



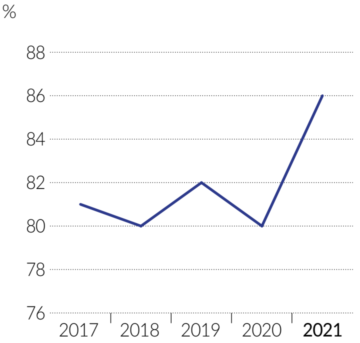
The movement in the advances to deposit ratio has increased to 1.48 times as at 31st March 2021 compared to the 1.41 times recorded in the previous financial year.

Maturity Analysis of Interest Bearing Assets and Liabilities as at 31st March 2021



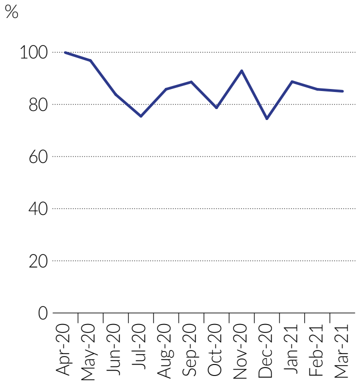
The maturity of 45% of interest-bearing assets is within one year as opposed to 71% of liabilities which are due for repayment within one year. This creates a negative maturity mismatch between assets and liabilities, a common position for any financial institution due to the nature of the industry. However, the Company endeavours to minimise this gap by the application of various risk management strategies.

Net Loans to Total Assets Ratio



The net loans to total assets ratio recorded at 86% as at 31st March 2021 which is the highest on record when compared to the past few financial years.

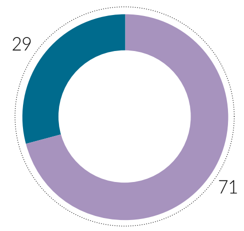
Deposit Renewal Ratio



The average deposit renewal ratio for the financial year under review was 86.33% showcasing the level of confidence depositors have in the Company.

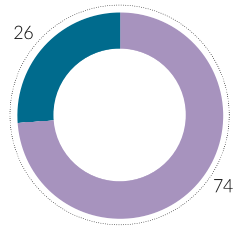
Key Risk Indicators - Liquidity Risk

Interest Bearing Liabilities Mix 2020
%



● Deposts Due to Customers
● Interest Bearing Borrowings

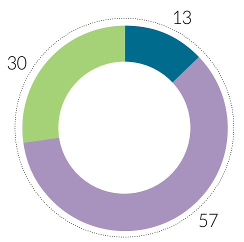
Interest Bearing Liabilities Mix 2021
%



● Deposts Due to Customers
● Interest Bearing Borrowings

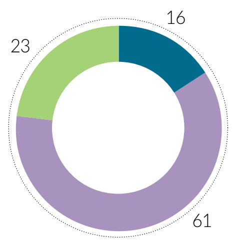
Among the interest-bearing liabilities of the Company, deposits from customers contributed 74% of the total interest-bearing liabilities in the financial year under review, a 3% increase compared to the previous financial year. Interest-bearing borrowings from various financial institutions accounted for the balance 26%.

Funding Composition 2020
%



● Equity ● Deposits ● Borrowings

Funding Composition 2021
%



● Equity ● Deposits ● Borrowings

The Company's funding composition as of 31st March 2021 was - 61% from deposits from customers, 23% from borrowings, and the remaining 16% from equity funds.

Percentage wise, the deposits from customers increased by 1% and the equity funds increased by 3%. However, borrowings decreased by 3% compared to the previous financial year.

Risk Mitigating Strategies- Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that sufficient liquidity is available to meet the Company's liabilities when due, whether under normal or stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The main liquidity risk mitigation strategies are as follows.

- The Company maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, Fixed Deposits, and short-term Government securities, to ensure that sufficient liquidity is maintained within the Company. The liquidity profile of financial assets and liabilities and details of projected cash flows arising from future business are considered in managing liquidity.
- The Company relies on deposits from customers as it is the primary source of funding. While the Company's borrowings have maturities over time, 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, thus increasing the deposit renewal ratio.
- The Company maintains adequate unutilised funding lines to meet urgent cash outflow requirements, if any.
- The statutory liquidity ratio is maintained well above the regulatory limit.
- Daily liquidity is monitored and stress scenarios for various market conditions are reviewed and considered.
- Regular ALCO meetings are held, with the ALCO monitoring the liquidity position of the Company and liquidity management activities undertaken by the Company. ALCO reviews the overall liquidity position as shown by the weekly liquidity report and considers the impact of other inflows and outflows as they affect the overall liquidity of the Company.
- A summary report, including any exceptions and remedial action taken, is submitted to the IRMC, which then approves liquidity risk tolerances by reviewing the Company's inability to meet its obligations when they become due as this may affect the Company's earnings, capital, and operations.
- The Company focuses on retaining and growing its deposit base and tapping low-cost funding sources, to act as a buffer in addition to sound maintenance of a liquid asset portfolio to support contingencies.

3. Capital Risk

Capital risk is the risk of the Company having insufficient capital resources to meet minimum regulatory requirements and to support the credit rating growth and strategic direction of the Company

Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) is a key indicator which measures the financial strength of a finance company, expressed as a ratio of its capital to its risk-weighted assets. A higher capital adequacy ratio indicates that the Company can handle losses and fulfil its obligations to account holders without ceasing operations. This ratio is used as an indicator to protect depositors and promote the stability and efficiency of the financial system.

The Company's capital adequacy ratio as at 31st March 2021 was 12.98% for Tier I and 14.09% for total capital, maintained at above the minimum requirements of 6.5% for Tier I and 10.5% for total capital as per the capital adequacy directions given by the Central Bank of Sri Lanka.

Capital Adequacy Ratio

As at 31 March	2021 Rs.Mn	2020 Rs.Mn
Tier I Capital	8,036	6,324
Tier II Capital	689	589
Total Capital	8,725	6,913
Risk Weighted Amount for Credit Risk	55,156	47,172
Risk Weighted Amount for Operational Risk	6,755	5,856
Total Risk Weighted Amount	61,911	53,028
Regulatory Minimum Tier I Capital Ratio %	6.50%	6.50%
Tier I Capital Ratio %	12.98%	11.93%
Regulatory Minimum Total Capital Ratio %	10.50%	10.50%
Total Capital Ratio %	14.09%	13.04%

A complete breakdown of the capital adequacy ratio computation is available in the notes to the Financial Statements from pages 280 to 283 of this Annual Report.

Risk Mitigating Strategies- Capital Risk

Capital risk management is integral into the Company's approach to maintain financial stability and embedded in the way the business operates. The IRMC monitors the capital position and the capital management activities undertaken by the Company to ensure that capital levels are maintained by following regulatory requirements and directives. Capital adequacy ratios are measured monthly and maintained above the minimum requirements specified by the regulator, the Central Bank of Sri Lanka.

4. Market Risk

Market risk is the possibility of losses to the Company from changes in market variables such as interest rates, exchange rates, equity prices, and commodity prices which will affect the value of assets and liabilities or income adversely.

Commodity Price Risk refers to the uncertainties of future market values and of the size of the future income caused by the fluctuation in the prices of the commodities. Given the significance of the gold loans business to the Company's overall lending operation, fluctuations in Gold prices would have an adverse impact on the business.

Of these market risks, the Company has a higher exposure to interest rate risk which is monitored as a critical risk factor according to the business risk profile, and exposure to equity risk is minimal.

Interest Rate Risk

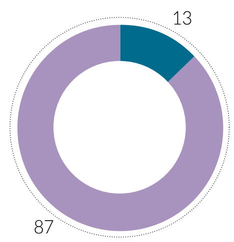
Interest rate risk is the potential for changes in rates to reduce the Company's earnings or value.

The Company is largely exposed to the interest rate risk mainly on the interest income and interest cost. Continuous volatility in the market interest rate affects the Company's net interest income and net interest margin. The Company's exposure to market risk arises as a result of dealing in financial products including loans, deposits, securities, short term borrowings, long term debt, etc.

Key Risk Indicators - Interest Rate Risk

Floating and Fixed Interest Rates 2020/2021

%

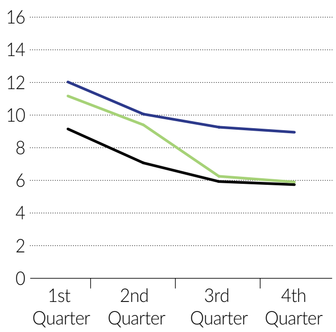


- Borrowings at Fixed Interest Rate
- Borrowings at Floating Interest Rate

The interest rate applied to 87% of the total borrowing is based on floating rate while the balance 13% is calculated as a fixed rate. In an environment where interest rates are declining, having more borrowings on a floating interest rate is an advantage to the Company as it would result in incurring lower interest expense.

Borrowing Cost of 2020/2021

%

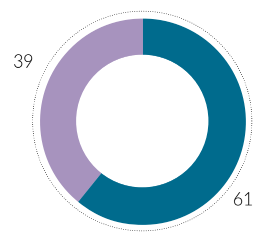


- Cost of Short Term Borrowings
- Cost of Long Term Borrowings
- Average AWPLR

The Company's borrowing cost have decreased over the four quarters of the financial year under review resulting in the average AWPLR also declining over the four quarters of the year under review.

Deposit Investment Exposure as at 31st March 2021 (Credit rating wise)

%



- AAA to A-
- BBB+ to BBB-

Out of the total deposit investment, 61% of the funds have been invested in financial institutions where the Credit rating is between AAA and A- while the remaining 39% of funds have been invested in financial institutions where the Credit rating is between BBB+ to BBB-.

Table 2: Overview of operational, legal, compliance, and reputation risks for the year ended 31st March 2021

Risk Category/ Type	Risk Description	Risk Mitigating Strategies
Operational Risk	Operational risk is the prospect of loss resulting from inadequate or failed internal processes, people, and systems, or external events. This can be 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 such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the operations of the Company.	The severity of these operational risks is assessed regularly through identified key risk indicators such as staff turnover, insurance coverage, fraud attempts, branch/department audit ratings, etc. The information derived acts as early warning signals to identify a potential event that may harm daily business activities and the operations of the Company. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business line.
Legal Risk	Legal risk is the potential for losses due to regulatory or legal action. Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against the Company.	Legal risk management commences from prior analysis, and a thorough understanding of and adherence to related legislation by the staff. Necessary precautions are taken at the designing stage of transactions to minimize legal risk exposure. In the event of a legal risk factor, the Legal Department of the Company takes immediate action to address and mitigate these risks. The Company's legal division ensures that all business activities are car-ried out in a manner which complies with the laws and regulations ap-plicable in the Country. Among others, the division is responsible for advising senior management on any legal issues, reviewing all contracts and agreements, examining documentation related to collateral, and representing the Company in courts of law when necessary.
Compliance Risk	Compliance risks are the potential threats to the Company that resulting from non-conformance with laws, regulations, rules, directions, prescribed practices, and ethical standards. Financial institutions in Sri Lanka are governed by the Central Bank of Sri Lanka which is the main regulatory body in the country. Every financial institution must obtain a license from the Central Bank before commencing finance business and continue to carry out business in compliance with the laws, directions, rules, determinations, notices, and guidelines issued by the Central Bank. Furthermore, the Company should comply with other regulatory and statutory requirements governing Finance Companies, Public Listed Companies, and business activities undertaken in general. Thus, the Company operates in a highly regulated environment and the Company could be adversely affected by failure to comply with existing laws and regulations or by failing to adopt changes in laws, regulations, and regulatory policy.	The Integrated Risk Management Committee 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 the regulatory and statutory requirements. The Integrated Risk Management Committee 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 the regulatory and statutory requirements.

Risk Category/ Type	Risk Description	Risk Mitigating Strategies
Reputational Risk	Reputational risk is that of losing public trust or the tarnishing of the Company's image in the public eye. This risk could arise from environmental, social, regulatory, or operational risk factors. We consider reputational risk as a consequence of a failure to manage other key risks arising from the business activities.	Events that could lead to reputation risk are closely monitored, utilizing an early warning system that includes inputs from frontline staff, media reports, and internal and external market survey results. Reputation risk management and mitigation aspects are embedded in the Company's policies and procedures, training programmes. Policies and standards relating to the conduct of the Company's business have been promulgated through internal communication and training and ensure compliance with laws, regulations, rules, directions, prescribed practices, and ethical standards. A whistleblower policy has been established to entertain employees' complaints regarding accounting, internal controls, or auditing matters or if any, breaches of any law, statutory, regulatory, or other ethical concerns. We are continuously committed to maintaining and improving the standards in all the activities we undertake.

Emerging Risks

The Company also faces emerging risks which unexpectedly occur due to changes in the external operating environment including changes in consumer trends, technology developments, and social and environmental changes due to the increasing sophistication of stakeholders. The ever-increasing dynamism of changing global and local economic and industry landscape has made it imperative for the Company to consider these newly emerging risks while pursuing business growth and success. A precautionary approach is adopted to manage these risks proactively and in a business-savvy manner.

In the year under review, the Company faced an unprecedented event, the COVID-19 pandemic. The pandemic which prevailed across the world and affected every person and all businesses resulted in increasing existing risk exposures while creating new risk factors. The details are explained in the following table together with other emerging key risk factors which the Company closely monitors as part of our proactive integrated risk management process.

Table 2: Overview of operational, legal, compliance, and reputation risks for the year ended 31st March 2021

Risk Category	Risk Factor	Nature of the Impact	Impact on the Company	Precautionary Approach Adopted
Macroeconomic Environmental Risks	Falling/low economic growth	❑ Weakens industry sector operations ❑ Reduces disposable income	❑ Limited growth opportunities ❑ Slowdown in year-on-year business growth ❑ Depreciation in asset quality and increased impairment charge	❑ Restructured existing products and re-introduce them to consumers ❑ Strengthened recovery processes and teams ❑ Promoting long term deposits to improve asset and liability matching
Industry-related Risks	The collapse of finance companies	Reduces customer confidence in LFCs	❑ Lower deposit growth ❑ Higher operating costs and declining profits	❑ Advertising and other promotional activities to build brand image and credibility while highlighting the strength of the Company's credit ratings

Risk Category	Risk Factor	Nature of the Impact	Impact on the Company	Precautionary Approach Adopted
COVID-19 Pandemic Risks	❑ Cassation of economic activity ❑ Limited consumer spending ❑ Restricted physical contact ❑ Increased health and safety issues ❑ Changing customer expectations ❑ Travel restrictions	Increases technological, operational, environmental, and social risks (as described below)	❑ Limited growth opportunities ❑ Slowdown in year-on-year business growth ❑ Increasing occupational health and safety expenses ❑ Increasing IT-related costs ❑ Increasing operating costs ❑ Reducing business expansion opportunities	❑ Continuous monitoring of the developments in the environment propelled by the pandemic ❑ Monitoring the health of our employees ❑ Adhering to the health and safety guidelines as recommended by the World Health Organisation and the local Health Ministry ❑ Regular communications with employees and customers ❑ Adopting new ways of working such as 'Work from Home', working on a roster, etc. ❑ Increasing process automation through digitalisation to encourage minimal human contact ❑ Monitoring employees who worked in our premises to ensure they were safe ❑ Distributing COVID-19 information through our communication channels to increase the knowledge and safety of all our stakeholders
Technological Risks	Increasing concerns on cybersecurity	Due to the increasing use of digital technology, there has been increasing risks from cyber-attacks, or systems breaches, which leads to loss of customer data and privacy	❑ Disruption to daily operations ❑ Adverse impact on reputa-tional risk if unable to put in place countermeasures promptly	❑ Ongoing investments in upgrading hardware and software ❑ Deploy regular IT vulnerability assessments ❑ Strong IT governance including robust IT security policy
Operational Risks	Employee retention	Difficulties in acquiring and retaining the right talent	❑ Increasing costs of recruitment and training of new employees	❑ Invest strategically in developing skills and competencies of existing employees
	Changing customer expectations	Increasing Gen Y and Millennial customer base together with the rapid advances in technology usage constantly requiring evolving products and services to satisfy customers expectations	❑ Inability to effectively respond to changes in the marketplace and changing customer expectations will lead to a decline in the Company's competitive position amongst competitors who do well and lead to falling competitive advantage ❑ Availability of internal competencies ❑ Established business processes and systems becoming obsolete at a rapid pace	❑ Deploying a communication strategy focused on digitalisation and social media as platforms to reach customers effectively ❑ Increased investment in market research to keep abreast of changes and identify appropriate development to be incorporated in strategic plans

Risk Category	Risk Factor	Nature of the Impact	Impact on the Company	Precautionary Approach Adopted
Environmental & Social Risks	Increasing vulnerability to natural disasters and unexpected social de-velopments	Business interruptions resulting in a slowdown in business operations	Changing work patterns im-pacting employee productivi-ty and resultantly negatively impacting the revenue and profitability growth of the Company	Deploy measures to increase em-ployee morale in times of crisis and ensure employees are an integral part of the Company's teams
Risks arising from political and policy uncertainty	❑ Frequent changes to local fiscal and monetary policy ❑ Significant changes and updates to regulatory requirements ❑ The lack of structural reforms to increase productivity ❑ Growing Environmental, Social and Corporate governance concerns in lending	Can impact on business governance, day-to-day business operations, and future plans	❑ Could require changes to products and service terms and conditions, and impact business processes	❑ Benchmark current practices with internationally accepted ones ❑ Continuously review and keep updated on changes and how best to implement them in business plans

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 2021 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 is listed on the Main Board of the Colombo Stock Exchange.

The Company has been affirmed a rating of [SL] BBB (Stable) by ICRA Lanka Limited.

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, granting of mortgage loans, granting of vehicle loans, granting of personal loans, gold loans, micro finance and other credit facilities.

The Company's only subsidiary, Vallibel Propeties Limited is engaged in the administration of construction, development and maintenance of the proposed head office building complex for Vallibel Finance PLC.

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

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 04th June 2021.

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 192 to 283, 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 190 and 191.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 200 to 221.

Changes in Accounting policies are described in Note 04 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. Dhammika Perera	- Executive Director
Mr. S S Weerabahu	- Executive Director

Non-Executive Directors

Mr. R M Karunartne*	- Chairman
Mr. T Murakami**	- Director
Mr. K D A Perera	- Director
Mr. A Dadigama*	- Director
Mr. J Kumarasinghe*	- Director

* *Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended)*

** *Alternate Director – Mr. H Ota*

Mr. R M Karunaratne was redesignated as the Chairman of the Board of Directors with effect from 16th July 2020.

The relevant regulatory approval in terms of the Finance Companies (Structural Changes) Direction No. 01 of 2013 was obtained for the aforesaid structural change.

Mr. A Dadigama 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.

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

Based on the declarations made by the Independent Non-Executive Directors under the Listing Rules, the Board determined that Messrs R M Karunaratne, A Dadigama and J Kumarasinghe were independent as against the criteria for defining "independence" set out in the Listing Rules and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended).

Directors of the Subsidiary Company

Mr. S B Rangamuwa	-	Director
Mr. S S Weerabahu	-	Director
Mr. R M Karunartne	-	Director
Mr. K D A Perera	-	Director
Mr. A Dadigama	-	Director
Mr. J Kumarasinghe	-	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 available for inspection upon request.

The relevant interests of Directors in the shares of the Company as at 31st March 2021 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 are recorded in the interests register in due compliance with the provisions of the Companies Act, LKAS 24, Listing Rules and Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 51 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 2021.

Directors' Remuneration

The remuneration of Directors of the Company and its subsidiary is disclosed under key management personnel compensation in Note 51 to the Financial Statements on page 262.

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 2021 was Rs. 1,325,918,000/- represented by 58,863,350 Ordinary Shares. There were no changes in the stated capital of the Company during the year.

The Board of Directors recommended a sub-division of every One (01) Ordinary Share into Four (04) Ordinary Shares thereby increasing the total number of issued shares of the Company from Fifty Eight Million Eight Hundred and Sixty Three Thousand Three Hundred and Fifty (58,863,350) shares to Two Hundred and Thirty Five Million Four Hundred and Fifty Three Thousand and Four Hundred (235,453,400) which Ordinary Shares shall rank pari-passu in respect of voting and other rights as the existing Ordinary Shares that are being sub-divided.

The said sub-division is subject to receiving the concurrence of the Colombo Stock Exchange and approval by the Shareholders at an Extraordinary General Meeting.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 are as follows:

	Shareholding as at 31/03/2021	Shareholding as at 31/03/2020
Mr. R M Karunaratne	Nil	Nil
Mr. Dhammika Perera*	12,616,266	12,616,266
Mr. S B Rangamuwa	Nil	1,312,500
Seylan Bank PLC / Mr. S B Rangamuwa	1,312,500	Nil
Mr. T Murakami	Nil	Nil
Mr. K D A Perera**	2,133,240	2,133,240
Mr. A Dadigama	Nil	Nil
Mr. S S Weerabahu	Nil	Nil
Seylan Bank PLC / Mr. S S Weerabahu	16,551	Nil
Mr. J Kumarasinghe	Nil	Nil

* *Mr. Dhammika Perera is the Chairman and major shareholder of Vallibel Investments (Pvt) Limited which holds 30,277,000 shares constituting 51.43% of the issued shares of the Company.*

** *Mr. K D A Perera also serves as a Director of Vallibel Investments (Pvt) Limited.*

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 296 and 297 Earnings, Dividends, Net Assets per Share, appear on page 300.

