PRECISION REDEFINED

vallibel Finance

Annual Report 2021/22

PRECISION REDEFINED

We believe that precision is the outcome of a daring vision, the courage to push boundaries and the discipline to perform efficiently.

For the last 15 years, we at Vallibel Finance have stayed true to our vision of transforming the financial landscape of our country, crafting our foresight, and cementing our impact with purpose-driven solutions. Our precision of thought has allowed us to create an environment that impels financial inclusion. Aligning with our mission, we have opened doors of possibilities to our people, positioning them on a trajectory of progress- a courageous feat that earned us multiple local and global accolades.

While our strong business principles were put to test last year, our team forged ahead with confidence and conviction to record an astounding growth rate, delivering the fruits of our success to every stakeholder we serve.

Marching on, we are optimistic about further consolidating our presence in the industry with breakthrough innovations and emerging opportunities, with the promise of crafting precision in every way.

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.

CONTENTS

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

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

ABOUT OUR INTEGRATED ANNUAL REPORT

The management of Vallibel Finance PLC continues to prepare the Annual Report in line with established sustainability and integrated reporting principles to explain to our stakeholders the integral value created through our business activities. The annual report presents the Company's financial and operational performance for the financial year ended 31st March 2022 with previous year comparisons to enable readers to contextually understand the Company's sustainable growth while providing pertinent information on the potential direction of the Company's future business operations and activities.

The Company systematically adds value to the content of the Annual Report by bringing in information and data that enriches our communication efforts to stakeholders and their diverse interests. Our annual report also displays the stability and strength of our core business operations and our continued efforts to reduce the reporting gaps between financial and sustainability reporting.

Topics Covered

Vallibel Finance PLC has endeavoured to include all topics and features deemed material to succinctly provide information related to the Company's local market operations. The material aspects and boundaries are derived by following the GRI Standards.

The Vallibel Finance Annual Reports aims to faithfully convey a cohesive story of our value creation processes while demonstrating the success achieved to date. It also relays information pertaining to the relationships and interdependencies amongst our stakeholder groups and the various business strategies designed to achieve corporate goals while fulfilling stakeholder expectations.

The stakeholder engagement process also follows the guidelines as prescribed by the GRI Standards and pertinent data collected from this process is included in the annual report. The Company has made every effort to provide comprehensive information on the value creation process related to our different stakeholder groups and its impact on the different capital reports - Financial Capital, Human Capital, Manufactured Capital, Intellectual Capital, Social and Relationship Capital, and Natural Capital. For detailed information about material topics, refer to pages 66 and 115 of this annual report.

The qualitative and quantitative information included throughout this Annual Report is predominantly limited to current year information and comparisons with the previous financial year. The Company has also included information about planned future developments which seemed feasible 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.

Additionally, the information provided in this annual report strives to comply with the seven guiding principles as specified by the IR Framework and provides detailed information to answer the questions posed to comply with the eight content elements as laid out in the framework.

4th Integrated Annual Report of Vallibel Finance PLC

Preparation and Presentation:

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

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

Our **1st** Integrated Annual Report for the FY ended 31st March 2019

Reporting Period:

1st April 2018 to 31st March 2019

Our **2nd** Integrated Annual Report for the FY ended 31st March 2020

Reporting Period:

1st April 2019 to 31st March 2020

Our most recent (**3rd**) Integrated Annual Report for the FY ended 31st March 2021

Reporting Period:

1st April 2020 to 31st March 2021

Our current (**4th**) Integrated Annual Report FY ended 31st March 2022

Reporting Period:

1st April 2021 to 31st March 2022

ABOUT OUR INTEGRATED ANNUAL REPORT

Reporting Changes
▪ No significant changes in the organisation type, structure, or ownership took place during the reporting period from 1st April 2021 to 31st March 2022.
▪ No significant changes were recorded within the Company's supply chain during the reporting period.
▪ To date, the Company's subsidiary, Vallibel Properties Ltd, has not conducted any business activities, and hence, no significant changes were added to the Company's Financial Statements and Capital reports during the reporting period.
▪ The Company added three new topics (Complaint Management, Customer Health and Safety, and Employee Health and Safety) as material to the Company for the reporting period 1st April 2021 to 31st March 2022. Material topics identified in the previous reporting period from 1st April 2020 to 31st March 2021 continue to remain relevant with a greater emphasis on the macroeconomic environment in consideration of the developments that occurred in the fourth quarter of the financial year ended 31st March 2022.

Precautionary Approach
By embracing a triple bottom line approach to reporting information, the Company seamlessly aligned our corporate goals with our efforts to conduct business operations based on the principles of sustainable business practices. This ensures we take a precautionary approach when developing business plans, designing financial services products, meeting customer needs, and when dealing with all other stakeholders of the Company.
The Company's risk management framework contributes to the Company's efforts to manage economic, social, and environmental risks.
Due to the nature of the Company's business operations, the minimal impact is realised on natural resources, but as a responsible corporate, we have put in place systems and processes to further reduce the use of scarce natural resources, wherever possible.

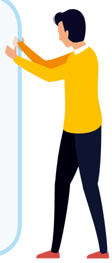
External Assurance

- The Financial Statement and Non-Financial Information Sections included in this Annual 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 198 to 297 of this annual report.
- Reasonable assurance of the financial highlights on page 10 and limited assurance on the non-financial highlights on page 12 has also been received. The external assurance report is available on pages 298 to 300 of this annual report.

Feedback and Inquiries

For feedback and inquiries regarding this Annual Report and any information contained herein, please contact

Senior DGM - Finance & Admin
Vallibel Finance PLC
No. 310, Galle Road, Colombo 03.
Tel: 011-4393100
Email:tellus@vallibelfinance.com
Fax: 011-4393129



GRI STANDARDS

GRI Content Index

The GRI Content Index is available on pages 302 to 304 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

Summary of the Company's Annual Report 2021/22

Organisational Leadership

Statements by the Chairman and Managing Director provide an overview of the year under review, mentioning key challenges and developments that took place during the financial year under review. A summary of the future strategic direction of the Company is also provided with any key concerns, as relevant.

Information on the people who lead the Company in developing and implementing strategies while ensuring sustainable and successful business operations.

Pages 20 to 37

Our Value-Creating Business Model

Explains the processes embraced by the Company to develop and maintain a business model which ensures short, medium, and long-term value creation for all stakeholders.

Pages 48 to 49

ABOUT OUR INTEGRATED ANNUAL REPORT

Management Discussion and Analysis

Provides an overview of the Company's business operations amidst developments in the macroeconomic and industry environments and progress on key business lines.

Pages 40 to 53

Stakeholder Engagement and Materiality Analysis

Provides information on key stakeholder groups of the Company includes the process of stakeholder selection and engagement.

The selection and prioritisation of material topics which are integrated within the corporate strategy development and implementation process of the Company are clearly outlined.

Pages 54 to 63

Capital Management Review

Provides a detailed review, discussion, and comparison of the value created for stakeholders through the key capitals – Human, Finance, Manufactured, Intellectual, Social, Relationship, and Natural.

Also includes the challenges faced and expected challenges that the Company may encounter in the coming financial year.

The future-oriented information for the planned value-creating activities in the forthcoming year and beyond is included as relevant at the time of publishing the annual report.

Pages 66 to 125

Governance and Risk Management

An overview of the governance and risk management structures, policies, processes, and measures developed and implemented by the Company to maintain responsible, transparent, and ethical business practices.

Includes information on the shared responsibilities by the Company's Board of Directors, Management and other employees. 12

Pages 128 to 192

Financial Reports

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

Pages 198 to 297

ABOUT US

The Vallibel Finance journey of growth and excellence which began in 1974 made exceptional strides over the last 40 years. A Company that was originally named Rupee Finance Company Ltd, realised its true potential in 2005 when it became Vallibel Finance, after its acquisition by the prestigious Vallibel Investments (Pvt) Ltd. Over the last 15 years, the Company has steadily followed the path of its vision, transforming the financial landscape of our country, by applying precision of thought to everything we do.

Hence, Company performance has been phenomenal, achieving year-on-year growth despite various challenges faced in the operating environment resulting in earning us multiple local and global accolades. The Company's success is attributed to the precision in our strategic decision-making process led by a highly experienced leadership team and the dedication of the Company's employees. This focus empowers us to hold true to our vision and mission and advance in our efforts to create an environment that impels financial inclusion.

The Company's evolution has resulted in exceptional performance creating value for all our stakeholders. Our journey has not only charted a new path of success but enabled the Company to build a legacy of ethical, transparent, and precision-driven business operations. We are proud of the innovations adopted over time to create an organisation that thrives on transforming the financial landscape of our country by providing value-for-money financial solutions to the nation's people.

To maintain the momentum of our performance and ensure ever-increasing value creation for our stakeholders, we turned our focus on crafting organisational and people skills for the advancement of our business activities and to shine bright in our chosen industry while excelling in everything we undertake to do. This continued growth and expansion also required us to establish a centre of excellence from which we could conduct business activities to facilitate our future plans while supporting the Company's sustainability agenda. Thus, in the year 2020, we confidently embarked on the development of our new head office complex and incorporated a fully-owned subsidiary, Vallibel Properties Ltd, to oversee construction operations and future operational activities of the business. We are now at the cusp of completion and plans are underway to move to our new head office in the forthcoming financial year.

Today, considers Vallibel Finance to be a leading Sri Lankan financial institution whose brand presence has penetrated across all corners of the country. We have surpassed the expectations placed by our parent company and unwaveringly moves ahead to generate new accomplishments and expand our footprint to every household in the country. In every aspect, we have given our all to meet our corporate aspirations while remaining authentic, dedicating ourselves to meeting our commitments to the business and our stakeholders, and maintaining resilience in times of hardship and challenge.

Since the beginning, our purpose has been to serve the Sri Lankan people to make financial services accessible for all. Therefore, we have determinedly dedicated our efforts to serving our customers across Sri Lanka by offering innovative, customised, and widespread financial solutions to cater to their every diverse need.

Our strategic business network of 54 branches spans cities and towns located in the Western, Central, Sabaragamuwa, Southern, North-Western, Uva, North Central Provinces, and Northern Provinces of Sri Lanka. Our 1,271 strong devoted employees support the Company's aim to always serve customers at the highest standards of customer service levels.

Precision Reaps Rewards

We are greatly honoured to have gained recognition for our efforts and corporate endeavours over the last few years from both local and international organisations. Our dedicated efforts to become a customer service-oriented enterprise, to understand the needs of diverse communities and individuals, and create infinite value for our employees and customers while leading by example have been well-rewarded over the years.

The Company received the Best Finance Company 2022 award at the Global Economics Awards 2022 for the second consecutive year; and the Best Auto Finance Company in Sri Lanka 2021 at the 11th Global Banking & Finance Awards. Being awarded these titles in the current economic context is a testament to the trust and confidence placed on Vallibel Finance by our stakeholders. The Company also believes that these awards must be dedicated to the hard work and commitment of our employees.

vallibel
Finance

BEST FINANCE COMPANY!

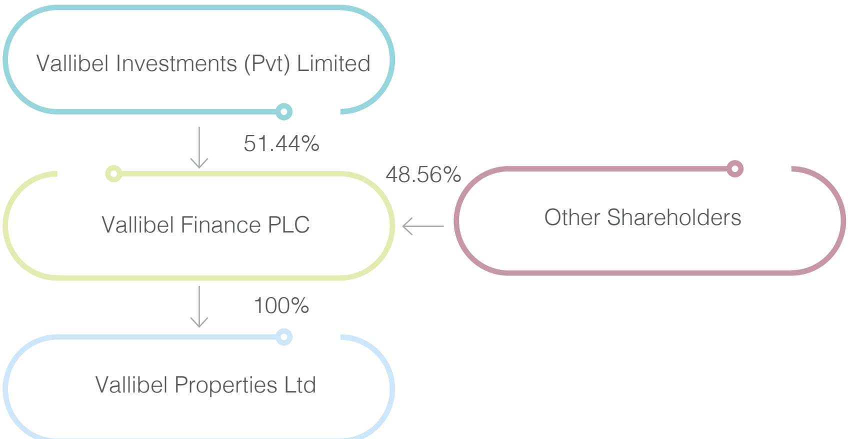
2nd Consecutive Year

.2021

.2022

Key Attributes of Success

Shareholding Structure



Our Products and Services

Paving the Path for Future Success

Every little decision and every single business activity which is undertaken today paves the path for a more successful future. We are confident that we will triumph as we continue to embrace all emerging opportunities and overcome unforeseen challenges working as one team and family. Building on our legacy will remain an ongoing process, and we will diligently pursue success in everything we do.

Vallibel Finance remains committed to further diversifying our innovative product portfolio and continuing with the nationwide branch expansion strategy to bring ideal financial solutions to the Sri Lankan people. The growth of the Company's lending portfolio, the increase in the year-on-year deposit base, and an asset base which has now reached Rs. 77.69 Bn amidst an extraordinarily challenging financial year displays our genuine commitment and dedication to creating value for our stakeholders and the key capitals of the Company.

FINANCIAL HIGHLIGHTS

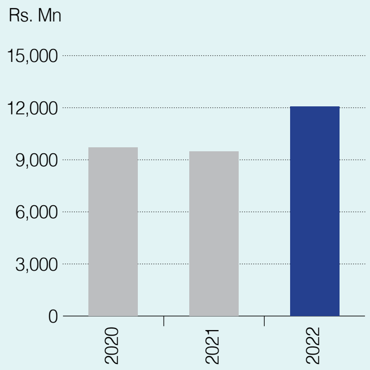
For the Year Ended / As at 31st March		2022	2021	Change %
Financial Performance				
Gross Income	Rs. thousand	12,066,211	9,469,942	27.4
Gross Interest Expense	Rs. thousand	4,234,572	4,067,534	4.1
Net Interest Income	Rs. thousand	5,695,526	4,263,763	33.6
Total Operating Income	Rs. thousand	7,831,639	5,402,407	45.0
Pre-Tax Profit	Rs. thousand	4,777,680	2,858,550	67.1
Income Taxation	Rs. thousand	1,081,972	661,604	63.5
Profit after Taxation	Rs. thousand	2,911,898	1,728,178	68.5
Financial Position				
Total Assets	Rs. thousand	77,690,211	55,225,037	40.7
Lending Portfolio	Rs. thousand	65,664,364	47,745,675	37.5
Total Deposit Base	Rs. thousand	41,021,170	32,170,953	27.5
Borrowings	Rs. thousand	23,109,731	12,266,249	88.4
Shareholder's Funds	Rs. thousand	10,655,150	8,187,907	30.1
Investor Information				
Earnings Per Share (EPS)*	Rs. per share	12.37	7.34	68.5
Net Assets Per Share*	Rs. per share	45.25	34.78	30.1
Market Value Per Share**	Rs. per share	37.10	105.25	(64.8)
Market Capitalisation	Rs. thousand	8,735,321	6,195,368	41.0
Price Earning Ratio (PE)	Times	3.00	3.58	(16.3)
Dividend per share (DPS)	Rs. per share	-	6.00	(100.0)
Key Ratios				
Return on Average Equity	%	30.91	23.57	31.1
Return on Average Assets - After Tax	%	4.38	3.24	35.2
Interest Cover	Times	2.13	1.70	25.3
Equity / Assets	Times	0.14	0.15	(8.6)
Lending Portfolio / Deposits	Times	1.60	1.48	7.9
Debt plus Total Deposit to Equity	Times	6.01	5.43	10.7
Non Performing Ratio - Gross	%	2.73	4.48	(39.1)
Non Performing Ratio - Net	%	0.38	1.19	(68.1)
Statutory Ratios				
Liquid Assets	%	18.72	9.06	106.6
Core Capital Ratio - Minimum Required 7.00%	%	14.58	12.98	12.3
Total Risk Weighted Capital Ratio - Minimum Required 11.00%	%	18.52	14.09	31.4

*2021 Ratios have been restated based on the post sub-division of shares.

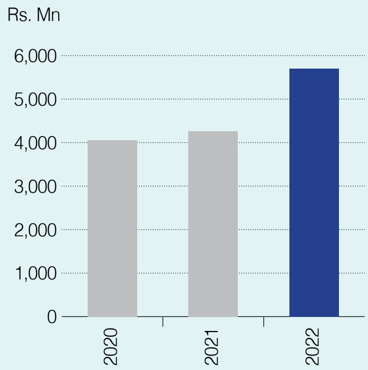
**Market price per share of 2021 represents the share price before the sub-division.

FINANCIAL HIGHLIGHTS

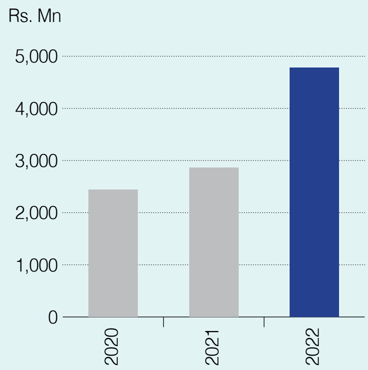
Gross Income



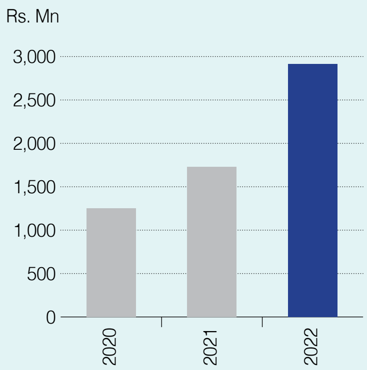
Net Interest Income



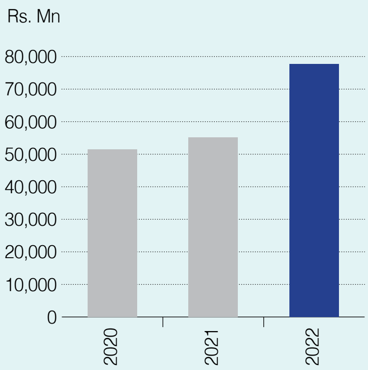
Pre-Tax Profit



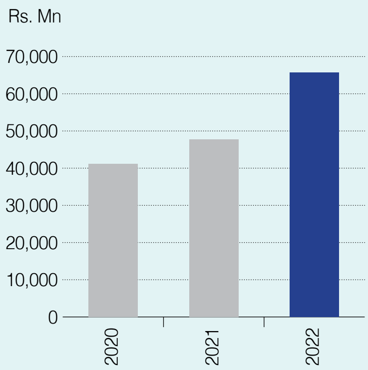
Profit after Taxation



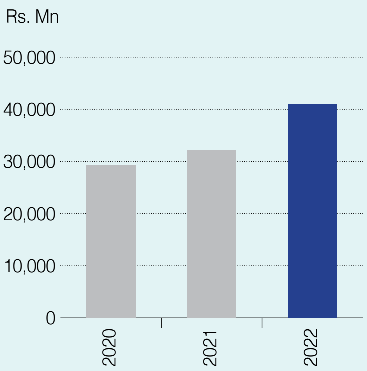
Total Assets



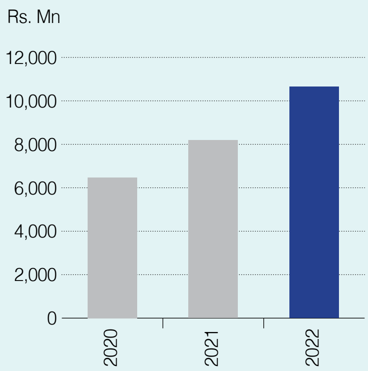
Lending Portfolio



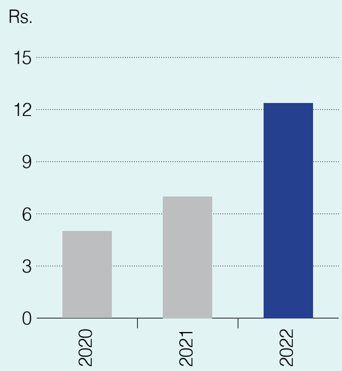
Total Deposit Base



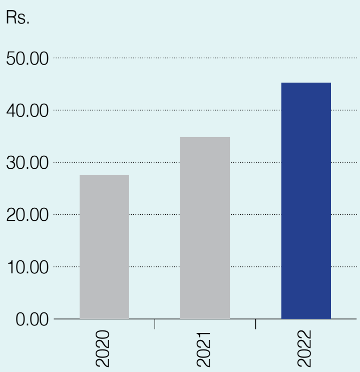
Shareholder's Funds



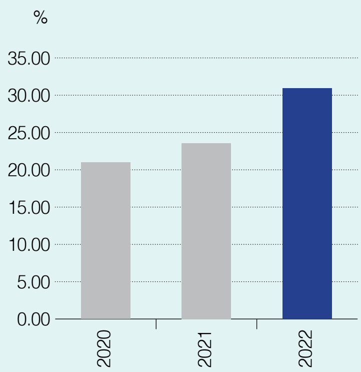
Earnings Per Share (EPS)



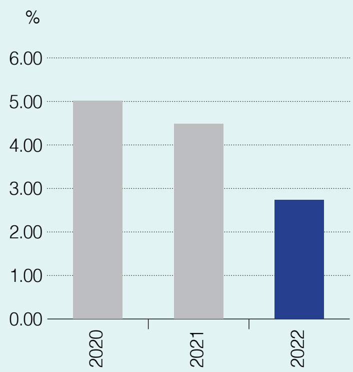
Net Assets Per Share



Return on Average Equity



Non Performing Ratio - Gross



NON-FINANCIAL HIGHLIGHTS

For the Year Ended / As at 31st March		2022	2021
Capital Indicators			
Human Capital			
Total Workforce	number	1271	1067
New Recruits	number	520	275
Employees who Completed 10 Years of Service	number	51	47
Investment in Training and Development	Rs. thousand	62	547
Employees Monetary Benefits	Rs. thousand	1,404,670	1,068,763
Staff Retention Ratio	%	70.38	86.82
Female Representation	%	32	30
Return to Work After Maternity Leave	%	100	66.67
Gender Diversity Ratio (Male:Female)	%	68:32	70:30
Revenue per Employee	Rs. thousand	9,493	8,875
Manufactured Capital			
Branches	number	54	45
Service Centres	number	-	1
New Branches Opened	number	8	5
Refurbished/Relocated Branches	number	5	3
Branches outside Western province	number	25	22
Investment in Property, Plant and Equipment	Rs. thousand	226,622	182,245
Investment in IT Development	Rs. thousand	62,871	36,310
Intellectual Capital			
Brand Value (Brand Finance)	Rs. thousand	1,283,000	1,458,000
Brand Ranking	Brand Finance	A	A+
Credit Ranking	ICRA ratings	BBB+	BBB
Social and Relationship capital			
Economic Value Added	Rs. thousand	12,066,211	9,469,942
Economic Value Distributed To:			
Depositors and Lenders	Rs. thousand	4,209,439	4,067,534
Employees	Rs. thousand	1,404,607	1,068,618
Government	Rs. thousand	1,892,563	1,147,656
Payment to Providers of Capital	Rs. thousand	378,312	-
Community Development Programmes	number	8	7
Total Loans Disbursed	Rs. thousand	48,252,787	25,508,541
Natural Capital			
Electricity Consumption - Head Office	KwH	233,657	341,971
Electricity Consumption - All Branches	KwH	952,410	703,534
Water Consumption - Head Office	m3	3,955	5,077
Water Consumption - All Branches	m3	11,685	10,447
Paper Recycled	Kg	3,916	2,820
A4 Paper Usage at Head Office	Packs	2,297	2,677
Fuel Usage	Litres	20,664	39 059
Green Lending Facilities	Rs. Thousand	3,347,324	1,862,943

EVOLVE FOR EMINENCE

Organisational Review

As one of the leading finance and leasing companies in Sri Lanka, the secret of our success lies in the hard work and dedication of our employees and the utmost trust placed in us by our customers.

OUR JOURNEY

Acquired by Vallibel Investment (Pvt) Ltd and renamed as Vallibel Finance.

2005

The Company underwent a restructuring of leadership to pursue future goals to change the financial landscape of Sri Lanka.

2007

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

2010

2011

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

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.

- 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.

2014

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.

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.

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.
- The Company's branch network expansion continued reaching 32 strategic locations by 31st March 2017.
- 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.