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.

The Auditor of the subsidiary Company, Vallibel Properties Ltd is KPMG.

A total amount of Rs. 2,484,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 1,500,000/- as Audit Fees and audit related services, and Rs. 984,000/- as for non-audit services.

A sum of Rs. 450,000/- 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 4th June 2021 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. 8,725,508/-. 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 2019 as per valuations conducted by Mr. J.M Senanayaka Bandara an incorporated valuer are set out in Note 36.4 to the Financial Statements on pages 248 to 250.

The details of investment Property are given in Note 35 of the financial statements. The investment property owned by the Company recorded at revalued amount and details of the property and its market value as at 31st March 2021 as per valuation conducted by Mr. H B Manjula Basnayaka an incorporated valuer are set out in Note 35.6 to the financial statements on page 245.

Material Foreseeable Risk Factors

The section on Risk Management on pages 163 and 176 sets out the processes currently practiced by the Company to identify and manage the risks.

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 and the Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended by Directions No. 4 of 2008, No. 6 of 2013 and No. 5 of 2020) and the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011.

The Corporate Governance Statement on pages 130 to 162 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. 3 of 2008.

The composition of the said Committees is as follows:

Audit Committee

Mr. Aravinda Dadigama	- Chairman
Mr. R M Karunaratne	- Member
Mr. J Kumarasinghe	- Member

The Report of the Audit Committee appears on page 181.

Remuneration Committee

Mr. J Kumarasinghe	- Chairman
Mr. R M Karunaratne	- Member
Mr. K D A Perera	- 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.

Related Party Transactions Review Committee

Mr. Aravinda Dadigama	- Chairman
Mr. R M Karunaratne	- Member
Mr. J Kumarasinghe	- Member

The Report of the Related Party Transactions Review Committee appears on page 182.

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

Integrated Risk Management Committee

Mr. J Kumarasinghe
Independent Non-Executive Director - (Chairman)

Mr. A Dadigama
Independent Non-Executive Director

Mr. S B Rangamuwa
Managing Director/CEO

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

* *Appointed as a Member w.e.f* 29.06.2020

The report of the Intregrated Risk Management Comimittee appears on page 183.

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 by way of electronic means on 30th June 2021 at 10.00 a.m.

The notice of the Annual General Meeting appears on page 304.

This Annual Report is signed for and on behalf of the Board of Directors by

R M Karunaratne
Chairman

S B Rangamuwa
Managing Director

Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

4th June 2021
Colombo

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

The Board Audit Committee comprises of three Independent Non-Executive Directors.

The following Directors serve on the Board Audit Committee during the year under review:

Mr. A Dadigama
Independent Non Executive Director (Chairman)

Mr. R M Karunaratne
Independent Non Executive Director

Mr. J Kumarasinghe
Independent Non Executive Director

The Chairman, Mr. A 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. He is specialized in Finance, Treasury, Compliance and Risk Management and counts over 24 years of experience in different entities.

Role of the Committee

The Audit Committee charter defines the role and responsibility of the Audit 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 Audit Committee has authority to authorize investigations into any matter within its scope and responsibility as defined in the Audit Committee charter.

The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

Meetings

The Committee met five times during the year. The attendance at the meetings was as follows:

Name of Director	Executive/Non-Executive Independent/Non-Independent	Attendance
Mr. A Dadigama	Independent Non-Executive	5/5
Mr. R M Karunaratne	Independent Non-Executive	5/5
Mr. J Kumarasinghe	Independent Non-Executive	5/5

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.

Audit Committee reviewed the assessment carried out by the Management on the potential implications of Covid-19 outbreak on the Company's operations and concluded that there will be no significant impact on the ability to continue as a going concern.

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 specialized 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 rationalize 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 2022, 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

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

4th June 2021

RELATED PARTY TRANSACTION 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 Independent Non-Executive Directors. The composition of the committee is as follows.

Mr. A Dadigama
Independent Non Executive Director
(Chairman)

Mr. R M Karunaratne
Independent Non Executive Director

Mr. J Kumarasinghe
Independent Non Executive Director

Brief profile of each member of the Committee is given on pages 22 to 25.

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.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency is maintained and are 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

During the financial year under review, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds & criteria as stipulated by Listing Rules of the Colombo Stock Exchange.

Details of other Related Party Transactions are given in Note No. 51 to the Financial Statements on pages 261 to 265.

A Dadigama
Chairman
Related Party Transaction Review Committee

4th June 2021

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Composition of the Integrated Risk Management Committee (IRMC)

IRMC is comprised of two Non-Executive Directors, one Executive Director, CEO and three representatives from the senior management.

The following Directors/Officers serve on the Board Integrated Risk Management Committee during the year under review:

Mr. J Kumarasinghe (Chairman)
Independent Non Executive Director

Mr. A Dadigama
Independent Non Executive Director

Mr. S B Rangamuwa
Managing Director/CEO

Mr. S S Weerabahu
Executive Director
(Appointed w.e.f. 29.06.2020)

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

Main Role and Responsibilities of the Committee

In line with sections 8.1 and 8.3 of the Finance Companies (Corporate Governance) Direction No.3 of 2008, an Integrated Risk Management Committee was established in December 2008.

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 scope and functions of the Committee conform with the provisions of the Finance Companies (Corporate Governance) Direction No.3 of 2008. The main objectives of the Committee are:

- To ensure that the Company has a comprehensive risk management framework relative to its business activities and risk profile
- To assess the effectiveness of the Company's risk management system
- To ensure that a compliance function is in place to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls and other prescribed practices
- To ensure that the Board of Directors is kept updated of the Company's risk exposure

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

4th June 2021

FINANCIAL STATEMENTS

A detailed account of the Company's financial performance and position for the year under review with previous year comparisons showcasing financial stability, maintenance of liquidity, increasing shareholder funds, and the financial harmony of Vallibel Finance PLC.

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING (AGM) CALENDAR

	2020/21	2021/22
Annual Report and Accounts for the year signed/to be signed	4th June 2021	In May 2022
Annual General Meeting to be held	30th June 2021	In June 2022

INTERIM FINANCIAL STATEMENTS CALENDAR - SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2020/21 Submitted on	2021/22 To be Submitted on or before
For the three months ended / ending 30th June	14th August 2020	15th August 2021
For the six months ended / ending 30th September	3rd November 2020	15th November 2021
For the nine months ended / ending 31st December	9th February 2021	15th February 2022
For the year ended / ending 31st March	18th May 2021	31st May 2022

SIX MONTHS FINANCIAL STATEMENTS

Six months ended /ending 30th September	2019/20 Published on	2020/21 To be published on or before
English	23rd November 2020	30th November 2021
Sinhala	25th November 2020	30th November 2021
Tamil	25th November 2020	30th November 2021

ANNUAL FINANCIAL STATEMENTS

Year ended/ ending 31st March	2019/20 Published on	2020/21 To be published on or before
English	30th June 2020	30th June 2021
Sinhala	30th June 2020	30th June 2021
Tamil	30th June 2020	30th June 2021

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 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

R M Karunaratne
Chairman

S B Rangamuwa
Managing Director

A Dadigama
Chairman
Audit Committee

04th June 2021

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 2021/22, 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

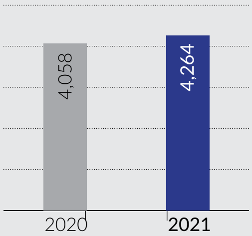
P W Corporate Secretarial (Pvt) Ltd
Secretaries

04th June 2021

KEY HIGHLIGHTS

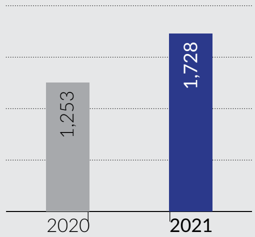
Net Interest Income
Rs. Mn

Net interest income grown by Rs. 206 Mn during the financial year under review



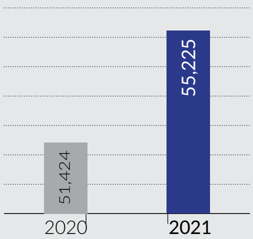
Profit after Tax
Rs. Mn

A double-digital growth of 37.9% amounting to Rs. 1,728 Mn during the financial year under review



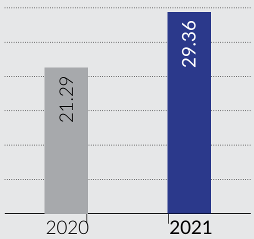
Total Assets
Rs. Mn

A Rs. 3,801 Mn increase in total assets with a 7.4% year on year growth for the year under review



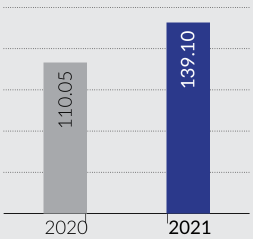
Earnings Per Share
Rs.

Earnings per share increased to Rs.29.36 for the year ended 31st March 2021



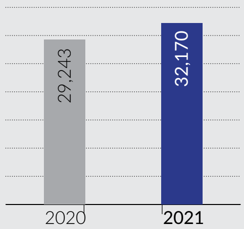
Net Assets Per Share
Rs.

Net assets per share increased by 26.4% to Rs. 139.10 as at 31st March 2021



Deposits due to Customers
Rs. Mn

A double-digital growth of 10.0% recording Rs. 32,170 Mn as at 31st March 2021



INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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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 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 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

As at 31 March 2021, 86% of its total assets of the Company consisted of loan and receivables, lease and hire purchase receivables totaling 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 Response:

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Page No.	Note	Company 2021 Rs.	Company 2020 Rs.	Company Change %	Group 2021 Rs.
Gross Income	222	11	9,469,941,763	9,695,306,097	(2.3)	9,469,941,763
Interest Income	222	12.1	8,331,297,497	8,912,195,796	(6.5)	8,331,297,497
Interest Expense	223	12.2	(4,067,534,369)	(4,854,515,785)	(16.2)	(4,067,534,369)
Net Interest Income	222	12	4,263,763,128	4,057,680,011	5.1	4,263,763,128
Fee and Commission Income	223	13	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	223	14	642,028	(384,462)	267.0	642,028
Net Gain / (Loss) from other Financial Instruments at FVTPL	223	15	36,563,641	63,839,013	(42.7)	36,563,641
Other Operating Income	224	16	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	224	17	(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	224	18	(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	225	19	2,858,549,856	2,441,896,708	17.1	2,855,297,889
Taxes on Financial Services	225	20	(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	225	21	(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	227	22				
Basic Earnings Per Share			29.36	21.29	37.9	29.32
Diluted Earnings Per Share			29.36	21.29	37.9	29.32

The notes appearing on pages 200 to 283 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

For the Year Ended 31st March	Page No.	Note	Company 2021 Rs.	Company 2020 Rs.	Company Change %	Group 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	257	46.3	(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	260	49.1	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

The notes appearing on pages 200 to 283 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Page No.	Note	Company 2021 Rs.	Company 2020 Rs.	Company Change %	Group 2021 Rs.
Assets						
Cash and Cash Equivalents	234	26.1	1,683,003,076	2,046,506,255	(17.8)	1,712,137,601
Placements with Banks and Other Finance Companies	235	27	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)	235	28	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	236	29	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	239	30	14,085,116,152	13,493,996,467	4.4	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	243	31	203,800	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	243	32	-	97,954,958	(100.0)	-
Financial Assets at Amortised Cost - Other Financial Assets	244	33	15,162,142	16,617,983	(8.8)	15,162,142
Investment in a Subsidiary	244	34	20	-	100.0	-
Investment Property	244	35	1,100,000,000	-	100.0	-
Property, Plant and Equipment	246	36	614,154,778	1,762,546,954	(65.2)	2,119,143,851
Right-of-use Lease Assets	251	37	583,944,570	369,692,861	58.0	583,944,570
Intangible Assets	251	38	9,897,595	17,663,649	(44.0)	9,897,595
Deferred Tax Assets	256	44.4	80,267,468	73,779,797	8.8	81,047,940
Other Assets	252	39	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	234	26.2	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	252	40	32,170,953,144	29,243,912,898	10.0	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	253	41	11,282,498,665	12,037,795,536	(6.3)	11,880,986,632
Lease Liabilities	255	42	599,680,856	402,518,972	49.0	599,680,856
Current Tax Liabilities	255	43	635,606,078	223,998,022	183.8	635,606,078
Deferred Tax Liabilities	256	44.3	112,558,388	260,945,390	(56.9)	112,558,388
Other Liabilities	257	45	841,325,477	1,442,619,116	(41.7)	842,123,612
Retirement Benefit Obligations	257	46	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

As at 31st March	Page No.	Note	Company 2021 Rs.	Company 2020 Rs.	Company Change %	Group 2021 Rs.
Equity						
Stated Capital	259	47	1,325,918,000	1,325,918,000	-	1,325,918,000
Statutory Reserve Fund	260	48	1,554,199,509	1,208,563,889	28.6	1,554,199,509
Other Reserves	260	49	139,261,541	134,646,380	3.4	139,261,541
Retained Earnings	261	50	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

The notes appearing on pages 200 to 283 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;

Dhammika Perera
Executive Director

S.B. Rangamuwa
Managing Director

04th June 2021,
Colombo.

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2019		1,325,918,000	957,881,867	127,146,380	7,500,000	3,052,506,942	5,470,953,189
Total Comprehensive Income for the Year							
Profit for the Year		-	-	-	-	1,253,410,112	1,253,410,112
Other Comprehensive Income, net of Tax							
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income		-	-	-	-	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	(11,338,131)	(11,338,131)
Total Comprehensive Income for the Year		-	-	-	-	1,242,071,981	1,242,071,981
Transactions with owners of the Company							
Contributions and distributions							
Dividends to equity holders							
First and final Dividend for 2018/19		-	-	-	-	(235,453,400)	(235,453,400)
Unclaimed Dividend Adjustments		-	-	-	-	440,076	440,076
Statutory Reserve Transfer	48.1	-	250,682,022	-	-	(250,682,022)	-
Total Transactions with Equity Holders		-	250,682,022	-	-	(485,695,346)	(235,013,324)
Balance as at 31st March 2020		1,325,918,000	1,208,563,889	127,146,380	7,500,000	3,808,883,577	6,478,011,846
Total Comprehensive Income for the Year							
Profit for the Year		-	-	-	-	1,728,178,102	1,728,178,102
Other Comprehensive Income, net of Tax							
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income		-	-	-	-	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	(23,019,929)	(23,019,929)
Net Change in Revaluation of Land & Buildings	49.1	-	-	4,615,161	-	-	4,615,161
Total Comprehensive Income for the Year		-	-	4,615,161	-	1,705,158,173	1,709,773,334
Transactions with owners of the Company							
Contributions and distributions							
Dividends to equity holders							
Unclaimed Dividend Adjustments		-	-	-	-	121,894	121,894
Statutory Reserve Transfer	48.1	-	345,635,620	-	-	(345,635,620)	-
Total Transactions with Equity Holders		-	345,635,620	-	-	(345,513,726)	121,894
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

The notes appearing on pages 200 to 283 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	General Reserve	Retained Earnings	Non - Controlling Interest	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2020		1,325,918,000	1,208,563,889	127,146,380	7,500,000	3,808,883,577	-	6,478,011,846
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	-	1,725,706,607	-	1,725,706,607
Other Comprehensive Income, net of Tax								
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income		-	-	-	-	-	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	(23,019,929)	-	(23,019,929)
Net Change in Revaluation of Land & Buildings	49.1	-	-	4,615,161		-	-	4,615,161
Total Comprehensive Income for the Year		-	-	4,615,161	-	1,702,686,678	-	1,707,301,839
Transactions with owners of the Company								
Contributions and distributions								
Dividends to equity holders								
Unclaimed Dividend Adjustments		-	-	-	-	121,894	-	121,894
Statutory Reserve Transfer	48.1	-	345,635,620	-	-	(345,635,620)	-	-
Total Transactions with Equity Holders		-	345,635,620	-	-	(345,513,726)	-	121,894
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

The notes appearing on pages 200 to 283 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CASH FLOW STATEMENT

For the Year Ended 31st March	Note	Company 2021 Rs.	Company 2020 Rs.	Group 2021 Rs.
Cash Flow from Operating Activities				
Interest and Commission Receipts		8,910,714,128	9,274,074,108	8,910,714,128
Interest Payments		(4,009,051,810)	(4,465,166,232)	(4,021,627,152)
Cash Receipts from Customers		660,326,353	261,377,709	660,326,353
Cash Payments to Employees and Suppliers		(2,192,261,551)	(2,431,884,789)	(2,194,715,382)
Operating Profit Before Changes in Operating Assets and Liabilities (Note A)		3,369,727,120	2,638,400,796	3,354,697,947
(Increase) / Decrease in Operating Assets				
Short Term Funds		432,173,165	36,355,131	318,540,461
Deposits held for Regulatory or Monetary Control Purposes		394,841,356	(13,969,356)	394,841,356
Financial assets at amortised cost – Loans and advances / Lease rental & Hire purchase receivables		(7,251,267,142)	(2,771,551,993)	(7,251,267,142)
Other Short Term Negotiable Securities		2,115,733,357	(410,380,335)	1,955,733,357
Increase / (Decrease) in Operating Liabilities				
Financial liabilities at amortised cost – Due to depositors		2,977,388,145	3,695,859,938	2,977,388,145
Financial liabilities at amortised cost – Certificate of Deposits		(159,602,382)	(48,581,330)	(159,602,382)
Net Cash (Used in) / Generated from Operating Activities before Income Tax		1,878,993,619	3,126,132,851	1,590,331,742
Current Taxes Paid	43	(392,986,113)	(973,519,870)	(392,986,113)
Gratuity Paid	46.1	(2,324,327)	(6,354,360)	(2,324,327)
Net Cash (Used in) / Generated from Operating Activities		1,483,683,179	2,146,258,621	1,195,021,302
Cash Flows from Investing Activities				
Dividends Received		121,600	210,594	121,600
Investment in a Subsidiary		(20)	-	-
Proceed from Sale of Property , Plant and Equipment		512,160	1,166,035	512,160
Purchase of Property, Plant and Equipment	36	(182,245,495)	(148,862,268)	(464,449,113)
Purchase of Intangible Assets	38.1	-	(5,559,099)	-
Net Cash (Used in) / Generated from Investing Activities		(181,611,755)	(153,044,738)	(463,815,353)
Cash Flows from Financing Activities				
Net Increase / (decrease) in Financial liabilities at amortised cost – Interest bearing Borrowings		(1,684,916,954)	(618,088,380)	(1,084,916,954)
Dividend Paid		-	(235,453,400)	-
Unclaimed Dividend Adjustments		121,894	440,076	121,894
Net Cash (Used in) / Generated from Financing Activities		(1,684,795,060)	(853,101,704)	(1,084,795,060)
Net Increase / (Decrease) in Cash & Cash Equivalents		(382,723,636)	1,140,112,179	(353,589,111)
Cash & Cash Equivalents at the Beginning of the Year		1,081,976,351	(58,135,828)	1,081,976,351
Cash & Cash Equivalents at end of the Year (Note B)		699,252,715	1,081,976,351	728,387,240

For the Year Ended 31st March	Note	Company 2021 Rs.	Company 2020 Rs.	Group 2021 Rs.
Note A				
Reconciliation of Operating Profit Before Changes in Operating Assets and Liabilities				
Profit Before Income Tax		2,389,782,208	1,862,101,349	2,386,530,241
Amortisation of Intangible Assets	38.1	7,766,054	7,542,983	7,766,054
Accrual for Interest Expense / (Income)		(1,673,453)	337,231,016	(14,248,795)
Accrual for Interest Income / (Expense)		139,024,903	(94,871,862)	139,024,903
Accrual for Other Payable		147,530,870	(26,725,675)	148,329,006
Retirement Benefit Cost	46.2	32,388,472	24,117,387	32,388,472
Depreciation of Property, Plant and Equipment	36	107,276,263	105,171,430	107,276,263
Impairment Charges and Other Credit Losses on Financial Assets	17	575,076,254	487,815,203	575,076,254
Dividend Income		(121,600)	(210,594)	(121,600)
Unrealised Fair Value gains / (losses) on Financial Instruments measured at FVTPL		(642,028)	503,552	(642,028)
Unrealised Fair Value gains / (losses) on Other Financial Instruments measured at FVTPL		(36,563,641)	(63,839,013)	(36,563,641)
Gain / (Loss) on Disposal of Property, Plant & Equipment		(271,626)	(434,980)	(271,626)
Impairment Loss on Property, Plant & Equipment		10,154,444	-	10,154,444
		3,369,727,120	2,638,400,796	3,354,697,947
Note B				
Cash & Cash Equivalents at the end of the Year				
Cash in Hand and at Banks	26.1	1,683,003,076	2,046,506,255	1,712,137,601
Bank Overdrafts	26.2	(983,750,361)	(964,529,904)	(983,750,361)
		699,252,715	1,081,976,351	728,387,240

The notes appearing on pages 200 to 283 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	2021	2020
Company	1,067	979
Group	1,072	-

Corporate information is presented in the page 303 of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st March 2021 comprise the Vallibel Finance PLC (Parent Company) and its subsidiary (together referred to as the "Group" and individually as "Group entities"). These Financial Statements for the year ended 31st March 2021 are the first Consolidated Financial statements prepared.

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

Vallibel Finance PLC

↓ 100%

Vallibel Properties Limited

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). Since there were no transactions occurred during the period of 2019/20 in Vallibel Properties Ltd, Consolidation Financial Statements were not prepared.