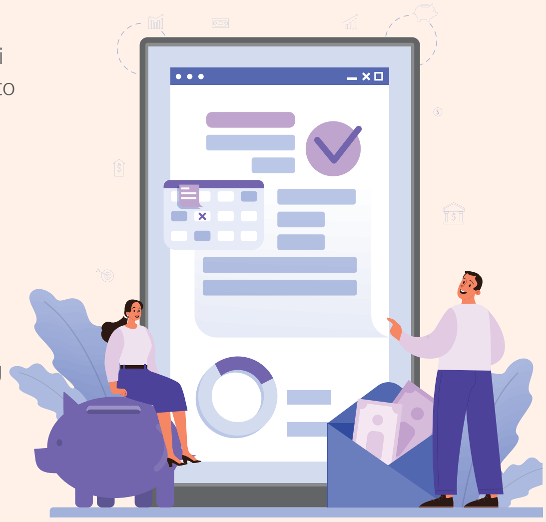
OUR JOURNEY

- 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.

2020

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'.
- Total workforce surpassed 1000 employees.
- Brand rating of A+ given by Brand Finance Sri Lanka.
- Brand value increased by 26.56%.
- Recognized as 'Best Finance Company – 2021 Sri Lanka by The Global Economics Awards.
- Honoured as the 'Best Auto Finance Company 2021' by Global Banking & Finance review at the 11th Global Banking & Finance Awards.
- ICRA Lanka upgraded the Company's credit rating to [SL] BBB+ with stable outlook.



2022

- Highest Growth recorded in terms of business reach, assets & Fixed Deposits portfolio and profitability.
- Honoured as "Best Finance Company 2022" by The Global Economics Awards for the second consecutive year.
- Customer outreach points surpassed 50
- The Gold Loan Portfolio surpassed Rs. 8 Bn as at 31st March 2022
- Achieved a below industry NPL ratio of 2.73%

- 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 the '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.

2018

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.

AWARDS AND ACCOLADES

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

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

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

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

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

Certified as a Great Place to WorkTM in 2019/20 - Great Place Research & Consultancy (Pvt) Ltd

Certified by Great Place to WorkTM in 2020/21 - Great Place Research & Consultancy (Pvt) Ltd

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

Received A+ Brand Rating from Brand Finance Sri Lanka

Fasted Growing Auto Financing Company in Sri Lanka - Global Banking & Finance Review Awards 2017

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

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

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

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

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

Best Finance Company - Sri Lanka Global Economics Awards 2021

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

Best Finance Company - Sri Lanka Global Economics Awards 2022

ACTING CHAIRMAN'S STATEMENT

K D A Perera
Acting Chairman

"We achieved double-digit growth across all key indicators and continued to manage our loan portfolio in a sustainable manner to bring about a further reduction in our NPL ratio, from 5.01 in 2019/20 to 2.73 in the year under review."

Dear Shareholders,

We have faced another year of challenges and triumphs and come out on top. Vallibel Finance PLC had one of its most memorable years to date. We achieved double-digit growth across all key indicators and continued to manage our loan portfolio in a sustainable manner to bring about a further reduction in our NPL ratio, from 5.01 in 2019/20 to 2.73 in the year under review.

Same as enhancing how we conduct business operations; we also continue to use best practices in reporting to enable our shareholders and other stakeholders to obtain a comprehensive understanding and detailed information about the Company's operations.

We adopted the sustainability reporting standards as developed by the Global Reporting Initiative (GRI) and the Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) in 2018, and continue doing so to date. The Annual Report and Financial Statements of Vallibel Finance PLC for the financial year ended 31st March 2022 use the relevant GRI Standard and IR Framework to ensure a clear and concise discourse of the development of the Company.

The COVID-19 pandemic continued its path of havoc as new variants disrupted normal business and social activities. However, the creation and availability of the COVID-19 vaccine was a great benefit that allowed the impact of the virus to be reduced on human health and well-being while enabling countries to re-open borders and slowly build up economic activities to pre-COVID levels.

However, the long-lasting impact of the pandemic coupled with policies to manage the pandemic impacts worsened the deeply rooted vulnerabilities Sri Lankan economy and resulted in falling foreign exchange inflows. This caused the government to restrict imports, accelerated price inflation, increased interest rates, caused a shortage in fuel and gas supply, and resulted in a rapid depreciation of the Sri Lankan rupee. These factors combined to create a situation of political and social unrest by the end of the financial year ended 31st March 2022, the full impact of which will only be realised in the forthcoming financial year.

Despite the COVID-19 related challenges that prevailed for the most of the year, Vallibel Finance successfully recorded outstanding growth in the loan portfolio, the deposits portfolio, total assets, revenues, and profits. This growth momentum was made possible by the precise strategies developed and implemented to manage the business in a sustained manner while ensuring that value was created for all our stakeholders amidst a chaotic operating environment.

Consequently, the Company's profit before taxation increased to Rs. 4.78 Bn in the year under review compared to Rs. 2.86 Bn recorded in the previous financial year. Increased earnings also resulted in increasing shareholder's funds by 30.13% during the year while the Company's return on equity grew by 31.14% during the financial year under review.

This growth momentum was made possible by the precise strategies developed and implemented to manage the business in a sustained manner while ensuring that value was created for all our stakeholders amidst a chaotic operating environment.

ACTING CHAIRMAN'S STATEMENT

The steadiness of our business and the strong foundation of the Company have also enabled Vallibel Finance to improve the credit rating received by ICRA Lanka Limited, the credit rating agency licensed by the SEC, to the BBB+ with a Stable Outlook rating in August 2021.

The gross income also increased to Rs. 12.07 Bn compared to Rs. 9.47 Bn earned in the previous year. This was possible due to the significant increase of 87.6% of the total non-interest income earned by the Company during the year under review. The total interest income earned from the loans and advances portfolio, a growth of 21.01% also contributed to increasing the gross income of the Company. Having established stringent cost management measures and continuing to implement streamlined and effective processes coupled with digitalisation efforts enabled the Company to deal with the increasing operational expenses optimally. This resulted in total operating costs increasing only by 25.03% despite the increasing business operations of the Company during the year under review.

The loan portfolio growth and the growth in our deposit base by 37.53% and 27.51%, respectively in the year under review were primarily a result of the Vallibel Finance brand reputation amongst our customers and the larger populace of the country. The Company's determination to conduct transparent business operations together with the flexible and customer-oriented financial services offered are directly responsible for the growth achieved during the year. Additionally, the determination to maintain the mantra of "customers first" and provide high levels of customer service by employees and the management value adds to our success.

Having 54 branches situated strategically across the country making access to financial services easy and hassle-free is also a key contributor to business growth and success.

Furthermore, the Company's sustained business growth and expansion are made possible by the leadership's stance on maintaining high levels of corporate governance practices and managing risks proactively. The Company is mindful of our duty to comply with all regulations as set out by the Central Bank of Sri Lanka and other Government regulators. As a responsible entity listed on the stock market, we ensure that we meet the requirements of the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange. Our teams work tirelessly to study and implement relevant regulations and ensure they are updated as any rules change while maintaining the status quo in terms of expectations by the CBSL.

The management also ensures that all employees conducting business on behalf of the Company adhere to our Code of Business Conduct and Ethics which ensures no violations that contradicted our ethical business practices were reported during the year under review.

These focused efforts have enabled the Company to be recognised as the Best Finance Company in Sri Lanka for the year 2021 and 2022 by the Global Economics Awards and the Best Auto Finance Company in Sri Lanka for the year 2021 by the Global Banking and Finance Review Awards. The steadiness of our business and the strong foundation of the Company have also enabled Vallibel Finance to improve the credit rating received by ICRA Lanka Limited, the credit rating agency licensed by the SEC, to the BBB+ with a Stable Outlook rating in August 2021.

Thus, it is not surprising that we embark on the new financial year with many new hopes and goals to drive our business to greater success. While existing challenges remain and new challenges

Vallibel Finance opened 8 new branches in the FY 2021/22, continuing our efforts to provide easy access to financial services to every individual across the nation

emerge in the macroeconomic environment, we will continue to remain strong while proactively managing changes to enable us to achieve growth. However, the possibility exists that the Company's growth trajectory and projections may be diminished if the increasing interest rates, rising inflation, depreciating rupee, import restrictions, and the political and social unrest continue indefinitely, with no clear date for its' end.

In closing, I take this opportunity to thank the previous Chairman, Mr R.M. Karunaratne, for his contribution to the Company's success and the role he played as the head of the Board of Directors. I thank Mr S.B. Rangamuwa, the Managing Director of the Company for remaining steadfast and leading his team with optimism thereby ensuring that Vallibel Finance thrives in all situations.

I would also like to extend my appreciation to the senior management team and all employees of Vallibel Finance for their continued and untiring efforts to ensure the growth and success of the business amidst the difficult operating environment that prevailed for most of the year under review.

I thank my Board of Directors for their guidance and support throughout the year and extend my sincerest appreciation to Mr. Dhammika Perera for his advice and leadership. I thank all our shareholders for their faith in the Company, and our customers for continuing to trust Vallibel Finance to meet their every financial need and support them through tough times. I must also recognise all other stakeholders of the Company for continuing to remain faithful and being part of our success story year-on-year.

K D A Perera
Acting Chairman

MANAGING DIRECTOR'S MESSAGE

S B Rangamuwa
Managing Director

"A year of phenomenal growth surpassing every expectation and setting a high bar for the future expansion trajectory of Vallibel Finance PLC."

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 2022.

The year under review far exceeded the management's expectations in terms of achieving pre-set goals and meeting targets. The Company outperformed all noteworthy performances documented in the past. Amidst the various challenges that prevailed, the Company was able to sustainably grow in terms of business reach, portfolio, and profitability. We developed focused strategies and the collaborative efforts of our employees to execute them enabled us to reach phenomenal heights of success while building on the Vallibel Finance brand and further establishing ourselves as a reliable and trustworthy financial services provider in the industry and the country.

The financial year under review was not without its challenges. The emerging new variants of COVID-19 continued to impact normal economic and business activity. The prolonged effects of lower levels of economic activity since 2020 had a detrimental impact on key indicators of the Sri Lankan economy, and these caused some reverberating effects on industrial activities and the travel and tourism trade. However, the performance of the financial services industry substantially improved and realising growth in credit and profitability. The resilience of the people and the industry are well seen, and this further buoyed the Company's performance during the year under review.

Challenging Macroeconomic Conditions

Global and local economic activity rebounded in 2021 as the impact of the COVID-19 pandemic was lessened by the implementation of good healthcare practices and the development and availability of the COVID-19 vaccine. However, new variants of the virus emerged requiring governments to carefully monitor the spread of the virus and re-enforce lockdowns and control the free movement of people as needed. Sri Lanka too continued to be affected by the cascading impacts of COVID-19 requiring the authorities to enforce intermittent lockdowns between May and October 2021.

While the Sri Lankan economy recorded a growth in 2021 compared to 2020, the lower growth combined with other deeply rooted structural problems and vulnerabilities caused severe economic constraints. The dearth of tourists impacted the recovery of the tourism and travel-related industries while the lower remittances from foreign employment continued to impact the inflow of foreign currency to the nation. This required policymakers and authorities to intervene to manage a deteriorating economic situation.

Thus, the Central Bank of Sri Lanka (CBSL) implemented several extraordinary responses such as providing liquidity to the markets and governments, easing the monetary policy position, and approving several external and financial sector policies such as import restrictions on non-essential goods. These policy measures safeguarded the public and private sector growth, ensured the availability of goods and services amidst the pandemic, and supported economic growth in 2021. However, the inability to reverse these relaxed policies as the pandemic situation somewhat stabilised resulted in other critical economic vulnerabilities towards the latter part of the year.

Consequently, by the last quarter of the financial year under review, the economy was inundated with rising inflation rates, hikes in interest rates, a severe shortage of essential goods and services, a steeply depreciating currency, and a diminishing foreign exchange reserve.

Industry Overview

Amidst the difficulties in the macroeconomic environment, the Licensed Finance Companies (LFCs) sector showed resilience and recorded a better performance than that achieved in 2020. The sector remained stable with liquidity and capital maintained at levels above the minimum regulatory requirements. The non-performing loans (NPL) ratio of the sector declined in 2021. This bodes well for the industry's future sustainability but the need to maintain a robust and strict NPL management process remains a priority.

Progress was also achieved in the Financial Sector Consolidation Masterplan to safeguard the sector's depositors and build a strong and stable LFCs sector in the medium term. The CBSL also continued its focused efforts to improve the sector's accountability and reliability. This led to the preparation of proposed amendments to the Finance Business Act No. 42 of 2011 which would result in enhancing the CBSL's regulatory and supervisory powers and support higher governance levels for the sector.

Financial Performance Overview

The Company's performance continued with a precipitous upward momentum with many of our key indicators outperforming peers in the industry. The total deposit base grew by 27.51% to Rs. 41.02 Bn with average renewal ratio of 81% during the year ended 31st March 2022 compared to the 10.01% growth recorded at the end of the previous financial year. A 37.53% growth was achieved in our total loan portfolio during the year, compared to a 16.11% growth recorded in the previous financial year. The total loan portfolio increased to Rs. 65.66 Bn as of 31st March 2022 compared to Rs. 47.75 Bn recorded as of 31st March 2021.

MANAGING DIRECTOR'S MESSAGE

The success achieved in a year with various challenges was made possible by the dedicated efforts of our employees and the underlying trust in Vallibel Finance by our customers and other stakeholders.

Despite the increased lending, the Company's NPL ratio further declined during the financial year to 2.73% compared to the 4.48% recorded in the previous financial year. This is also much lower than the industry NPL ratio which was 11% for the year ended 31st December 2021. The low levels of non-performing loans are made possible by the Company's rigorous guidelines and processes in place to support lending decisions for the long term viability of the business. The quality and liquidity of our portfolio also supports the maintenance of a low NPL ratio.

The Company's revenue grew by 27.42% to Rs. 12.07 Bn during the year under review compared to Rs. 9.47 Bn recorded in the previous financial year. Pre-tax profits nearly doubled in the year under review with a 67.14% growth compared to the 17.06% growth recorded as of 31st March 2021, while the profit after tax also recorded a 68.5% growth to Rs. 2.91 Bn for the year ended 31st March 2022.

The total assets grew by 40.68% to Rs. 77.69 Bn by the end of March 2022 compared to the 7.39% growth achieved in the previous financial year-end. This growth also increased the Company's net assets per share by 30.13% to Rs. 45.25 compared to Rs. 34.78 recorded in the previous financial year.

Such numbers speak for themselves. The Company's precision in setting strategies and following through while maintaining a degree of flexibility to manage developments in the ever-changing operating environment has been the foundation of our success over the last 15 years. Our success is also made possible by the trust placed in us by our customers to provide them with superior, customised financial solutions to meet their everyday financial needs.

Operational Highlights

Despite the many challenges and the several lockdowns experienced intermittently in the first half of the financial year, the Company made considerable progress in expanding our physical footprint across the country. We opened eight new branches and expanded to the Northern Province by setting up our very first branch in Vavuniya. The Company also refurbished and upgraded four branches to ensure our customers received superior services and were offered all modern facilities and conveniences. The Matara branch was relocated to larger premises to facilitate the growing demand for financial products and services in the area. Today, the Company has established 54 branches and an online presence to serve our customers efficiently at their convenience.

We also made excellent progress with the construction of our new landmark Head Office complex during the year under review. This state-of-the-art business hub is expected to be ready for occupancy by the third quarter of the forthcoming financial year.

Digitalisation continued to be a focus during the year under review as this facilitates process and service efficiencies for the Company. We expect demand for online and remote services to increase over time and will strategically invest in digitalisation by being innovative in our adoption.

Achievements Rewarded

The success of Vallibel Finance has been recognised both locally and internationally. Over the years we have received many awards which reinforce our belief in our business strategies and the people who implement them.

It is an honour for the Company to have received the award for the Best Finance Company in Sri Lanka for the second consecutive year given by the Global Economics Awards. The Awards identify business enterprises that support the growth of their economies and being recognised as the 'Best Finance Company' in this context is a true testament to the management's efforts to achieve our vision to "change the financial landscape of our country" while creating an environment that impels financial inclusion.

We also received the Best Auto Finance Companying Sri Lanka for the year 2021 by the Global Banking and Finance Review. This is another accolade that we can add to our collection of awards received from this prestigious organisation.

Additionally, in August 2021, ICRA Lanka Limited (ICRA Lanka), the credit rating agency licensed by the Securities and Exchange Commission of Sri Lanka (SEC) upgraded the Vallibel Finance credit rating to BBB+ with a Stable Outlook. This is a noteworthy achievement amidst the challenges that prevail in the operating environment and further bolsters the Company's strong financial foundations. The rating also alludes to Vallibel Finance's belief as a transparent, reliable, and accountable brand in the financial services market space.

Therefore, it is not surprising that the Company maintains A brand rating with a brand value of Rs. 1,283 Mn as granted by Brand Finance Sri Lanka during the year under review.

Creating Stakeholder Value

The Company and the management remain cognisant of our duty to create value for all our stakeholders. Accordingly, every strategy developed by the Company is pledged to create value across several stakeholder groups. The Company offers employees opportunities for training and development and career progression to fulfil their career aspirations. Our efforts in this regard have been awarded as our employees give back to the Company and remain with us for a longer period.

We also regularly review and upgrade our product portfolio and introduce new financial products and services to the market to cater to the needs of our diverse customer segments. The management strictly complies with all laws and regulations pertaining to both the country and the industry and proactively ensures high levels of good governance practices.

As an integral part of the communities we serve, the Company supports the wider community through targeted upliftment projects. During the year under review, we focused on helping communities affected by the COVID-19 pandemic and distributed dry rations, as necessary. We also spread the message of the importance of safe practices to adopt to curb the spread of COVID-19 as advised by health authorities via social media platforms. Furthermore, we made an in-kind donation to the Minuwangoda Base Hospital to support the hard work of our frontline medical personnel.

Maintaining an Optimistic Outlook

We have seen much upheaval in the last three years, with unforeseen external environmental developments afflicting people's lives and livelihoods. Despite these unexpected developments and the challenges that resulted, Vallibel Finance adapted and embraced change and persevered to meet our corporate goals by serving our customers to meet their financial obligations.

However, the current economic context remains a concern. A turnaround must be achieved soon with elected officials cooperating to create a cohesive plan to begin an economic recovery. If not, there could be far-reaching impacts across industries and business sectors while slowing down the growth of the Company. Thus, the Company will continue to closely monitor changes in the economic environment with a specific focus on monitoring and managing the impacts of steeply rising interest rates, high levels of inflation, scarcity of essential goods such as fuel and medicine, and the accelerated depreciation of the Sri Lankan rupee.

Despite the prevailing situation, the Company remains optimistic about our future growth. We plan to continue with our branch expansion plans and refurbishment plans ensuring both employees and our customers have the necessary facilities to provide and receive a hassle-free and convenient experience.

The Company will monitor emerging opportunities and consumer trends to identify opportunities to diversify and expand our product portfolio in the coming years. This will depend on the requirement of customers and the financial services marketplace.

An area that will be a key focus in the coming financial year is to increase employee training and development activities. The pandemic limited the opportunities that the Company was able to offer. However, we will now give greater emphasis and offer various training opportunities to different categories of employees. Another area we will need to build on is employee engagement. Remote working has created a disconnect in teams and as we return to working under one roof, engagement activities will facilitate team spirit and camaraderie while increasing motivation levels.

Acknowledgements and Appreciations

I take this opportunity to thank every member of the senior management team and all employees of the Company for enabling the phenomenal growth and success of Vallibel Finance for the year ended 31st March 2022. The Company's remarkable achievements would not have been possible without the dedication of each person to the Company and their contributions to meeting corporate objectives.

I would like to extend my appreciation to the Chairman and the Board of Directors for their insight and guidance in directing the Company on the right path to success. I particularly appreciate the leadership and direction given by Mr. Dhammika Perera, our Group Chairman in a year that was challenging yet fruitful for the Company.

I would like to acknowledge all our stakeholders for your continued support and loyalty to the Company amidst the many disturbances that existed during the year under review.

S B Rangamuwa
Managing Director

BOARD OF DIRECTORS

Mr. K D A Perera
Acting Chairman

Mr. S B Rangamuwa
Managing Director

Mr. T Murakami
Non-Executive Director

Mr. A Dadigama
Independent Non-Executive Director

Mr. Hiroyuki Ota
Alternate Director

Mr. Dhammika Perera
Executive Director

Mr. S S Weerabahu
Executive Director

Mr. J Kumarasingha
Independent Non-Executive Director

Mrs. C P Malalgoda
Independent Non-Executive Director

BOARD OF DIRECTORS

Mr. K D A Perera
Acting Chairman

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

Mr. S B Rangamuwa
Managing Director

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

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

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

He started his career with Central Finance PLC after a stint at Ernst and Young. He is a former Director of Mercantile Investments PLC having held various key positions during his 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.

Mr. 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 also serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, he is a Director of Dhammika and Priscilla Perera Foundation.

Mr. S S Weerabahu
Executive Director

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

He is a Member of the Institute of Engineers of Sri Lanka and is a Fellow of the Chartered Institute of Management Accountants UK. He has followed the Master of Business Administration Degree programme at the 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.

Mr. 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.

Mr. A Dadigama
Independent Non-Executive Director

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

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

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

Mr. J Kumarasinghe
Independent Non-Executive Director

Mr. Janaka Kumarasinghe is a Human Resource Management (HRM) professional who has served 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.

Mrs. C P Malalgoda
Independent Non-Executive Director

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

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

Mr. Hiruyuki Ota
Alternate Director

Mr. 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

Rohan de Silva
Assistant General Manager - Metropolitan Branches

Kelum Warnakula
Assistant General Manager - Sabaragamuwa Branches

Menaka Sameera
Senior Deputy General Manager - Finance & Administration

Thilak Nanayakkara
Senior Deputy General Manager - Collections

Lakshman Waniarachchie
Deputy General Manager - Branch Operation & Channel Development

Nanda Bandara
Deputy General Manager - Internal Audit

Lakmal Gabadage
Assistant General Manager - Southern Branches

Eranga Nalin Gunerathne
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) - Credit

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

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

Ruwan Wijesooriya
Chief Manager (Grade 02) - IT Operations

SENIOR MANAGEMENT TEAM

Dhanushka Gunarathne
Chief Manager (Grade 02) - Fund Management

Dilhani Wijayathilaka
Chief Manager (Grade 02) - Compliance

Harshaka Perera
Chief Manager (Grade 02) - Operations

Chandima Ganesh
Chief Manager (Grade 02) - Marketing Communication

Lakmal Marasinghe
Chief Manager (Grade 02) - Gold Loan

Kelum Udayanka
Chief Manager (Grade 02) - Payments

Roshan Indika
Chief Manager (Grade 02) - Special Channels

Wasantha Senanayake
Chief Manager (Grade 02) - Chilaw

Ranjith Gunaratne
Chief Manager (Grade 02) - Rathnapura

Sudheera Sampath
Chief Manager (Grade 02) - Borella

Gayan Kumarasinghe
Chief Manager (Grade 02) - Wattala

Chamara Perera
Chief Manager (Grade 02) - Kuliyapitiya

Nishantha Ranawaka
Chief Manager (Grade 02) - Finance

Sampath Gunasekara
Chief Manager (Grade 02) - Personal Administration

Ranjith Kumara
Chief Manager (Grade 02) - Insurance

Chamaka Kumarasinghe
Chief Manager (Grade 02) - Recoveries

Jayantha Soysa
Chief Manager (Grade 02) -Corporate Communications

Chanaka Lagath
Chief Manager (Grade 02) - Special Channels

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

Kumara Thennekumbura
Chief Manager (Grade 02) - Mt. Lavinia

Sanjaya Jayarathna
Chief Manager (Grade 02) - Avissawella

SUSTAINED FOR SUPREMACY

Our promise is to achieve exceptional growth, stay strong and resilient, both now and in the years to come, and emerge victorious and triumphant in all we set out to do.

Management Discussion & Analysis

OUR APPROACH TO SETTING STRATEGIC DIRECTION

The Vallibel Finance business model enabled us to put in place an effective corporate strategy enabling the Company to remain robust and resilient in the year under review as the macroeconomic and the industry operating environments underwent unprecedented challenges and changes. Resultantly, the Company successfully navigated through the changes while remaining true to our vision and mission while creating value for our stakeholders and maintaining the sustainability of our business for future growth prospects.