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.

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 2021 (including comparatives for 2020) were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 4th June 2021.

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 is 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", which was effective from 01st January 2016.

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.

Furthermore, the Management has assessed the existing and anticipated effects of COVID – 19 on the Group, and is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a 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 COVID-19 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 COVID-19 resulted in the application of further judgement within those areas due to the evolving nature of the pandemic and the 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 Polices 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 Determination of the lease term for lease contracts with renewal and termination options (Company 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 to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset)

B. 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.

2.12.4 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.

2.12.5 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.

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 in line with the directions issued by the CBSL. 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 COVID-19 outbreak 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.

The impact of the outbreak has been assessed and adjusted in these Financial Statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. Accordingly, customers operating in risk elevated industries were assessed for Lifetime ECL unless such exposures are have specifically been identified as stage 1 reflecting forward looking view of the economy in relation to the business. 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 COVID-19 and uncertainties and volatilities in future outlook on the ECL computation as at the reporting date.

2.12.6 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 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.

2.12.7 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. All assumptions are reviewed at each reporting date.

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

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

2.12.8 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".

2.12.9 SLFRS 16 – Leases

2.12.9.1 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.

2.12.10 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.

2.12.11 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.

2.12.12 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 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 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 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.

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 2020. 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 SLFRS 3: Definition of a Business

In November 2018, the CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 on "Business Combinations" (SLFRS 3) to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements and added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. These amendments had no impact on the Consolidated Financial Statements of the Group, but may impact future periods should the Group enter into any business combinations.

4.1.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to, the Group.

4.1.3 Amendments to the conceptual framework for financial reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability

- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

These amendments had no impact on the consolidated financial statements of the Group.

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" (SLFRS 10).

5.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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 is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

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 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 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 are 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.

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 :
  - o Held for trading; or
  - o 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' and 'Interest Bearing Borrowings' 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.

6.1.5 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 at "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, 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 homogenous 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 180 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 180 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 Interest Rate GDP growth Rate Inflation Rate	Base case scenario along with two other scenarios has been used (Best Case and worst Case)

6.2 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.

6.2.1 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.

6.2.2 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 2019. 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.

6.2.3 Subsequent cost

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

6.2.4 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:

Freehold Buildings	15 years
Buildings on Leasehold Land	15 years
Computer Equipment	4 years
Furniture & Fittings	4 years
Office Equipment	4 years
Motor Vehicles	4 years

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.

6.2.5 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'.

6.2.6. 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).

6.3 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.

6.4 Intangible Assets

The Group's intangible assets include the value of Computer Software.

6.4.1 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.

6.4.2 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.

6.4.3 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:

Computer Software	4 years

6.4.4 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.

6.5 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.

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.

6.6 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.

6.7 Assets Held for Sale

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.

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 remeasurement 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.

6.8 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" (LKAS 10).

6.9 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.

6.10 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.

6.11 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

6.12 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.

6.12.1 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.

6.13 Employee Benefits

6.13.1 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. Benefit 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 recognise 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.

The gratuity liability is not externally funded.

6.14 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.

6.14.1. 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.

6.14.2 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.

6.15 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.

6.16 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.

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.

6.17 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

After 01st April 2019, 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 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 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.

8.1.1 Current Tax

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted, at the Reporting date.

Accordingly, 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. Notes to Financial Statements include the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

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
- taxable temporary differences arising on the initial recognition of goodwill.

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available, against which they can be used.

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.

8.1.3 Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and penalties are due. Finalisation of the tax liability with authorities may change the position already recorded in the Financial Statements and such changes to tax liabilities could impact the tax expense in the period in which such a determination is made either as an over or under provision.

8.1.4 Changes proposed to Income Tax from Government Tax Proposals

As per Notice dated April 08, 2020 issued by the Inland Revenue Department on "Implementation of Proposed Changes to the Inland Revenue Act No. 24 of 2017", effective from financial reporting period ended from 26th March 2021, Corporate Income Tax rate was revised from 28% to 24%. Such revised tax rate been considered in computing the income tax liabilities.

8.1.5 IFRIC 23 "Uncertainty over income tax treatments"

IFRIC 23 provides guidance on determining taxable profits, tax bases, unused tax losses, unused tax credits and tax rates, when there is an uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have an impact on the income tax expense for the year.

8.2 Value Added Tax on Financial Services (VAT FS)

The value base for the computation of value added tax on 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.

8.3 Nation Building Tax on Financial Services (NBT FS)

With effect from 01st January 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. Up to 30th November 2019, NBT was chargeable on the same base used for calculation of VAT on Financial services as explained in notes to the Financial Statements. As per Notice published by the Department of Inland Revenue dated 29th November 2019, NBT was abolished with effect from 01st December 2019.

8.4 Debt Repayment Levy on financial services (DRL FS)

As per the Finance Act No. 35 of 2018, with effect from 01st October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL was chargeable on the same base used for calculation of VAT on financial services as explained in Note 7.2 above. As per notice published by the Department of Inland Revenue dated 20th January 2020, DRL was abolished with effect from 01st January 2020.

8.5 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 01st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

8.6 Withholding Tax on Dividends Distributed by the company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised. As per Notice dated 18th February 2020 published by the Department of Inland Revenue, requirement to deduct WHT on dividends has been removed effective 01st January 2020.

8.7 Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01, 2004. ESC was payable at 0.50% on 'Liable Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in three subsequent years (including the year of assessment in which the payment is due).

As per Notice published dated 01st January 2020 by the Department of Inland Revenue, ESC was abolished with effect from 01st January 2020.

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 favorable balances with banks.

10. Amendments to Accounting Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 01st April 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 01st April 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31st March 2021 will be completed before the amendments become effective.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – ("IBOR reform")

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments support companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

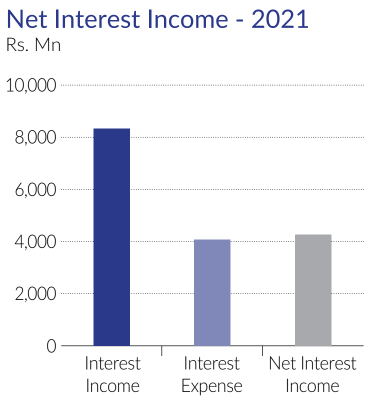
These amendments to various standards are effective for the annual reporting periods beginning on or after 01st April 2021. The Group/Company is currently assessing the potential impact on its Financial Statements resulting from this amendment.

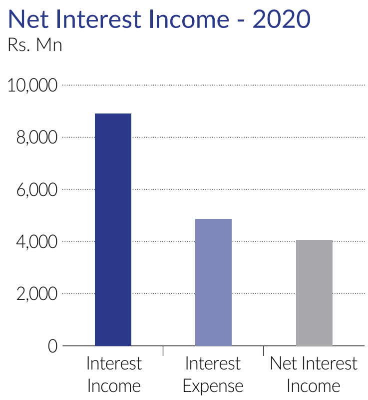
Other Standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions (Amendment to SLFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Annual Improvements to SLFRS Standards 2018 - 2020

	For the Year Ended 31st March	Company 2021 Rs.	Company 2020 Rs.	Group 2021 Rs.
11	**Gross Income**			
	Interest Income (Note 12.1)	8,331,297,497	8,912,195,796	8,331,297,497
	Fee and Commission Income (Note 13)	373,550,576	350,337,255	373,550,576
	Net Gain / (Loss) from Trading (Note 14)	642,028	(384,462)	642,028
	Net Gain / (Loss) from other Financial Instruments at FVTPL (Note 15)	36,563,641	63,839,013	36,563,641
	Other Operating Income (Note 16)	727,888,021	369,318,495	727,888,021
		9,469,941,763	9,695,306,097	9,469,941,763
12	**Net Interest Income**			
	Interest Income (Note 12.1)	8,331,297,497	8,912,195,796	8,331,297,497
	Interest Expense (Note 12.2)	4,067,534,369	4,854,515,785	4,067,534,369
		4,263,763,128	4,057,680,011	4,263,763,128





	For the Year Ended 31st March	Company 2021 Rs.	Company 2020 Rs.	Group 2021 Rs.
12.1	**Interest Income**			
	Cash and Cash Equivalents	83,677,667	15,202,963	83,677,667
	Placements with Banks and Other Finance Companies	110,846,208	237,226,372	110,846,208
	Loans and Receivables to Other Customers (Note 12.1.1)	5,198,508,747	5,249,998,272	5,198,508,747
	Lease Rental and Hire Purchase Receivables (Note 12.1.2)	2,753,331,143	3,196,016,423	2,753,331,143
	Sri Lanka Government Securities	181,765,650	209,605,297	181,765,650
	Other Financial Assets	3,168,082	4,146,469	3,168,082
		8,331,297,497	8,912,195,796	8,331,297,497

For the Year Ended 31st March		Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
12.1.1	**Loans and Receivables to Other Customers**			
	Loans and Advances	4,203,638,849	4,404,566,349	4,203,638,849
	Loans against Fixed Deposits	77,495,376	82,546,584	77,495,376
	Microfinance Loans	-	116,539	-
	Gold Loans	917,374,522	762,768,800	917,374,522
		5,198,508,747	5,249,998,272	5,198,508,747
12.1.2	**Lease Rental and Hire Purchase Receivables**			
	Hire Purchase	58,544	2,999,631	58,544
	Lease	2,753,272,599	3,193,016,792	2,753,272,599
		2,753,331,143	3,196,016,423	2,753,331,143
12.2	**Interest Expense**			
	Financial Liabilities at Amortised Cost - Deposits due to Customers	2,874,630,815	3,252,365,568	2,874,630,815
	Financial Liabilities at Amortised Cost - Interest bearing Borrowings	1,111,198,794	1,438,299,197	1,111,198,794
	Bank Overdrafts	16,634,616	7,119,235	16,634,616
	Subordinated Term Debts	-	102,711,000	-
	Commercial Papers	4,914,132	1,902,247	4,914,132
	Interest Expense on Lease Liabilities (Note 42)	60,156,012	52,118,538	60,156,012
		4,067,534,369	4,854,515,785	4,067,534,369
13	**Fee and Commission Income**			
	Loans and Receivables related services	373,446,702	350,167,231	373,446,702
	Other Financial Services	103,874	170,024	103,874
		373,550,576	350,337,255	373,550,576
14	**Net Gain / (Loss) from Trading**			
	Equities			
	Net mark- to- market Gain/ (Loss)	642,028	(503,552)	642,028
	Dividend Income	-	119,090	-
		642,028	(384,462)	642,028
15	**Net Gain / (Loss) from other Financial Instruments at FVTPL**			
	Unit Trusts			
	Net mark- to- market Gain/ (Loss)	36,563,641	63,839,013	36,563,641
		36,563,641	63,839,013	36,563,641

For the Year Ended 31st March		Company		Group
		2021	2020	2021
		RS.	RS.	RS.
16	**Other Operating Income**			
	Dividend Income - Financial Investments Measured at Fair Value Through Other Comprehensive Income	121,600	91,504	121,600
	Redemption Income - Unit Trusts	67,168,442	107,414,302	67,168,442
	Early Termination Income	590,228,978	209,545,220	590,228,978
	Gain / (Loss) on Disposal of Property, Plant & Equipment	271,626	434,980	271,626
	Service Charges Income	36,532,271	36,418,449	36,532,271
	Rent Income	2,357,136	-	2,357,136
	Other Income	31,207,968	15,414,040	31,207,968
		727,888,021	369,318,495	727,888,021
17	**Impairment Charges / (Reversals) and Other Credit Losses on Financial Assets**			
	Placements with Banks and Other Finance Companies	(8,053,465)	6,059,570	(8,053,465)
	Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Note 17.1)	314,874,972	282,322,295	314,874,972
	Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Note 17.2)	268,160,492	199,279,754	268,160,492
	Financial Assets at Amortised Cost - Other Financial Assets	94,255	153,584	94,255
		575,076,254	487,815,203	575,076,254
17.1	**Financial Assets at Amortised Cost - Loans and Receivables to Other Customers**			
	Impairment Charges - Stage 1	93,760,724	20,206,495	93,760,724
	Impairment Charges - Stage 2	41,411,934	85,629,579	41,411,934
	Impairment Charges - Stage 3	179,702,314	176,486,221	179,702,314
		314,874,972	282,322,295	314,874,972
17.2	**Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables**			
	Impairment Charges - Stage 1	137,182,576	17,932,804	137,182,576
	Impairment Charges - Stage 2	40,710,625	97,927,517	40,710,625
	Impairment Charges - Stage 3	90,267,291	83,419,433	90,267,291
		268,160,492	199,279,754	268,160,492
18	**Personnel Expenses**			
	Salary & Bonus	891,903,932	875,223,179	891,903,932
	Retirement Benefit Costs (Note 46.2)	32,388,472	24,117,387	32,388,472
	Employer's Contribution to Employee's Provident Fund	73,994,376	65,949,114	73,994,376
	Employer's Contribution to Employee's Trust Fund	18,285,358	16,286,404	18,285,358
	Staff Welfare Expenses	52,190,513	71,665,692	52,199,111
		1,068,762,651	1,053,241,776	1,068,771,249

For the Year Ended 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
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	4,632,313	7,421,719	4,632,313
Auditors Remuneration - Statutory Audit and Audit Related Services	1,500,000	1,910,000	1,950,000
- Non Audit Services	984,000	975,000	984,000
Directors Fees and Expenses	5,477,186	6,458,360	5,477,186
Depreciation of Property, Plant and Equipment	107,276,263	105,171,430	107,276,263
Amortisation of Intangible Assets	7,766,054	7,542,983	7,766,054
Advertising & Related Expenses	76,500,000	106,751,383	76,500,000
Business Promotion Expenses	33,872,072	42,088,027	33,872,072
Donations	8,725,508	121,913	8,725,508
Deposit Insurance Premium	37,277,270	35,000,590	37,277,270
CROP Insurance Levy	17,284,101	12,787,286	17,284,101
Personnel Expenses (Note 18)	1,068,762,651	1,053,241,776	1,068,771,249
Impairment Loss on Property, Plant & Equipment	10,154,444	-	10,154,444
20 Taxes on Financial Services			
Value Added Tax on Financial Services	468,767,648	382,645,466	468,767,648
Nation Building Tax on Financial Services (Abolished w.e.f. 01.12.2019)	-	32,608,067	-
Debt Repayment Levy (Abolished w.e.f. 01.01.2020)	-	164,541,826	-
	468,767,648	579,795,359	468,767,648

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 2021 RS.	Company 2020 RS.	Group 2021 RS.
Current Income Tax Expense on Profits for the Year (Note 21.1)	844,909,584	715,202,704	844,909,584
Over provision in respect of previous year	(40,315,415)	(27,381,273)	(40,315,415)
	804,594,169	687,821,431	804,594,169
Deferred Tax (Reversal) / Charge for the Year (Note 44.2)	(120,867,281)	(79,130,194)	(121,647,753)
Deferred Tax (Reversal) / Charge relating to change in Tax rate (Note 44.2)	(22,122,782)	-	(22,122,782)
	661,604,106	608,691,237	660,823,634

For the Year Ended 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
21.1 Reconciliation of Accounting Profit to Income Tax Expense			
Profit Before Income Tax	2,389,782,208	1,862,101,349	2,386,530,241
Add : Non deductible Expenses	3,619,730,048	4,773,788,538	3,619,730,048
Less : Tax Deductible Expenses	(2,480,354,990)	(3,986,990,983)	(2,477,103,023)
Less : Allowable Credits	-	-	-
Assessable Income	3,529,157,266	2,648,898,904	3,529,157,266
Less : Qualifying Payments	(8,650,000)	-	(8,650,000)
Taxable Income	3,520,507,266	2,648,898,904	3,520,507,266
Current Income Tax Expense @ 24%	844,892,560	158,933,934	844,892,560
Current Income Tax Expense @ 14%	17,024	-	17,024
Current Income Tax Expense @ 28%	-	556,268,770	-
	844,909,584	715,202,704	844,909,584

21.2 Reconciliation of Effective Tax Rate

For the Year Ended 31st March	Company 2021 %	Company 2021 RS.	Company 2020 %	Company 2020 RS.	Group 2021 %	Group 2021 RS.
Profit Before Income Tax		2,389,782,208		1,862,101,349		2,386,530,241
Taxable Income	24.0% & 14.0%	573,535,570	28.0% & 24.0%	502,767,364	24.0% & 14.0%	572,755,098
Non - Deductible Expenses	36.4%	868,735,212	69.2%	1,288,922,905	36.4%	868,735,212
Tax Deductible Expenses	(24.9%)	(595,285,198)	(57.8%)	(1,076,487,565)	(24.9%)	(594,504,726)
Allowable Credits	-	-	-	-	-	-
Effects on Qualifying Payments	(0.1%)	(2,076,000)	-	-	(0.1%)	(2,076,000)
Effects on Deferred Taxation	(6.0%)	(142,990,063)	(4.2%)	(79,130,194)	(6.0%)	(143,770,535)
Effects on (Over) / under provision	(1.7%)	(40,315,415)	(1.5%)	(27,381,273)	(1.7%)	(40,315,415)
Total Income Tax Expense	27.7%	661,604,106	32.7%	608,691,237	27.7%	660,823,634

The income tax provision for the Company is calculated in accordance with the Inland Revenue Act No. 24 of 2017 and its amendments thereto. Accordingly, the income tax provision of the Company has been calculated on its adjusted profit at the standard rate of 24%.

The income tax provision of the Subsidiary has been calculated on its adjusted profit at the standard rate of 24%.

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
	2021 RS.	2020 RS.	2021 RS.
Amount used as the Numerator			
Profit for the Year attributable to Equity holders (Rs.)	1,728,178,102	1,253,410,112	1,725,706,607
Number of Ordinary Shares used as the Denominator			
Weighted Average Number of Ordinary Shares (Note 22.1.1)	58,863,350	58,863,350	58,863,350
Basic Earnings Per Share (Rs.)	29.36	21.29	29.32

22.1.1 Weighted Average Number of Ordinary Shares

For the Year Ended 31st March	Outstanding Number of Shares		Weighted Average Number of Shares	
	2021	2020	2021	2020
Number of shares in issue as at beginning of the year	58,863,350	58,863,350	58,863,350	58,863,350
Movement during the year	-	-	-	-
Number of shares in issue as at end of the year	58,863,350	58,863,350	58,863,350	58,863,350

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.

For the Year Ended 31st March	Company		Group
	2021 RS.	2020 RS.	2021 RS.
23 Dividends on Ordinary Shares			
First & Final Dividend			
Net dividend paid to the ordinary shareholders out of normal profits	-	202,489,924	-
Withholding Tax Deducted at source	-	32,963,476	-
Gross Dividend paid	-	235,453,400	-
23.1 Dividend Paid Per Share			
First & Final Dividend			
Dividend Paid Per Share for the Financial Year 2018/19	-	4.00	-

NOTES TO THE FINANCIAL STATEMENTS

24 Financial Assets and Financial Liabilities

24.1 Classification of Financial Assets and Financial Liabilities As at 31st March 2021 - 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) RS.	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) RS.	Financial Assets at Amortised Cost (AC) RS.	Total Carrying Amount RS.
Financial Assets				
Cash and Cash Equivalents	-	-	1,683,003,076	1,683,003,076
Placements with Banks and Other Finance Companies	-	-	267,311,713	267,311,713
Reverse Repurchase Agreements	-	-	1,795,352,511	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,188,828,796	-	-	1,188,828,796
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	33,660,559,075	33,660,559,075
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,085,116,152	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Other Financial Assets	-	-	15,162,142	15,162,142
Total Financial Assets	1,188,828,796	203,800	51,506,504,669	52,695,537,265

	Financial Liabilities at Amortised Cost (AC) RS.	Total Carrying Amount RS.
Financial Liabilities		
Bank Overdrafts	983,750,361	983,750,361
Rental Received in Advance	247,760,859	247,760,859
Financial Liabilities at Amortised Cost - Deposits due to Customers	32,170,953,144	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	11,282,498,665	11,282,498,665
Lease Creditors	599,680,856	599,680,856
Total Financial Liabilities	45,284,643,885	45,284,643,885

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 2021 - 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	-	-	1,712,137,601	1,712,137,601
Placements with Banks and Other Finance Companies	-	-	267,311,713	267,311,713
Reverse Repurchase Agreements	-	-	1,795,352,511	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,352,702,922	-	-	1,352,702,922
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	33,660,559,075	33,660,559,075
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,085,116,152	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Other Financial Assets	-	-	15,162,142	15,162,142
Total Financial Assets	1,352,702,922	203,800	51,535,639,194	52,888,545,916

	Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
	RS.	RS.
Financial Liabilities		
Bank Overdrafts	983,750,361	983,750,361
Rental Received in Advance	247,760,859	247,760,859
Financial Liabilities at Amortised Cost - Deposits due to Customers	32,170,953,144	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	11,880,986,632	11,880,986,632
Lease Creditors	599,680,856	599,680,856
Total Financial Liabilities	45,883,131,852	45,883,131,852

There were no reclassifications or transfers of Financial Assets during the year.

24.3 Classification of Financial Assets and Financial Liabilities As at 31st March 2020

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	-	-	2,046,506,255	2,046,506,255
Placements with Banks and Other Finance Companies	-	-	2,568,898,162	2,568,898,162
Reverse Repurchase Agreements	-	-	2,079,841,356	2,079,841,356
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,084,454,685	-	-	1,084,454,685
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	27,625,556,987	27,625,556,987
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	13,493,996,467	13,493,996,467
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	97,954,958	97,954,958
Financial Assets at Amortised Cost - Other Financial Assets	-	-	16,617,983	16,617,983
Total Financial Assets	1,084,454,685	203,800	47,929,372,168	49,014,030,653

	Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
	RS.	RS.
Financial Liabilities		
Bank Overdrafts	964,529,904	964,529,904
Rental Received in Advance	266,875,302	266,875,302
Financial Liabilities at Amortised Cost - Deposits due to Customers	29,243,912,898	29,243,912,898
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	12,037,795,536	12,037,795,536
Lease Creditors	402,518,972	402,518,972
Total Financial Liabilities	42,915,632,612	42,915,632,612

There were no reclassifications or transfers of Financial Assets during the year.

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 recoognised in the Statement of Financial Position.

As at 31st March 2021	Company				Group			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Non-Financial Assets								
Property, Plant and Equipment								
Land & Buildings	-	-	358,249,631	358,249,631	-	-	1,458,249,631	1,458,249,631
Investment Properties	-	-	1,100,000,000	1,100,000,000	-	-	-	-
Total Non - Financial Assets at Fair Value	-	-	1,458,249,631	1,458,249,631	-	-	1,458,249,631	1,458,249,631
Financial Assets								
Financial Assets recognised through profit or loss - Measured at fair value								
Equity Shares - Quoted	1,724,665	-	-	1,724,665	1,724,665	-	-	1,724,665
Unit Trusts	-	1,187,104,131	-	1,187,104,131	-	1,350,978,257	-	1,350,978,257
Total Financial Assets at Fair Value	1,724,665	1,187,104,131	-	1,188,828,796	1,724,665	1,350,978,257	-	1,352,702,922
Total Assets at Fair Value	1,724,665	1,187,104,131	1,458,249,631	2,647,078,427	1,724,665	1,350,978,257	1,458,249,631	2,810,952,553

As at 31st March 2020	Company			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Non-Financial Assets				
Property, Plant and Equipment				
Land & Buildings	-	-	1,465,537,280	1,465,537,280
Total Non - Financial Assets at Fair Value	-	-	1,465,537,280	1,465,537,280
Financial Assets				
Financial Assets recognised through profit or loss - Measured at fair value				
Equity Shares - Quoted	1,082,637	-	-	1,082,637
Unit Trusts	-	1,083,372,048	-	1,083,372,048
Total Financial Assets at Fair Value	1,082,637	1,083,372,048	-	1,084,454,685
Total Assets at Fair Value	1,082,637	1,083,372,048	1,465,537,280	2,549,991,965

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 (eg. 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.

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 2021	Company					Group				
	Carrying Value	Fair Value				Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets										
Cash and Cash Equivalents	1,683,003,076	-	-	-	1,683,003,076	1,712,137,601	-	-	-	1,712,137,601
Placements with Banks and Other Finance Companies	267,311,713	-	-	267,311,713	267,311,713	267,311,713	-	-	267,311,713	267,311,713
Reverse Repurchase Agreements	1,795,352,511	-	-	1,795,352,511	1,795,352,511	1,795,352,511	-	-	267,311,713	1,795,352,511
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	33,660,559,075	-	-	33,768,168,888	33,768,168,888	33,660,559,075	-	-	33,768,168,888	33,768,168,888
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,085,116,152	-	-	14,137,749,225	14,137,749,225	14,085,116,152	-	-	14,137,749,225	14,137,749,225
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	203,800	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Other Financial Assets	15,162,142	-	-	15,162,142	15,162,142	15,162,142	-	-	15,162,142	15,162,142
	51,506,708,469	-	-	49,983,744,479	51,666,951,355	51,535,842,994	-	-	49,983,744,479	51,696,085,880
Financial Liabilities										
Bank Overdrafts	983,750,361	-	-	-	983,750,361	983,750,361	-	-	-	983,750,361
Rental Received in Advance	247,760,859	-	-	247,760,859	247,760,859	247,760,859	-	-	247,760,859	247,760,859
Financial Liabilities at Amortised Cost - Deposits due to Customers	32,170,953,144	-	-	32,450,441,129	32,450,441,129	32,170,953,144	-	-	32,450,441,129	32,450,441,129
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	11,282,498,665	-	-	11,318,334,212	11,318,334,212	11,880,986,632	-	-	11,916,822,179	11,916,822,179
Lease Creditors	599,680,856	-	-	599,680,856	599,680,856	599,680,856	-	-	599,680,856	599,680,856
	45,284,643,885	-	-	44,616,217,056	45,599,967,417	45,883,131,852	-	-	45,214,705,023	46,198,455,384

As at 31st March 2020	Carrying Value Rs.	Fair Value Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets					
Cash and Cash Equivalents	2,046,506,255	-	-	-	2,046,506,255
Placements with Banks and Other Finance Companies	2,568,898,162	-	-	2,568,898,162	2,568,898,162
Reverse Repurchase Agreements	2,079,841,356	-	-	2,079,841,356	2,079,841,356
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	27,625,556,987	-	-	27,616,991,145	27,616,991,145
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	13,493,996,467	-	-	13,350,918,318	13,350,918,318
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	97,954,958	-	98,179,396	-	98,179,396
Financial Assets at Amortised Cost - Other Financial Assets	16,617,983	-	-	16,617,983	16,617,983
	47,929,575,968	-	98,179,396	45,633,266,964	47,778,156,415
Financial Liabilities					
Bank Overdrafts	964,529,904	-	-	-	964,529,904
Rental Received in Advance	266,875,302	-	-	266,875,302	266,875,302
Financial Liabilities at Amortised Cost - Deposits due to Customers	29,243,912,898	-	-	29,997,699,156	29,997,699,156
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	12,037,795,536	-	-	12,061,529,193	12,061,529,193
Lease Creditors	402,518,972	-	-	402,518,972	402,518,972
	42,915,632,612	-	-	42,728,622,623	43,693,152,527

	As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
26	**Cash and Cash Equivalents**			
	Cash & Cash equivalents (Note 26.1)	1,683,003,076	2,046,506,255	1,712,137,601
	Bank Overdrafts (Note 26.2)	(983,750,361)	(964,529,904)	(983,750,361)
	Net cash and Cash Equivalents	699,252,715	1,081,976,351	728,387,240
26.1	**Cash at Bank**	1,518,456,048	1,877,031,683	1,547,575,271
	Cash in Hand	164,547,028	169,474,572	164,562,330
		1,683,003,076	2,046,506,255	1,712,137,601
26.2	**Bank Overdrafts**	(983,750,361)	(964,529,904)	(983,750,361)

As at 31st March		Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
27	**Placements with Banks and Other Finance Companies**			
	Placements with Banks and Other Finance Companies	267,329,937	2,576,969,851	267,329,937
	Allowance for Impairment	(18,224)	(8,071,689)	(18,224)
		267,311,713	2,568,898,162	267,311,713
	Movement in Stage 1 Impairment			
	Balance as at the beginning of the year	8,071,689	2,012,119	8,071,689
	Net impairment charge / (reverse) for the year	(8,053,465)	6,059,570	(8,053,465)
	Balance at the End of the year	18,224	8,071,689	18,224
28	**Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)**			
	Quoted Equities (Note 28.1)	1,724,665	1,082,637	1,724,665
	Unquoted Units in Unit Trusts (Note 28.2)	1,187,104,131	1,083,372,048	1,350,978,257
		1,188,828,796	1,084,454,685	1,352,702,922
28.1	**Investments in Quoted Equities**			
	Balance at the Beginning of the year	1,082,637	1,586,189	1,082,637
	Movement during the year	-	-	-
	Gain / (Loss) from marked to market valuation	642,028	(503,552)	642,028
	Balance at the End of the year	1,724,665	1,082,637	1,724,665

As at 31st March	Company						Group		
	2021			2020			2021		
	No of Ordinary shares	Cost Rs.	Fair Value Rs.	No of Ordinary shares	Cost Rs.	Fair Value Rs.	No of Ordinary shares	Cost Rs.	Fair Value Rs.
Bank , Finance & Insurance									
Singer Finance (Lanka) PLC	125,888	2,261,651	1,724,665	125,888	2,261,651	1,082,637	125,888	2,261,651	1,724,665
Total Quoted Equities		2,261,651	1,724,665		2,261,651	1,082,637		2,261,651	1,724,665

	As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
28.2	Unquoted Units in Unit Trusts			
	Balance at the Beginning of the year	1,083,372,048	810,734,593	1,083,372,048
	Movement during the year	67,168,442	208,798,442	227,168,442
	Gain / (Loss) from marked to market valuation	36,563,641	63,839,013	40,437,767
	Balance at the End of the year	1,187,104,131	1,083,372,048	1,350,978,257

As at 31st March	Company						Group		
	2021			2020			2021		
	No of Units	Cost Rs.	Fair Value Rs.	No of Units	Cost Rs.	Fair Value Rs.	No of Units	Cost Rs.	Fair Value Rs.
Capital Alliance Income Fund	32,848,417	685,572,733	685,710,695	32,848,417	618,404,291	619,064,543	32,848,417	685,572,733	685,710,695
NDB Wealth Money Plus Fund	21,073,946	400,000,000	501,393,436	21,073,946	400,000,000	464,307,505	27,961,700	560,000,000	665,267,562
Total Unquoted Units		1,085,572,733	1,187,104,131		1,018,404,291	1,083,372,048		1,245,572,733	1,350,978,257

	As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
29	Financial Assets at Amortised Cost - Loans and Receivables to Other Customers			
	Gross Loans and Receivables to Other Customers	34,805,057,100	28,434,004,023	34,805,057,100
	Allowance for Impairment (Note 29.2)	(1,144,498,025)	(808,447,036)	(1,144,498,025)
	Net Loans and Receivables to Other Customers (Note 29.1)	33,660,559,075	27,625,556,987	33,660,559,075

29.1 Loans and Receivables to Other Customers

As at 31st March	Company						Group		
	2021			2020			2021		
	Gross Carrying Amount Rs.	ECL Allowance Rs.	Carrying Amount Rs.	Gross Carrying Amount Rs.	ECL Allowance Rs.	Carrying Amount Rs.	Gross Carrying Amount Rs.	ECL Allowance Rs.	Carrying Amount Rs.
Receivable on Loans and advances	28,739,333,939	(1,115,840,184)	27,623,493,755	24,394,077,360	(795,411,590)	23,598,665,770	28,739,333,939	(1,115,840,184)	27,623,493,755
Receivable on Loans against fixed deposits	651,907,305	-	651,907,305	499,902,655	-	499,902,655	651,907,305	-	651,907,305
Receivable on Micro Finance Loans	5,595,238	(5,595,238)	-	5,871,007	(5,871,007)	-	5,595,238	(5,595,238)	-
Receivable on Gold Loans	5,408,220,618	(23,062,603)	5,385,158,015	3,534,153,001	(7,164,439)	3,526,988,562	5,408,220,618	(23,062,603)	5,385,158,015
	34,805,057,100	(1,144,498,025)	33,660,559,075	28,434,004,023	(808,447,036)	27,625,556,987	34,805,057,100	(1,144,498,025)	33,660,559,075

29.2 Movement in Provision for Impairment During the Year

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
Balance as at the beginning of the year	808,447,036	489,024,888	808,447,036
Net impairment charge for the year	336,050,989	319,422,148	336,050,989
Balance as at the end of the year	1,144,498,025	808,447,036	1,144,498,025

29.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company								Group			
	2021				2020				2021			
	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	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.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	159,628,602	150,435,468	498,382,966	808,447,036	139,422,107	64,805,889	284,796,892	489,024,888	159,628,602	150,435,468	498,382,966	808,447,036
Changes due to loans and receivables recognised in opening balance that have:									-	-	-	
Transferred from 12 Month ECL	(11,122,119)	10,228,768	893,351	-	(19,260,194)	16,595,798	2,664,396	-	(11,122,119)	10,228,768	893,351	-
Transferred from Lifetime ECL not-credit impaired	7,920,703	(19,798,643)	11,877,940	-	9,066,656	(16,878,771)	7,812,115	-	7,920,703	(19,798,643)	11,877,940	-
Transferred from Lifetime ECL credit impaired	1,758,333	345,369	(2,103,702)	-	539,823	790,382	(1,330,205)	-	1,758,333	345,369	(2,103,702)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	21,176,017	21,176,017	-	-	37,099,853	37,099,853	-	-	21,176,017	21,176,017
Net remeasurment of loss allowance	95,203,807	50,636,440	169,034,725	314,874,972	29,860,210	85,122,170	167,339,915	282,322,295	95,203,807	50,636,440	169,034,725	314,874,972
Balance as at the end of the year	253,389,326	191,847,402	699,261,297	1,144,498,025	159,628,602	150,435,468	498,382,966	808,447,036	253,389,326	191,847,402	699,261,297	1,144,498,025

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
30 Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables			
30.1 Hire Purchase Receivable	4,319,893	5,260,290	4,319,893
30.2 Lease Rental Receivable	14,080,796,259	13,488,736,177	14,080,796,259
	14,085,116,152	13,493,996,467	14,085,116,152
30.1.1 Hire Purchase Receivable			
Hire purchase receivables within one year	124,111,844	129,812,386	124,111,844
Hire purchase receivables after one year but before five years	-	102,824	-
Hire purchase receivables after five years	-	-	-
Total Hire Purchase Receivable	124,111,844	129,915,210	124,111,844
Unearned Income	(3,757)	(53,919)	(3,757)
Gross Hire Purchase Receivable	124,108,087	129,861,291	124,108,087
Allowance for Impairment	(119,788,194)	(124,601,001)	(119,788,194)
Net Hire Purchase Receivable	4,319,893	5,260,290	4,319,893
30.1.2 Movement in Provision for Impairment During the Year			
Balance as at the beginning of the year	124,601,001	126,638,731	124,601,001
Net impairment charge /(reversal) for the year	(4,812,807)	(2,037,730)	(4,812,807)
Balance as at the end of the year	119,788,194	124,601,001	119,788,194

30.1.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company								Group			
	2021				2020				2021			
	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	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.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	858	3,154	124,596,989	124,601,001	59,668	158,393	126,420,670	126,638,731	858	3,154	124,596,989	124,601,001
Changes due to Hire Purchase Receivables recognised in opening balance that have:									-	-	-	-
Transferred from 12 Month ECL	-	-	-	-	(2,420)	2,420	-	-	-	-	-	-
Transferred from Lifetime ECL not-credit impaired	-	-	-	-	4,313	(15,322)	11,009	-	-	-	-	-
Transferred from Lifetime ECL credit impaired	-	-	-	-	-	-	-	-	-	-	-	-
Interest accrued / (reversals) on impaired loans and advances			(206,789)	(206,789)	-	-	(315,698)	(315,698)	-	-	(206,789)	(206,789)
Net remeasurment of loss allowance	(858)	(3,154)	(4,602,006)	(4,606,018)	(60,703)	(142,337)	(1,518,992)	(1,722,032)	(858)	(3,154)	(4,602,006)	(4,606,018)
Balance as at the end of the year	-	-	119,788,194	119,788,194	858	3,154	124,596,989	124,601,001	-	-	119,788,194	119,788,194

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
30.2.1 Lease Rental Receivable			
Lease Rental receivable within one year	8,465,918,198	9,008,778,390	8,465,918,198
Lease Rental receivable after one year but before five years	11,140,258,947	9,351,411,916	11,140,258,947
Lease Rental receivable after five years	5,431,408	1,934,922	5,431,408
Total Lease Rental receivable	19,611,608,553	18,362,125,228	19,611,608,553
Unearned Income	(4,459,320,143)	(4,078,378,519)	(4,459,320,143)
Gross Lease Rental receivable	15,152,288,410	14,283,746,709	15,152,288,410
Allowance for Impairment	(1,071,492,151)	(795,010,532)	(1,071,492,151)
Net Lease Rental receivable	14,080,796,259	13,488,736,177	14,080,796,259
30.2.2 Movement in Provision for Impairment During the Year			
Balance as at the beginning of the year	795,010,532	560,667,039	795,010,532
Net impairment charge for the year	276,481,619	234,343,493	276,481,619
Balance as at the end of the year	1,071,492,151	795,010,532	1,071,492,151

30.2.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company								Group			
	2021				2020				2021			
	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	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.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	119,314,297	175,075,598	500,620,637	795,010,532	101,322,683	76,992,841	382,351,515	560,667,039	119,314,297	175,075,598	500,620,637	795,010,532
Changes due to Lease Rental Receivables recognised in opening balance that have:									-	-	-	
Transferred from 12 Month ECL	(12,278,582)	11,553,932	724,650	-	(22,614,720)	20,325,670	2,289,050	-	(12,278,582)	11,553,932	724,650	-
Transferred from Lifetime ECL not-credit impaired	9,452,919	(17,354,383)	7,901,464	-	13,639,797	(22,533,361)	8,893,564	-	9,452,919	(17,354,383)	7,901,464	-
Transferred from Lifetime ECL credit impaired	5,571,111	16,705,155	(22,276,266)	-	5,073,720	1,622,096	(6,695,816)	-	5,571,111	16,705,155	(22,276,266)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	3,715,110	3,715,110	-	-	33,341,705	33,341,705	-	-	3,715,110	3,715,110
Net remeasurment of loss allowance	134,437,985	29,809,075	108,519,449	272,766,509	21,892,817	98,668,352	80,440,619	201,001,788	134,437,985	29,809,075	108,519,449	272,766,509
Balance as at the end of the year	256,497,730	215,789,377	599,205,044	1,071,492,151	119,314,297	175,075,598	500,620,637	795,010,532	256,497,730	215,789,377	599,205,044	1,071,492,151

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
31 Financial Investments Measured at Fair Value Through Other Comprehensive Income			
Unquoted Equities - (Note 31.1)	203,800	203,800	203,800
	203,800	203,800	203,800

31.1 Unquoted Equities

As at 31st March	No of Ordinary shares	Cost of investment RS.	Company Market Value as at 31/03/2021 RS.	Company Market Value as at 31/03/2020 RS.	Group Market Value as at 31/03/2021 RS.
Credit Information Bureau of Sri Lanka	38	3,800	3,800	3,800	3,800
Finance House Association	20,000	200,000	200,000	200,000	200,000
		203,800	203,800	203,800	203,800

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
32 Financial Assets at Amortised Cost - Debt and other Financial Instruments			
Government of Sri Lanka Treasury Bills - Face Value	-	100,000,000	-
Less:- Income allocated for future periods	-	(2,045,042)	-
	-	97,954,958	-

	As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
33	**Financial Assets at Amortised Cost - Other Financial Assets**			
	Gross Staff Loans (Note 33.1)	16,166,914	17,528,500	16,166,914
	Allowance for Impairment (Note 33.2)	(1,004,772)	(910,517)	(1,004,772)
	Net Staff Loans	15,162,142	16,617,983	15,162,142
33.1	**Gross Staff Loans**			
	Balance at the beginning of the year	17,528,500	16,720,146	17,528,500
	Granted during the year	17,730,000	16,955,000	17,730,000
	Recovered during the year	(19,418,876)	(16,792,828)	(19,418,876)
	Net change in Prepaid Staff Cost during the year	327,290	646,182	327,290
	Balance at the end of the year	16,166,914	17,528,500	16,166,914
33.2	**Allowance for Impairment**			
	Balance at the beginning of the year	910,517	756,933	910,517
	Net Impairment charge during the year	94,255	153,584	94,255
	Balance at the end of the year	1,004,772	910,517	1,004,772

	As at 31st March	Company 2021 RS.	Company 2020 RS.
34	**Investment in a Subsidiary**		
	Vallibel Properties Limited (Note 34.1)	20	-

34.1 Vallibel Properties Limited

A company under the name "Vallibel Properties Ltd" was incorporated on 5th March 2020 as a fully owned subsidiary of Vallibel Finance PLC, to engage in administration of construction, development and maintenance of the proposed head 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 2021.There were no any restriction on its ability to access or use assets and settlement of liabilities of the Group.

	For the Year Ended 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
35	**Investment Property**			
	Cost/Valuation			
	As at beginning of the year	-	-	-
	Additions during the year	-	-	-
	Transfers from Property, Plant and Equipment	1,100,000,000	-	-
	Disposals during the year	-	-	-
	As at end of the year	1,100,000,000	-	-

35.1 During the year 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. 2,357,136/- (2019/20 - Nil) 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. 1.8 Bn from Commercial Bank of Ceylon as at 31st March 2021.