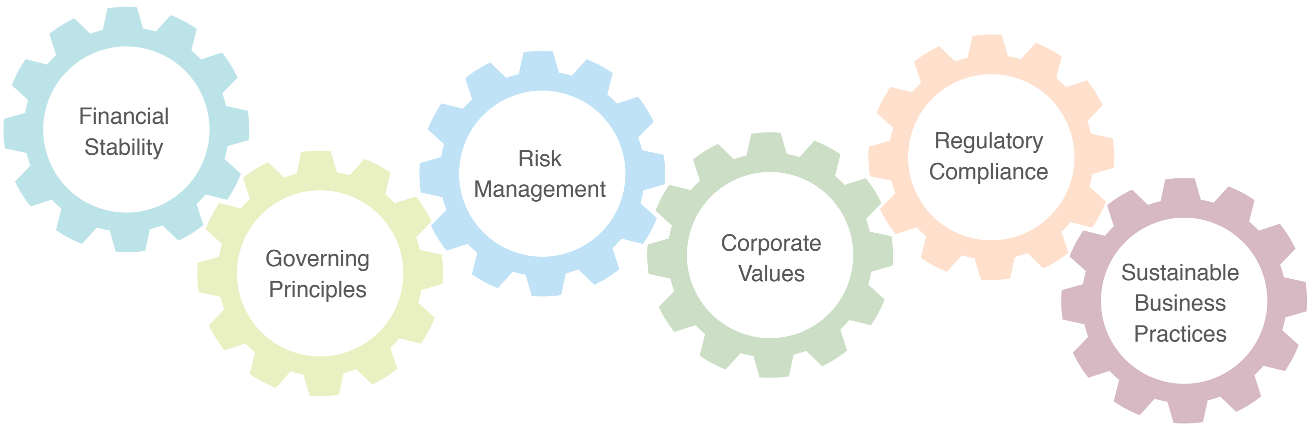
The focus on ensuring our corporate strategy development and implementation process considers external market developments, changing consumer trends, stakeholder expectations, available resources, corporate values, and our internal strengths and weaknesses enables the Company to develop a year-on-year strategy that is relevant and achievable. Our strategic planning process also gives due emphasis to ethical and transparent business practices and good corporate governance as well as the Company's acceptable risk appetite. As such, the corporate strategy we embraced for the financial year under review supported our efforts to overcome emerging challenges, especially those driven by the outbreak of the COVID-19 pandemic, and grow our business by embracing changes and technology, while nurturing a highly performance-driven culture to create a more financially-inclusive environment for the nation's people.

The purpose of the Company which is unequivocally captured within 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 and creates value for all our stakeholders by being embedded within our strategy formulation process.

The inherent flexibility of our strategy implementation process together with the determination of the Company's leadership to remain strong during the entire pandemic period ensured that we were able to adequately prioritise critical activities and activities that would ensure uninterrupted customer services while allocating scarce resources for the effective management of the business value chain. As such, even with the many challenges faced, the Company was able to meet strategic goals while optimising business performance and results. Thus, despite the prevailing global uncertainty and the adverse impact on the nation's economy, Vallibel Finance remained a true financial support system for our customers as we agilely adapted to sudden changes and the new way of doing business. The Company's performance for the year under review demonstrated strong resilience and recorded a growth in profit after taxation by 68.5% to Rs. 2.91 billion continuing to satisfy our key stakeholders.

Strategic Pillars

The Company's corporate strategy formulation process is based on six deeply rooted strategic pillars. We consider these to be the source of our success in developing a robust strategy which is effective in overcoming challenges in the operating environment and delivering expected results. Thus, we continue to navigate the myriad paths to becoming a leading financial institution while sustaining a successful business enterprise. All six of our strategic pillars are interconnected in a way that enable the creation of one overarching strategy directing and driving business growth for today and the future.



Our Strategic Direction for 2021/22

The Company's strategic priorities together with the key influencing factors considered during the strategy formulation process were the key drivers of the Company's strategic direction in the year under review. The below table captures the pertinent aspects of our strategic direction.

Strategic Priorities	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 Partner	▪ 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 Coverage ▪ Customer Health and Safety ▪ Grievance Handling	▪ Customer Satisfaction ▪ Health and Safety
Planned Deliverables	▪ An increasing number of customer touch points ▪ Targeted marketing to pre-identified customer segments ▪ 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	▪ Continued strengthening of Corporate Governance elements ▪ Improving transparent business operations ▪ Strengthening Risk Management processes ▪ Investing in IT capabilities ▪ Increasing back-end process efficiencies through digitalisation	▪ An efficient and united team ▪ Continuous Training and Development ▪ Increase resources for employee engagement	▪ Improving Customer satisfaction ▪ Investing in increased training for customer-facing employees ▪ Increasing customer-facing process efficiencies through digitalisation	▪ Leveraging technology to bring digital experience and market access/ penetration ▪ Enhancing customer convenience and experience through innovative and in-demand delivery methods

OUR APPROACH TO SETTING STRATEGIC DIRECTION

Strategic Priorities	Sustainable Business Growth	Strong Financial Performance	Internal Process Efficiencies	Employee Satisfaction	Enhanced Customer Experience	Delivery and Distribution
KPIs	▪ Island-wide accessibility ▪ 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 ▪ Increased automation ▪ Enhanced Customer Relationship Management processes	▪ Retention of highly skilled and experienced workforce ▪ Focus on skill development ▪ Working as one team	▪ Enhancing customer privacy ▪ Increasing customer base ▪ Customer retention	▪ Integration of physical and digital channels ▪ Unmatched customer service across all channels
Aligning to COVID-19 Impacts	▪ Extending moratoria as per CBSL circulars ▪ Growth in lending products in line with our policy of responsible financing	▪ Extending moratoria as per CBSL circulars ▪ Growth in lending products in line with our policy of responsible financing ▪ Offering uninterrupted services to customers ▪ Continuing to offer products and services by following health and safety protocols ▪ Integrating IT within business processes for greater efficiency	▪ Strengthen recoveries and credit administration ▪ Reallocation of resources	▪ Set up a COVID-19 task force ▪ Implementing stringent health and safety measures at all business locations ▪ Revising HR policies to consider pandemic impacts	▪ Ensured all branches were operational and adequately manned during the lockdowns ▪ Offered online and virtual processes for completing everyday/ regular tasks	▪ Maintained safety and health protocols ▪ Focused on service delivery through the digitalisation of processes

Strategic Priorities	Sustainable Business Growth	Strong Financial Performance	Internal Process Efficiencies	Employee Satisfaction	Enhanced Customer Experience	Delivery and Distribution
Link to Risk	▪ Credit Risk ▪ Liquidity Risk ▪ Market Risk ▪ Regulatory & Compliance Risk	▪ Strategic Risk ▪ Operational Risk	▪ Operational Risk	▪ Operational Risk	▪ Operational Risk ▪ Credit Risk	▪ Operational Risk
Corporate Achievements 2021/22	▪ Added eight new branches ▪ Total assets increased to Rs. 77.69 Bn ▪ Deposit base increased to Rs. 41.02 Bn ▪ Initiated monitoring of paper usage at Head Office	▪ Growth in gross income 27.42% ▪ Other income Rs. 2,136.11 Mn ▪ Growth in net profit by 68.50% ▪ NPL 2.73% ▪ Growth in lending 37.53% ▪ Growth in assets by 40.68% ▪ Growth in deposits by 27.51% ▪ Liquid asset ratio 18.72% ▪ Total Capital Base Rs. 12.30 Bn	▪ Return on average equity 30.91% ▪ Return on average assets 4.38% ▪ Streamlining existing products to fit the market needs	▪ Staff retention ratio 70.38% ▪ Investment in training is Rs. 0.062 Mn ▪ Increase in investment in salaries by 31.43% ▪ Profit per employee is Rs. 2.27 Mn	▪ Modernised four branches and relocated one branch ▪ Served 76,502 lending customers ▪ Served 9,429 deposit customers	▪ Increased accessibility by opening eight new branches ▪ Total branch network increased to 54

OUR APPROACH TO SUSTAINABILITY

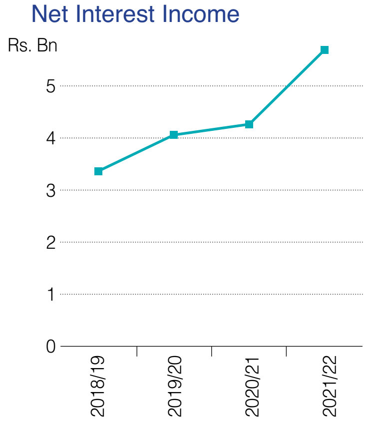
Being a sustainable business operation requires the Company to take a holistic approach to manage inputs and outputs while giving due consideration to the challenges that abound in the operating environment together with unexpected external environmental trends. Working towards sustainability over our 15 years of business operations has also taught us to consider stakeholder expectations and their influence on our business thereby enabling us to create and develop strategies that encompass critical success factors.

The process adopted to remain sustainable has enabled Vallibel Finance to concurrently bridge gaps and be agile to allow for the change of operational strategies as we navigate emerging challenges and developments in our path to success.

Our successes have been noteworthy and wide-ranging, thereby making Vallibel Finance a renowned brand in the financial market space renowned for continually strengthening business performance amidst challenging operating conditions while becoming more customer-centric, offering innovative products and services, improving operational processes, and increasing the financial stability of the business.

The inherent success of our approach to remain sustainable is recorded through the value created over time in our key financial and operational indicators.

Economic Performance Indicators

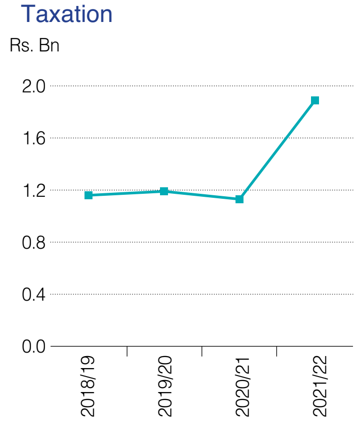


Key Risks and Challenges

The COVID-19 pandemic restricted business operations, while the ban on vehicle imports affected the Company's ability to attract new customers and grow the business

Company Approach

Allocating increasing financial and human capital resources to fulfil our objectives to grow all business areas and maintain operating margins.

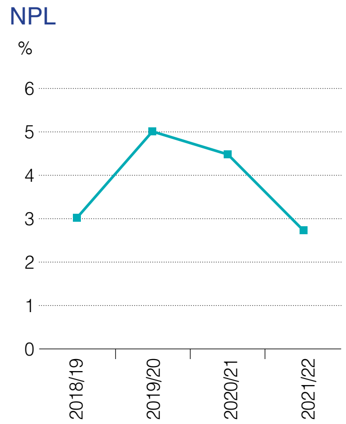


Key Risks and Challenges

Due to the unstable economic environment, frequent changes to taxation policies were implemented by regulators

Company Approach

Adapting to new tax laws and regulations in a timely manner while making timely tax payments as laid out by the Government

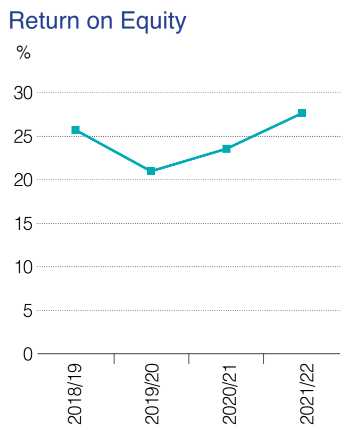


Key Risks and Challenges

Prioritizing short-term results instead of seeing the long-term value in acquiring more qualified customers

Company Approach

Company has implemented adequate cost control measures on recovery and collection.

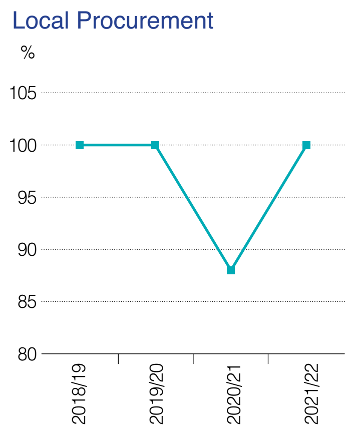


Key Risks and Challenges

External market developments stunting revenue growth and impacting share prices resulting in declining shareholders' equity

Company Approach

Continuous focus on business development and growth

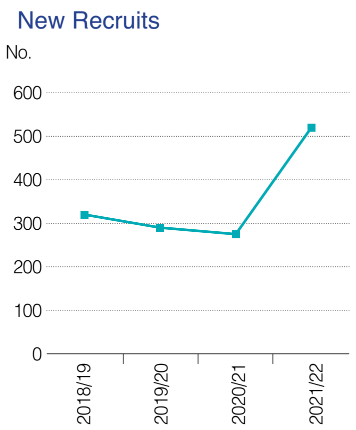


Key Risks and Challenges

- Choosing foreign suppliers over local suppliers
- Limited or unavailability of goods due to import restrictions and/or higher costs of production

Company Approach

Strengthening partnerships with local suppliers of goods and services to create value for the longer term



Key Risks and Challenges

- New recruits not having adequate skills to fulfil job responsibilities
- New recruits resigning in short time spans due to unmatchable expectations which seems to be the current trend with Gen Z

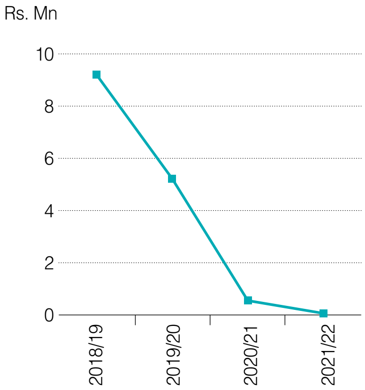
Company Approach

Facilitate succession planning by allocating additional financial capital to create necessary infrastructure, training, and skill management initiatives to help maximise organisational sustainability

OUR APPROACH TO SUSTAINABILITY

Social Performance Indicators

Investment in Training & Development



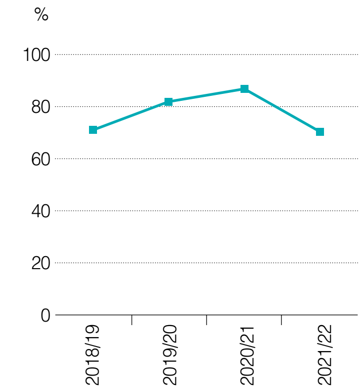
Key Risks and Challenges

- Employees leaving the Company after receiving training and due to the current pandemic situation
- The inability to provide a holistic training experience to employees who work remotely

Company Approach

Strengthen the virtual platform and training processes to enable offering a complete training experience to employees remotely

Employee Retention



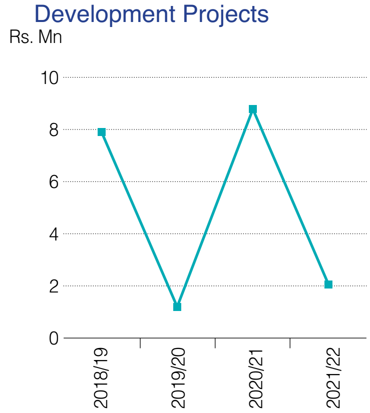
Key Risks and Challenges

- Retaining talented employees as the country is facing high levels of brain drain
- New generations opting to work freelance rather than being loyal to one organisation

Company Approach

Devising employee retention strategies that would attract employee retention as they see the advantages of remaining in employment with the Company

Investment in Community Development Projects



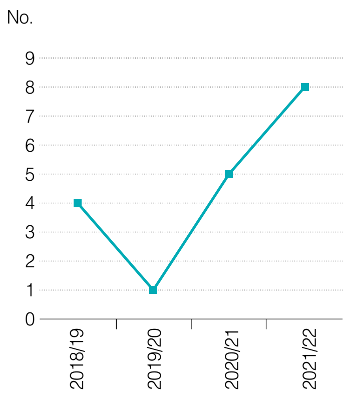
Key Risks and Challenges

The current economic conditions required the Company to selectively choose to invest in the most urgent and feasible projects aligned to limited resource availability amidst the pandemic outbreak.

Company Approach

Selecting projects with the highest levels of impact on society and the people and urgent requirements aligned to limited resource availability amidst the pandemic outbreak

Branches opened



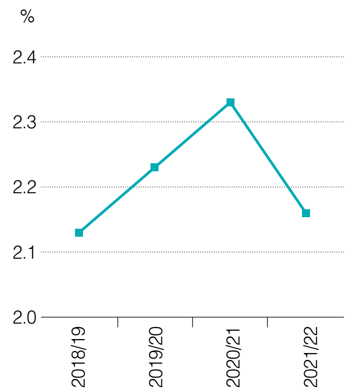
Key Risks and Challenges

Unfavourable external economic and operating conditions limited opportunities for new branch openings

Company Approach

To continue creating an inclusive financial community while supporting the economic development of smaller cities and towns

Male to Female Ratio



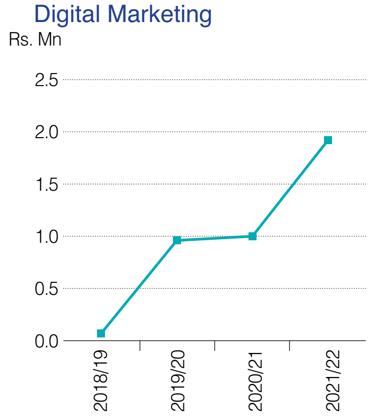
Key Risks and Challenges

The culture of a lesser number of females in the nation's workforce worsened during the pandemic as females opted to look after dependents and children in these challenging times

Company Approach

Encourage females to re-join to continue to remain in the workforce by offering personalised non-financial benefits and flexible work options

Investment in Social Media and Digital Marketing



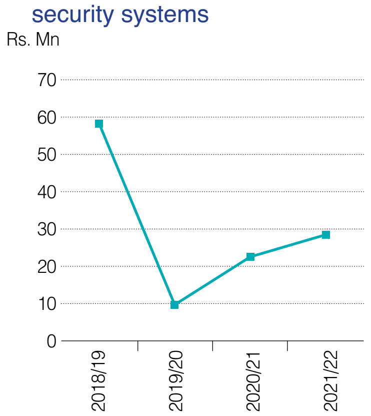
Key Risks and Challenges

Due to the sudden lockdowns and sudden change in consumer focus, identifying the right target platform to reach all customers proved to be a challenge

Company Approach

Utilising different social media platforms to reach different customer segments and target audiences

Investments in IT and data security systems



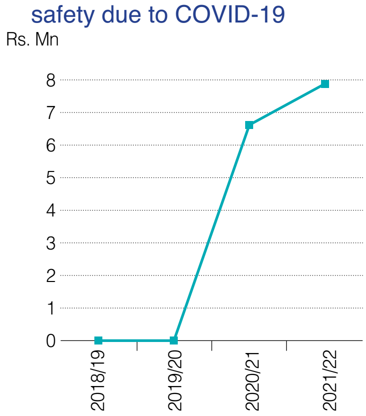
Key Risks and Challenges

Cyber threats are increasing in occurrence and have become more complicated and common place

Company Approach

- Periodic review of technology to ensure alignment with new external IT developments
- Using the best available technology to protect customer data and enhance cyber security

Investments in health and safety due to COVID-19



Key Risks and Challenges

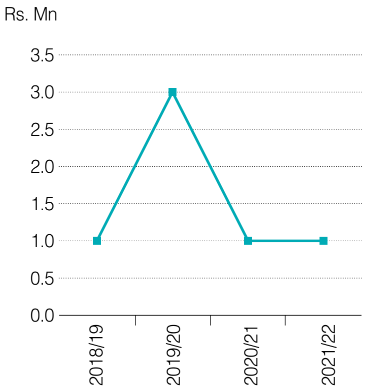
Unexpected outbreak and spread of new variants of the COVID-19 disease

Company Approach

Keeping up-to-date on developments regarding new variants and other safety and health matters while understanding the health and safety concerns of employees and other stakeholders

Environmental Performance Indicators

Environmental Sustainability Initiatives



Key Risks and Challenges

- Implementing new rules and regulations to adhere to environmental sustainability
- Acceptance and adoption of technology to reduce paper-based processes

Company Approach

As a financial services company, one of the key usages remains paper, and the Company is focused on reducing paper by converting paper-based processes to electronic formats and encouraging good practices when paper use is required

INTEGRATED BUSINESS MODEL

Inputs

FINANCIAL CAPITAL

- Shareholder's Funds **Rs. 10.65 Bn**
- Deposits **Rs. 41.02 Bn**
- Assets **Rs. 77.69 Bn**

MANUFACTURED CAPITAL

- Investment in PPE **Rs. 226.62 Mn**
- Investment in IT **Rs. 63.06 Mn**
- **54** island-wide customer touch points

INTELLECTUAL CAPITAL

- Brand Value **Rs. 1,283 Mn**
- Credit Rating (SL) BBB+ with Stable Outlook
- Three new awards received

HUMAN CAPITAL

- **1,271** Employees
- **520** new recruitments
- Salaries and benefits paid increased by **31.43%**

SOCIAL AND RELATIONSHIP CAPITAL

- **9,429** Deposit customers and **76,502** Lending customers
- Invested in **8** CSR projects

NATURAL CAPITAL

- Electricity Consumption : **1,186,067 KwH**
- Water Consumption : **15,640 m3**

Value Creation Process

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

Business Activities:

Lending:

Disbursement of Credit across a diverse customer segments

Strategic Focus Areas

Sustainable Business Growth

Internal Process Efficiencies

FINANCIAL CAPITAL

- Total Assets increased by **40.78%**
- Lending portfolio increased by **37.53%** to **Rs. 65.66 Bn**
- Net interest income **Rs. 5.70 Bn**
- ROE increased to **30.91%**
- Deposit base increased by **27.51%**

MANUFACTURED CAPITAL

- Property, Plant & Equipment increased by **23.13%**
- Investment in IT hardware increased by **52.56%**

Stakeholders Impacted

Shareholders

Customers

Outputs

MISSION

Our work ethics involves 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

Deposit mobilization:

Obtaining deposits through our branches

- **Rs. 48.25 Bn** in Loans disbursed
- **Rs. 8.85 Bn** increase in customer deposits
- **Rs. 2.85 Bn** interest paid to deposit holders
- Enhanced skills and knowledge of **997** employees
- **8** New branches opened
- **Zero** retrenchments or pay cuts

Enhanced Customer Experience

Strong Financial Performance

Employee Satisfaction

INTELLECTUAL CAPITAL

- Awarded '**Best Auto Finance Company 2021**' at the 11th Global Banking and Finance Awards
- Recognized as the '**Best Finance Company 2021 & 2022**' by the Global Economics Awards

HUMAN CAPITAL

- **520** new recruits
- Retention rate is **70.38%**
- Employee base increased by **19.12%**
- Revenue per employee **Rs. 9.49 Mn**

SOCIAL AND RELATIONSHIP CAPITAL

- Deposit customers increased by **13.43%**
- Lending customers increased by **17%**
- Engaged in **8** CSR projects

NATURAL CAPITAL

- Increased paper recycled by **38.87%**
- Overall Fuel consumption is **19,124** Litres
- **14.20%** decrease of paper usage at Head Office

Outcomes

Employees

Business Partners

Society/Community

Regulatory

OPERATING ENVIRONMENT OVERVIEW

Global Economic Performance and Outlook

The year 2021 and the early part of 2022 continued to be impacted by the COVID-19 pandemic which saw emerging variants of the virus spreading throughout nations requiring recurrent lockdowns, restrictions on mobility, and the need for maintaining good health practices. However, the overall impact seen was relatively reduced compared to the initial outbreak due to the availability of vaccines across nations and the acceptance of the same by most of the world's population. Still, the pandemic caused a delay in return to normalcy in many world economies leading to continued disruptions of the global supply chains and increasing inflation. Governments retained a favourable policy stance, and, in many instances, these policy trade-offs became more complex causing difficulty in reversing such policies while risking longer-term economic growth prospects.

By 2022 economic growth prospects were further reduced due to emerging and continuing factors. These included rising crude oil prices; soaring inflation in the United States, many emerging markets, and developing economies; the war in Ukraine; enduring cutbacks of China's real estate sector and the increasing lockdowns in China; tightening of monetary policy in many countries; and the slower-than-expected recovery of private consumption. The substantially rising fuel and food prices also increase the risk of social unrest in emerging market and developing economies. Resultantly, the International Monetary Fund (IMF) has continued to revise global growth projections, settling on an estimated 6.1% growth for 2021 and projecting a 3.6% growth in 2022 according to its World Economic Outlook released in April 2022.

Sri Lankan Economic Performance and Outlook

The economy achieved recovery in 2021, growing in real terms by 3.7% compared to the 3.6% contraction recorded in 2020 despite the continuing impacts of the COVID-19 pandemic and its emerging variants. The government's efforts to vaccinate the population and the favourable policy measures enacted by the Central Bank of Sri Lanka (CBSL) supported economic growth, ensured market liquidity, reduced the impact on the public and private sector industries, and ensured uninterrupted provision of public services, utilities and goods and services to the public as well as other essential supply chains. Thus, all sectors recorded growth, although the recovery seen in the travel and tourism industry was minimal as best. The agriculture, forestry, and fishing sector grew by 2%, the industry sector grew by 5.3%, and the services sector grew by 3%. Growth in the services sector was mainly supported by growth in information technology-related services, telecommunications, and financial services.