35.6 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.
Land at Galle road, Colombo 03	-	42.12	1,100,000,000	1,100,000,000

Investment Property - Valuation

Date of valuation : 31st March 2021

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 gains / (losses) recognised in Income Statement RS.
H B Manjula Basnayaka					
Land at Galle road, Colombo 03	Market Comparable Method				
	- Price per perch for land	Rs. 26,500,000 p.p	1,100,000,000	1,100,000,000	-

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 techniques	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		
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 2021	Total 2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation										
As at 01st April	1,363,467,000	109,260,096	1,950,000	128,913,018	296,559,594	137,771,591	73,283,941	86,437,963	2,197,643,203	2,059,083,890
Additions during the year	-	-	-	22,538,850	85,103,088	38,720,090	9,354,999	26,528,468	182,245,495	148,862,268
Transfer during the year	(1,100,000,000)	-	-	-	-	-	-	(112,966,431)	(1,212,966,431)	-
Impairment Loss	-	-	-	(2,294,030)	(13,669,075)	(1,618,083)	-	-	(17,581,188)	-
Disposals during the year	-	-	-	-	(3,291,031)	(3,746,799)	-	-	(7,037,830)	(10,302,955)
As at 31st March	263,467,000	109,260,096	1,950,000	149,157,838	364,702,576	171,126,799	82,638,940	-	1,142,303,249	2,197,643,203
Accumulated Depreciation										
As at 01st April	-	7,189,816	812,500	88,080,772	195,610,592	98,195,245	45,207,324	-	435,096,249	339,496,719
Depreciation for the year	-	7,287,649	195,000	19,344,630	47,414,546	20,753,280	12,281,158	-	107,276,263	105,171,430
Impairment Loss	-	-	-	(1,462,660)	(5,147,327)	(816,758)	-	-	(7,426,745)	-
Disposals during the year	-	-	-	-	(3,179,865)	(3,617,431)	-	-	(6,797,296)	(9,571,900)
As at 31st March	-	14,477,465	1,007,500	105,962,742	234,697,946	114,514,336	57,488,482	-	528,148,471	435,096,249
Carrying Amount										
As at 31st March 2021	263,467,000	94,782,631	942,500	43,195,096	130,004,630	56,612,463	25,150,458	-	614,154,778	
As at 31st March 2020	1,363,467,000	102,070,280	1,137,500	40,832,246	100,949,002	39,576,346	28,076,617	86,437,963		1,762,546,954

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 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation									
As at 01st April	1,363,467,000	109,260,096	1,950,000	128,913,018	296,559,594	137,771,591	73,283,941	86,437,963	2,197,643,203
Additions during the year	-	-	-	22,538,850	85,103,088	38,720,090	9,354,999	318,551,110	474,268,137
Impairment Loss	-	-	-	(2,294,030)	(13,669,075)	(1,618,083)	-	-	(17,581,188)
Disposals during the year	-	-	-	-	(3,291,031)	(3,746,799)	-	-	(7,037,830)
As at 31st March	1,363,467,000	109,260,096	1,950,000	149,157,838	364,702,576	171,126,799	82,638,940	404,989,073	2,647,292,322
Accumulated Depreciation									
As at 01st April	-	7,189,816	812,500	88,080,772	195,610,592	98,195,245	45,207,324	-	435,096,249
Depreciation for the year	-	7,287,649	195,000	19,344,630	47,414,546	20,753,280	12,281,158	-	107,276,263
Impairment Loss	-	-	-	(1,462,660)	(5,147,327)	(816,758)	-	-	(7,426,745)
Disposals during the year	-	-	-	-	(3,179,865)	(3,617,431)	-	-	(6,797,296)
As at 31st March	-	14,477,465	1,007,500	105,962,742	234,697,946	114,514,336	57,488,482	-	528,148,471
Carrying Amount									
As at 31st March 2021	1,363,467,000	94,782,631	942,500	43,195,096	130,004,630	56,612,463	25,150,458	404,989,073	2,119,143,851

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:

	Company						Group		
	As at 31st March 2021			As at 31st March 2020			As at 31st March 2021		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Class of Asset									
Freehold Land	152,219,000	-	152,219,000	1,248,088,000	-	1,248,088,000	1,248,088,000	-	1,248,088,000
Freehold Building	54,323,841	15,270,629	39,053,212	54,323,841	11,647,229	42,676,612	54,323,841	15,270,629	39,053,212
	206,542,841	15,270,629	191,272,212	1,302,411,841	11,647,229	1,290,764,612	1,302,411,841	15,270,629	1,287,141,212

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			95,000,000		95,000,000	30,000,000
No. 126-5, Highlevel Road, Maharagama.		12,240	1		55,000,000	55,000,000	11,014,877
Kiribathgoda Branch	10.0			67,500,000		67,500,000	26,319,000
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda		2,626	1		12,500,000	12,500,000	5,877,876
Galle Branch	5.70			69,000,000		69,000,000	66,306,000
No. 128, Main Street , Galle		2,812	1		13,000,000	13,000,000	6,884,110
Chilaw Branch	10.00			17,467,000		17,467,000	17,467,000
No. 84, Kurunegala Road, Chilaw		2,144	1		9,000,000	9,000,000	5,895,732
Land	42.12			1,100,000,000		1,100,000,000	1,095,869,000
Galle Road , Colombo 03							
Embilipitiya Branch	9.77			14,500,000		14,500,000	12,127,000
No. 103, New Town Road, Embilipitiya		3,776	1		18,000,000	18,000,000	16,614,211

Freehold land & Buildings - Valuations

Date of Valuation: 31st March 2019

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 Rs.	Building Rs.	Land Rs.	Building Rs.	Land Rs.	Building Rs.
J M Senanayaka Bandara								
Maharagama Branch	Market Comparable Method							
No. 126-5, Highlevel Road, Maharagama.	- Price per perch for land	Rs. 6,250,000 p.p	30,000,000		95,000,000		65,000,000	
	- Price per sq.ft for building	Rs. 2,600 to Rs. 5,500 p.sq.ft		11,014,877		55,000,000		43,985,123
Kiribathgoda Branch	Market Comparable Method							
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda	- Price per perch for land	Rs. 6,750,000 p.p	26,319,000		67,500,000		41,181,000	
	- Price per sq.ft for building	Rs. 4,500 p.sq.ft		5,877,876		12,500,000		6,622,124
Galle Branch	Market Comparable Method							
No. 128, Main Street , Galle	- Price per perch for land	Rs. 12,000,000 p.p	66,306,000		69,000,000		2,694,000	
	- Price per sq.ft for building	Rs. 4,750 p.sq.ft		6,884,110		13,000,000		6,115,890
Chilaw Branch	Market Comparable Method							
No. 84, Kurunegala Road, Chilaw	- Price per perch for land	Rs. 1,700,000 p.p	17,467,000		17,467,000			
	- Price per sq.ft for building	Rs. 4,250 p.sq.ft		5,895,732		9,000,000		3,104,268
Land	Market Comparable Method							
No. 480, Galle Road , Colombo 03	- Price per perch for land	Rs. 26,250,000 p.p	1,095,869,000		1,100,000,000		4,131,000	
Embilipitiya Branch	Market Comparable Method							
No. 103, New Town Road, Embilipitiya	- Price per perch for land	Rs. 1,475,000 p.p	12,127,000		14,500,000		2,373,000	
	- Price per sq.ft for building	Rs. 4,750 p.sq.ft		16,614,211		18,000,000		1,385,789

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 square foot for building Depreciation rate for building	Price per perch would increase/ (decrease) Price per square foot would increase/(decrease) 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 2021, 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. 337,429,459/- as at 31st March 2021 (2019/20 Rs. 245,549,699/-).

36.7 The Group has capitalised Rs. 9,819,024/- 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 2021.

36.9 Property bearing assessment no.480, Galle road, Colombo 03 pledged as security for borrowing obtained amounting to Rs. 1.8 Bn from Commercial Bank of Ceylon as at 31st March 2021.

36.10 A fire occurred at a branch during the year and several items of Computer Equipment/Furniture & Fittings and Office Equipment were destroyed. The branch was fully repaired and opened for business currently.

36.11 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2021.

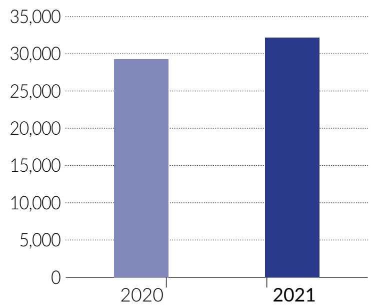
36.12 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2021.

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
37 Right-of-use Lease Assets			
Right-of-use Assets (Note 37.1)	583,944,570	369,692,861	583,944,570
	583,944,570	369,692,861	583,944,570
37.1 Right-of-use Assets			
Cost			
Effect of adoption of SLFRS 16 as at 01st April 2019	-	392,794,031	-
Opening Balance of Advance Payments for the Right-of-use Assets as at 01st April 2019	-	25,569,115	-
Rent Payable Under LKAS 17 as at 01st April 2019	-	(19,942,163)	-
Adjusted balance as at beginning of the year	465,660,781	398,420,983	465,660,781
Additions during the year	330,142,712	67,239,798	330,142,712
Terminations during the year	(5,618,149)	-	(5,618,149)
Balance as at the end of the year	790,185,344	465,660,781	790,185,344
Accumulated Depreciation			
Balance as at the beginning of the year	95,967,920	-	95,967,920
Charge for the year	110,272,854	95,967,920	110,272,854
Balance as at the end of the year	206,240,774	95,967,920	206,240,774
Carrying Amount			
As at 31st March 2021	583,944,570		583,944,570
As at 31st March 2020		369,692,861	
38 Intangible Assets			
Computer Software (Note 38.1)	9,897,595	17,663,649	9,897,595
	9,897,595	17,663,649	9,897,595
38.1 Computer Software			
Cost			
Balance as at the beginning of the year	44,189,507	38,630,408	44,189,507
Additions during the year	-	5,559,099	-
Balance as at the end of the year	44,189,507	44,189,507	44,189,507
Accumulated Amortisation			
Balance as at the beginning of the year	26,525,858	18,982,875	26,525,858
Charge for the year	7,766,054	7,542,983	7,766,054
Balance as at the end of the year	34,291,912	26,525,858	34,291,912
Carrying Amount			
As at 31st March 2021	9,897,595		9,897,595
As at 31st March 2020		17,663,649	

38.2 Intangible Assets included fully amortised assets having a gross amount of Rs. 19,938,620 /- as at 31st March 2021 (2019/20 Rs. 11,020,620 /-).

		Company		Group
	As at 31st March	2021 RS.	2020 RS.	2021 RS.
39	**Other Assets**			
	Refundable Deposits	32,354,235	25,434,111	32,354,235
	Prepaid Expenses	30,148,998	21,603,910	30,148,998
	Taxes Recoverable	-	44,664,091	-
	Prepaid Staff Cost	594,128	921,418	594,128
	Advance Payments	32,117,478	13,939,599	32,117,478
	Vehicle stock	-	3,915,000	-
	Related Party Receivable	1,963,569	-	-
	Other Receivables	44,056,563	75,657,185	44,056,563
		141,234,971	186,135,314	139,271,402
40	**Financial Liabilities at Amortised Cost - Deposits due to Customers**			
	Fixed Deposits	31,519,259,413	28,432,577,213	31,519,259,413
	Savings Deposits	-	39,572	-
	Certificate of Deposits	651,693,731	811,296,113	651,693,731
		32,170,953,144	29,243,912,898	32,170,953,144

Financial Liabilities at Amortised Cost - Deposits due to Customers
Rs. Mn



40.1 Analysis of Deposits due to Customers by Maturity Date

As at 31st March 2021	1 to 90 days	91 to 365 days	More than 365 days	Total
	RS.	RS.	RS.	RS.
Fixed Deposits	8,903,934,553	13,808,248,251	8,807,076,609	**31,519,259,413**
Savings Deposits	-	-	-	**-**
Certificate of Deposits	312,962,952	338,730,779	-	**651,693,731**
	9,216,897,505	14,146,979,030	8,807,076,609	**32,170,953,144**

As at 31st March 2020	1 to 90 days	91 to 365 days	More than 365 days	Total
	RS.	RS.	RS.	RS.
Fixed Deposits	9,858,999,108	10,976,409,947	7,597,168,158	28,432,577,213
Savings Deposits	39,572	-	-	39,572
Certificate of Deposits	329,803,856	481,492,257	-	811,296,113
	10,188,842,536	11,457,902,204	7,597,168,158	29,243,912,898

41 Financial Liabilities at Amortised Cost - Interest bearing Borrowings

	Company		Group
As at 31st March	2021	2020	2021
	RS.	RS.	RS.
Institutional Borrowings (Note 41.1)	**11,246,866,006**	11,986,266,834	**11,845,353,973**
Commercial Papers	**35,632,659**	51,528,702	**35,632,659**
	11,282,498,665	12,037,795,536	**11,880,986,632**

41.1 Institutional Borrowings - Company

As at 31st March	As at 01/04/2020	Facility Obtained	Interest Recognised	Repayments		As at 31/03/2021	Tenure of Loan	Security Offered
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Bank of Ceylon	2,008,937,589	-	137,874,301	937,500,000	134,977,432	1,074,334,458	4 Years	Mortgage Bond over Receivables
PABC Bank	-	375,000,000	11,438,883	375,000,000	11,438,883	-	4 Years	Mortgage Bond over Receivables
Seylan Bank	2,130,579,034	2,000,000,000	230,479,131	386,001,000	231,507,439	3,743,549,726	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	-	650,000,000	3,523,699	550,000,000	3,391,781	100,131,918	3 Months	Mortgage Bond over Receivables
Hatton National Bank	5,300,278,610	596,617,776	513,803,067	1,310,999,284	577,146,625	4,522,553,544	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	293,861,595	-	21,053,269	125,000,000	34,050,077	155,864,787	4 Years	Mortgage Bond over Receivables
NSB Bank	1,469,356,518	-	119,490,311	400,000,000	121,317,917	1,067,528,912	5 Years	Mortgage Bond over Receivables
Sampath Bank	783,253,488	500,000,000	73,536,133	700,000,000	73,886,960	582,902,661	5 Years	Mortgage Bond over Receivables
	11,986,266,834	4,121,617,776	1,111,198,794	4,784,500,284	1,187,717,114	11,246,866,006		

* Facility obtained is reported net of transaction cost.

41.2 Institutional Borrowings - Group

As at 31st March	As at 01/04/2020	Facility Obtained	Interest Recognised	Repayments		As at 31/03/2021	Tenure of Loan	Security Offered
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Bank of Ceylon	2,008,937,589	-	137,874,301	937,500,000	134,977,432	1,074,334,458	4 Years	Mortgage Bond over Receivables
PABC Bank	-	375,000,000	11,438,883	375,000,000	11,438,883	-	4 Years	Mortgage Bond over Receivables
Seylan Bank	2,130,579,034	2,000,000,000	230,479,131	386,001,000	231,507,439	3,743,549,726	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	-	650,000,000	3,523,699	550,000,000	3,391,781	100,131,918	3 Months	Mortgage Bond over Receivables
Hatton National Bank	5,300,278,610	596,617,776	513,803,067	1,310,999,284	577,146,625	4,522,553,544	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	293,861,595	-	21,053,269	125,000,000	34,050,077	155,864,787	4 Years	Mortgage Bond over Receivables
NSB Bank	1,469,356,518	-	119,490,311	400,000,000	121,317,917	1,067,528,912	5 Years	Mortgage Bond over Receivables
Sampath Bank	783,253,488	500,000,000	73,536,133	700,000,000	73,886,960	582,902,661	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	-	597,370,158	13,693,151	-	12,575,342	598,487,967	78 Months	PFMB over property at No. 480, Galle Road, Colombo 03 & Corporate Guarantee from Vallibel Finance PLC amounting to Rs. 1.8 Bn
	11,986,266,834	4,718,987,934	1,124,891,945	4,784,500,284	1,200,292,456	11,845,353,973		

41.3 There were no any defaults of principal or interest during the year.

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
42 Lease Liabilities			
Balance as at beginning of the year	402,518,972	392,794,031	402,518,972
Additions during the year	256,042,712	58,149,781	256,042,712
Terminations during the year	(6,897,786)	-	(6,897,786)
Accretion of interest	60,156,012	52,118,538	60,156,012
Payments	(112,139,054)	(100,543,378)	(112,139,054)
Balance as at end of the year	599,680,856	402,518,972	599,680,856
43 Current Tax Liabilities			
Balance as at Beginning of the Year	223,998,022	509,696,461	223,998,022
Income Tax Provision on Current Year Profits	844,909,584	715,202,704	844,909,584
(Over) / under provision in respect of previous year	(40,315,415)	(27,381,273)	(40,315,415)
Paid and Set off During the Year	(392,986,113)	(973,519,870)	(392,986,113)
Balance as at end of the Year	635,606,078	223,998,022	635,606,078
44 Deferred Tax Liabilities			
Deferred Tax Liabilities (Note 44.3)	112,558,388	260,945,390	112,558,388
Deferred Tax Assets (Note 44.4)	(80,267,468)	(73,779,797)	(81,047,940)
Net Deferred Tax Liabilities (Note 44.1)	32,290,920	187,165,593	31,510,448

44.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
Taxable / (Deductible) Temporary Differences			
Property, Plant & Equipment	84,609,026	94,462,423	84,609,026
Lease capital Balance	138,074,691	589,678,827	138,074,691
Legal Termination receivables	130,930,566	132,427,566	130,930,566
Revaluation Surplus on Freehold Land	115,379,000	115,379,000	115,379,000
Taxable Temporary Differences	468,993,283	931,947,816	468,993,283
Retirement Benefit Obligation	(162,995,765)	(102,642,242)	(162,995,765)
Unclaimed Impairment provision	(103,843,471)	(128,527,809)	(103,843,471)
Right of use Lease asset	(67,608,546)	(32,329,220)	(67,608,546)
Tax Loss on Subsidiary	-	-	(3,251,967)
Total Taxable Temporary Differences (net)	134,545,501	668,448,545	131,293,534
Applicable Tax Rate	24%	28%	24%
Net Deferred Tax Liabilities / (Assets)	32,290,920	187,165,593	31,510,448

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
44.2 Deferred Tax Expense			
Origination of Deferred tax			
Liability (Note 44.3)	(148,387,002)	(82,788,271)	(143,771,841)
Asset (Note 44.4)	(6,487,671)	(751,194)	(7,268,143)
	(154,874,673)	(83,539,465)	(151,039,984)
Total expense charged / (reversed) to Income Statement	(142,990,063)	(79,130,194)	(143,770,535)
Total expense charged / (reversed) to OCI	(11,884,610)	(4,409,273)	(11,884,610)

As at 31st March	Company 2021 Temporary Difference RS.	Company 2021 Tax Effect RS.	Company 2020 Temporary Difference RS.	Company 2020 Tax Effect RS.	Group 2021 Temporary Difference RS.	Group 2021 Tax Effect RS.
44.3 Deferred Tax Liabilities						
Balance as at beginning of the year	931,947,821	260,945,390	1,227,620,217	343,733,661	931,947,821	260,945,390
Impact of change in tax rate recognised in Income Statement	-	(32,662,753)	-	-	-	(32,662,753)
Impact of change in tax rate recognised in OCI	-	(4,615,161)	-	-	-	(4,615,161)
Originating / (reversing) during the year	(462,954,532)	(111,109,088)	(295,672,396)	(82,788,271)	(462,954,532)	(111,109,088)
Balance as at end of the year	468,993,289	112,558,388	931,947,821	260,945,390	468,993,289	112,558,388
44.4 Deferred Tax Assets						
Balance as at beginning of the year	263,499,275	73,779,797	260,816,435	73,028,603	263,499,275	73,779,797
Impact of change in tax rate recognised in Income Statement	-	(10,539,971)	-	-	-	(10,539,971)
Originating / (reversing) during the year	70,948,507	17,027,642	2,682,840	751,194	74,200,473	17,808,114
Balance as at end of the year	334,447,782	80,267,468	263,499,275	73,779,797	337,699,748	81,047,940

As at 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
45 Other Liabilities			
Other Provisions & Payables (Note 45.1)	708,995,189	1,332,200,639	709,793,324
Accrued Expenses	132,330,288	110,418,477	132,330,288
	841,325,477	1,442,619,116	842,123,612
45.1 Other Provisions & Payables			
RMV Payable	15,161,223	6,112,873	15,161,223
Insurance Payable	114,511,078	89,461,917	114,511,078
Taxes Payable	215,778,887	52,004,968	215,778,887
Social Development Fund	3,130,974	3,207,474	3,130,974
Debenture Redemption Control Account	-	1,051,320,589	-
Other Payables	360,413,027	130,092,818	361,211,162
	708,995,189	1,332,200,639	709,793,324
46 Retirement Benefit Obligations			
46.1 Retirement Benefit Liability Recognised in Statement of Financial Position			
Balance as at 1st April	102,642,242	69,131,811	102,642,242
Amounts Recognised in Income Statement	32,388,472	24,117,387	32,388,472
Amounts Recognised in OCI	30,289,378	15,747,404	30,289,378
Payments during the Year	(2,324,327)	(6,354,360)	(2,324,327)
Balance as at 31st March	162,995,765	102,642,242	162,995,765
46.2 Amounts Recognised in Income Statement			
Service cost	21,611,037	16,167,229	21,611,037
Net Interest on defined benefit obligation	10,777,435	7,950,158	10,777,435
	32,388,472	24,117,387	32,388,472
46.3 Amounts Recognised in OCI			
Remeasurement of retirement benefit obligation arising from changes in assumptions	(791,931)	10,760,051	(791,931)
Remeasurement of retirement benefit obligation arising from experience adjustments	31,081,309	4,987,353	31,081,309
	30,289,378	15,747,404	30,289,378

As at 31st March	Company		Group
	2021	2020	2021
	RS.	RS.	RS.
46.4 Defined Benefit Obligation Reconciliation			
Benefit obligation at end of prior year	102,642,242	69,131,811	102,642,242
Company service cost	21,611,037	16,167,229	21,611,037
Interest cost	10,777,435	7,950,158	10,777,435
Payments made during the year	(2,324,327)	(6,354,360)	(2,324,327)
Remeasurement of retirement benefit obligation arising from changes in assumptions	(791,931)	10,760,051	(791,931)
Remeasurement of retirement benefit obligation arising from experience adjustments	31,081,309	4,987,353	31,081,309
Benefit obligation at end of year	162,995,765	102,642,242	162,995,765

46.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2021 was carried out by Mr. Piyal S Goonetilleke, FIA , of Messers. Piyal S Goonetilleke and Associates, a firm of professional actuaries.

46.4.2 The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard - LKAS 19 “Employee Benefits”.

46.5 Assumptions

As at 31st March	Company		Group
	2021	2020	2021
Discount Rate	8.70%	10.50%	10.50%
Salary increment	10.00%	10.00%	10.00%
Staff Turnover			
20 years	15.00%	15.00%	15.00%
25 years	15.00%	15.00%	15.00%
30 years	9.00%	9.00%	9.00%
35 years	6.00%	6.00%	6.00%
40 years	1.00%	1.00%	1.00%
45 years	1.00%	1.00%	1.00%
50 years	1.00%	1.00%	1.00%
Mortality - GA 1983 mortality Table			
Retirement age	55 Years	55 Years	55 Years

46.6 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 2021.

	Sensitivity effect on Statement of Financial Position (Benefit Obligation) RS.
1% increase in discount rate	(18,477,563)
1% decrease in discount rate	22,156,788
1% increase in salary increment rate	21,252,936
1% decrease in salary increment rate	(18,132,629)

There were no changes in the methods and assumptions used in preparing sensitivity analysis.

46.7 Maturity Analysis of the Payments

The following payments are expected on defined benefit obligation in future years.

As at 31st March	Company 2021 RS.	Group 2021 RS.
Within next 12 months	8,310,180	8,310,180
Between 1 - 2 years	18,472,351	18,472,351
Between 2 - 5 years	35,044,390	35,044,390
Beyond 5 years	101,168,844	101,168,844
	162,995,765	162,995,765

The weighted average duration of the defined benefit obligation is 13.8 Years.

	Company		Group
As at 31st March	2021 RS.	2020 RS.	2021 RS.
47 Stated Capital			
Ordinary Shares (Note 47.1)	1,325,918,000	1,325,918,000	1,325,918,000
No. of shares (Note 47.2)	58,863,350	58,863,350	58,863,350
47.1 Movement of Stated Capital			
At the Beginning of the Year	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
47.2 Movement of no. of Shares			
At the Beginning of the Year	58,863,350	58,863,350	58,863,350
Movement during the Year	-	-	-
As at the End of the Year	58,863,350	58,863,350	58,863,350

47.3 There were no shares held by the Vallibel Finance PLC or Vallibel Properties Limited in the Company as at 31st March 2021.

		Company		Group
As at 31st March		2021 RS.	2020 RS.	2021 RS.
48	**Statutory Reserve Fund**			
	Statutory Reserve Fund (Note 48.1)	1,554,199,509	1,208,563,889	1,554,199,509
		1,554,199,509	1,208,563,889	1,554,199,509

48.1 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.

	Company		Group
As at 31st March	2021 RS.	2020 RS.	2021 RS.
At the Beginning of the Year	1,208,563,889	957,881,867	1,208,563,889
Transfers during the Year *	345,635,620	250,682,022	345,635,620
As at the End of the Year	1,554,199,509	1,208,563,889	1,554,199,509

* 20% of net profit after tax

		Company		Group
49	**Other Reserves**			
	Revaluation Reserve (Note 49.1)	131,761,541	127,146,380	131,761,541
	General Reserve (Note 49.2)	7,500,000	7,500,000	7,500,000
		139,261,541	134,646,380	139,261,541

49.1 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.

	Company		Group
As at 31st March	2021 RS.	2020 RS.	2021 RS.
At the Beginning of the Year	127,146,380	127,146,380	127,146,380
Surplus on Revaluation of Freehold Land & Buildings	-	-	-
Deferred tax effect on revaluation Surplus due to change in tax rate	4,615,161	-	4,615,161
As at the End of the Year	131,761,541	127,146,380	131,761,541

49.2 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
	2021	2020	2021
	RS.	RS.	RS.
General Reserve	7,500,000	7,500,000	7,500,000
	7,500,000	7,500,000	7,500,000

50 Retained Earnings

	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
At the Beginning of the Year	3,808,883,577	3,052,506,942	3,808,883,577
Profit for the Year	1,728,178,102	1,253,410,112	1,725,706,607
Other Comprehensive Income	(23,019,929)	(11,338,131)	(23,019,929)
Statutory Reserve Transfer	(345,635,620)	(250,682,022)	(345,635,620)
Dividends	-	(235,453,400)	-
Unclaimed Dividend Adjustments	121,894	440,076	121,894
At the End of the Year	5,168,528,024	3,808,883,577	5,166,056,529

51 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".

51.1 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.

51.2 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.

51.2.1 Transactions with KMP

51.2.1.1 Compensation of KMP

For the Year Ended 31st March	Company		Group
	2021	2020	2021
	RS.	RS.	RS.
Short term employment benefits	137,055,161	130,453,182	137,055,161
Director fees and expenses	5,477,186	6,458,360	5,477,186
Post employment benefits	-	-	-
	142,532,347	136,911,542	142,532,347

51.2.2 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.

51.2.2.1 Statement of Financial Position

As at 31st March	Company		Group
	2021	2020	2021
	RS.	RS.	RS.
Liabilities			
Financial Liabilities at Amortised Cost - Deposits due to Customers	1,125,758,885	838,455,137	1,125,758,885
	1,125,758,885	838,455,137	1,125,758,885

51.2.2.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Company		Group
	2021	2020	2021
	RS.	RS.	RS.
Interest Expense	79,286,247	63,548,033	79,286,247
Compensation to KMP	142,532,347	136,911,542	142,532,347
	221,818,594	200,459,575	221,818,594
51.2.2.3 Share based transactions of KMP			
Dividends paid	-	63,502,804	-
	-	63,502,804	-

51.2.3 Transactions, Arrangements and Agreements involving Entities which are controlled and / or significantly influenced by the KMP or their CFM

51.2.3.1 Statement of Financial Position

As at 31st March 2021	Company		Group	Company		Group
	2021	2020	2021	Amount Received / (Paid)		Amount Received / (Paid)
				2020/21	2019/20	2020/21
	RS.	RS.	RS.	RS.	RS.	RS.
Assets						
Cash and Cash Equivalents	601,921,596	1,215,171,973	601,921,596	613,250,377	(1,201,807,281)	613,250,377
Placements with Banks and Other Finance Companies	267,329,937	1,098,948,755	267,329,937	831,618,818	(210,772,847)	831,618,818
Reverse Repurchase Agreements	-	662,429,096	-	662,429,096	(432,429,096)	662,429,096
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	-	-	532,817	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,724,665	1,082,637	1,724,665	(642,028)	503,553	(642,028)
Property, Plant and Equipment	-	-	35,597,089	-	-	(35,597,089)
Other Assets	-	75,000	-	75,000	(75,000)	75,000
	870,976,198	2,977,707,461	906,573,287	2,106,731,263	(1,844,047,854)	2,071,134,174
Liabilities						
Bank Overdrafts	5,807,133	15,046,596	5,807,133	(9,239,463)	(122,793,739)	(9,239,463)
Financial Liabilities at Amortised Cost - Deposits due to Customers	2,732,448,165	3,157,473,843	2,732,448,165	(425,025,678)	1,724,823,959	(425,025,678)
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	-	-	-	-	(529,256,565)	-
	2,738,255,298	3,172,520,439	2,738,255,298	(434,265,141)	1,072,773,655	(434,265,141)

For the year ended 31st March	Company 2021 RS.	Company 2020 RS.	Group 2021 RS.
51.2.3.2 Statement of Profit or Loss and Other Comprehensive Income			
Interest Income	177,524,494	144,138,039	177,524,494
Interest Expense	204,474,123	238,508,541	204,474,123
Net Gain / (Loss) from Trading	642,028	(384,462)	642,028
Other Operating Income	960,000	960,000	960,000
51.3 Transactions with the Parent			
51.3.1 Share based transactions with Parent			
Dividends paid	-	121,108,000	-
	-	121,108,000	-

51.4 Transactions with Group Entity

The Group entity includes the Vallibel Properties Limited.

51.4.1 Statement of Financial Position

As at 31st March	2021 RS.	Amount Received / (Paid) 2020/21 RS.
Assets		
Related Party Receivable	1,963,569	(1,963,569)
	1,963,569	(1,963,569)

51.4.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	2021 RS.
Other Operating Income	2,357,136

51.4.3 Commitments & Contingent Liabilities

Refer the Note 52.3 for details.

51.5 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.

51.6 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	2021 RS.	Rationale for entering Transaction
Summer Season Limited	Affiliate	Fixed Deposit taken for interest rate of 5.26% & 5.01% for 3 Months Maturity	2021/03/08 & 2021/02/08	**1,148,293,953**	To support further expansion of business

51.7 As per CSE Listing Rules 9.3.2 - Disclosures on Related Party Transactions

There were no non- recurrent related party transactions which exceeds 10% of equity or 5% of total assets of the Company whichehever is lower. 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.

52 Contingent Liabilities and Commitments

52.1 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
	2021 RS.	2020 RS.	2021 RS.
Approved and contracted for	-	29,036,246	**784,519,557**
	-	29,036,246	**784,519,557**

52.2 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	
	2021 RS.	2020 RS.
Cases pending against the Company	5,000,000	5,713,700
	5,000,000	5,713,700

1. An action filed by a third party claiming the mortgaged bond which was signed in company's favor 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.

52.3 Contingent Liabilities

A Corporate Guarantee amounting to Rs. 1.8 Bn (Utilisation amount - Rs. 600 Mn as at 31st March 2021) provided by the Company for Commercial Bank Ceylon PLC for the Borrowing obtained to construct the proposed Head Office premises.

53 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	2,213,618,347	Gross Receivable
Pan Asia Banking Corporation PLC	Lending Portfolio	Overdraft	391,285,280	Gross Receivable
Seylan Bank PLC	Lending Portfolio	Long-term Borrowings & Overdraft	4,845,180,823	Gross Receivable
Hatton National Bank	Lending Portfolio	Overdraft	5,969,770,722	Gross Receivable
DFCC Bank	Lending Portfolio	Long-term Borrowings	204,182,872	Gross Receivable
NSB Bank	Lending Portfolio	Long-term Borrowings	1,430,488,741	Gross Receivable
Sampath Bank	Lending Portfolio	Long-term Borrowings & Overdraft	1,483,206,608	Gross Receivable
NDB Bank	Lending Portfolio	Short-term Borrowings	121,159,621	Gross Receivable
Union Bank	Lending Portfolio	Long-term Borrowings	22,897,890	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.

54 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:

- Finance Lease
- Hire Purchase
- Loans and Advances
- Investments

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.

54.1 Business Segments

For the year ended 31 March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income From												
External Operations												
Interest	2,753,273	3,193,017	59	3,000	5,201,675	5,254,145	376,290	462,035	-	-	8,331,297	8,912,197
Administration Fees	-	-	-	-	-	-	-	-	373,551	350,337	373,551	350,337
Dividends	-	-	-	-	-	-	122	211	-	-	122	211
Other	-	-	-	-	-	-	67,168	107,414	697,804	325,148	764,972	432,562
Total Revenue	2,753,273	3,193,017	59	3,000	5,201,675	5,254,145	443,580	569,660	1,071,355	675,485	9,469,942	9,695,307
Other material non-cash items												
Impairment losses on Financial Assets	(272,766)	(201,001)	4,606	1,722	(314,875)	(282,322)	8,053	(6,060)	(94)	(154)	(575,076)	(487,815)
Impairment losses on Non Financial Assets	-	-	-	-	-	-	-	-	(10,154)	-	(10,154)	-
Profit Before Income Tax											2,386,530	1,862,101
Income Tax Expense											(660,824)	(608,691)
Profit After Tax											1,725,706	1,253,410
Other Information												
As at 31 March												
Segment Assets	14,080,796	13,488,736	4,320	5,260	33,660,559	27,625,557	3,415,571	5,831,353	4,660,605	4,472,943	55,821,851	51,423,849
Segment Liabilities	12,016,059	11,789,522	3,687	4,598	28,724,744	24,145,485	2,914,729	5,096,760	3,977,197	3,909,473	47,636,416	44,945,837
Net Assets	2,064,737	1,699,214	633	662	4,935,815	3,480,072	500,842	734,593	683,408	563,470	8,185,435	6,478,012

55 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.
- 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. The Company has maintained an adequate liquidity position as detailed in notes to the Financial Statements in order to manage unprecedented events such as Covid-19.

(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. As the market risk is limited to the Company impact from Covid-19 is limited.

(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 behavior. 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.

A. Credit Risk

A. i Credit Quality Analysis

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

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 2021	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	1,683,003,076	-	-	-	1,683,003,076
Placements with Banks and Other Finance Companies	267,329,937	-	-	-	267,329,937
Less : ECL Allowance					(18,224)
Reverse Repurchase Agreements	1,795,352,511	-	-	-	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,188,828,796	-	-	-	1,188,828,796
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	29,035,044,325	4,459,310,427	1,310,702,348	-	34,805,057,100
Less : ECL Allowance					(1,144,498,025)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	11,697,517,235	2,359,319,416	1,219,559,846	-	15,276,396,497
Less : ECL Allowance					(1,191,280,345)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Other Financial Assets	-	-	-	15,162,142	15,162,142
	45,667,279,680	6,818,629,843	2,530,262,194	15,162,142	52,695,537,265

As at 31st March 2020	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	2,046,506,255	-	-	-	2,046,506,255
Placements with Banks and Other Finance Companies	2,576,969,851	-	-	-	2,576,969,851
Less : ECL Allowance					(8,071,689)
Reverse Repurchase Agreements	2,079,841,356	-	-	-	2,079,841,356
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,084,454,685	-	-	-	1,084,454,685
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	23,599,124,188	3,837,537,011	997,342,824	-	28,434,004,023
Less : ECL Allowance					(808,447,036)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,431,329,350	2,964,086,059	1,018,192,591	-	14,413,608,000
Less : ECL Allowance					(919,611,533)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	97,954,958	-	-	-	97,954,958
Financial Assets at Amortised Cost - Other Financial Assets	-	-	-	16,617,983	16,617,983
	41,916,384,443	6,801,623,070	2,015,535,415	16,617,983	49,014,030,653

A. ii 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.

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 realising security (if any is held) ; or the borrower is past due equal more than 180 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 180 days and above.

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.

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	2021			Total ECL
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: LifeTime ECL credit impaired	
	RS.	RS.	RS.	RS.
Balance as at the beginning of the year	278,943,757	325,514,220	1,123,600,593	1,728,058,569
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(23,400,701)	21,782,700	1,618,001	-
Transferred from LifeTime ECL not-credit impaired	17,373,622	(37,153,026)	19,779,404	-
Transferred from LifeTime ECL credit impaired	7,329,444	17,050,524	(24,379,968)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	24,684,338	24,684,338
Net remeasurment of loss allowance	229,640,934	80,442,361	272,952,168	583,035,463
Balance as at the end of the year	509,887,056	407,636,779	1,418,254,536	2,335,778,370

As at 31st March	2020			Total ECL
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: LifeTime ECL credit impaired	
	RS.	RS.	RS.	RS.
Balance as at the beginning of the year	240,804,458	141,957,123	793,569,078	1,176,330,658
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(41,877,334)	36,923,888	4,953,446	-
Transferred from LifeTime ECL not-credit impaired	22,710,766	(39,427,454)	16,716,688	-
Transferred from LifeTime ECL credit impaired	5,613,543	2,412,478	(8,026,021)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	70,125,860	70,125,860
Net remeasurment of loss allowance	51,692,324	183,648,185	246,261,542	481,602,051
Balance as at the end of the year	278,943,757	325,514,220	1,123,600,593	1,728,058,569

Collateral held as security and other credit enhancements

For financial assets at amortised cost - Lease rentals and Hire Purchase receivables & Loans and advances, Company held basically vehicles as security. Gold Loans are backed by the gold articles. Loss allowance not been recognised for Loans against Fixed Deposits due to Collateral held.

Modified Financial Assets

Certain financial assets were modified while they had a loss allowance measured at an amount equal to lifetime ECL during the year. Amortised cost of such financial assets before modification was Rs. 466,495,666. Net modification loss of Rs. 19,795,511 recognised for such assets at the time of modification.

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	2021			Total ECL
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: LifeTime ECL credit impaired	
	RS.	RS.	RS.	RS.
Balance as at the beginning of the year	34,030,453,538	6,801,623,068	2,015,535,417	42,847,612,023
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(1,787,262,985)	1,633,889,682	153,373,303	-
Transferred from LifeTime ECL not-credit impaired	375,841,981	(666,023,096)	290,181,115	-
Transferred from LifeTime ECL credit impaired	21,598,316	20,339,145	(41,937,461)	-
Financial Assets that have been derecognised	(22,822,152,809)	(5,771,684,643)	(699,659,398)	(29,293,496,850)
Other Changes in the portfolio	30,914,083,520	4,800,485,686	812,769,218	36,527,338,424
Balance as at the end of the year	40,732,561,561	6,818,629,842	2,530,262,194	50,081,453,597

As at 31st March	2020			Total ECL
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: LifeTime ECL credit impaired	
	RS.	RS.	RS.	RS.
Balance as at the beginning of the year	34,069,210,906	4,689,188,456	1,375,144,165	40,133,543,527
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(4,282,031,162)	3,826,223,057	455,808,105	-
Transferred from LifeTime ECL not-credit impaired	708,974,547	(1,046,906,571)	337,932,024	-
Transferred from LifeTime ECL credit impaired	18,250,319	10,351,074	(28,601,393)	-
Financial Assets that have been derecognised	(14,928,054,495)	(2,626,935,923)	(434,020,438)	(17,989,010,856)
Other Changes in the portfolio	18,444,103,423	1,949,702,975	309,272,954	20,703,079,352
Balance as at the end of the year	34,030,453,538	6,801,623,068	2,015,535,417	42,847,612,023

A. iii Concentration of Credit Risk

The following tables show the concentration of net lending portfolio based on the type of product and geographical region.

As at 31st March	2021		2020	
	RS.	%	RS.	%
Hire Purchase Receivable	4,319,893	0.01%	5,260,290	0.01%
Lease Rental Receivable	14,080,796,259	29.49%	13,488,736,177	32.80%
Loans and advances	27,623,493,755	57.86%	23,598,665,770	57.39%
Loans against fixed deposits	651,907,305	1.37%	499,902,655	1.22%
Gold Loans	5,385,158,015	11.28%	3,526,988,562	8.58%
	47,745,675,227		41,119,553,454	

Geographical Concentration

Province	Company			
As at 31st March	Lease Rental & Hire Purchase Receivables		Loans and Receivables to Other Customers	
	2021	2020	2021	2020
	RS.	RS.	RS.	RS.
Western	8,064,096,905	8,160,055,747	23,217,964,414	19,470,525,635
Southern	1,360,177,305	1,240,677,877	2,783,170,153	1,879,745,965
Sabaragamuwa	1,631,058,387	1,579,688,031	2,434,166,303	1,741,504,197
Central	1,005,108,306	793,054,495	1,507,741,893	1,170,515,788
Uva	511,583,587	429,221,597	794,989,928	599,999,123
Eastern	39,716,767	37,413,267	63,071,157	55,934,793
North Western	1,926,865,580	1,570,305,885	2,771,911,115	2,414,313,831
North Central	728,760,009	596,423,447	1,219,758,192	1,084,815,288
Northern	9,029,651	6,767,654	12,283,944	16,649,402
	15,276,396,497	14,413,608,000	34,805,057,100	28,434,004,023

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	
	2021	2020
Liquid Asset Ratio (LAR)		
Average for the year	15.77%	14.74%
Maximum for the year	23.03%	19.23%
Minimum for the year	7.72%	11.77%

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	
	2021 RS.	2020 RS.
Cash in Hand	163,700,715	168,932,461
Balances in Current Accounts free from lien	968,765,937	1,504,414,850
Deposits in Commercial Banks free from lien	-	1,920,000,000
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	-	98,179,396
Any Other Approved Securities	1,795,352,508	2,079,841,356
Total liquid assets	2,927,819,160	5,771,368,063

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 2021, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

As at 31st March 2021	Up to 3 months RS.	3 to 12 months RS.	1 to 3 years RS.	3 to 5 years RS.	More than 5 years	Total RS.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies	1,451,812	262,643,258	3,216,643	-	-	267,311,713
Reverse Repurchase Agreements	-	1,795,352,511	-	-	-	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,188,828,796	-	-	-	-	1,188,828,796
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	7,284,863,616	7,076,191,319	15,933,087,364	3,334,983,289	31,433,487	33,660,559,075
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	1,545,513,356	3,629,059,026	6,905,796,094	1,999,632,330	5,115,346	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	-	203,800
Financial Assets at Amortised Cost - Other Financial Assets	341,902	2,432,284	11,204,890	1,183,066	-	15,162,142
Total Interest Bearing Assets	10,021,203,282	12,765,678,398	22,853,304,991	5,335,798,685	36,548,833	51,012,534,189
Percentage 2021	20%	25%	45%	10%	0%	
Percentage 2020	24%	30%	37%	9%	0%	
Interest Bearing Liabilities						
Bank Overdrafts	983,750,361	-	-	-	-	983,750,361
Financial Liabilities at Amortised Cost - Deposits due to Customers	9,216,897,505	14,146,979,030	7,446,459,832	1,360,616,777	-	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	4,766,967,315	2,656,263,309	3,859,268,041	-	-	11,282,498,665
Lease Creditors	13,298,079	41,205,113	142,348,796	222,411,125	180,417,743	599,680,856
Total Interest Bearing Liabilities	14,980,913,260	16,844,447,452	11,448,076,669	1,583,027,902	180,417,743	45,036,883,026
Percentage 2021	33%	38%	25%	4%	0%	
Percentage 2020	32%	33%	32%	3%	0%	

*Loans and Receivables to Other Customers and Lease Rental & Hire Purchase Receivables are reported net of impairment.