Consumption expenditure increased to 9.9% at current prices in 2021, compared to the 2% growth recorded in 2020. The increase was mainly due to the 10.8% growth in household consumption expenditure in 2021 compared to the 1% recorded in 2020. Domestic savings grew substantially by 20.3% due to the increase in private savings.

However, the last few months of 2021 saw deterioration in economic stability mainly due to deteriorating domestic foreign exchange market liquidity. The slow recovery of the travel and tourism trade, subdued earnings from remittances, slow conversion of export proceeds, increasing import expenditure, and sovereign rating downgrades were key contributing factors. Furthermore, the money market liquidity turned from a surplus to a deficit mainly due to foreign debt repayments and the reversal of the accommodative monetary policy stance.

While expectations remain for economic recovery in 2022, the growth may be lower than initially expected. The unprecedented socio-political tensions in early 2022 together with the further deterioration of economic stability continue to negatively impact key economic indicators. The rising inflation levels, high-interest rates, continuing steep depreciation of the Sri Lankan rupee, and the shortage of fuel and essential food add to existing economic issues. The ongoing efforts to resolve economic turmoil, social unrest, and political instability are a step in the right direction to stop the current downward spiral and restore stability to the nation in the medium term.

Inflation

Headline inflation, as measured by the CCPI and NCPI recorded steep increases in 2021. The increase was largely due to food inflation although non-food inflation also accelerated in 2021. The accelerated inflation levels resulted from the disruptions to global and local supplies driven by the pandemic lockdowns and restrictions, loss of domestic production time, rapidly rising global commodity prices, upward revisions to administered prices, and the removal of maximum retail prices. The worsening state of the economy with a shortage of essential items and fuel supplies worsened year-on-year headline inflation levels by March 2022. The core inflation based on both CCPI and NCPI also recorded significant increases in 2021 reflecting the lagged effect of significant monetary accommodation and the underlying demand pressure.

[1] Source: World Economic Outlook Update, January 2022, IMF.

[2] Source: World Economic Outlook, October 2021 & April 2022, IMF

[3] CBSL Annual Report 2021

	Headline Inflation		Core Inflation	
	CCPI	NCPI	CCPI	NCPI
End 2020	4.20%	4.60%	3.50%	4.70%
End 2021	12.10%	14.00%	8.30%	10.80%
Mar-22	18.70%	21.50%	13.00%	17.30%

Exchange Rate

The Sri Lankan rupee recorded a 7% depreciation in 2021 mainly due to the efforts by the CBSL to maintain a stable exchange rate despite rising inflation levels and increasing pressure on the external sector. However, by early March 2022, the CBSL brought in a policy of more flexibility in the exchange rate due to the severity of the external shocks experienced coupled with the increasing negative impacts from developments in global and domestic economies. This caused further depreciation of the Sri Lankan rupee, albeit in a managed manner. However, the large pressures observed in the domestic foreign exchange market exerted undue pressure on the rupee resulting in a 33% depreciation by end of March 2022, a trend that continued until mid-May 2022.

Interest Rate

The CBSL maintained low levels of interest rates since 2020 to manage the impacts of the pandemic. However, rising inflation levels, prevailing vulnerabilities in the external sector, imbalances in the financial markets, inconsistencies between interest rates of the rupee and foreign currency deposits in the market, and other emerging market pressures caused the CBSL to tighten monetary policies by mid-August 2021. Since then, interest rates that were the lowest recorded historically until August 2021 have been steadily increased by the CBSL.

Further worsening economic conditions with rapidly rising inflation levels and the steeply declining rupee together with the collective demand pressures, elevated prices of commodities globally, and domestic supply disruptions resulted in the CBSL making the highest single-day adjustment in exchange rates in recent history by increasing the policy interest rates by 700 basis points in early April 2022.

Impact on Vallibel Finance

The proactive approach adopted together with the lessons learnt from the past, supported Vallibel Finance's growth trajectory in the financial year under review. However, the steep increase in interest rates recorded at the start of the financial year 2022/23 will likely have a lasting impact on the Company's lending portfolio growth and reduce interest income earnings in the forthcoming year.

However, the Company remains positive that its reputation as a strong and reliable financial services provider together with the robust and strict processes in place to identify the creditworthiness of new customers will facilitate the Company's management of a reliable portfolio growth while maintaining low levels of non-performing loans. (NPLs). Furthermore, the expectation remains that the CBSL will implement policy measures to curb the build-up of demand-driven inflationary pressures and reverse the adverse impact on interest rates and other key economic indicators to support economic recovery and growth in 2023.

August 2021	September 2021	December 2021	January 2022	March 2022	April 2022
Standing Deposit Facility Rate (SDFR) increased by 50 basis points to 5%	Standing Lending Facility Rate (SLFR) increased by 4% on all rupee deposit liabilities of Licensed Commercial Banks (LCBs)	Interest rate applicable on the special mortgage-backed housing loan scheme for salaried employees was revised and linked to a variable interest rate	SDFR increased by 50 basis points to 5.50%	SDFR increased by 100 basis points to 6.50%	SDFR increased by 700 basis points to 13.5%
Standing Lending Facility Rate (SLFR) increased by 50 basis points to 6%			SLFR increased by 50 basis points to 6.50%	SLFR increased by 100 basis points to 7.50%	SLFR increased by 700 basis points to 14.5%
Introduced a ceiling limit on interest rates on foreign currency deposit products of LCBs and the National Savings Bank (NSB)				The maximum interest rate levied on foreign currency deposits of LCBs and the NSB was also removed	
				Upwards revision of the maximum interest rates of domestic lending products i.e., credit cards, pre-arranged temporary overdrafts, and pawning facilities	

OPERATING ENVIRONMENT OVERVIEW

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

	2021	2020	2019	2018	2017
Assets					
Total Assets (Rs. Bn)	1,487.70	1,401.60	1,432.70	1,431.30	1,355.00
Loans and Advances (Net) (Rs. Bn)	1,142.50	1,039.80	1,102.70	1,137	1,057.10
Gross Non-Performing Advances to Total Advances (%)	11	13.9	10.6	7.7	5.9
Net Non-Performing Advances to Total Advances (%)	2.7	4.2	3.4	2.4	1.5
Liquidity					
Total Deposits (Rs. Bn)	783.3	748.6	756.7	716.8	686.7
Total Borrowings (Rs. Bn)	325.9	328	405.6	463.8	396
Regulatory Liquid Assets to Total Assets (%)	9.7	9.2	8.6	7.6	8.9
Regulatory Liquid Assets to Deposits & Borrowings (%)	14.1	13	11.3	9.6	11.7
Capital					
Capital (Rs. Bn)	304.0	248.1	203.2	183.7	169.7
Core Capital (%)	15.5	14.5	11.1	9.9	12.4
Total Risk-Weighted Capital (%)	17	15.7	12.5	11.2	13.1
Earnings					
Interest Income (Rs. Bn)	217	228.5	259.8	241.5	231.5
Net Interest Income (Rs. Bn)	131.4	111.2	117.4	108.8	102.7
Profit Before Tax (Rs. Bn)	82.7	26.6	32.8	39.7	43.2
Return on Assets (Annualised) (%)	5.4	1.7	1.4	2.7	3.2
Return on Equity (Annualised) (%)	20.2	6.1	7.5	12.1	16.1

Total Assets

The sector's total assets grew by 6.1% to Rs. 1,487.7 Bn by the end of 2021 compared to the 2.2% decline achieved in 2020. Total assets of the sector represented 5.6% of Sri Lanka's financial system in 2021 compared to 5.9% recorded in 2020. Growth was driven by the loans and advances portfolio which accounted for 76.8% of the sector's total assets.

Loans and Advances Portfolio

The loans and advances portfolio of the sector grew by 9.9% to Rs. 1,142.5 Bn in 2021 compared to the 5.7% decline recorded in 2020. Finance leases continued to have the largest share of the total loans and advances portfolio accounting for 48.3% by the end of 2021. The increase in other secured loans and advances and pawning activities contributed to the growth of the loans and advances portfolio. However, the leasing portfolio recorded a decline as the government imposed restrictions on the importation of motor vehicles as a measure to restrict foreign exchange outflows.

Investment Portfolio

The sector's investment portfolio recorded only a marginal increase of 5.4% to Rs. 167.4 Bn during 2021 compared to the 20.2% growth recorded in 2020. The slower growth is attributed to the increasing investments in government securities maturing in less than 12 months and the decline of other assets of the sector. The other assets, mainly including cash and cash balances with banks and financial institutions, declined by 12.4% in 2021 compared to the increases recorded in the previous two years. The lower growth is also attributed to the rising interest rates from August 2021 which changed consumer sentiment and investment trends.

Deposit Base and Other Liabilities

Customer deposits recorded a turnaround in 2021, growing by 4.6% to Rs. 783.3 Bn compared to the 1.1% decline recorded in 2021. Borrowings declined by 0.6% in 2021 amounting to Rs. 325.9 Bn compared to the 19.1% decline recorded in 2020. Capital elements also recorded a marginal growth of 22.5% in 2021 compared to 22.1% in 2020. Thus, the total liabilities of the sector continued to be dominated by customer deposits with a 52.7% share. Borrowings accounted for 21.9% share of total liabilities while capital elements account for 20.4% share of total liabilities.

Income

The net interest income of the sector increased significantly by 18.2% to Rs. 131.4 Bn in 2021 compared to the 5.3% decline recorded in 2020. This is attributed to the decline in interest expenses by 27.1%. The sector's interest income continued its declined trend in 2021, recording a decline of 5% to Rs. 217 Bn compared to the 12% decline recorded in 2020.

However, both the sector's non-interest income and non-interest expenses recorded increases in 2021. Non-interest income grew by 54.7% to Rs. 49.5 Bn in 2021 compared to the 18.7% decline recorded in 2020. The main contributors to this growth were gains from trading or investment securities by

Rs. 1.2 Bn, service charges by Rs. 1.8 Bn, and default charges by Rs. 6.8 Bn. Non-interest expenses increased by 11.1% to Rs. 87.1 Bn in 2021 compared to the 16.4% decline recorded in 2020. Increases in non-interest expenses increased due to salaries, wages, and other benefits to employees increasing by Rs. 4.7 Bn; administrative expenses by Rs. 2.8 Bn; and other expenses by Rs. 3 Bn.

Profitability

The sector's profit after tax notably grew by 307.1% to Rs. 55.6 Bn in 2021, compared to the 6.1% decline recorded in 2020. The profit before tax also increased by 210.9% to Rs. 82.7 Bn in 2021, compared to the 18.9% decline recorded in 2020. The main contributor to increasing profitability was the growth in non-interest income during 2021.

Non-Performing Loans Ratio

The sector's gross non-performing loans ratio declined to 11% by the end of 2021 compared to the 13.9% increase recorded by the end of 2020. This was mainly due to the increased collection during the year resulting in a decline in non-performing loans by 13.9% at the end of 2021 compared to the 26.6% increase recorded at the end of 2020. Despite this decline, the sector's NPL ratio remains high. Similarly, the net NPL ratio declined to 2.7% by the end of 2021 compared to the 4.2% increase recorded by the end of 2020.

Capital Structure

The sector showed resilience by maintaining the capital requirement above the minimum regulatory requirement during 2021. The sector's capital base grew during 2021, recording Rs. 251.6 Bn by the end of the year, compared to Rs. 218.9 Bn recorded at the end of 2020. This increase was due to several LFCs infusing new capital to meet the Rs. 2 Bn regulatory requirements by 01 January 2021 and the Rs. 2.5 Bn regulatory requirements by 01 January 2022. Consequently, the total capital and core capital ratios improved in 2021, increasing to 17% and 15.5%, respectively.

Outlook 2022 of the LFCs and SLCs Sector

The sector's performance in 2022 is uncertain and it remains to be seen if growth momentum can be retained in the forthcoming year. Interest rate increases, together with the price instability and the depreciation rupee will have far-reaching consequences for the financial sector, especially the banks. The LFCs and SLCs sector too will experience rising interest expenses while the possibility of declining interest income is high. The prolonged restrictions on the importation of motor vehicles will continue to negatively impact the leasing portfolio of the sector.

Reforms being planned by the CBSL for the sector are a positive step to increase sector credibility. The continued focus on the timely implementation of the Financial Sector Consolidation Masterplan (Masterplan) to build strong and stable LFCs in the medium term, with the objective of safeguarding depositors of the non-bank financial institutions sector is also a positive for the industry's future sustainability.

Impact on Vallibel Finance

The recovery of the sector had a positive impact on the growth of Vallibel Finance for the financial year ended 31st March 2022. Together with the Company's high-quality assets, proactive approach to achieving sustainable growth, and credibility within the industry, Vallibel Finance continued to achieve remarkable growth in total assets, customer deposits, and the loans and advances ratio. Additionally, the NPL ratio which the Company has been maintaining well below the industry standards further improved during the year. The growth achieved by the Company re-iterates the fact that a positive industry operating environment can further enhance individual organization growth trajectory and allow the sector to remain sustainable in the long run.

STAKEHOLDER ENGAGEMENT

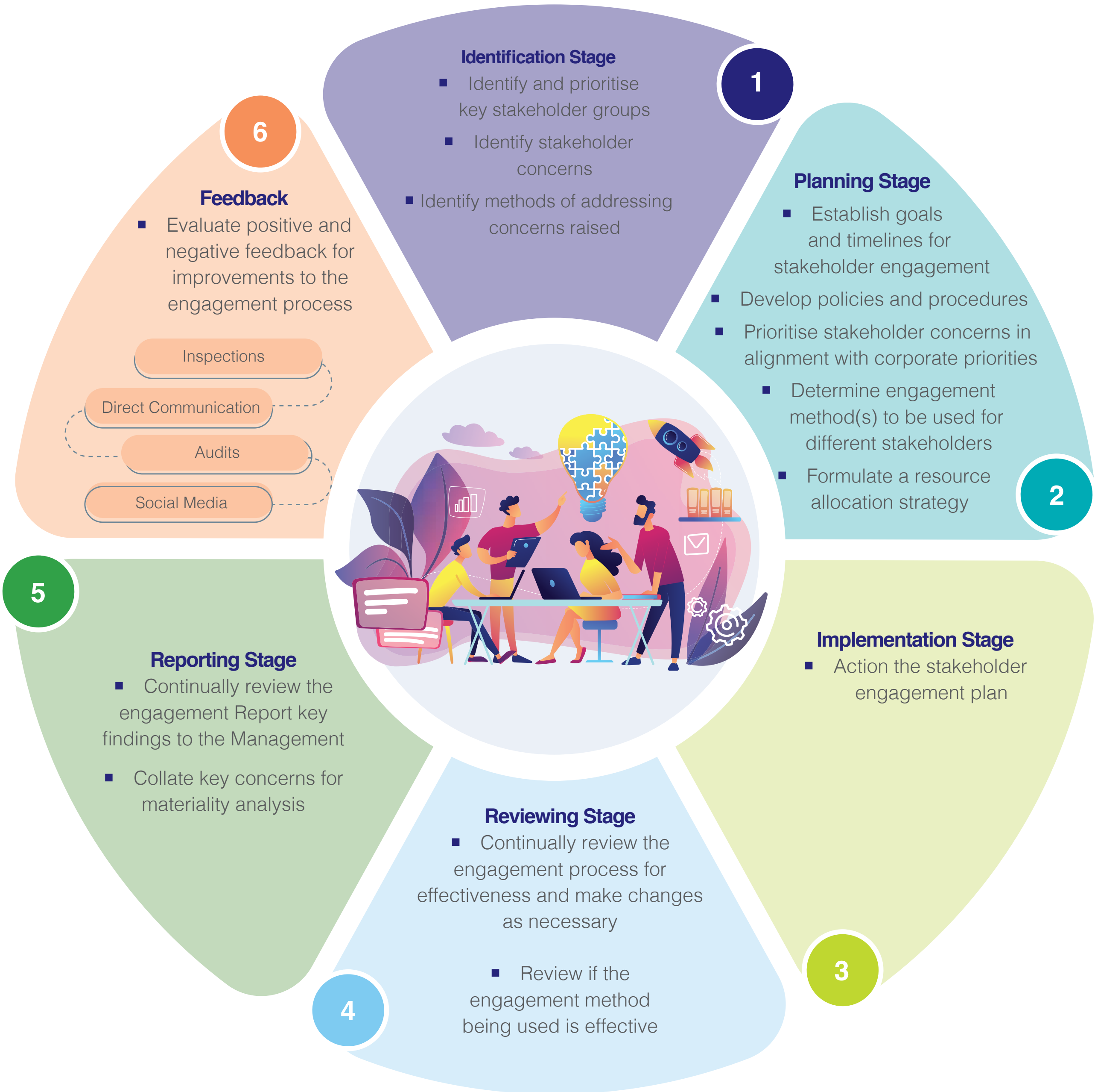
Engaging with stakeholders is a critical aspect of operating a sustainable business that continually meets the needs and expectations of our customers, employees, shareholders, business partners, and other stakeholders. Understanding and agilely changing strategies in a rapidly changing operating environment requires the Company to maintain a continuous and open dialogue with all our stakeholders. This is the basis on which we create value across stakeholder groups while managing the changes brought forth by emerging trends and unexpected and uncontrollable external market developments. While Vallibel Finance continues to build stakeholder relationships, our efforts to engage with all stakeholders support the Company's ability to manage the magnitude and impact of various changes while guaranteeing our ability to remain viable in the long run as we deliver sustainable value to our stakeholders and in turn, derive business value from them.

The Company has over the years implemented several formal communication methods to constantly engage with our stakeholders. In the last two years, we relooked at our engagement methodologies to identify new and virtual methods to overcome challenges created by the outbreak of the COVID-19 pandemic and the requirement to reduce direct contact. Thus, strategic changes to communication and engagement were made as relevant resulting in changing the frequency and way we engaged with our stakeholders.

As a financial services business, the Company remains transparent and ethical in our stakeholder engagement process and our communications with stakeholders continue to derive sustainable value for all parties concerned.

The Vallibel Finance Stakeholder Engagement Process

The Company's stakeholder engagement process enables us to better understand stakeholder concerns and address them appropriately to the satisfaction of stakeholders and the business. This process has enabled Vallibel Finance to create trustworthy relationships with all stakeholder groups who in turn continue to remain loyal to the Company.

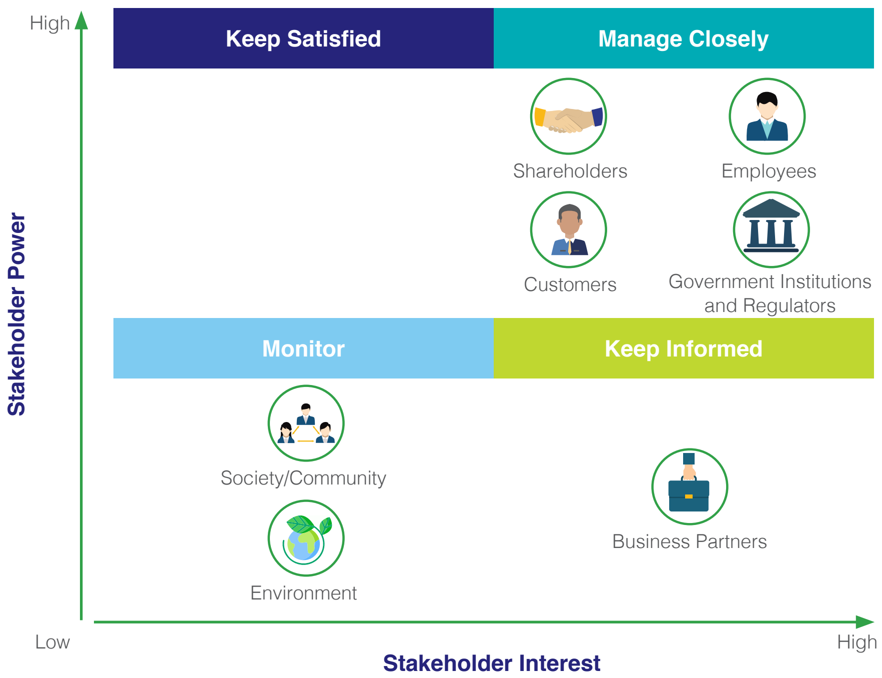


The Company's holistic stakeholder engagement process and the results obtained thereof, enables Vallibel Finance to identify stakeholder influence and begin the materiality analysis process. The input from our stakeholders enables us to identify the relevant material topics that will support the value creation process while balancing them with Company expectations to enable year-on-year sustainable business growth. For detailed information about the Vallibel Finance materiality analysis process and the final list of material topics, refer to pages 58 and 63 of this annual report.

STAKEHOLDER ENGAGEMENT

Identifying Stakeholder Influence

As part of our stakeholder engagement process, the Company categorises our stakeholders using a power/interest matrix to support and enrich the management decision-making process and accurately identify the materiality of the different stakeholder groups and their impact and influence on the sustainability of our business operations. This process helps to strengthen the underlying fundamentals revolving around the Company's sustainable value creation process while delivering enhanced value to our stakeholders.



Overview of Stakeholder Engagement for FY 2021/22

Stakeholder	Customers	Shareholders	Employees	Government Institutions and Regulators	Business partners	Community & Environment
Engagement Mechanisms	Website, Press Release, Quarterly Financial Statements, Annual Report			Meetings, Social Media, Written Communication, Electronic Media		
Key Concerns	▪ COVID-19 pandemic ▪ Moratoria as given by the CBSL ▪ Accessibility and convenience	▪ Business continuity ▪ Health and safety risks ▪ Plans for sustainable growth	▪ Work-life balance ▪ Remuneration and other benefits ▪ Opportunities for career progression	▪ Pandemic relief for customers ▪ Compliance with laws and regulations ▪ Good corporate governance and business ethics	▪ Timely payment settlement ▪ Transparency ▪ Fair deals	▪ Ethical business conduct ▪ CSR activities ▪ Empowering local communities

Stakeholder	Customers	Shareholders	Employees	Government Institutions and Regulators	Business partners	Community & Environment
Key Concerns	▪ Financial stability ▪ Service efficiency	▪ Healthy financial performance ▪ Risk Management ▪ Ethical and transparent business operations	▪ Enhancement of skills and knowledge ▪ Greater concerns on occupational health and safety due to COVID-19	▪ Local expansion ▪ Complying with recommended practices to curb the spread of the pandemic	▪ Competitive price and bidding ▪ Responsible and fair procurement practices ▪ Continuity and sustainability of business operations	▪ Resource optimisation ▪ Responsible financing ▪ Inclusive and non-discriminatory business practices
Our Response	1. Offered continued safe and secure service experience despite COVID-19 pandemic 2. Followed government safety protocols at points of contact 3. Assisted customers to obtain moratoria 4. Restructured facilities 5. Ensure any disputes and issues raised are satisfactorily resolved	1. Sound financial performance 2. Prudent risk management 3. Ethical lending 4. Sustainable financing options 5. Review and update corporate governance mechanisms	1. Job Security despite the pandemic situation 2. Work from home arrangements 3. Sponsored staff transport 4. Paid salaries despite economic uncertainty 5. Safer workplace with adequate health and safety protocols in place	1. Adherence to regulatory changes 2. Timely payment of taxes and other dues 3. Strengthen compliance and risk management controls 4. Attend meetings with regulators 5. Timely filing of returns	1. Review and update contracts 2. Maintaining proper credit terms 3. Managing relations for long term partnerships 4. Transparent and inclusive partner selection process 5. Timely settlement of invoices	1. Supporting the well-being of the community 2. Implementing COVID-19 awareness and safety campaigns 3. CSR initiatives to support community development and growth

MATERIALITY ANALYSIS

The Company embarks on materiality analysis to enable us to make informed decisions to meet our stakeholders' needs. Accordingly, we consider an issue to be material if it can potentially impact our financial performance, the sustainability of our business performance, and our ability to generate long term stakeholder value. Material issues are raised by feedback received from our stakeholders and changes in the operating environment. These are critical for the business as they could have a serious impact on the Company's operations. The outbreak of the COVID-19 pandemic in 2020 and its ensuing impact to date, has raised several unprecedented challenges with considerable repercussions on the Company's operations and its material topics.

In the year under review, the Company re-evaluated our material topics and assigned importance based on the level of impact aligned to continuous changes to our operating environment and stakeholder expectations. Furthermore, our materiality analysis also enabled us to identify new topics of concern as raised by our stakeholders and the Company.

Additional material issues identified for the Financial Year 2021/22

- Employee Health and Safety
- Customer Health and Safety
- Complaint Management

Our Material Topics Evaluation Process

Our materiality analysis process enables the Company to effortlessly identify key material topics and rank them based on importance to stakeholders and the Company. Based on the materiality analysis conducted for the financial year under review, the following topics were identified as material to both the Company and our stakeholder's together with its impact on our operations, business partners, and the wider socio-economic environment.

Materiality Analysis

Impact on the wider socio-economic environment

- Ethics, Compliance and Good Governance
- Community upliftment
- Commitment to the environment
- Financial Inclusion

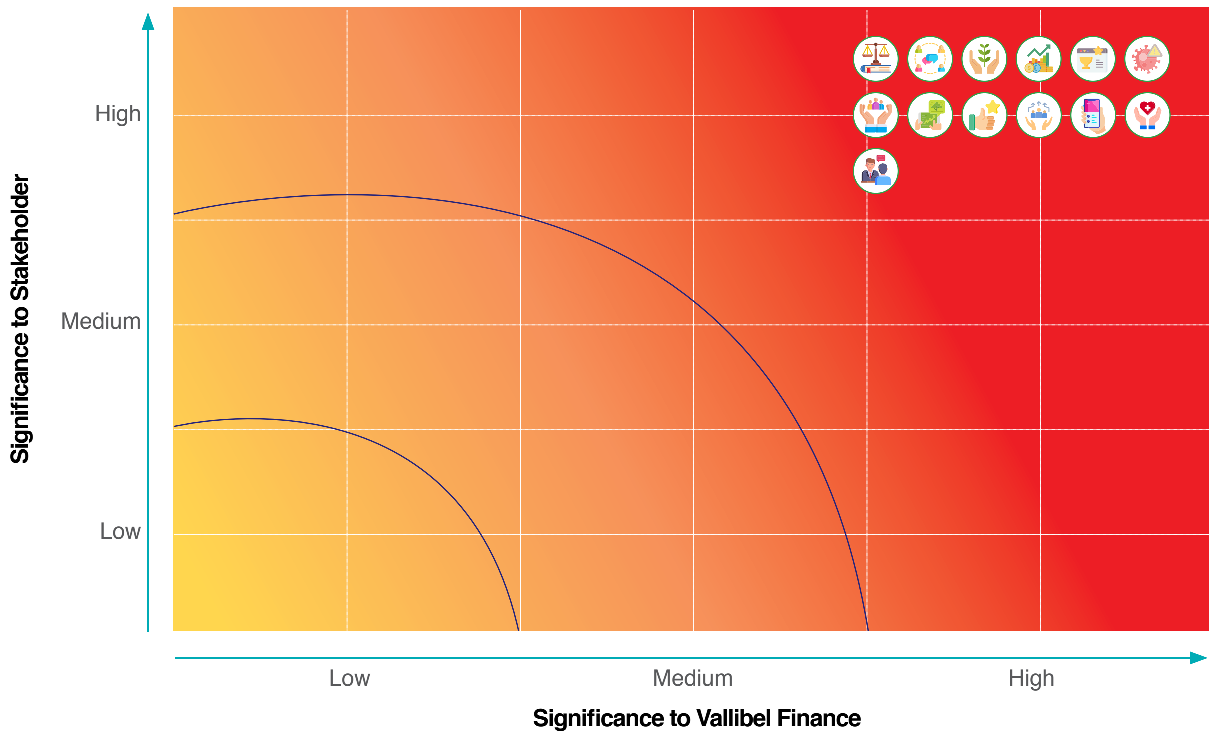
Impact on business partners

- Company brand and reputation
- Impact of COVID-19 pandemic on business operations
- Safety of our Customers

Impact on our Business Operations

- Sustainable growth of earnings
- Customer satisfaction
- Managing Human Resources
- Technology-driven innovation
- Safety of our employees
- Complaint Management

Materiality Matrix



MATERIALITY ANALYSIS

Materiality Impact Matrix on Capitals and Stakeholders

Material Topic	Importance	Objectives	Related GRI to Material topic	Related Capital	Related Stakeholder
Sustainable Growth of Earnings 	As a leading financial institution in Sri Lanka, we must strike a balance between our financial performance and our ability to provide appropriate business outcomes to meet the needs of all stakeholders. This ensures the Company's long term sustainability, improves trust in the financial system, and safeguards the Company against uncertainties.	Improve business margins and create sustainable shareholder value Demonstrate sector leadership by adopting innovative and sustainable business practices	GRI: 201 Economic Performance GRI: 202 Market Presence GRI:203 Indirect Economic Impacts GRI: 204 Procurement Practices	  	   
Customer Satisfaction 	Following a customer- centric approach lays the foundation on which we derive long term customer relationships ensuring future business growth	Meet customer expectations and strive to achieve 100% customer satisfaction every time and always	GRI: 417 Marketing and Labelling	 	 
Company Brand and Reputation 	To differentiate the Company from competitors and develop a national brand which attracts new customers and employees while enabling the Company to remain viable in a highly competitive industry.	Create brand awareness through clear transparent communication to enable customers to make informed decisions	GRI 206: Anti-competitive behaviour		 

Material Topic	Importance	Objectives	Related GRI to Material topic	Related Capital	Related Stakeholder
Ethics, Compliance, and Good Governance	Complying with legal and regulatory requirements and operating in good faith in line with industry best practices strengthens the legitimacy of the business and enhances the VFIN brand reputation in the market.	Maintaining high ethical standards, responsible lending practices, proactive risk management and fair treatment of employees, customers and other stakeholders in compliance with legal and regulatory frameworks and other best practices applicable to the non-banking financial services sector	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		
Managing Human Resources	An agile and highly skilled workforce is vital to ensure business continuity and maintain competitive advantage	Develop human capital to complement the Company's long term aspirations	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		
Commitment to the Environment	It is the Company's civic duty to ensure the natural environment and non-renewable natural resources are safeguarded for future generations.	Consider the impact of our operational decisions on society	GRI 302 Energy GRI: 303 Water and Effluents GRI: 306 Effluents and waste		

MATERIALITY ANALYSIS

Material Topic	Importance	Objectives	Related GRI to Material topic	Related Capital	Related Stakeholder
Community Upliftment	The Company must ensure communities and the society within which -we operate our business is assisted either directly or indirectly.	Offer rural communities the benefits of the formal financial system	GRI 413: Local Communities		
Impact of COVID-19 pandemic on business operations	The unprecedented start and spread of the SARS-CoV-2 virus (COVID-19) in 2020 causing a pandemic changed the business operating landscape and created critical health concerns for all stakeholders.	Our COVID-19 response focused on ensuring the health and safety of our employees, customers, broader stakeholders and community at large. In addition, through our immediate actions, we ensured the continuity of our business operations	GRI 416: Customer Health and safety GRI 403: Occupational health and safety		
Inclusive Finance	Making financial inclusion a priority to help the nation to prosper by the creation of more jobs, improvement of income levels and standard of living, and to aid economic prosperity.	▪ Prioritise financial inclusion of lower-income demographics ▪ Support individuals striving to better their livelihoods ▪ Enable small and medium-sized businesses to grow and succeed	GRI: 201 Economic Performance GRI:203 Indirect Economic Impacts GRI 413: Local Communities		
Technology-Driven Innovation	In today's technology-driven world, technological innovations will propel operational changes and satisfy the needs of technology-savvy employees and consumers leading to the sustainability of the business.	Leverage on technology and innovation to remain competitive and lead the industry in the creation of value	GRI 418: Customer privacy GRI 404: Training and education		

Material Topic	Importance	Objectives	Related GRI to Material topic	Related Capital	Related Stakeholder
Complaint Management	Customer complaints showcase the gap in the Company's service-oriented culture and must be closely examined to ensure maintaining satisfied customers.	The effective and efficient management of customer complaints, including taking responsibility to address the root cause and thereby eliminate the possibility of recurrence	GRI 418: Customer privacy		
Customer Health and Safety	The outbreak of the COVID-19 pandemic in 2020 created critical health concerns for customers requiring new and innovative ways to reach them and offer uninterrupted services	▪ Offer products and services by minimising health concerns or exposure to illnesses ▪ Use technology to reach customers safely with minimal physical contact	GRI 416: Customer Health and safety		
Employee Health and Safety	The COVID-19 pandemic brought to focus that the health and safety of employees is a critical success factor of our business operations.	Make employees feel safe and secure at the workplace	GRI 403: Occupational health and safety		

CRAFTING FOR PRECISION

Believing in innovation built on foresight and commitment, while simultaneously ensuring the creation of value to our stakeholders across Sri Lanka.

Capital Management Review

HUMAN CAPITAL

What

- All employees of the Company together with their access to knowledge, expertise, and innovative mindset
- Employees commitment to Vallibel Finance and their passion and drive to successfully implement our corporate strategies

Why

- Enables the achievement of business growth while generating value across external stakeholder groups and other capitals

How

- Enables the Company to be future ready
- Strengthens our resilience to change and the sustainability of our organisation
- Delivers an unparalleled customer experience
- Increases accessibility to financial services in the country

Material Aspect	Stakeholders Impacted			
Managing Human Resources	Employees			
Ethical Compliance and Good Governance	Regulatory	Customers	Business Partners	Society/Community
Empowering Employees	Employees			
Health and Safety	Employees	Customers		

Our Achievements

1,271
employee base, increasing the total number of employees by 19.12%

520
new employees

70.38%
retention ratio, retaining 751 employees

31.43%
increase in Salaries and Benefits

2,944 hours
Invested in training and development

Rs. 7.88 Mn
Invested in health and safety measures to protect employees amidst COVID-19 pandemic

SWOT Analysis

Strengths	Weaknesses
Experienced and efficient management team and employees Reputation as a equal opportunity and fair employer Long standing employees Recognition as a Great Place to Work®	High turnover amongst the younger generations

Opportunities	Threats
Technological advancements enabling streamlined management of human resources	New or changing employment regulations Shrinking workforce as the younger generation focused on migrating Inflation and increasing costs

Value Created in 2021/22

Inputs

- Salary and monetary/non-monetary benefits
- Training and development opportunities
- Career advancement prospects

Challenges

- Head hunting
- Striking a balance between employee interests and that of management
- Finding the "right fit" employees for different organisational roles

Key Outputs

- Workforce performance
- Diversity and inclusivity
- Equal opportunity employer
- Great Place to Work
- People-centric culture
- Employer of Choice

HUMAN CAPITAL

Creating Future Value

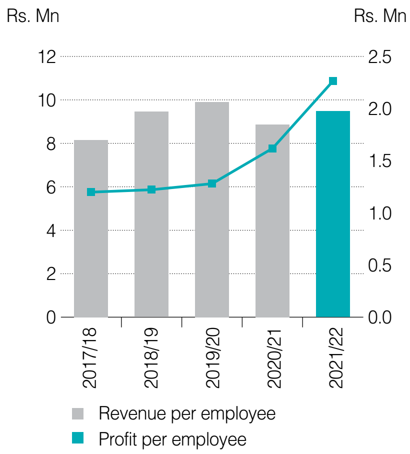
- Building a strong employer brand by following a people-centric approach to managing employees and interactions for sustainable value creation
- Continuing to focus on enhancing a learning organisational culture to support skills and knowledge developments of employees across all organisational levels
- Streamlining and fine-tuning our approach to talent management to enable the Company to attract, onboard, develop, motivate, engage, and retain high performing employees
- Creating more opportunities for employee empowerment and professional development thereby fulfilling the succession pipeline of the Company
- Continually improving mechanisms to enhance employee health and safety in the workplace to increase their trust in the Company and the management
- Incorporating enhanced systems and processes for performance-based rewards and recognition of employees for a satisfactory working experience
- Putting in place systems to foster a culture of work-life balance and well-being to satisfy both the personal and professional lifestyles of employees
- Implementing systems to increasingly create value for employees while deploying a fair and equitable human resource management approach for continued sustainability

Management Approach

The Vallibel Finance team is a fundamental driver of our value creation processes resulting in continued business growth and various business successes. Our workforce remained a key pillar of strength enabling the Company to serve our customers without interruptions during the COVID-19 pandemic and beyond. The Company identifies that our workforce supports corporate goal achievements while providing an unparalleled service to our stakeholders despite work disruptions and operating environmental challenges. The knowledge, experience, skills, competencies, and positive attitude of our employees remain crucial in driving competitive advantage while serving our customers to their expectations.

Accordingly, Vallibel Finance takes a strategic human resource management approach to focus on seamlessly integrating our human resource strategies, policies, and practices with our vision, mission, and corporate objectives for creating long-term returns for our employees who in turn contribute to the value creation process of the business and our stakeholders. This approach also supports the Company's efforts to create and add value to our employees' growth and prosperity by enabling us to offer them optimum rewards, job security, a conducive work culture, and a healthful and safe working environment. Our unique corporate culture together with our strategies has been successful in attracting and retaining highly-competent resource personnel while empowering them to succeed in their chosen careers and achieve their career goals and societal ambitions. As a Company dependent on our people to drive our strategies to fruition, we remain steadfast in our approach to creating value while overcoming prevailing and emerging environmental and macroeconomic challenges to sustain a motivated team engrossed in achieving personal, professional, and corporate goals synergistically.

Employee Productivity



The Company's investments in creating value for our employees while ensuring their professional and career advancement have created sustainable organisational returns in terms of sustained revenue and profitability growth over the years.

Our Holistic Approach to Managing Human Capital

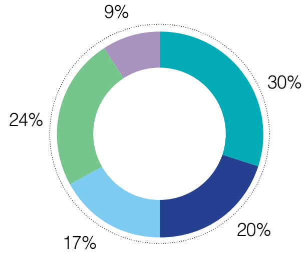
People-Centric Approach	Talent Management	Employee Well-Being	Learning and Development
Organisational culture	Recruitment and on-boarding	Health and safety	Increasing self-worth
Human Rights	Employee turnover	Employee management relations	Professional growth
Abiding by employment laws	Compensation and benefits	Grievance handling	Career progression
Fair and equitable treatment of people		Employee Empowerment	Succession planning
		Employee motivation and engagement	

The Vallibel Finance Team

The Vallibel Finance team comprises 1,271 diverse and committed employees who are our most treasured asset and the driving force behind the Company's many achievements over the years. Our team, spread across the eight provinces of Sri Lanka and its overseas operations, is multi-generational, multi-skilled, and gender diverse with many years of accumulated experience and knowledge in their chosen professions.

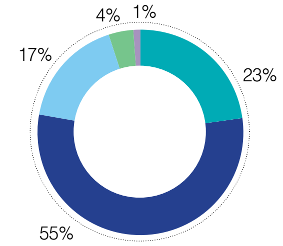
Employees' Years of Service			
No. of Years	**Male**	**Female**	**Total**
0 to 1 Year	247	139	386
1 to 3 Years	187	68	255
3 to 5 Years	135	77	212
5 to 10 Years	220	90	310
10+ Years	81	27	108
Total	870	401	1271

Employees' Years of Service as at 31st March 2022



Age Demographics			
No. of Years	**Male**	**Female**	**Total**
18-24 Years	191	102	293
24-34 Years	434	266	700
34-44 Years	187	26	213
44-54 Years	44	5	49
Over 54 Years	14	2	16
Total	870	401	1271

Age Demorgraphics as at 31st March 2022



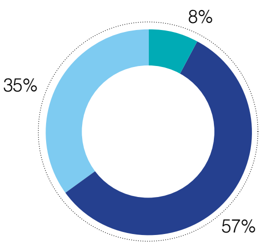
HUMAN CAPITAL

Employee Growth Over the Years

2022	1,271
2021	1,067
2020	979
2019	923
2018	849
2017	694
2016	600
2015	517
2014	433
2013	307
2012	208
2011	127

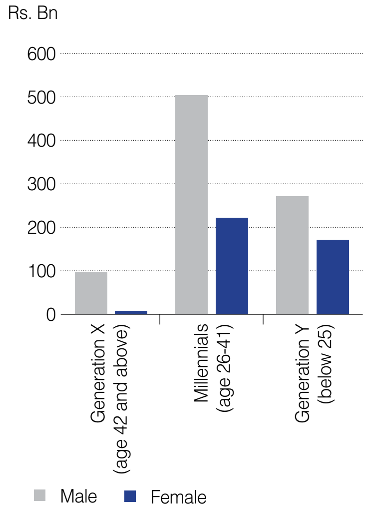
As of 31st March 2022, our employee base grew by 19.12% to 1,271 people.

Employee Breakup by Generation



The Company has a good mix of demographics enabling the millennials to steadily take the lead as they become the dominant generation to lead and guide the newer generations to succession in the future.

Employee Generation Breakup by Gender



Considering the nature of the business and the mix of Sri Lanka's workforce which is male-dominated, the Company has a good mix of males and females leading the path to sustainable growth.

Abiding by Statutory Laws, Regulations, and Compliances

The Company's corporate human resource policies are developed in concurrence with local laws, industry regulations, and other national and statutory regulations. By doing this, we are assured that all employees shall be treated fairly and ethically aligned to relevant employment laws of the country and the best practices of the industry. The Company ensures that we practice equal opportunity employment and accept employees' rights to enter into collective bargaining agreements and be unionised. Such practices have over the years enabled the Company to be recognised as a fair employer with a people-centric organisational culture with open management/employee communication channels. Vallibel Finance is 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's 'Employee Handbook' comprehensively explains all our human resource policies, processes, and systems, and is shared with all employees when first recruited to the Company. This Handbook acts as a guiding principle 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 reflects positively on the Vallibel Finance brand and reputation, and employee conduct at work and within the community at large.

During the 2021/22 FY, the Company appointed its' very first female Board Member who serves the Company as an Independent Non-Executive Director.

Trade Unions and Collective Bargaining Agreements

To date, the Company's employees have not entered into collective bargaining agreements. However, respecting the rights of every employee, Vallibel Finance ensures all employees have the freedom to negotiate terms and conditions of employment and join unions if they so desire.

Rights of Employees as Human Beings

Vallibel Finance emphasises the importance of employee and human rights as an integral part of our Company's human resource management processes. Employees must be treated fairly and their rights as human beings considered at every juncture of business operations is a mantra practised by the Company. We also ensure all employees are heard, their concerns regarding work, the working environment, and the people they work with are taken into consideration, and no unjustified force is used to require them to carry out work tasks against their personal, professional, or religious beliefs.

As part of our adherence to international human rights regulations, we strictly do not employ children in the workplace. We adhere to the laws which promote the abolition of child labour and do not employ anyone below the age of 18 years.

The Company is proud to have created a work environment where employees are free to express their opinions, share ideas, and make suggestions regarding work operations and systems to their immediate supervisors and managers. We also encourage employees to be open-minded and accept diversity in the workforce while promoting employee empowerment to support the dual goals of personnel development and increase organisational efficiency.

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 abide by this right without prejudice or discrimination.

As a staunch believer in non-discriminatory work practices, the Company works towards the elimination of discrimination at work and encourages diversity of the workforce where the various mix of backgrounds, skills, and experiences drive innovation and enable a sustainable competitive advantage for long term property. There were no incidents of discrimination reported during the year under review.

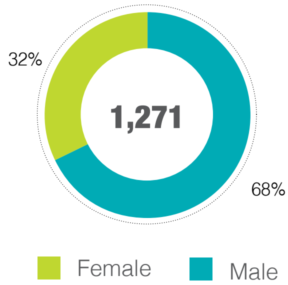
Equal Opportunity Employer

The Company is an opportunity employer, ensuring all employees receive equal treatment at the workplace while ensuring that the Vallibel Finance human resources processes including talent management, training and development, and rewards and recognitions follow a clear path of non-discrimination ignoring caste, ethnicity, gender, religion, age, political beliefs and/or disability.

HUMAN CAPITAL

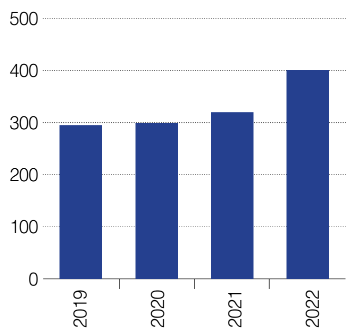
Total Employees by Gender as at 31st March 2022

Female
401
2020/21 - 320



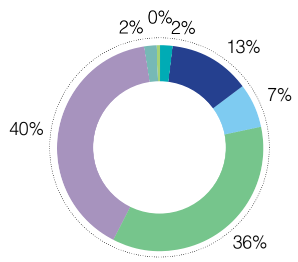
Male
870
2020/21 - 747

Composition of Female Employees



Vallibel Finance supports the growth of women in the workplace and has over the years put in place systems and processes that encourage women to join the workforce and take on responsible leadership roles that would pave the path for women in the workplace in the future.

Employees by Employee Category



Employee Categorisation by Region and Gender as at 31st March 2022

Region	Male	Female	Total
Central	46	15	61
North Central	39	12	51
North Western	55	25	80
Sabaragamuwa	67	21	88
Southern	55	25	80
Uva	26	9	35
Western	574	290	864
Northern	8	4	12
Total	870	401	1271

Central
15 46

North Central
12 39

North Western
25 55

Sabaragamuwa
21 67

Southern
25 55

Uva
09 26

Western
290 574

Northern
04 08

Employee Category	Male	Female	Total
Senior Management	18	1	19
Middle Management	165	6	171
Senior Executive	78	6	84
Executive/Junior Executive	301	159	460
Operational Staff	280	228	508
Clerical Staff	26	-	26
In-Plant Trainee	2	1	3
Total	870	401	1,271

Recruitment and On-Boarding

To remain competitive in the marketplace and to attract employees who have the appropriate skills, experience, and values required by our business model and growth ambitions, the Company has put in place a robust recruitment process that takes a holistic assessment of candidates to determine whether the person fits in terms of the position, our service model, and our values.

From a sourcing perspective, Vallibel Finance takes a multi-channel approach, where we use a combination of job-specific sourcing and selection strategies based on the nature of the talent we seek for each position. Due to the evolving nature of business, the required mix of skills and experience of new employees continue to evolve, and the Company considers these various aspects when we recruit people to our team to support our journey as a fast-growing financial institution of the future.

Once recruits receive their appointment with the Company, they undergo a rigorous orientation and induction process to help them understand and assimilate into the Vallibel Finance corporate culture and work ethics.

During the year under review, the Company recruited 520 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 involvement in fostering a fully employed nation with greater diversity. All members of the Senior Management are locally hired Sri Lankans.

New Recruitment by Region and Gender

Region	Male	Female	Total
Central	26	7	33
North Central	0	1	1
North Western	24	14	38
Sabaragamuwa	21	8	29
Southern	38	9	47
Uva	16	9	25
Northern	9	2	11
Western	211	125	336
Total	345	175	520
Percentage	66.35%	33.65%	100%

New Recruitment by Age Group and Gender

Age group	Male	Female	Total
18-24 Years	176	114	290
24-34 Years	125	57	182
34-44 Years	38	3	41
44-54 Years	4	0	4
54 + Years	2	1	3
Total	345	175	520
Percentage	66.35%	33.65%	100%

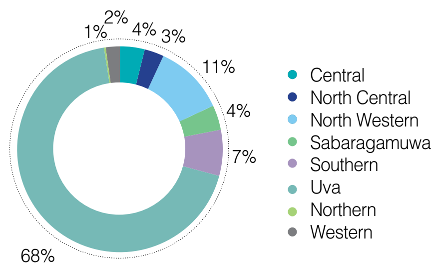
Employee Turnover

Employee turnover is a normal part of any business operation, with attrition taking place due to retirements, migration, employees changing their professional paths, higher educational aspirations, or succumbing to lucrative opportunities offered by other organisations. While accepting this fact, the Company works towards minimising employee attrition by adopting a work culture and other mechanisms aimed at keeping employees motivated and satisfied thereby leading to lower turnover levels. However, the changing demographics of the workforce and the fast-paced nature of today's operating environment coupled with the impatience of today's younger generations have caused challenges in retaining employees over the longer term. The Company thus continues to record employee turnover mainly within our marketing team amongst the younger generation mainly in the Western Province where many short term opportunities abound.

During the year under review, the employee turnover amounted to 27.03% with the attrition rate of men being higher than women.