C. Market Risk

C. i Exposure to Market Risk - Trading and non trading portfolios

As at 31st March 2021	Carrying Amount as at 31st March 2021	Market Risk Measurement		Carrying Amount as at 31st March 2020	Market Risk Measurement	
		Trading Portfolios	Non -Trading Portfolios		Trading Portfolios	Non -Trading Portfolios
	RS.	RS.	RS.	RS.		RS.
Assets subject to Market Risk						
Cash and Cash Equivalents	1,683,003,076	-	1,683,003,076	2,046,506,255	-	2,046,506,255
Placements with Banks and Other Finance Companies	267,311,713	-	267,311,713	2,568,898,162	-	2,568,898,162
Reverse Repurchase Agreements	1,795,352,511	-	1,795,352,511	2,079,841,356	-	2,079,841,356
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,188,828,796	1,188,828,796	-	1,084,454,685	1,084,454,685	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	33,660,559,075	-	33,660,559,075	27,625,556,987	-	27,625,556,987
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,085,116,152	-	14,085,116,152	13,493,996,467	-	13,493,996,467
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	203,800	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	-	97,954,958	-	97,954,958
Other Financial Assets	15,162,142	-	15,162,142	16,617,983	-	16,617,983
	52,695,537,265	1,188,828,796	51,506,708,469	49,014,030,653	1,084,454,685	47,929,575,968
Liabilities subject to Market Risk						
Bank Overdrafts	983,750,361	-	983,750,361	964,529,904	-	964,529,904
Financial Liabilities at Amortised Cost - Deposits due to Customers	32,170,953,144	-	32,170,953,144	29,243,912,898	-	29,243,912,898
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	11,282,498,665	-	11,282,498,665	12,037,795,536	-	12,037,795,536
	44,437,202,170	-	44,437,202,170	42,246,238,338	-	42,246,238,338

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 shrare 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	
	2021	2020
	RS.	RS.
Rate Sensitive Assets (RSA)	51,012,534,189	44,967,524,398
Rate Sensitive Liabilities (RSL)	45,036,883,026	42,648,757,312
GAP (RSA-RSL)	5,975,651,163	4,318,767,086

C. iii 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.

As at 31st March	Market Value as at 31st March 2021	Lowest Market Value	Effect to the Comprehensive Income if the market price drops to the lowest value
	RS.	RS.	RS.
Bank , Finance & Insurance	1,724,665	931,571	793,094
Total	1,724,665	931,571	793,094

As at 31st March	Market Value as at 31st March 2020	Lowest Market Value	Effect to the Comprehensive Income if the market price drops to the lowest value
	RS.	RS.	RS.
Bank , Finance & Insurance	1,082,637	931,571	151,066
Total	1,082,637	931,571	151,066

(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.

D.i Regulatory Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stabilibility 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. Commencing from 01st July 2019 the Company needs to maintain a CAR not less than 6.5% with minimum Tier 1 capital and a minimum total CAR with 10.5% in relation to total Risk Weighted Assets. The minimum Tier 1 capital ratio and total capital ratio will rise to 7% and 11% respectively with effect from 1st July 2021.

Computation of Capital Adequacy Ratios

		Company	
As at 31st March	Note	2021 RS.	2020 RS.
Tier 1 Capital		8,036,430,282	6,323,705,175
Total Capital	(i)	8,725,013,534	6,912,811,691
Risk Weighted Amount for Credit Risk	(ii)	55,155,646,737	47,171,826,777
Risk Weighted Amount for Operational Risk	(iii)	6,755,495,513	5,856,136,687
Total Risk Weighted Amount		61,911,142,249	53,027,963,464
Core Capital Ratio (TIER 1) (Minimum Requirement 6.5%)			
Core Capital x 100 Risk Weighted Assets		12.98%	11.93%
Total Risk Weighted Capital Ratio (TIER 11) (Minimum Requirement 10.5%)			
Capital Base x 100 Risk Weighted Assets		14.09%	13.04%

(i) Computation of Total Capital

As at 31st March	Note	Company 2021 RS.	Company 2020 RS.
Stated capital		1,325,918,000	1,325,918,000
Non-cumulative, Non-redeemable Preference Shares		-	-
Reserve fund		1,554,199,509	1,208,563,889
Audited retained earnings/(losses)		5,159,572,700	3,799,928,254
(less) Revaluation gains/surplus of investment property		-	-
General and other disclosed reserves		7,500,000	7,500,000
Current year's profit(losses)		-	-
Tier 1 capital		8,047,190,209	6,341,910,143
Goodwill (net)		-	-
Other intangible assets (net)		9,897,595	17,663,649
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		862,333	541,319
Shortfall of capital in financial subsidiaries		-	-
Adjustments to Tier 11 capital		10,759,928	18,204,968
Tier I Capital (after adjustments)		8,036,430,282	6,323,705,175
Instruments qualified as Tier 2 capital		-	-
Revaluation gains		-	-
General provisions/collective impairment allowances		689,445,584	589,647,835
Eligible Tier 2 Capital		689,445,584	589,647,835
50% of investment in banking and financial subsidiary companies		-	-
50% of investment in other banking and financial institutions		862,333	541,319
Total Adjustments to eligible Tier 2 Capital		862,333	541,319
Eligible Tier 2 Capital after adjustments		688,583,252	589,106,516
Total Capital		8,725,013,534	6,912,811,691

(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	0%	2%	20%
				Rs.	Rs.	Rs.
Claims on Government and Central Bank of Sri Lanka	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Financial institutions	1,531,227,241	-	1,531,227,241	-	-	253,076,992
Claims on Corporates	1,187,104,132	-	1,187,104,132	-	-	-
Retail Claims in respect of motor vehicles and machinery	15,967,723,483	-	15,967,723,483	-	-	-
Claims Secured by Gold	5,141,824,671	-	5,141,824,671	-	-	-
Retail claims secured by immovable property	1,000,767,763	-	1,000,767,763	-	-	-
Other retail claims	25,065,305,935	-	25,065,305,935	-	-	-
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	1,283,267,207	-	1,283,267,207	-	-	-
Higher-Risk Categories	-	-	-	-	-	-
Other claims	2,970,350,390	-	2,970,350,390	-	-	50,908,104
Total Assets	54,147,570,822	-	54,147,570,822	-	-	303,985,096

Credit Risk under Standardised Approach - Exposures recognized under Credit Risk Mitigation (CRM)

As at 31st March	Company 2021 RS.	Company 2020 RS.
CRM Techniques		
Cash	651,907,305	499,902,655
Government Securities	1,795,352,508	2,079,841,356
Employee Provident Fund Balances	-	-
Debt securities rated by a recognized ECAI	-	-
Debt securities not rated by a recognized ECAI	-	-
Equities that are included in a main index	-	-
Collateralized transactions	2,447,259,813	2,579,744,011
On-balance sheet netting	-	-
Guarantees	-	-
Other CRM Techniques	-	-
Total CRM exposure	2,447,259,813	2,579,744,011

	Risk Weight						As at 31st March 2021	As at 31st March 2020
	50%	60%	75%	100%	125%	150%	Total credit Exposure Amount	Total credit Exposure Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	132,921,140	-	-	-	-	-	385,998,132	1,176,661,121
	-	-	-	1,187,104,132	-	-	1,187,104,132	1,083,372,049
	-	-	-	15,967,723,483	-	-	15,967,723,483	17,586,446,522
	-	-	-	1,138,304,870	-	-	1,138,304,870	257,701,028
	297,108,226	-	-	406,551,312	-	-	703,659,538	428,676,276
	-	-	-	-	31,331,632,419	-	31,331,632,419	22,777,809,254
	-	-	-	-	-	-	-	-
	-	-	-	171,695,186	-	1,667,358,031	1,839,053,217	1,468,391,609
	-	-	-	-	-	-	-	-
	-	-	-	2,551,262,842	-	-	2,602,170,946	2,392,768,918
	430,029,366	-	-	21,422,641,825	31,331,632,419	1,667,358,031	55,155,646,737	47,171,826,777

(iii) Computation of Risk Weighted Amount for Operational Risk

As at 31st March 2021	1st Year	2nd Year	3rd Year	Total	2021 Average
	RS.	RS.	RS.	RS.	RS.
Interest Income	7,888,022,365	8,912,195,796	8,331,297,497	25,131,515,658	8,377,171,886
Interest Expenses	4,524,628,517	4,854,515,785	4,067,534,369	13,446,678,671	4,482,226,224
Non-interest income	836,507,977	783,110,302	1,138,644,266	2,758,262,545	919,420,848
Less : Realized Profits/losses from the Sale of Securities	61,801,827	107,414,302	67,168,442	236,384,571	78,794,857
Less : Extraordinary/Irregular Item of Income/ expenses	18,188,144	434,980	1,551,260	20,174,384	6,724,795
Gross Income	4,119,911,854	4,732,941,031	5,333,687,692	14,186,540,577	4,728,846,859
Capital Charges for Operational Risk @* 15%					709,327,029
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach					6,755,495,513
Required total capital ratio based on the Assets					10.5%

56 Events Occurring After the Reporting Period

56.1 Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than disclosed below.

The Directors have recommended a dividend of Rs. 6.00 per share for the financial year ended 31st March 2021.

The Directors recommended a sub-division of every One (01) Ordinary Share into Four (04) Ordinary Shares.

INDEPENDENT ASSURANCE REPORT TO VALLIBEL FINANCE PLC

KPMG
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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 2021. The Sustainability Indicators are included in the Vallibel Finance PLC's Integrated Annual Report for the year ended 31 March 2021 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
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The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
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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.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2021 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2021, have not in all material respects, been prepared and presented 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.

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 control 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 control 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

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS
Colombo

04th June 2021

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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 and to cover losses which have been incurred but have not been identified at the Reporting date.

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
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the, 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.

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.

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.

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.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

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.

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.

Earnings Per Share (EPS)
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

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
Equity Instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Expected Credit Losses (ECL)
Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument.

GLOSSARY OF FINANCIAL TERMS

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.

Exposure At Default (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

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.

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.

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.

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.

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)

LGD is 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.

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.

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)

PD is 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

Is 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

Revaluation 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.

Total Capital

Total capital is the sum of Tier I capital and Tier II capital.

Transaction costs

Are incremental costs that 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.

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

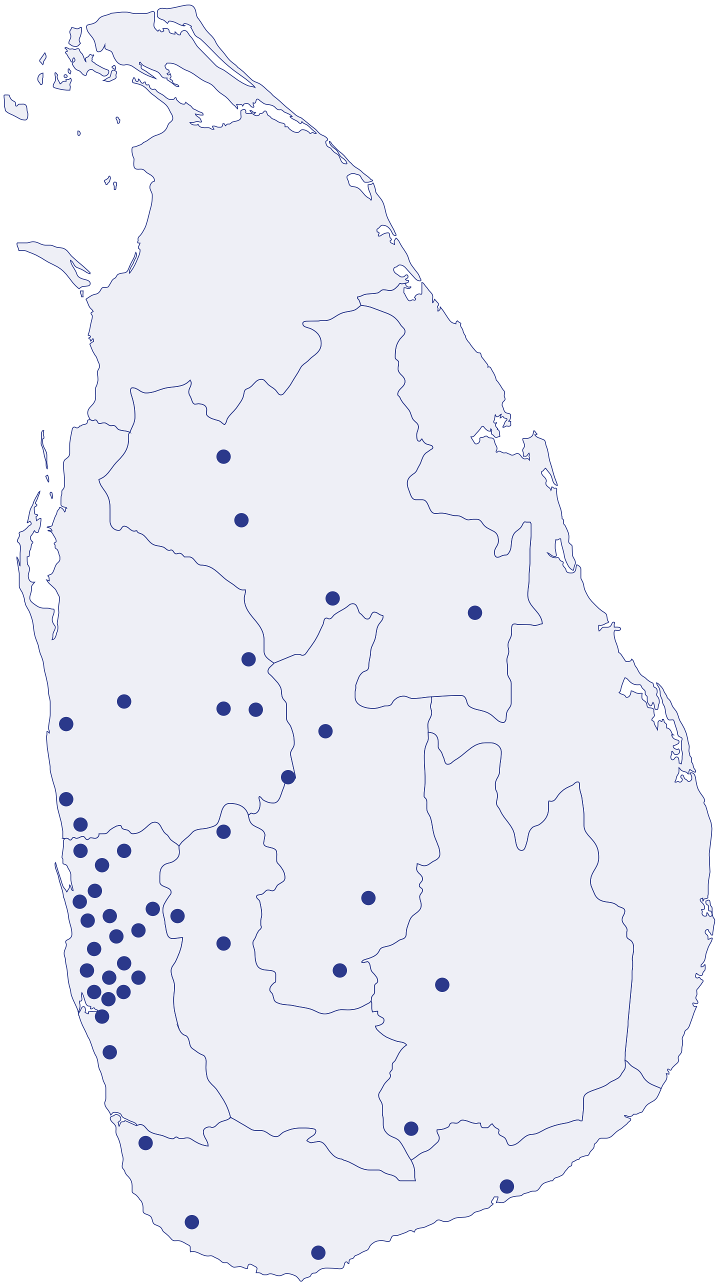
Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

Useful life is 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 obtain from the asset by an entity.

BRANCH NETWORK



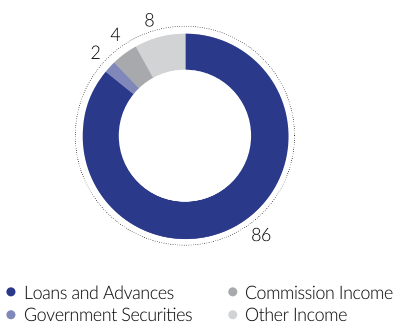
Branch /Collection Center
Maharagma
Minuwangoda
Kandy
Aluthgama
Ratnapura
Kiribathgoda
Matara
Kurunegala
Negombo
Gampaha
Galle
Chilaw
Kuliyapitiya
Embilipitiya
Moratuwa
Malabe
Panadura
Nugegoda
Bandarawela
Kalutara
Anuradhapura
Kegalle
Rajagiriya
Kaduruwela
Piliyanadala
Warakapola
Wattala
Borella
Mount Lavinia
Balangoda
Uragasmanhandiya
Nuwara Eliya
Hanwella
Wennappuwa
Kurunegala Metro
Dambulla
Bambalapitiya
Avissawella
Narammala
Pelawatta
Kohuwala
Ambalanthota
Ja-Ela
Thambuttegama
Horana

Address	Telephone	Fax	Contact Person
No. 126/5, High Level Road, Maharagama	011-7487487	011-7487489	Rohan De Silva
No. 28/5A, Kurunegala Road, Minuwangoda	011-7587587	011-7587589	Suren Abeywickrama
No. 161, D.S.Senanayaka Veediya, Kandy	081-7687687	081-7687689	Asela Bandara
No. 375, Galle Road, Aluthgama	034-7687687	034-7687689	Chithraka Hettiarachchi
No. 191, Main Street, Ratnapura	045-7687687	045-7687689	Ranjith Gunarathne
No. 121, Gala Junction, Kandy Road, Kiribathgoda	011-7787787	011-7787789	Dilshan Rathnayake
No. 274/A, Anagarika Dharmapala Mawatha, Matara	041-7687687	041-7687689	Janaka Kumara
No. 395, Colombo Road, Kurunegala	037-7687687	037-7687689	Dushantha De Silva
No 178, Colombo Road, Negombo	031-7687687	031-7687689	Isuru Fernando
No. 55, Yakkala Road, Gampaha	033-7687687	033-7687689	Ajith Rathnamalala
No. 128, Main Street, Galle	091-7687687	091-7687689	Jagath Mendis
No. 84, Kurunegala Road, Chilaw	032-7687687	032-7687689	Wasantha Senanayake
No. 111, Kurunegala Road, Kuliyapitiya	037-7787787	037-7787789	Chamara Perera
No. 103, New Town Road, Embilipitiya	047-7687687	047-7687689	Ranjith Munasinghe
No. 303/A, Galle Road, Rawathawatta, Moratuwa	011-7807807	011-7807819	Nayana Fernando
No. 824/C, New Kandy Road, Malabe	011-7387387	011-2078671	Priyantha Ratnayaka
No. 293/A, Galle Road, Panadura	038-7687687	038-7687689	Ravindra Kumara
No. 213, High Level Road, Nugegoda	077-7517517	011-7517519	Madhura Jayasekara
No. 197, Badulla Road, Bandarawela	057-7687687	057-7687689	Chaminda Attanayake
No. 302, Galle Road, Kalutara South	034-7387387	034-7387389	Priyantha Silva
No. 521/11, Maithripala Senanayake Mawatha, Anuradhapura	025-7687687	025-7687689	Rangana Rupasinghe
No. 315, Main Street, Kegalle	035-7687687	035-7687689	Priyankara Gamlath
No. 600/A, Nawala Road, Rajagiriya	011-7489489	011-7489489	Dilhan Liyanage
No. 292, Batticaloa Road, Kaduruwela	027-7687687	027-7687689	Nalin Jayasinghe
No. 84, Colombo Road, Piliyandala	011-7595595	011-7595599	Saliya Gunasinghe
No. 95, Colombo-Kandy Road, Warakapola	035-7689689	035-7689689	Prabath Dissanayake
No. 520, Negombo Road, Wattala	011-7523523	011-7523529	Gayan Kumarasinghe
No. 58, Castle Street, Borella	011-7876876	011-7876879	Sudheera Sampath
No. 340, Galle Road, Mt. Lavinia	011-7867867	011-7867869	Kumara Thennekumbura
No. 86/C, Barnes Rathwaththa Mawatha, Balangoda	045-7857857	045-7857859	Chamara Asela
No. 52, Main Street, Uragasmanhandiya	091-7796796	091-7796799	Hirantha Dissanayake
No. 78, Kandy Road, Nuwara Eliya	052-7687687	052-7687689	Nilan Sanjeewa
No. 133/C, Avissawella Road, Hanwella	036-7687687	036-7687689	Lalantha Fernando
No. 200, Main Street, Wennappuwa	031-7487487	031-7487489	Tephan Sosa
No. 36, Surathissa Mawatha, Kurunegala	037-7889889	037-7517519	Asinil Perera
No. 722A, Anuradhapura Road, Dambulla	066-7687687	066-7687689	Asanka Handagama
No. 45, Bauddhaloka Mawatha, Colombo 04	011-7738738	011-7517519	Madushanka Pathirana
No. 19, Colombo Road, Avissawella	036-7867867	036-7867869	Sanjaya Perera
No. 93, Kurunegala Road, Narammala	037-7475475	037-7475479	Nilantha Rathnasiri
No. 730/A, Pannipitiya Road, Pelawatte	011-7724824	011-7724829	Iresh Lakmal
No. 169, Dutugemunu Street, Kohuwala	011-7677477	011-7677479	Rasmika Rajapakshe
No. 141, Tangalle Road, Ambalathota	047-7448448	047-7448448	Pramod Ranasinghe
No. 150, Negombo Road, Ja-Ela	011-7781881	011-7781882	Shiran Jayasinghe
No. 156, Anuradhapura Road, Thambuttegama	025-7480480	025-7480481	Dharshana Weerasinghe
No. 101/A, Rathnapura road, Horana	034-7487487	034-7484488	Chaminda Perera

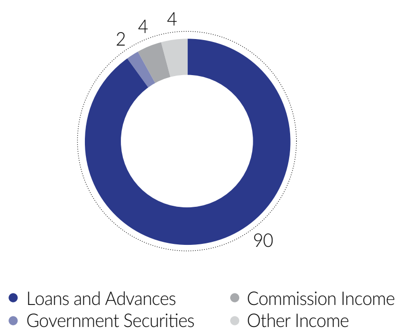
SOURCES AND UTILISATION OF INCOME

For the year ended 31 March	2021		2020	
	Rs.	%	Rs.	%
SOURCES OF INCOME				
Loans and Advances	8,149,531,847	86.06	8,702,590,499	89.76
Government Securities	181,765,650	1.92	209,605,297	2.16
Commission Income	373,550,576	3.94	350,337,255	3.61
Other Income	765,093,690	8.08	432,773,046	4.47
Total	9,469,941,763	100.00	9,695,306,097	100.00
UTILISATION OF INCOME				
To Employees				
Personnel Expenses	1,068,762,651	11.29	1,053,241,776	10.86
To Suppliers				
Interest Paid	4,067,534,369	42.95	4,854,515,785	50.07
Other Expenses	784,976,316	8.29	745,122,212	7.69
Depreciation & Amortisation	115,042,317	1.21	112,714,413	1.16
Impairment charge for Loans & other losses	575,076,254	6.07	487,815,203	5.03
To Government				
Taxes on Financial Services	468,767,648	4.95	579,795,359	5.98
Income Tax	661,604,106	6.99	608,691,237	6.28
To Shareholders				
Dividends	-	-	235,453,400	2.43
Retained Profit	1,728,178,102	18.25	1,017,956,712	10.50
Total	9,469,941,763	100.00	9,695,306,097	100.00

Sources of Income - 2021
%



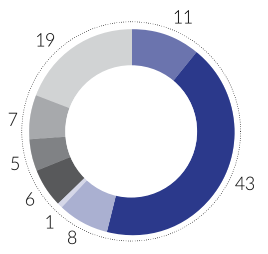
Sources of Income - 2020
%



2019		2018		2017	
Rs.	%	Rs.	%	Rs.	%
7,726,246,439	88.56	6,086,063,723	87.83	4,464,179,980	87.28
161,775,926	1.85	170,916,386	2.47	133,080,264	2.60
361,072,091	4.14	248,286,443	3.58	189,052,650	3.70
475,435,886	5.45	423,934,501	6.12	328,381,588	6.42
8,724,530,342	100.00	6,929,201,053	100.00	5,114,694,482	100.00
906,841,898	10.39	732,719,605	10.57	549,309,630	10.74
4,524,628,517	51.86	3,500,249,672	50.51	2,604,049,257	50.91
719,089,378	8.24	622,191,141	8.98	542,895,518	10.61
93,251,698	1.07	74,788,004	1.08	60,927,563	1.19
195,100,737	2.24	104,858,877	1.51	33,041,325	0.65
536,979,738	6.15	356,549,591	5.15	229,689,842	4.49
619,909,904	7.11	519,206,769	7.49	368,622,373	7.21
-	-	269,859,231	3.90	103,876,500	2.03
1,128,728,472	12.94	748,778,163	10.81	622,282,474	12.17
8,724,530,342	100.00	6,929,201,053	100.00	5,114,694,482	100.00

Utilisation of Income - 2021

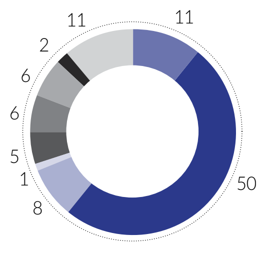
%



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Taxes on Financial Services
- Income Tax
- Dividends
- Retained Profit

Utilisation of Income - 2020

%



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Taxes on Financial Services
- 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 numbers of shareholders as at 31st March 2021 were 2,819.

Distribution of Shareholding

Shares	2021				2 020			
As At 31st March	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
1 - 1,000	2,137	75.81%	565,097	0.96%	1,636	76.09%	424,847	0.72%
1,001 - 10,000	563	19.97%	1,848,742	3.14%	397	18.47%	1,331,893	2.26%
10,001 - 100,000	94	3.33%	2,827,733	4.80%	88	4.09%	2,720,379	4.62%
100,001 - 1,000,000	19	0.67%	3,428,631	5.83%	23	1.07%	3,918,316	6.66%
Over 1,000,000	6	0.22%	50,193,147	85.27%	6	0.28%	50,467,915	85.74%
	2,819	100.00%	58,863,350	100.00%	2,150	100.00%	58,863,350	100.00%

Categories of Shareholders

Type of Investor	2021			2020		
As At 31st March	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	2,674	23,035,686	39.13%	2,037	25,069,321	42.59%
Local Institutions	133	33,497,180	56.91%	101	31,459,900	53.44%
Foreign Individuals	11	301,575	0.51%	11	305,220	0.52%
Foreign Institutions	1	2,028,909	3.45%	1	2,028,909	3.45%
	2,819	58,863,350	100.00%	2,150	58,863,350	100.00%

Public holding

The percentage of shares held by the public being 21.13% comprising of 2,810 shareholders as at 31st March 2021.

The Float adjusted market capitalisation - Rs. 1,309,106,972.25

The Float adjusted market capitalisation of the Company falls under Option 5 of rule 7.13.1 (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.

20 Major Shareholders of the Company

Shareholders	As at 31st March 2021		As at 31st March 2020	
	No of Shares	%	No of Shares	%
Vallibel Investments (Pvt) Limited	30,277,000	51.44%	30,277,000	51.44%
K.D.D. Perera	12,616,266	21.43%	12,616,266	21.43%
K.D.A. Perera	2,133,240	3.62%	2,133,240	3.62%
Pershing LLC S/A Averbach Grauson & Co.	2,028,909	3.45%	2,028,909	3.45%
R.F.T. Perera	1,825,232	3.10%	2,100,000	3.57%
S. B. Rangamuwa	Nil	Nil	1,312,500	2.23%
Seylan Bank PLC/S. B. Rangamuwa	1,312,500	2.23%	Nil	Nil
S. Abishek	628,711	1.07%	628,711	1.07%
Hatton National Bank PLC-NDB Wealth Growth And Income Fund	286,735	0.49%	Nil	Nil
B.A.R. Dissanayake	284,041	0.48%	284,041	0.48%
A. Ragupathy	205,708	0.35%	205,708	0.35%
K.I.A. Hewage	200,000	0.34%	200,000	0.34%
H. Beruwalage	187,300	0.32%	187,300	0.32%
A. Sithampalam	176,812	0.30%	186,690	0.32%
W.M.A.B. Walisundara	162,050	0.28%	147,900	0.25%
Seylan Bank PLC/Senthilverl Holdings (Pvt) Ltd	148,919	0.25%	Nil	Nil
N. Balasingam	134,900	0.23%	134,900	0.23%
U.F. Strunk & M.G. De Albuquerque Leinenbach	124,392	0.21%	125,992	0.21%
K.D.H. Perera	122,612	0.21%	122,612	0.21%
Seylan Bank PLC/Sivapiragasam Kanagasingam Aathithan	121,761	0.21%	118,761	0.20%
J B Cocoshell (Pvt) Ltd	120,370	0.20%	182,261	0.31%
	53,097,458	90.20%	52,992,791	90.03%
Others	5,765,892	9.80%	5,870,559	9.97%
Total	58,863,350	100.00%	58,863,350	100.00%

Market Prices		Quarter Ended				Year Ended	
		30.06.2020	30.09.2020	31.12.2020	31.03.2021	31.03.2021	31.03.2020
Highest	Rs.	61.80	68.90	73.50	194.50	194.50	79.00
Lowest	Rs.	39.00	50.10	55.50	66.10	39.00	50.00
Closing	Rs.	60.00	63.50	67.10	105.25	105.25	53.60

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	2021 Rs.	2020 Rs.	2019 Rs.
Statement of Profit or Loss and Other Comprehensive Income			
Gross Income	9,469,941,763	9,695,306,097	8,724,530,342
Interest Income	8,331,297,497	8,912,195,796	7,888,022,365
Interest Expense	4,067,534,369	4,854,515,785	4,524,628,517
Net Interest Income	4,263,763,128	4,057,680,011	3,363,393,848
Net Fee and Commission Income	373,550,576	350,337,255	361,072,091
Other Operating Income	765,093,690	432,773,047	475,435,886
Operating Expenses and provisions	2,543,857,538	2,398,893,604	2,256,162,712
Profit Before Taxation	2,858,549,856	2,441,896,708	2,285,618,114
Provision for Taxation	1,130,371,754	1,188,486,596	1,156,889,642
Net Profit	1,728,178,102	1,253,410,112	1,128,728,472

As at 31st March	2021 Rs.	2020 Rs.	2019 Rs.
Assets			
Cash and Cash Equivalents	1,683,003,076	2,046,506,255	1,507,932,892
Placements with Bank's and Other Finance Companies	267,311,713	2,568,898,162	2,356,358,852
Reverse Repurchase Agreements	1,795,352,511	2,079,841,356	230,130,165
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL) / Held for Trading	1,188,828,796	1,084,454,685	812,320,782
Assets Held for Sale	-	-	-
Loans and Receivables to Finance Companies	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	33,660,559,075	27,625,556,987	24,332,295,963
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,085,116,152	13,493,996,467	14,624,916,906
Financial Investments Measured at Fair Value Through Other Comprehensive Income / Available for Sale	203,800	203,800	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments / Financial Investments - Held to Maturity	-	97,954,958	1,785,716,058
Financial Assets at Amortised Cost - Other Financial Assets	15,162,142	16,617,983	15,963,213
Investment in Subsidiary	20	-	-
Investment Property	1,100,000,000		-
Property, Plant and Equipment	614,154,778	1,762,546,954	1,719,587,171
Right-of-use Lease Assets	583,944,570	369,692,861	-
Intangible Assets	9,897,595	17,663,649	19,647,533
Deferred Tax Assets	80,267,468	73,779,797	73,028,603
Other Assets	141,234,971	186,135,314	181,423,647
Total Assets	55,225,036,667	51,423,849,228	47,659,525,585

2018	2017	2016	2015	2014	2013	2012
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
6,929,201,053	5,114,694,482	3,468,276,901	2,896,187,378	2,570,624,353	1,879,396,483	1,210,633,975
6,256,980,109	4,597,260,244	3,244,786,741	2,799,745,875	2,451,800,812	1,791,914,232	1,111,638,186
3,500,249,672	2,604,049,257	1,558,667,730	1,344,337,892	1,340,464,712	1,008,844,798	536,824,726
2,756,730,437	1,993,210,987	1,686,119,011	1,455,407,983	1,111,336,100	783,069,434	574,813,460
248,286,443	189,052,650	109,128,266	50,314,825	43,082,243	31,255,381	21,941,300
423,934,501	328,381,588	114,361,894	46,243,968	75,741,298	56,226,870	77,054,489
1,534,557,627	1,186,174,036	997,873,594	918,906,755	741,149,517	402,623,499	285,785,791
1,894,393,754	1,324,471,189	911,735,577	632,942,731	489,010,124	467,928,186	388,023,458
875,756,360	598,312,215	398,471,056	260,156,129	185,099,891	173,395,744	156,847,326
1,018,637,394	726,158,974	513,264,521	372,786,602	303,910,233	294,532,442	231,176,132

2018	2017	2016	2015	2014	2013	2012
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,021,651,531	806,206,582	519,315,084	357,722,928	311,612,928	239,915,519	79,321,134
2,076,192,145	2,243,112,840	1,312,169,859	1,768,499,428	1,146,244,786	698,087,988	210,974,451
630,286,027	810,190,562	1,679,716,852	1,353,477,948	112,017,262	-	-
1,938,675	1,761,300	4,067,378	4,822,336	5,101,684	14,329,011	12,283,156
23,919,000	-	-	-	-	-	-
-	-	-	-	-	16,472,400	16,472,400
18,073,714,310	12,466,944,145	7,251,676,658	3,307,495,086	1,149,653,055	631,715,458	305,257,922
12,753,940,053	12,311,135,772	11,228,228,344	9,261,379,875	8,788,528,303	7,152,325,616	5,518,414,888
208,703,800	510,085,388	104,658,351	120,529,779	113,965,232	203,800	203,800
1,920,722,472	1,019,286,080	300,794,154	296,296,416	612,634,968	281,718,777	251,392,472
16,971,763	20,827,738	15,968,593	11,806,411	7,912,643	6,343,169	17,656,274
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,445,289,701	315,103,615	194,787,387	181,172,558	127,325,987	116,748,120	105,792,958
-	-	-	-	-	-	-
14,568,813	10,297,779	4,129,612	4,188,589	4,355,878	5,997,534	-
16,019,726	8,525,324	37,147,476	66,516,415	33,785,749	2,142,794	1,092,818
202,358,542	161,618,964	114,516,593	159,599,520	165,575,145	137,949,156	155,102,646
38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289	12,578,713,620	9,303,949,343	6,673,964,919

TEN YEAR SUMMARY

As at 31st March	2021 Rs.	2020 Rs.	2019 Rs.
Liabilities			
Bank Overdrafts	983,750,361	964,529,904	1,566,068,720
Rental Received in Advance	247,760,859	266,875,302	324,196,627
Financial Liabilities at Amortised Cost - Deposits due to Customers	32,170,953,144	29,243,912,898	25,436,257,664
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	11,282,498,665	12,037,795,536	12,497,221,353
Subordinated Term Debts	-	-	1,031,100,274
Lease Creditors	599,680,856	402,518,972	-
Current Tax Liabilities	635,606,078	223,998,022	509,696,461
Deferred Tax Liabilities	112,558,388	260,945,390	343,733,661
Other Liabilities	841,325,477	1,442,619,116	411,165,825
Retirement Benefit Obligations	162,995,765	102,642,242	69,131,811
Total Liabilities	47,037,129,593	44,945,837,382	42,188,572,396
Shareholders' Funds			
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	957,881,867
Revaluation Reserve	131,761,541	127,146,380	127,146,380
Available For Sale Reserve	-	-	-
General Reserve	7,500,000	7,500,000	7,500,000
Retained Earnings	5,168,528,024	3,808,883,577	3,052,506,942
Total Shareholders' Funds & Total Liabilities	55,225,036,667	51,423,849,228	47,659,525,585

For the year ended 31st March	2021	2020	2019
Information on Ordinary Shares			
Earnings per Share (Rs.)	29.36	21.29	20.37
Net Assets per Share (Rs.)	139.10	110.05	92.94
Interest Cover (Times)	1.70	1.50	1.51
Dividend Per Share (Rs.)	6.00*	4.00	-
Dividend Payout (%)	-	18.79	-
Market Value Per Share (Rs.)	105.25	53.60	65.70
P/E Ratio (Times)	3.58	2.52	3.23
Ratios (%)			
Return on Shareholders Funds (%)	21.11	19.35	20.63
Liquid Assets as a % of Deposits (%)	15.34	26.94	26.31
Growth in Income (%)	(2.32)	11.13	25.91
Growth in Interest Expenses (%)	(16.21)	7.29	29.27
Growth in Other Expenses (%)	6.04	6.33	47.02
Growth in Profit After Tax (%)	37.88	11.05	10.81
Growth in Advances (%)	16.11	5.55	26.37
Growth in Deposits (%)	10.01	14.97	14.65
Growth on Shareholders' Funds (%)	26.40	18.41	65.73

*Proposed Dividend Per Share

2018	2017	2016	2015	2014	2013	2012
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,839,144,681	1,487,193,561	1,224,665,038	463,536,788	233,878,618	360,101,982	82,765,639
308,688,009	243,881,527	208,870,398	170,421,167	136,928,230	164,624,026	76,741,268
22,186,879,453	17,863,861,472	14,804,037,141	12,162,096,690	9,299,977,850	6,268,210,181	4,024,406,195
8,011,421,404	6,043,391,985	2,243,116,105	299,522,795	542,516,837	951,201,653	1,399,833,703
1,550,967,094	1,700,465,782	1,917,563,133	1,859,653,357	898,088,784	399,255,587	232,764,384
-	-	-	-	-	-	-
364,888,378	209,076,751	38,687,596	93,290,845	88,294,895	41,938,998	52,416,626
385,537,287	270,783,875	182,865,531	88,459,437	74,288,962	65,089,176	40,018,009
400,427,054	279,104,569	190,776,252	220,230,653	111,124,087	109,699,079	76,721,663
57,213,310	29,716,585	27,669,222	22,125,917	12,872,166	7,652,838	3,902,921
35,105,166,670	28,127,476,107	20,838,250,416	15,379,337,649	11,397,970,429	8,367,773,520	5,989,570,408
287,153,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000
732,136,173	528,408,694	383,176,899	280,523,995	333,906,930	237,580,979	130,551,881
-	-	-	-	-	-	-
-	(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
2,274,320,715	1,741,393,235	1,259,105,123	929,735,134	548,128,273	403,941,844	259,189,630
38,406,276,558	30,685,096,089	22,767,176,342	16,893,507,289	12,578,713,619	9,303,949,343	6,673,964,919

2018	2017	2016	2015	2014	2013	2012
23.59	17.48	12.35	8.97	7.31	7.09	5.56
79.45	61.55	46.42	36.44	28.42	22.53	16.47
1.54	1.51	1.58	1.47	1.36	1.46	1.72
6.50	2.50	2.00	1.00	1.50	1.00	0.50
26.51	14.30	16.19	11.15	20.51	14.11	8.99
67.00	58.50	53.70	45.00	29.70	28.30	38.80
2.84	3.35	4.35	5.02	4.06	3.99	6.97
30.86	28.39	26.61	24.62	25.74	31.46	33.78
26.40	30.17	26.46	32.04	24.69	19.46	13.46
35.48	47.47	19.75	12.66	36.78	55.24	89.26
34.42	67.07	15.94	0.29	32.87	87.93	99.15
29.37	18.87	8.59	23.98	84.08	40.88	106.06
40.28	41.48	37.68	22.66	3.18	27.41	114.64
24.42	34.08	47.03	26.47	27.67	33.27	78.82
24.20	20.67	21.72	30.78	48.37	55.75	50.06
29.07	32.59	27.39	28.24	26.12	36.79	30.73

LIST OF ABBREVIATIONS

AGM	Annual General Meeting
ALCO	Assets and Liabilities Management Committee
ASPI	All Share Price Index
AWDR	Average Weighted Deposit Rate
AWFDR	Average Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
BFI	Banking Finance Insurance
BN	Billion
BOD	Board of Directors
CAR	Capital Adequacy Ratio
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumers Price Index
CDS	Central Depository System
CEO	Chief Executive Officer
CFM	Close Family Members
CGU	Cash Generating Unit
CIL	Crop Insurance Levy
CRM	Customer Relationship Management
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DBP	Defined Benefit Plan
DGM	Deputy General Manager
DRL	Debt Repayment Levy
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EMDE's	Emerging Market and Developing Economies
EPF	Employees' Provident Fund
EPS	Earnings Per Share
ESC	Economic Service Charge
ETF	Employees' Trust Fund
FVTPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HR	Human Resource
HP	Hire Purchase
ICASL	The Institute of Chartered Accountants of Sri Lanka
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IR	Integrated Reporting
IRMC	Integrated Risk Management Committee
IT	Information Technology
KMP	Key Management Personnel
KPIs	Key Performance Indicators
L & R	Loans and Receivables
LAR	Liquid Asset Ratio
LCB	Licensed Commercial Bank
LFC	Licensed Finance Companies
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standards
LKR	Sri Lankan Rupees
LTV	Loan to Value
MD	Managing Director
MN	Million
NBFI	Non-Bank Financial Institutions
NBT	Nation Building Tax
NCPI	National Consumer Price Index
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non Performing Advances
NPL	Non Performing Loans
OCI	Other Comprehensive Income
P.A.	Per Annum
P/E	Price Earnings Ratio
PAT	Profit after Tax
PAYE	Pay As You Earn
PD	Probability of Default
PLC	Public Limited Company
PUC	Projected Unit Credit
ROA	Return On Assets
ROCE	Return on Capital Employed
ROE	Return On Equity
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
SBUs	Strategic Business Units
SEC	Securities and Exchange Commission
SLAS	Sri Lanka Accounting Standard
SLFRS	Sri Lanka Financial Reporting Standard
SME	Small and Medium Enterprises
TB	Treasury Bills
VAT	Value Added Tax
WHT	Withholding Tax
WIP	Work In Progress

CORPORATE INFORMATION

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. R M Karunaratne - Chairman
Mr. S B Rangamuwa - Managing Director
Mr. K D D Perera - Executive Director
Mr. S S Weerabahu - Executive Director
Mr. T Murakami
Mr. K D A Perera
Mr. A Dadigama
Mr. J Kumarasinghe

Registered Office/Head office

No. 310,
Galle Road
Colombo 03.

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 Houses 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

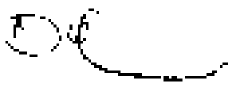
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held by way of electronic means on 30th June 2021 at 10.00 am centered at the The Kingsbury Hotel, Colombo 01 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2021 and the Report of the Auditors thereon.
2. To re-elect Mr. Aravinda Dadigama 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 2022 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

04th June 2021
Colombo

Notes:

1. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a shareholder of the Company.
3. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
4. For more information on how to participate by virtual means in the above virtual meeting, please refer Guidelines and Registration Process enclosed herewith.

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. R M Karunaratne	or failing him*
Mr. Dhammika Perera	or failing him*
Mr. S B Rangamuwa	or failing him*
Mr. T Murakami	or failing him*
(Alternate Director- Mr. H Ota)	
Mr. K D A Perera	or failing him*
Mr. A Dadigama	or failing him*
Mr. S S Weerabahu	or failing him*
Mr. J Kumarasinghe	

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 2021 at 10.00 a.m 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. Aravinda Dadigama 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 2022 and up to the date of the next Annual General Meeting.		

In witness my/our* hand(s) this .... day of .... Two Thousand and Twenty One.

....

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.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. The completed Form of Proxy should be deposited at the Registered Office of the Company No. 310, Galle Road, Colombo 03, Sri Lanka or must be emailed to vfin.pwcs@gmail.com forty seven (47) hours prior to the time appointed for the Meeting.

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 2020/2021:

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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....

....

Your Name : ....

Contact No. : ....

Email : ....

Permanent Mailing Address: ....

Your Organization & Designation (If Applicable): ....

You can post or Email your feedback to:

Chief Financial Officer
Vallibel Finance PLC
No. 310, Galle Road,
Colombo 03.
Tel: 011-4393100
Fax: 011-2713375
Email: tellus@vallibelfinance.com

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Vallibel Finance PLC
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www.vallibelfinance.com