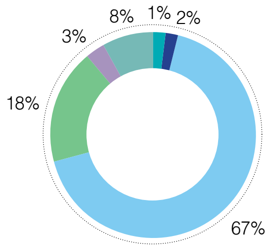
Region	Male	Female	Total
Central	12	1	13
North Central	6	5	11
North Western	27	9	36
Sabaragamuwa	9	3	12
Southern	19	3	22
Western	145	70	215
Northern	1	0	1
Uva	3	3	6
Total	222	94	316

Employee Trunover by Region



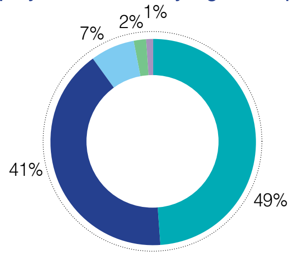
HUMAN CAPITAL

Employee Turnover by Employment Category 2021-22



Employee Category	Total	%
Clerical	2	1%
In-plant trainee	6	2%
Operational	213	67%
Junior Executive/Executive	58	18%
Senior Executive	11	3%
Middle Management	26	8%
Total	316	100%

Employee Turnover by Age Group



Age group	Male	Female	Total
18-24 Years	117	37	154
24-34 Years	77	53	130
34-44 Years	20	2	22
44-54 Years	5	1	6
54 + Years	3	1	4
Total	222	94	316

Learning and Development

Learning and development remain one of the key value-creating methodologies utilised by the Company for employees. Our focus on enhancing employee skills and knowledge stems from our belief that continuous learning benefits employees' career aspirations while creating personal value for them. The Company, therefore, continues to identify skill gaps and the need for enhanced expertise before developing training programs to reduce employee knowledge gaps. During the year under review, the Company was able to optimise investments in learning and development programs by conducting the majority via virtual platforms. As such, we invested only Rs. 0.062 Mn in conducting eighteen training programs for 997 employees, sixteen of which were conducted virtually to adhere to the health and safety protocols required by the health authorities due to the prevailing COVID-19 pandemic conditions. The overall average training hours was 2.31 hours per employee, a 306% increase compared to the previous year.

Compensation and Benefits

As a responsible employer, Vallibel Finance strives to create an environment where all employees understand how their contribution towards the achievement of corporate goals can influence their rewards and career prospects. The Company follows a fair, equitable, and industry-competitive remuneration and benefits policy where all employees are compensated based on three parameters: job profile, work performance, and commitment to corporate values. The Company adheres to all statutory remuneration, rewards, and leave requirements but ensures that all full-time employees are compensated aligned to market standards.

In addition to the mandatory maternity leave provided to employees as per Sri Lanka's employment laws, the Company also offers paternity leave. During the year under review, 24 employees were given parental leave, of which 21 took maternity leave and three received paternity leave. All three male employees returned to work on completion of their paternity leave. Of the 21 female employees, 18 have returned to work on completion of their maternity leave during the year under review. The balance of three employees still on maternity leave are expected to return to work in the financial year 2022/23. The return-to-work rate was 100% compared to 66.67% in the previous financial year. Of the 16 employees who took parental leave in the financial year 2020/21, 13 are still employed by the Company and exceed 12 months of work post completion of their maternity leave.

The following table summarises the compensation and benefits of all employees of the Company.

Key Monetary Benefits	As at 31st March 2021 Rs. Mn	As at 31st March 2022 Rs. Mn
Salaries and Bonus	892	1,199
Retirement Benefit Costs	32	51
EPF Payments	74	87
ETF Payments	18	21
Staff Welfare Expenses	52	47
Total	1,068	1,405

Non-Monetary Rewards

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 given by 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 together ▪ Branch-wise employee outings

Employee-Management Relations

Maintaining mutually conducive employee-management relations is integral to the Company's business success and growth. Accordingly, Vallibel Finance communicates with employees to ensure they are well-versed with organisational developments and are aware of any critical changes to operations. Our open communication culture with easy access to supervisors and the management fosters employee-management relations. The Company also has in place various formal and informal communication channels to connect with employees, share information, and receive feedback as required.

Key communication forums for employees are the monthly and weekly meetings held with the management. These meetings disperse information on important Company developments and allow employees the opportunity to share concerns, give feedback, and make suggestions through new learning and identified emerging opportunities.

HUMAN CAPITAL

Occupational Health, Safety, and Well-Being

As the country continued to operate with the changing nature of the COVID-19 pandemic during the year under review, the health and safety of our employees remained a foremost concern for the management of Vallibel Finance. Accordingly, we continued to emphasise the need for strictly following the health authority's recommended health and safety protocols and ensured relevant processes and systems were in place to safeguard our employees while they continued to fulfil their job responsibilities. The Company also put in place the following additional safety guidelines to ensure the safety of our employees with the minimal risk of infection.

- Implementation of work rosters and work from home arrangements to minimise the risk of cross-contamination.
- Dedicated transportation services for employees.
- Company-sponsored RAT and PCR testing for employees.
- Comprehensive daily sanitisation of office premises.
- Encouraging pre and post maternity mothers to work from home.

The Company's practice of giving unpaid leave to employees facing serious ailments was also in effect during the year under review. In total, 716 days of unpaid leave was given to 14 employees to recover from unexpected illnesses. Furthermore, during the year under review, the Company provided extended sick leave to 348 employees diagnosed with COVID-19.

As a financial institution, employees of the Company are not exposed to serious work-related injuries or illnesses. As such, during the year under review, no major incidents of job-related injuries were reported. The only underlying concern for Vallibel Finance was the outbreak of the COVID-19 pandemic which increased the health risk of our workers.

Grievance Handling

Managing employee grievances is an essential element of maintaining good employee/management relations as well as ensuring a motivated and content workforce. Thus, the Company encourages employees to be open and bring to the notice of the management any grievances they may have regarding work or working conditions and issues with colleagues, peers, or even supervisors. To facilitate such a culture, the Company maintains an open-door policy and ensures privacy when dealing with grievances so that employees are not inadvertently subject to any adverse consequences. Employees can raise their concerns to their immediate supervisor, department head, or the head of human resources.

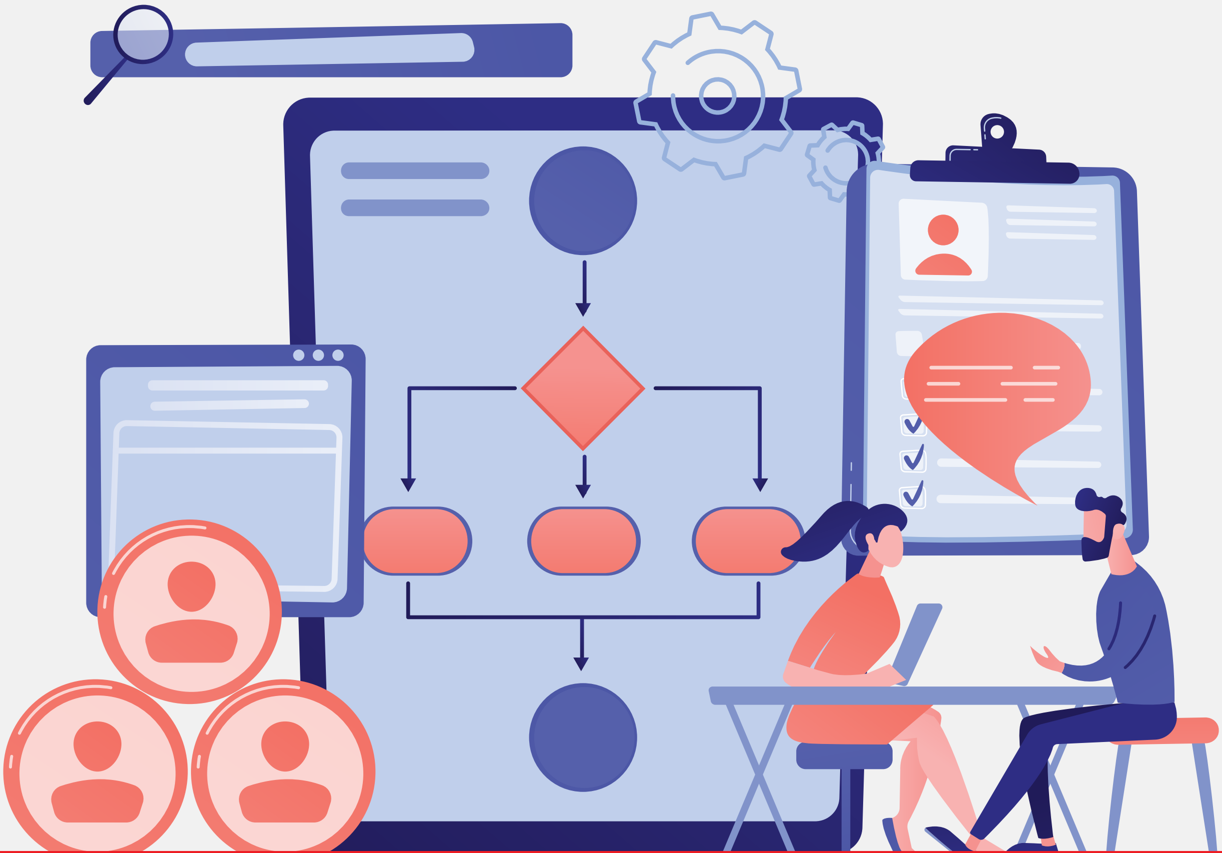
No major grievances were reported by employees during the year under review.

Employee Events

Considering the COVID-19 infected operating environment and putting the safety of our employees at the forefront, Vallibel Finance did not organise and execute any employee events for the year under review. The only large-scale event organised by the Company was our Annual Business Review Meeting held at the Kingsbury Hotel, Colombo on April 2, 2022, to ensure that key employees and decision-makers were allowed to understand the challenges and opportunities faced by the Company and proceed with developing an effective corporate strategy for the forthcoming financial year. The Company ensured that all prevailing health and safety protocols were adhered during this meeting.

Annual Business Review Meeting held at the Kingsbury Hotel

PEOPLE FOR PROWESS



HR Capital

Our people are the key in our story of success, and a testament to our imherent spirit of care, innovation and sustainability. They give us the strength to surpass expectations and bring in rewards for ability and innovation.

FINANCIAL CAPITAL

What

- The principal provider of funds enabling the Company to make investments in other capitals to create sustainable value across stakeholder groups
- Comprises retained earnings, short and long-term debt capital obtained from banks and other institutions, and deposits mobilised from the public.

Why

- Supports the creation of value for shareholders
- Enables business growth and sustainablity
- Adopting on sustainable financial capital strategies facilitate growth in business operations resulting in sustained year-on-year growth in earnings.

How

- Adopting a sustainable strategy for the diversification of funding sources
- Continually increasing business volumes
- Adopting measured to maintain and improve long terms asset quality
- Maintaining the NPL ratio below the industry average while striving to further reduce the Company's NPLs year-on-year
- Delivering consistent returns to shareholders

Material Aspect	Stakeholders Impacted			
Sustainable growth of Earnings	Shareholders	Business Partners	Customers	Regulatory

Our Achievements

30.13%
increase in shareholders' funds amounting to Rs. 10.66 Bn as at 31st March 2022

30.91%
of Return on Equity for the FY 2021/22

Rs. 77.69 Bn
of Total Assets with a growth rate of 40.68%

Rs. 68.60 Bn
Lending portfolio (gross) valued at Rs. 68.60 Bn with a growth of 36.98%

27.51%
of Deposit Base growth to record a Rs. 41.02 Bn as at 31st March 2022

2.73%
Non-Performing Loan (NPL) ratio was well below the industry average

SWOT Analysis

Strengths

Strong operational ratios

NPL much lower than industry levels

Strong and transparent balance sheet

Diversified business model across lending with a variety of lending products

Year-on-year improvements in key financial growth indicators

Vallibel Finance brand reputation in the industry

Weaknesses

Reliance on third parties to obtain information on market and economic developments

Opportunities

Capitalise on emerging opportunities to increase share of existing customer segments by offering beneficial terms and customised products

Public's understanding of the benefits of obtaining financial products leading to greater income

Threats

Monetary policies focus on curtailing the credit growth

Unstable players creating NBFI market turbulences and low public confidence

Highly competitive industry and market environment

Value Created in 2021/22

Inputs

- Implementing superior financial management through well-developed policies, processes, and procedures
- Strategic investment of funds to receive the highest possible returns within acceptable criteria
- Increasing deposit base
- Preserving the NPL ratio at low levels and below the industry average
- Delivering consistent returns to shareholders

Challenges

- Changing regulatory requirements
- Managing costs in an accelerating inflation-oriented operating environment
- Circumventing economic and industry vulnerabilities
- Optimal management of non-performing loans
- Elevated credit risk exerting pressure on earnings
- Managing NPL ratios in a climate of tightening monetary policies
- Optimal management of non-performing loans
- Elevated credit risk exerting pressure on earnings
- Managing NPL ratios in a climate of tightening monetary policies

Key Outputs

- Outstanding financial performance for the year under review.
- Double-digit growth in total assets, lending portfolio, & deposit portfolio
- Declining year-on-year NPL ratio
- Increasing shareholder funds

FINANCIAL CAPITAL

Creating Future Value

- In the context of the current operating environment, the Company will prioritise the management of interest costs and operational expenses to maintain healthy margins in the forthcoming year
- The focus will shift to maintaining business volumes amidst the emerging challenges by value-adding to business lines, and reconsidering product terms and financial structures
- Focus on improving operational efficiencies through process improvements
- Continuing to enhance recovery efforts and strengthen field recovery processes will remain a priority.
- Augmenting the collection monitoring process to better manage re-payment status and changes and enhancing recovery efforts will be critical focus areas in the coming financial year.
- The Company will continue to strengthen liquidity management processes to retain the current healthy liquidity position
- Diversify funding sources to maintain an acceptable funding mix to strengthen the Company's financial base.
- By maintaining the cautionary approach to lending by utilising selective lending strategies combined with extensive screening measures and strict adherence to processes to ensure a viable customer base.
- Continuously strengthen the credit evaluation and client investigation processes to maintain a healthy customer base.
- Diligently monitor prevailing and emerging economic conditions to manage business growth prospects

Management Approach

The Company's approach to managing Financial Capital is intrinsically linked to the regulations pertaining to the financial sector, specifically those for the LFCs sector. Resultantly, due emphasis is given to complying with 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 (CBSL).

The Company pursues sustainable strategies which are developed to facilitate business operations that enable the generation of sustainable long-term returns while nurturing year-on-year growth in earnings. The focused application of prudent financial resource management measures by the leadership facilitates structural changes to key financial capital elements as and when required. Furthermore, employing qualified financial professionals guides the Company's financial management and enables the application of modern financial management tools and methodologies, and financial reporting measures. The Company commits to regularly incorporating changes and updates related to accounting policies and industry regulations as befits a responsible and accountable financial services company.

During the year under review, the management's focus was on optimising operational expenses to manage pressure on rising costs resulting from external factors, while remaining steadfast in maintaining transparent, ethical, and sustainable business practices. The management also remained vigilant regarding developments related to the COVID-19 pandemic and maintained a flexible approach to managing changing operating circumstances.

These efforts have been successful and enabled the Company to overcome challenges and record remarkable growth during the year under review, often surpassing industry growth levels, to create lasting and sustainable value for our shareholders.

Financial Performance

The impact of the COVID-19 pandemic continued during the first half of the financial year under review, requiring the CBSL to continue to maintain relaxed monetary policies. However, the prolonged control of several policy measures coupled with deeply rooted economic vulnerabilities resulted in a worsening macroeconomic environment. Thus, by the fourth quarter of the financial year under review, the Country was faced with rapidly increasing interest rates, price inflation, and shortage of essential food items and medicines, as well as a severe shortage of fuel and gas.

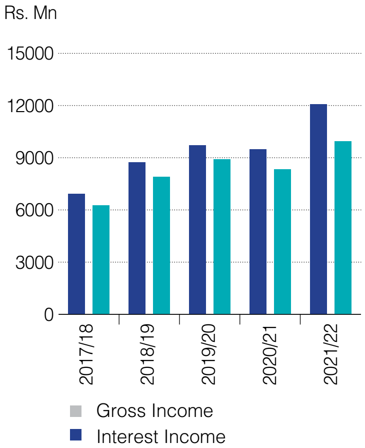
While these factors have caused much upheaval in the normal economic activity and social unrest, the Company's reliance on managing unexpected changes and the strong foundations built over the last 15 years enabled Vallibel Finance to achieve a memorable performance despite these emerging challenges. Thus, double-digit growth in key financial indicators remains the underlying factor that propelled the creation of financial capital value for the year ended 31st March 2022. However, if these negative economic conditions continue unchecked, the financial performance of the Company could have a greater impact in the forthcoming financial year with a slowdown in the performance trajectory leading to lesser value creation opportunities.

Total Income

The Company's total income increased by 27.42% to Rs. 12.07 Bn during the year ended 31st March 2022, compared to Rs. 9.47 Bn earned in the previous financial year. The key contributor to this growth remained the increasing loans and advances portfolio.

The total interest income earned from the loans and advances portfolio increased by 21.01% to Rs. 9.62 Bn compared to Rs. 7.95 Bn earned in the previous financial year. Interest income from other investments declined by 18.94% to Rs. 307.58 Mn for the year under review compared to Rs. 379.46 Mn earned during the previous financial year. A significant increase of 87.60% to Rs. 2.14 Bn was recorded in the total non-interest income earned during the year under review, compared to Rs.1.14 Bn earned in the previous financial year.

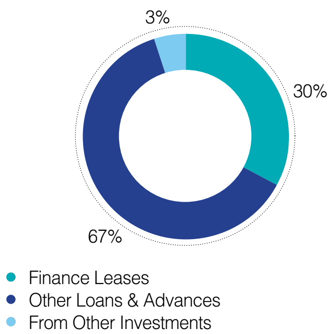
Composition of Revenue



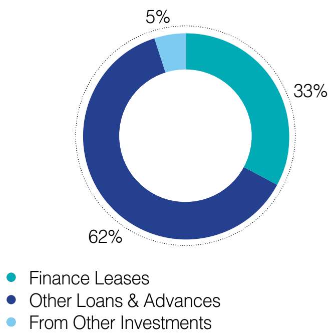
Interest Income

The Company's interest income increased by 19.19% to Rs. 9.93 Bn during the financial year under review compared to Rs. 8.33 Bn earned in the previous financial year. The key contributors to growth were finance leases and other loans and advances.

Composition of Interest Income - 2022



Composition of Interest Income - 2021



The finance lease component continued its declining trend, falling by 3% during the year ended 31st March 2022, thereby reducing its contribution to 30% of the total interest income. Despite this decline, the interest income on finance leases increased by 7.78% to Rs. 2.97 Bn during the year under review compared to Rs. 2.75 Bn earned in the previous financial year. The declining share of the lease component is mainly due to the continued restrictions on the import of vehicles by the government to manage foreign exchange reserves and restrict foreign currency outflows in the context of the current adverse economic environment.

Interest income from other loans and advances increased its contribution to 67% during the year under review compared to 62% recorded in the previous financial year. Total interest income earned from other loans and advances recorded an increase of 28.02% to Rs. 6.66 Bn during the year under review, compared to Rs. 5.20 Bn recorded in the previous financial year. Key contributors to the rising interest income earned from other loans and advances were vehicle loans, gold loans, auto draft, and Fixed Deposit loans.

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. 307.58 Mn, a decrease of 18.94% during the financial year under review compared to the previous financial year.

The Company continued to implement a selective strategy on new loan applications and maintains a strict credit evaluation and client investigation process to maintain a viable loan portfolio and facilitate income growth. The improved recovery efforts and strengthening of recovery processes similarly supported the growth of interest income during the year under review.

The Company expects this mix to continue in the forthcoming financial year, although the rate of growth may be impacted due to the prevailing high-interest rate environment. Additionally, lower levels of investor and business confidence can also have a longer-term impact on interest income while a larger gap between interest income and interest expenses would materialise. Thus, Vallibel Finance will monitor external market developments and focus efforts to maintain the loans and advances portfolio to enable the achievement of interest income targets. The Company will also review and re-evaluate the effectiveness of the product reduction strategy adopted to manage risks and optimise the loans and leasing portfolio.

FINANCIAL CAPITAL

Interest Expenses

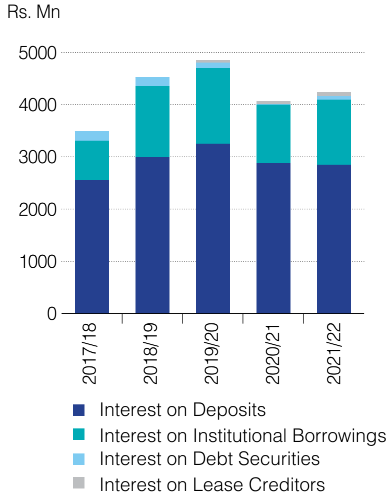
Total interest expenses, comprising interest due to customers and banks, debt issued, and other borrowed funds increased by 4.11% during the year under review compared to the decrease of 16.21% recorded in the previous financial year. Institutional borrowings from financial institutions were the main reason for the recorded increase during the year. Total interest expenses for the year ended 31st March 2022 amounted to Rs. 4.23 Bn compared to Rs. 4.07 Bn incurred in the previous financial year.

The interest expenses paid to depositors amount to 67% of the total interest expenses. During the year under review, interest expenses on deposits recorded a marginal decline of 0.83% to Rs. 2.85 Bn compared to the 11.61% decline to Rs. 2.87 Bn recorded in the previous financial year. This decline was a result of the falling interest rate trend and the low funding cost environment which prevailed in the market from the year 2020 until August 2021.

Interest expenses on institutional borrowings including bank overdrafts, bank term loan facilities, and securitised borrowings increased by 9.67% to Rs. 1.24 Bn during the financial year under review compared to Rs. 1.13 Bn incurred in the previous financial year. The Company obtained new loan facilities worth Rs. 20.20 Bn and repaid Rs. 11.35 Bn in loans during the year under review. Therefore, the total institutional borrowings increased by 77.57% to Rs. 20.03 Bn for the year ended 31st March 2022 compared to Rs. 11.28 Bn recorded as of 31st March 2021.

Interest expenses on commercial papers amounted to Rs. 44.51 Mn and interest expenses on the subordinated term loan obtained in February 2022 amounted to Rs. 25.13 Mn.

Composition of Interest Expense



Net Interest Income

The Company continued to implement measures to manage interest income and expenses during the year under review. This enabled a noteworthy growth of 33.58% to Rs. 5.70 Bn to be recorded in net interest income compared to Rs. 4.26 Bn achieved in the previous financial year. The key strategies to optimise net interest income growth remain the re-pricing of products in line with market changes and adjusting the funding structure to obtain funds at the best rates.

	2018	2019	2020	2021	2022
Total Interest Income	6,257	7,888	8,912	8,331	9,930
Total Interest Expense	3,500	4,525	4,855	4,068	4,235
Net Interest Income	2,757	3,363	4,057	4,263	5,696

Other Operating Income

The Company's other operating income, also known as non-interest income, recorded an 87.60% to Rs. 2,136.11 Mn during the year under review compared to Rs. 1,138.64 Mn earned in the previous financial year. Non-interest income comprises 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.

The largest share of operating income was earned from fee and commission income and early termination income which combined accounted for 88.28% of other operating income.

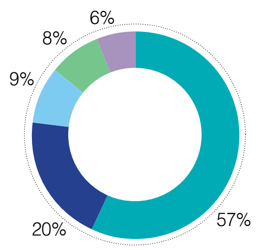
Total Operating Income

The Company's total operating income comprising net interest income and other income amounted to Rs.7.83 Bn for the year ended 31st March 2022 compared to Rs. 5.40 Bn earned in the previous financial year. The earnings from other operating income contributed 27.28% to the total operating income of the Company.

Operating Expenses

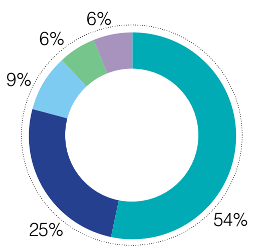
The Company's total operating expenses increased by 25.03% to Rs.2.46 Bn for the financial year under review compared to Rs.1.97 Bn incurred in the previous financial year. Premises, equipment, and establishment expenses increased by 28.99% to Rs. 0.22 Bn mainly due to the Company's branch expansion, refurbishment, and relocation strategies implemented during the year under review. Personnel expenses increased by 31.43% to Rs. 1.40 Bn due to new recruitments and the increasing employment benefits, while the total advertising and business promotional expenses contributed 7.97% to total operating expenses amounting to Rs. 196.21 Mn for the year ended 31st March 2022.

Composition of Operating Expenses - 2022



- Personnel Expenses
- Other Expenses
- Premise's Equipment and Establishment Expenses
- Advertising & Business Promotional Expenses
- Depreciation of Fixed Assets & Amortization of Intangible Assets

Composition of Operating Expenses - 2021



- Personnel Expenses
- Other Expenses
- Premise's Equipment and Establishment Expenses
- Advertising & Business Promotional Expenses
- Depreciation of Fixed Assets & Amortization of Intangible Assets

Cost to Income Ratio

The cost to income ratio provides insight regarding the Company's cost management initiatives and helps improve efficiencies within business operations. During the year under review, the cost to income ratio recorded an added decline of 13.75% to 31.43% compared to 36.44% recorded in the previous financial year. This reduction continues to reinforce the effectiveness of the Company's cost control and management measures while inspiring further strengthening of operational efficiencies.

Impairment Charges

The Company's impairment charge increased slightly by 3.03% to Rs. 592.49 Mn for the financial year under review compared to Rs. 575.08 Mn recorded as of 31st March 2021. The key contributor to this lesser increase was the declining gross non-performing loans which were maintained at low levels due to focused strategies despite the adverse impact arising in the external operating environment.

Taxation

The Company's taxation charges encompass both direct and indirect taxes including corporate income tax, financial service taxes, Value-Added Taxation (VAT) and withholding tax. The effective tax rate for the financial year ended 31st March 2022 was 39.05%, compared to 39.54% applicable in the previous financial year.

The Company's total tax liability increased by Rs. 735.41 Mn amounting to Rs. 1,865.78 Bn during the financial year under review. This increase is attributed to the upward revision of the applicable tax rate in 2021/22. Total corporate income tax expenses amounted to Rs. 1,081.97 Mn compared to Rs. 661.60 Mn paid in the previous financial year. Tax on financial services amounted to Rs. 783.81 Mn for the financial year under review, compared to Rs. 468.77 Mn paid incurred in the previous financial year.

Taxation Charges for the year ended 31st March	2021	2022
Income Tax	662	1,082
Value Added Tax on Financial Services	469	784
Total	1,130	1,866

Profitability

Despite prevailing challenges in the macroeconomic environment, the Company continued to achieve double-digit net profit growth of 68.50% during the year under review. Thus, the total net profit amounted to Rs. 2.91 Bn compared to Rs. 1.73 Bn recorded in the previous financial year. The year-on-year strengthening of the Company's financial base together with the standing of the Vallibel Finance brand in the marketplace, and the strictly implemented ethical and transparent business practices continually create financial capital value and enable the achievement of profitability growth.

The Company's profit before taxation increased by 67.14% to Rs. 4.78 Bn for the financial year under review. The increased non-interest income and the effective cost management initiatives contributed to increasing the Company's profitability during the year under review.

The Company's return on average assets (ROA) calculated on profit after tax gained by 1.14% to recorded 4.38% as of 31st March 2022 compared to 3.24% as of 31st March 2021. The return on average equity (ROE) also grew by 7.34% to record a growth of 30.91% as of 31st March 2022.

However, the profitability and the ROA and ROE growth momentum of the Company could slow down in the forthcoming financial year due to the excessive negative pressure on business activities

	2018	2019	2020	2021	2022
Profit Before Taxation	1,894	2,286	2,442	2,859	4,778
Taxation	876	1,157	1,188	1,130	1,866
Net Profit	1,018	1,129	1,253	1,728	2,912

FINANCIAL CAPITAL

Financial Position

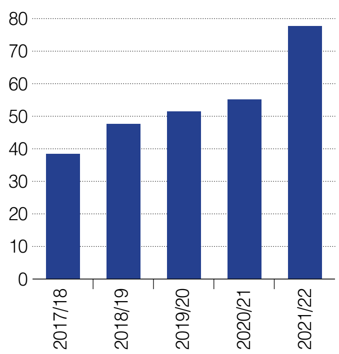
The Vallibel Finance story of growth and success can be attributed to the collaborative efforts to develop precision strategies that push boundaries to achieve efficient and sustainable financial growth. The Company's success in increasing credit quality by pushing deposit portfolio growth in an industry that has a generally negative public perception and within a macroeconomic environment that does not encourage consumer spending is evidence of the perseverance of the leadership, management, and employees to foresee a precise target and relentlessly pursue its achievement.

Total Assets

The Company's total assets recorded a remarkable 40.68% increase to Rs. 77.69 Bn as of 31st March 2022 amidst varying levels of disruptions caused by the pandemic and the increasingly challenging macroeconomic environment. The Company's focused efforts to apply robust strategies to pursue loans and advances portfolio growth by circumventing emerging challenges is attributed to this success. Furthermore, the Company strictly monitors the asset mix and implements suitable measures for effective management of assets. These actions facilitate the stability of the asset base while optimising asset growth and enabling the maintenance of a high-quality 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, treasury bonds and placement with commercial banks increased to Rs. 8.07 Bn as of 31st March 2022 compared to Rs. 2.93 Bn recorded as of 31st March 2021. The ratio of liquid assets to total deposits stood at 19.68% as of 31st March 2022 and is well above the 10% required by the CBSL.

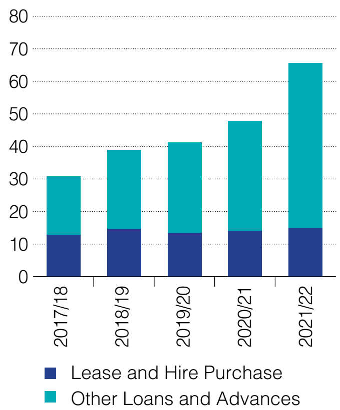
This puts the Company in a stable and strong position to meet liquidity shocks in the prevailing operating environmental context while preserving the robust liquidity position for pursuing a sustainable competitive advantage position that creates long-term value for shareholders and other stakeholders.

Lending Assets

The Company's net lending portfolio recorded a noteworthy 37.53% growth, amounting to Rs. 65.66 Bn during the year under review, compared to Rs. 47.75 Bn recorded in the previous financial year. The total finance lease net portfolio increased by 6.31% to Rs. 14.97 Bn as of 31st March 2022 compared to Rs. 14.09 Bn as of 31st March 2021. Net hire purchase receivables continued its declining trend, amounting to Rs. 1.47 Mn as of 31st March 2022 compared to 4.32 Mn at the end of March 2021. The other loans and advances remain the largest contributor to the portfolio accounting for a 77% share, compared to the 23% shared by both lease rental and hire purchase receivables. The lending portfolio has maintained this similar mix over the last five years.

Lending Portfolio Distribution for the Last Five Years

Rs. Bn



Gross other loans and advances (loans and receivables to other customers) comprised auto draft, vehicle loans, gold loans, mortgage loans, personal loans, fixed deposit loans, group personal loans, business loans, and microfinance. Gross loans and receivables to other customers grew by 50.25% during the financial year ended 31st March 2022. The net portfolio of other loans and receivables increased by 50.59% to Rs. 50.69 Bn as of 31st March 2022, compared to Rs. 33.66 Bn recorded as of 31st March 2021. The significant growth achieved by the auto draft portfolio, gold loan portfolio, vehicle loan portfolio, and fixed deposit loans portfolio contributed to the growth of gross other loans and advances.

Composition of Other Loans and Advances (Rs. Mn)

	2018	2019	2020	2021	2022
Gold Loans	1510	2,513	3,527	5,385	8,602
Loans Against Fixed Deposits	388	532	500	652	1,133
Other Loans & Advances	16,175	21,287	23,599	27,623	40,956
Total other Loans & Receivables (Net)	18,073	24,332	27,626	33,661	50,691

Credit Quality

The quality of credit maintained by LFCs is a critical success factor for organisational growth. The non-performing loans (NPL) ratio identifies the percentage of loans that were not recovered against the total loan portfolio. The Company's credit quality remains excellent and continued its improvement path during the year under review, reducing by 39.06 % to 2.73% compared to the 4.48% NPL ratio recorded in the previous financial year. It is worth noting that Vallibel Finance has managed to maintain its NPL ratio below industry levels for the last two years. The industry recorded a gross NPL ratio of 11% as of 31st December 2021 (Source: CBSL Annual Report 2021).

The continuing efforts to tighten the recovery process and manage a viable portfolio by critically evaluating loan applicants have had a direct positive influence on reducing NPLs. term. The Vallibel Credit Department and Recovery Department remained focused on mitigating undue credit risks and maintaining the NPL ratio at levels acceptable to the Company and the industry.

As we approach the forthcoming financial year, the prevailing economic crisis could lead to increasing defaults as market liquidity diminishes and customers face difficulties in settling debts. However, if the loan applications diminish due to increasing interest rates, then the NPLs may artificially improve although the performance of the Company and LFCs sector would decline. It is expected that challenges will emerge resulting in difficulty in maintaining the declining rate of the NPL ratio at levels acceptable to the Company. Considering these factors, the Company will remain vigilant and approach NPL management as a priority to maintain acceptable risk levels and mitigate undue credit risks.

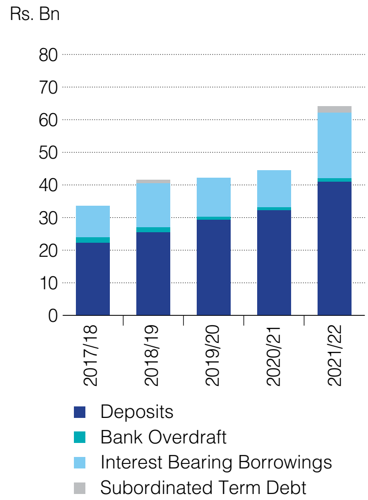
Total Liabilities

The Company's total liabilities comprising the deposit base, bank overdraft facilities, term loan facilities obtained from banks, securitised borrowings, debt securities, and other liabilities increased by 42.52% to Rs. 67.04 Bn as of 31st March 2022, compared to Rs. 47.04 Bn recorded as of 31st March 2021. Public deposits which increased by 27.51% to constitute 61% of the total liabilities of the Company as of 31st March 2022 compared to the 68% in the previous financial year, represent the largest part of the funding mix. Retail deposits remained the key contributor to the increasing public deposits of the Company.

The emerging challenges in the operating environment resulted in the Company increasing its bank borrowings to manage operations and benefit from low-cost funding. Thus, the Company's exposure to bank borrowings (interest-bearing borrowings) further increased during the financial year under review, representing 30% of total liabilities as of 31st March 2022 compared to 24% recorded as of 31st March 2021. The Company's bank borrowing constituting term loans, bank overdraft and securitised borrowings increased by 71.99% to Rs. 21.10 Bn as of 31st March 2022, compared to Rs. 12.27 Bn recorded as of 31st March 2021. During the financial year under review, the Company obtained loan facilities worth Rs. 20.20 Bn from leading banking institutions in Sri Lanka while facilities worth Rs. 11.35 Bn were repaid.

During the financial year under review, the Company strengthened the Tier 2 Capital by issuing a subordinated term loan at a 5-year maturity worth Rs. 2 Bn

Deposit Base, Overdraft & Interest Bearing Borrowings

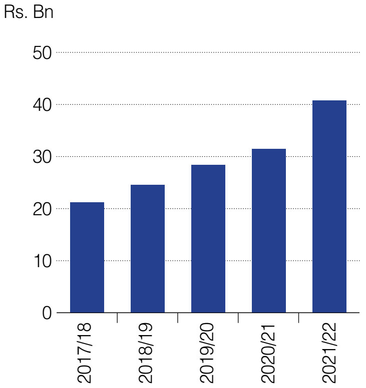


Total Fixed Deposits

The Company's public deposits increased by 27.51% to Rs. 41.02 Bn as of 31st March 2022 compared to Rs. 32.17 Bn as of 31st March 2021. This increase is a commendable achievement for the Company as it transpired amid a challenging economic environment with rising inflation levels, volatile interest rates, and reducing public confidence in the financial system. This is in addition to the continuing mistrust of LFCs by the public. This growth re-iterates our standing in the financial services community and is credited to the Company's reputation in the industry as a leading and ethical financial institution and the trust placed by the public on the Vallibel Finance brand.

Fixed deposits increased to 29.33% amounting to Rs. 40.76 Bn as of 31st March 2022, compared to Rs. 31.52 Bn recorded as of 31st March 2021. The value of Certificate of Deposits as of 31st March 2022 was Rs. 257.46 Mn compared to Rs. 651.69 Mn recorded as of 31st March 2021. The Company's decision to discontinue the Certificate of Deposits is attributed to the declining value recorded during the year under review. In addition, the savings base amounted to Rs. 1 Mn as the Vallibel Savings was relaunched for utilisation by Vallibel employees, as the first step full market launch in the medium term.

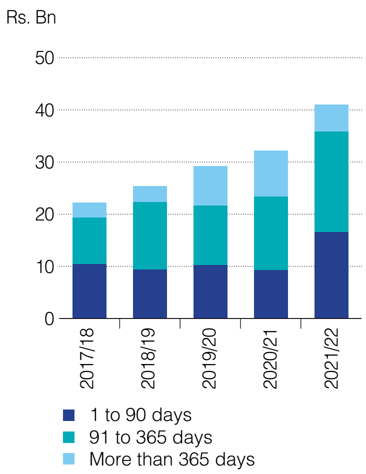
Fixed Deposits



Deposits by Maturity

The Company's deposit base represents 87% of deposits with a maturity of less than one year while the remaining 13% of deposits have longer-term maturities. The Company continues 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 the Company to improve customer service levels and increase the overall efficiency of the system.

Analysis of Deposits by Maturity Date



Capital Adequacy

Capital adequacy 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.

Under the capital adequacy framework, organisations operating in the LFCs and SLCs sector with an asset base of less than Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 7% and ratio a total capital ratio of 11%. However, effective 1st July 2022, the Tier I capital adequacy ratio will be increased to 8.5% and the total capital ratio will be increased to 12.5%. Thus, to strengthen the Company's Tier 2 capital and increase the total capital adequacy ratio, a Rs. 2 Bn subordinated term loan at a 5-year maturity was issued in February 2022.This has enabled Vallibel Finance to meet the new adequacy ratio percentages during the year under review.

Accordingly, Vallibel Finance maintained a Tier I capital ratio of 14.58% as of 31st March 2022 while the total risk-weighted capital ratio during the same period was 18.52%. The Company's core capital ratio was 12.98% and the total risk-weighted capital ratio was 14.09% as of 31st March 2021.The core capital and capital funds of the Company amount to Rs. 10.27 Bn and Rs. 13.05 Bn respectively which comfortably exceeds the regulatory requirements set by the CBSL. The detailed breakdown of the capital adequacy ratio computation is given in Note 86 of the Financial Statements.

Shareholders' Fund

Creating value for shareholders remains a key priority for the Company. Thus, the Company continued to focus on strategies that enable a significant increase in retained earnings year on year as it is the primary source of capital infusion for the Company. At the end of the financial year under review, the Company's retained earnings increased by 48.54% to Rs. 7.68 Bn, compared to Rs. 5.17 Bn earned in the previous financial year. This supported the growth of the total shareholders' fund by 30.13% to Rs. 10.66 Bn as of 31st March 2022, compared to Rs. 8.19 Bn recorded as of 31st March 2021. The return on average shareholders' funds increased to 30.91% as of 31st March 2022, compared to 23.57% recorded as of 31st March 2021.

The Company's revaluation reserve increased by 29.69% amounting to Rs. 170.88 Bn by the end of the financial year under review due to the valuation gain in the value of some properties owned.

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

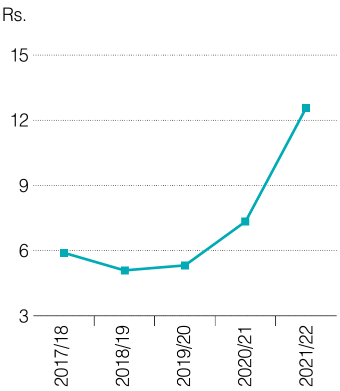
Review of Key Ordinary Share Indicators

The Company's ordinary shares underwent a sub-division during the year under review in order to increase the number of ordinary shares of the Company. Thus, upon approval by shareholders at the extraordinary general meeting held on 30th June 2021, every existing ordinary share (1 share) was sub-divided into four ordinary shares (4 shares). The sub-division was affected on 5th July 2021. Thus, the Company's total shares increased to 235,453,400 at the end of the financial year under review, compared to 58,863,350 ordinary shares as of 31st March 2021.

Earnings per Share*

The earnings per share (EPS) recorded a 68.5% increase to Rs. 12.37 for the 12 months ending 31st March 2022, compared to Rs. 7.34 for the 12 months ending 31st March 2021. The increase in EPS during the year under review is attributed to the increase in the earnings of the Company.

Earnings per Share

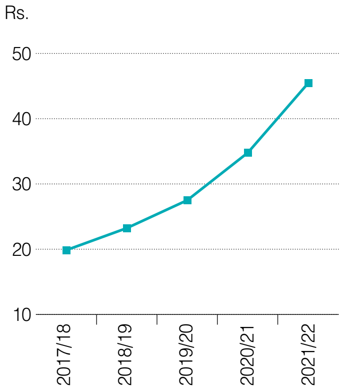


*The EPS for the year under review and the previous years explained in the write-up and depicted in this graph are re-stated based on the division of shares and to account for the higher number of shares as stated above.

Net Asset Value per Share*

The continuing efforts by the Company to increase financial capital value resulting in the creation of value for shareholders is observed through the rising net assets value per share. The net asset value per share increased by 30.13% to Rs. 45.25 as of 31st March 2022 compared to Rs. 34.78 recorded as of 31st March 2021.

Net Asset Value per Share



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

Price Earnings (P/E) Ratio

The Company's P/E ratio recorded decrease by 16.32% to 3 times as of 31st March 2022 from 3.58 times recorded as of 31st March 2021. The decline is attributed to the negative impact on the stock market outlook during the fourth quarter of the financial year and a sudden steep decline in domestic investor confidence due to the prevailing economic situation.

Price to Book Value Ratio

The price to book value ratio increased by 8.35% (0.76 times) to 0.82 times as of 31st March 2022 although at the lower rate than the 55.36% recorded in the previous financial year.

Economic Value-Added and Distributed to Stakeholders

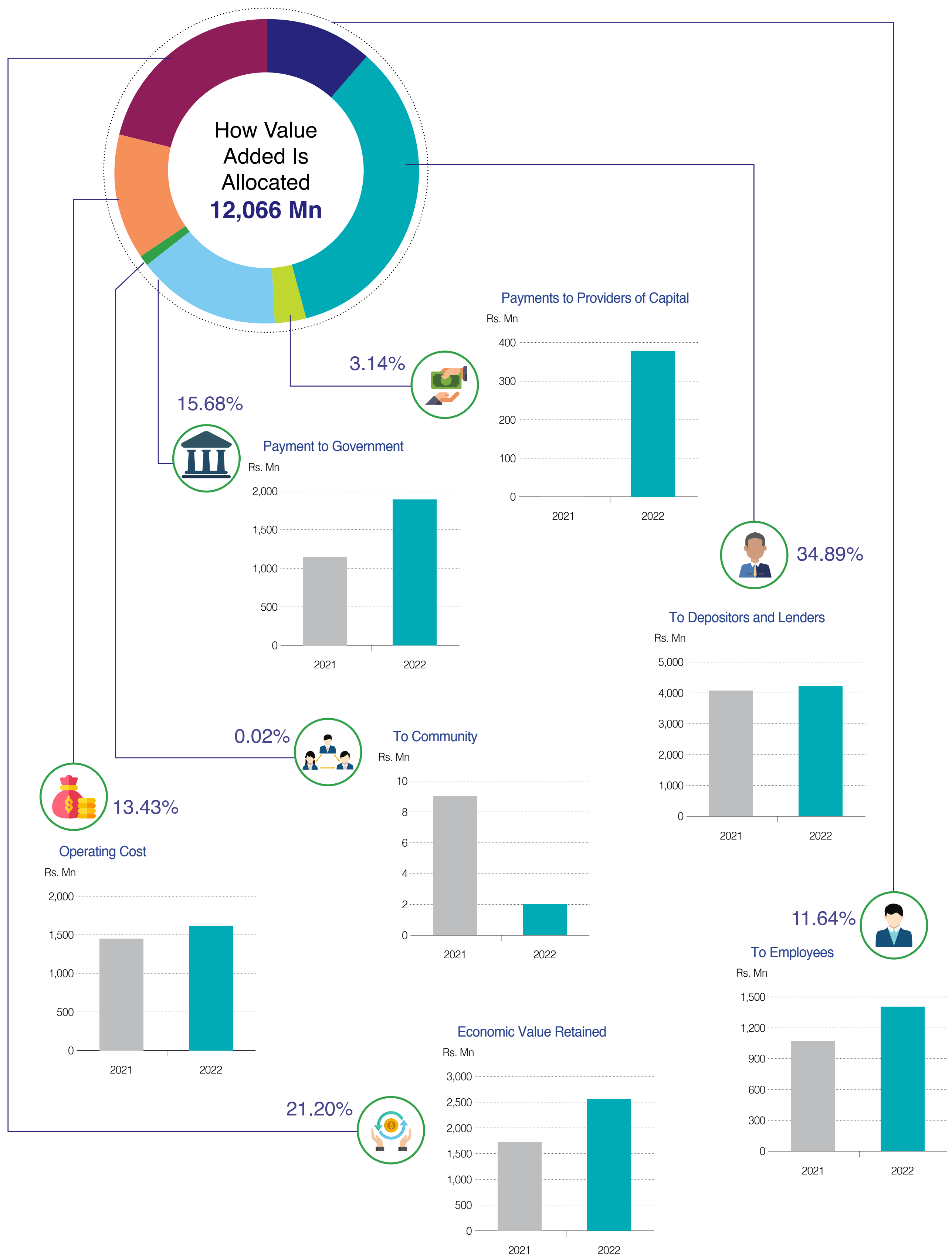
The value-added statement provides information on the value created for all stakeholders of the Company from a financial perspective. During the financial year ended 31st March 2022, the total value added by the Company increased by 27.42% in turn increasing the value distributed to shareholders, business partners, customers, and employees.

The information pertaining to the non-financial value creation for the Company's stakeholders is presented in the Capital Review Reports from pages 66 to 115 of this annual report.

FINANCIAL CAPITAL

Value Created to Stakeholders

As at 31st March	2022		2021	
	Rs.	%.	Rs.	%.
Direct Economic Value Generated				
Interest Income	9,930,097,982	82.30%	8,331,297,497	87.98%
Fee Commission Income	672,707,103	5.58%	373,550,576	3.94%
Net Gain/(loss) From Trading	33,837,952	0.28%	37,205,669	0.39%
Other Operating Income	1,429,568,039	11.85%	727,888,021	7.69%
Total Economic Value Generated	12,066,211,076	100.00%	9,469,941,763	100.00%
Economic Value Distributed				
To Employees				
Employees' Salaries & Benefits	1,404,607,466		1,068,618,451	
	1,404,607,466	11.64%	1,068,618,451	11.28%
To Depositors and Lenders				
Interest Expenses	4,209,439,712		4,067,534,369	
	4,209,439,712	34.89%	4,067,534,369	42.95%
Payments to Providers of Capital				
Dividend to Shareholders	353,180,100		-	
Interest to Debt Holders	25,132,055		-	
	378,312,155	3.14%	-	0.00%
Payment to Government				
Income Tax Expenses	1,081,971,589		661,604,106	
VAT on Financial Services	783,809,641		468,767,648	
Crop Insurance Levy	26,781,781		17,284,101	
	1,892,563,011	15.68%	1,147,655,855	12.12%
To Community				
Social Responsibility Projects	2,025,674		-	
Donations	79,532		8,725,508	
	2,105,206	0.02%	8,725,508	0.09%
Operating Costs				
Depreciation & Amortisation Set Aside	142,345,261		115,042,317	
Impairment Charge for Loans and Other Losses	592,488,831		575,076,255	
Training Cost	62,330		144,200	
Other Operating Expenses	885,506,554		758,822,507	
	1,620,402,976	13.43%	1,449,085,279	15.30%
Economic Value Retained	2,558,780,550	21.21%	1,728,322,301	18.25%
Total Economic Value Distributed	12,066,211,076	100.00%	9,469,941,763	100.00%


How Value Added Is Allocated
12,066 Mn
3.14%
15.68%
34.89%
0.02%
13.43%
11.64%
21.20%
Payments to Providers of Capital
Rs. Mn
400
300
200
100
0
2021
2022
Payment to Government
Rs. Mn
2,000
1,500
1,000
500
0
2021
2022
To Depositors and Lenders
Rs. Mn
5,000
4,000
3,000
2,000
1,000
0
2021
2022
To Community
Rs. Mn
10
8
6
4
2
0
2021
2022
Operating Cost
Rs. Mn
2,000
1,500
1,000
500
0
2021
2022
To Employees
Rs. Mn
1,500
1,200
900
600
300
0
2021
2022
Economic Value Retained
Rs. Mn
3,000
2,500
2,000
1,500
1,000
500
0
2021
2022

MANUFACTURED CAPITAL

What

- The physical assets (own and leased properties, buildings, equipment, fixtures & fittings, furniture, etc.)
- IT infrastructure and network architecture

Why

- Improves day-to-day operational efficiency
- Facilitates the proactive management of stakeholder needs
- Spurs innovation
- Enables the continuous achievement of goals and milestones

How

- Enables the Company to be future ready
- Strengthens our resilience to change and the sustainability of our organisation
- Delivers an unparalleled customer experience
- Increases accessibility to financial services in the country

Material Aspect	Stakeholders Impacted				
Sustainable growth of Earnings	Shareholders	Business Partners			
Customer Satisfaction	Customers				
Ethics, Compliance and Good Governance	Regulatory	Customers	Employees	Business Partners	Society/Community

Our Achievements

Rs. 34.39 Mn
Invested for information technology enhancements

Rs. 3.78 Mn
Invested to relocate and modernise 5 branches for improved customer experiences

8 new locations
across the island

Rs. 226.62 Mn
Invested on property, plant, and equipment

SWOT Analysis

Strengths	Weaknesses
Steady branch expansion Strengthened regional presence Increased physical, material and technological assets	Ensure that the correct policies and procedures are in place to monitor and manage Risks that arise with new trends and developments
Opportunities	**Threats**
Adopting world renowned best practices Reaching untouched markets	High cost of upgrading technology Keeping up with technology trends

Value Created in 2021/22

Inputs

- Expanding business operations
- Investment in technology-based innovations
- Strengthening support systems to enhance overall operational efficiency across the business

Challenges

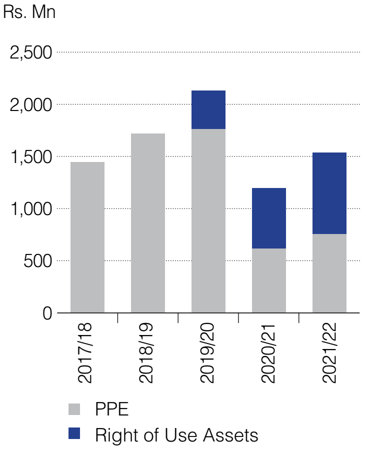
- High cost of technology.
- Ensuring timely and relevant infrastructure to support the Company's growth strategy
- Competitive markets
- Difficulty in planning for the long term due to uncertainties

Key Outputs

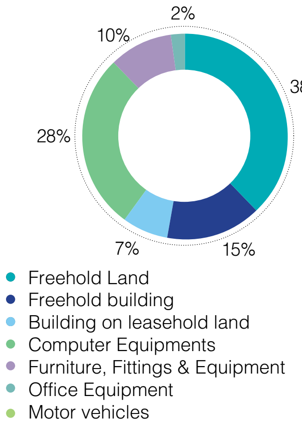
- Modernised branches with improved branch accessibility and facilities
- Continuous improvements in service and operational efficiencies

MANUFACTURED CAPITAL

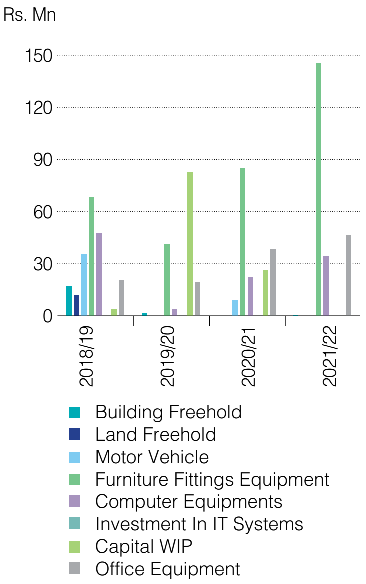
Investment in Manufacturing Capital



Property, Plant and Equipment Composition for FY 2021/22



Additions and Improvements for PPE



Creating Future Value

- The greater focus will be on the digitalisation of internal and external operations to increase the efficacy of our service propositions mainly through innovative offerings by the Company's branches
- The Company will continue to make strategic investments for geographical expansion to reach rural and less tech-savvy customers

Management Approach

The Company's approach to managing Manufactured Capital revolves around making strategic investments which create long term value for both the organisation and our stakeholders. Every investment made in enhancing Manufactured Capital value supports business operations and enables sustainable business growth. The Company takes a focused approach where one rupee invested reaps multiple rewards across different stakeholder groups. This facilitates synergistic value creation and value addition so that Vallibel Finance can capitalise on existing and emerging opportunities and fulfil our promises to our employees and customers while achieving our aim of making financial services accessible across diverse demographics to satisfy individual consumer needs.

The success of our implemented strategies is realised by our expanding geographic reach and branch network as well as the use of Information Technology (IT) for increased internal and external process efficacies, and enhanced customer convenience and accessibility to our services. These efforts have enabled Vallibel Finance to continue to enrich our value proposition to our stakeholders while gaining marketplace advantages.

Expanding Geographical Reach

During the year under review, the Company was well-positioned to continue with our planned branch network expansion which was slowed down in the previous financial year because of the prevailing COVID-19 pandemic situation. While the pandemic did impact customer visits to our branches in 2020 and 2021, with many operations being undertaken on virtual platforms, the Company considers that our physical branches will remain a focal point for customer service in the coming years and play a critical role in our service delivery.

Thus, utilising our expertise and after careful research, Vallibel Finance set up and opened eight branches in locations where we thus far had no physical footprint. The highlight was our Vavuniya branch opening which is the Company's very first branch in the Northern Province, setting the stage for future expansion. Furthermore, we also opened a new branch in Wellawaya which is the second Vallibel Finance branch in the Uva Province, and another branch in Senkadagala in the Central Province. Our 05 new branches in the Western Province will continue to add value to developing cities and towns while enabling us to capture market share as these high-growth regions continue to prosper.

The success of our branch strategy across all provinces will further the Company's aim of creating an inclusive financial community while supporting the economic development of smaller cities and towns across Sri Lanka while contributing to economic prosperity of the country. The total cost of new branch openings amounted to Rs. 25.28 Mn.

New Branch Inaugurations

Wellawaya Branch
21st July 2021

Homagama Branch
12th August 2021

Maradana Branch
16th September 2021

Senkadagala Branch
07th October 2021

Vavuniya Branch
21st October 2021

Kadawatha Branch
31st January 2022

Matugama Branch
16th March 2022

Dematagoda Branch
29th March 2022

Opened 8 new branches across the island for the first time in Company's history in the financial year 2021/22

MANUFACTURED CAPITAL

Our efforts to ensure optimum facilities at our branches continued to remain a key focus during the year under review. Accordingly, we successfully expanded and upgraded two of our branches located in Rajagiriya and Malabe at an investment of Rs. 0.43 Mn. Part of this expansion also included restructuring the marketing and recoveries teams of these branches to support higher service levels and future expected growth.

We also made a strategic decision to relocate our Matara branch to a more convenient and accessible location at a total investment of Rs. 2.37 Mn. Together with the relocation, the branch facilities were also modernised and revitalised to serve our customers efficiently.

The Hanwella and Moratuwa branches were also refurbished to support better service facilities and customer convenience at an investment of Rs. 0.98 Mn.

Moratuwa Branch re-opening after refurbishment on 21st December 2021

Continuing to safeguard our employees and customers, the Company maintained relevant safety and health protocols such as barriers at counters and facilities for hand sanitisation at all our physical operating locations which added to our manufactured capital investments during the year 2021/22.

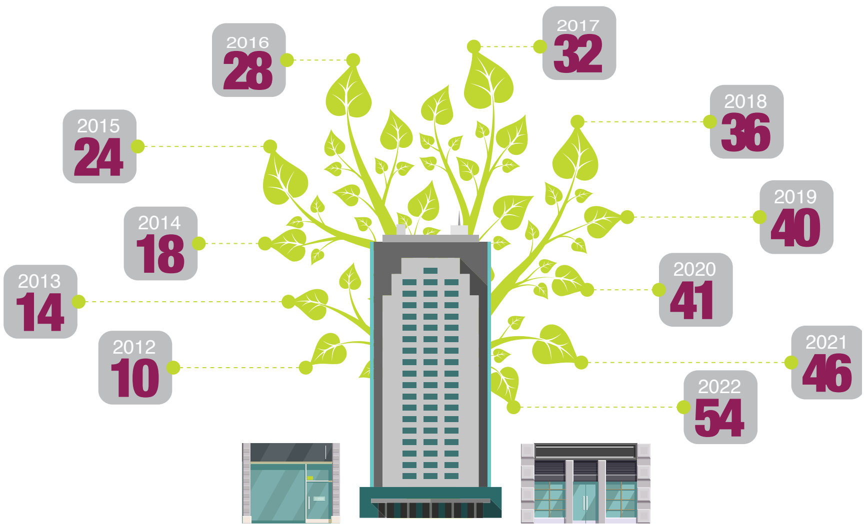
Malabe Branch expansion
08th April 2021

Rajagiriya Branch expansion
08th July 2021

Hanwella Branch re-opening after refurbishment on 22nd December 2021

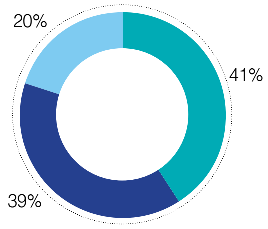
Matara Branch re-location on 06th January 2022

Year-on-Year growth in Branch Network

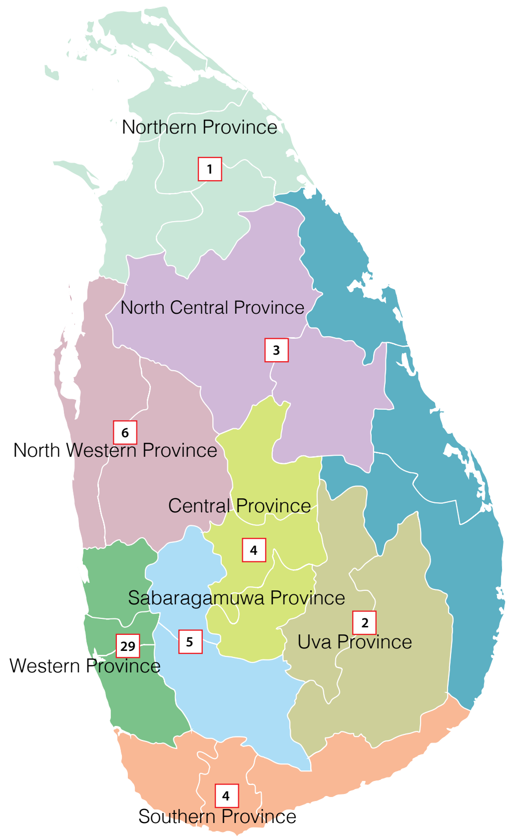


The geographic expansion of the Company amidst the challenges that arose due to the COVID-19 pandemic and other emerging macroeconomic difficulties show cases the leadership's determination to achieve sustainable growth to serve our stakeholders to fulfil their financial needs. The success of opening eight new branches in 2021/22 is a testament of the strong foundations built over the years by Vallibel Finance, enabling us to remain steady amidst unprecedented changes.

Our timeless branch network



Vallibel Finance Geographical Reach



Central Province	Employees	Branches
Matale District	18	1
Kandy District	27	2
Nuwara Eliya District	16	1
Total	61	4

North Central Province	Employees	Branches
Anuradhapura District	36	2
Polonnaruwa District	15	1
Total	51	3

North Western Province	Employees	Branches
Puttlam District	22	2
Kurunegala District	58	4
Total	80	6

Northern Province	Employees	Branches
Vavuniya District	12	1
Total	12	1

Sabaragamuwa Province	Employees	Branches
Kegalle District	46	2
Rathnapura District	42	3
Total	88	5

Southern Province	Employees	Branches
Galle District	48	2
Matara District	22	1
Hambanthota District	13	1
Total	83	4

Uva Province	Employees	Branches
Badulla District	23	1
Moneragala District	12	1
Total	35	2

Western Province	Employees	Branches
Gampaha District	85	6
Colombo District	703	18
Kaluthara District	73	5
Total	861	29

MANUFACTURED CAPITAL

New Operational Headquarters

The growth of the Company's business operations together with the need to provide our employees and customers with modernised and state-of-the-art facilities resulted in Vallibel Finance's decision to build a 16-storey Head Office complex in the heart of Colombo. This exciting journey began in the financial year 2019/2020, with construction beginning in the financial year 2020/21. Work progressed according to plan, but the COVID-19 pandemic outbreak resulted in some delays. However, the leadership of Vallibel Finance together with the support of the team of skilled architects and engineers as well as the dedicated labour force made headway towards completion in the year under review. It is expected that this new building complex will be ready for use by December 2022.

This new Head Office building which incorporates modern architectural and sustainable building concepts will improve the Company's carbon footprint in the future while the utilisation of the most current information technology and electronic systems will enable efficiencies to be derived from digitalisation. This complex will be managed and maintained under our subsidiary, Vallibel Properties Limited.

Information Technology

Vallibel Finance continues to invest in information technology to facilitate customer convenience, internal efficiencies, ethical business practices, compliance with regulations, and data and personal information security protection. These endeavours support the company's value creation for all stakeholders. During the year under review, the Company invested in a workflow management system, user registration system, anti-money laundering system, and IT helpdesk system. We also implemented a savings system and the CEFT facilities. The Company also continued with regular hardware, network, infrastructure, software, and information security systems upgrades to ensure seamless business activities devoid of security breaches while remaining relevant in line with changing consumer expectations and technology developments.

2012

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

2013

- Set-up the Disaster Recovery Site

2014

- Implemented SLIPS Transactions with Lanka Clear

2015

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

2016

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

2017

- Implementation of a Virtual Data Centre

2018

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

2019

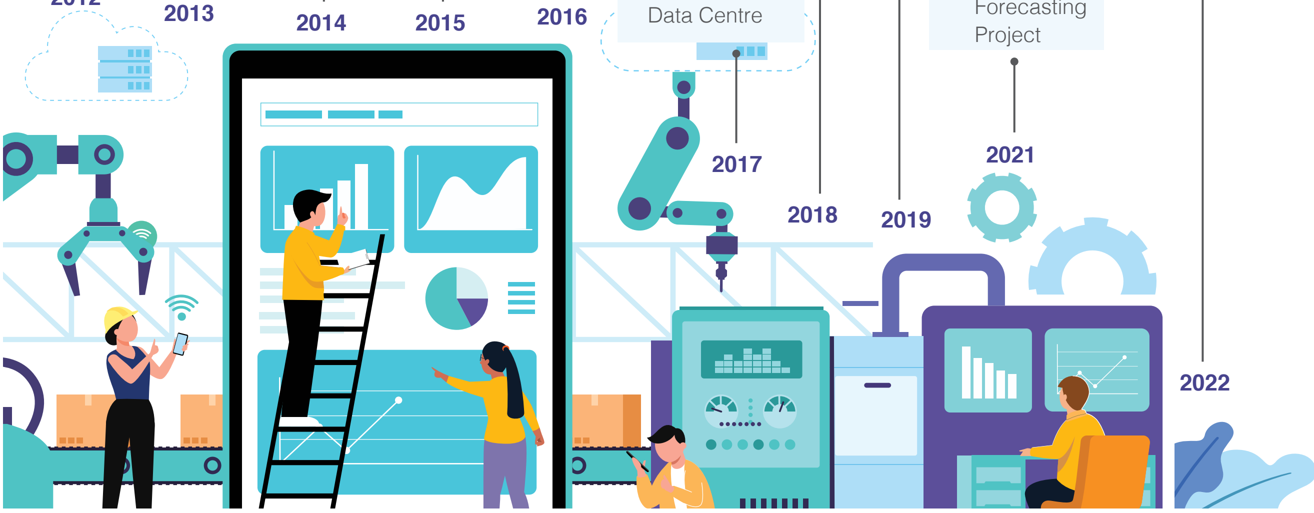
- Set-up Call Centre Operations
- Implemented the Customer Relationship Management System

2021

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

2022

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



INTELLECTUAL CAPITAL

What

- The distinctive Vallibel Finance (VFIN) brand
- Corporate culture and core values
- Process efficiencies derived from the implementation of technology and digital systems
- Tacit knowledge developed over 15 years
- Experience and know-how of the management and employees
- Corporate governance protocols and best practices

Why

- Creates a strong foundation of knowledge
- Generates a wealth of ideas and the ability to innovate
- Differentiates our value proposition

How

- Enables the Company to gain competitive advantage and accelerate growth
- Drives operational excellence
- Enables ethical business practices
- Increases the viability of the Company

Material Aspect	Stakeholders Impacted				
Corporate Brand Identity and Reputation	Shareholders	Business Partners	Customers	Employees	
Ethics, Compliance, and Good Governance	Regulatory	Customers	Employees	Business Partners	Society/Community
Building corporate knowledge	Customers	Employees			

Our Achievements

Received a **A** brand rating with a brand value of **Rs. 1,283 Mn**

Upgraded Credit Rating to **BBB+** with a stable outlook

520
new recruits supported tacit knowledge enrichment by sharing new ideas and knowledge

Awarded the **Best Finance Company** for two consecutive years by The Global Economics Awards

Awarded the **Best Auto Finance Company** Sri Lanka 2021 by Global Banking and Finance Review

SWOT Analysis

Strengths

Well established and recognised brand

Reputation and confidence of the Group and leadership

Consistent improvements in brand value

Visibility on social media

Weaknesses

Delays associated with maintaining manual systems

Delays in process changeovers due to external uncontrollable factors

Opportunities

Increasing visibility on emerging and existing social media platforms

People's zest for learning and developing new skills and enhancing knowledge

Threats

Systems failure due to greater dependency on technology

Older generations unwilling to use and switch over to modern technology

Some remote locations in the country have limited access to digital systems and the internet

Value Created in 2021/22

Inputs

- Expanding business operations
- Investment in technology-based innovations
- Strengthening support systems to enhance overall operational efficiency across the business

Challenges

- High cost of technology.
- Ensuring timely and relevant infrastructure to support the Company's growth strategy
- Competitive markets
- Difficulty in planning for the long term due to uncertainties

Key Outputs

- Modernised branches with improved branch accessibility and facilities
- Continuous improvements in service and operational efficiencies

INTELLECTUAL CAPITAL

Creating Future Value

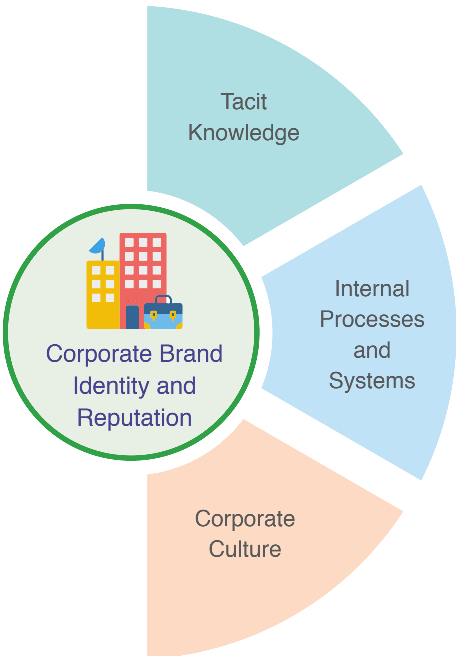
- Continuous and increasing focus on digitalisation and the use of information communication technology (ICT) to remain a leading financial services organisation in the country
- Make strategic investments to enrich tacit knowledge
- Be vigilant of external environmental factors that can negatively impact corporate reputation and brand by tracking public sentiment and keeping abreast of external market developments
- Remain consistent in communications to create a harmonised brand message to appeal across demographics
- Formalise the measures to ascertain and monitor conduct and progress related to conflict of interest and anti-corruption
- Proactively manage and maintain the corporate culture to facilitate value creation for stakeholders, especially our employees
- Continuously improve business processes and systems

Management Approach

The Company's approach to managing intellectual capital requires us to inculcate a culture that thrives on integrating key elements of Intellectual Capital within our business. As one of the leading Non-Bank Finance Companies in the country, Vallibel Finance has acquired large amounts of intellectual intangible assets over our 15 years of operating in our chosen market space. Our brand and reputation in the marketplace support Intellectual Capital value additions by creating value across stakeholder groups due to our efforts to adopt good corporate governance, ethical business practices, and business transparency.

Much of our expert and professional knowledge base has been gathered and seamlessly integrated within our strategic business process and in how we conduct our business operations.

The Company's systems, process, knowledge, and digitalisation efforts are well geared toward offering our stakeholders value in their key concern areas while enabling opportunities for creating Intellectual Capital value. Accordingly, the Company continues to invest in our brand and reputation, processes efficacies, and system upgrades to retain our legendary status as a financial services provider for the nation. We continued to remain focused on our technologies, combined with our expertise, to generate sustainable stakeholder returns in our value creation journey. During the year under review, our strategic approach continued to revolve around process and productivity efficiencies, efforts to facilitate customer services, and brand value and reputation enrichments to create intellectual value for our stakeholders amidst unsettled economic conditions and invest in system improvements and developments.

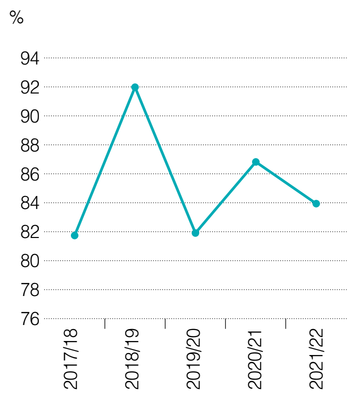


While we build our Intellectual Capital value and create a brand presence, we also follow through on the belief of remaining competitive in the marketplace. Accordingly, we completely abide by the belief of real competition while staying far away from anti-competitive behaviours. Our governance and risk management practices ensure we abide by all applicable laws and regulations and refuse to participate in activities that concede to bribery and corruption across all jurisdictions of our business operations.

During the financial year under review, the Company was not alleged of any anti-competitive or anti-trust behaviour nor fined for resorting to bribery and/or corruption to push business growth and success.

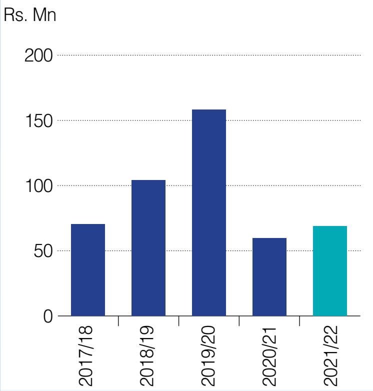
The Company made a total investment of Rs. 69.01 Mn on enhancing the value for intellectual capital during the year under review. Rs. 28.48 Mn was invested in systems and process efficiencies, Rs. 40.47 Mn was invested in brand building initiatives and Rs. 0.062 Mn was invested to train and develop employees' skills and knowledge.

Retention ratio



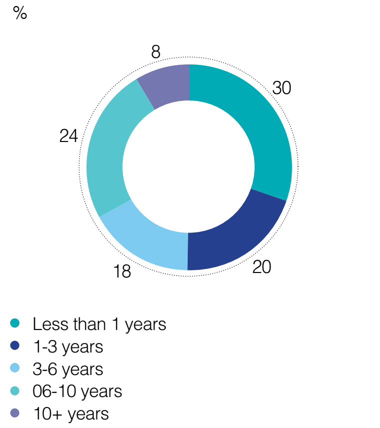
The Company has a relatively high retention ratio. The ups and downs are a part of normal business operations and nature of employment in any industry.

Total invested on Intellectual Capital



Vallibel Finance continues to make strategic investments in creating value for intellectual capital year on year. The sudden dip in investment in the FY 2020/21 is due to the lower level of business activities as a result of the outbreak of the COVID-19 pandemic. The Company picked up investment in the financial year under review amidst increasing business activities and operations returning back to normal towards the latter half of the financial year.

Total number of employees based on year of service



With over 26% of our employees having been with Vallibel Finance for over six years, they are key contributors to adding the underlying value of tacit knowledge, skills and experience built over the Company's 15 years of business operations.

Tacit Knowledge

The Company's successes and failures with over a decade of experience in the market and continuing focus on training and development have continually enriched the knowledge and know-how within a business context. Every action and activity of Vallibel Finance gain invaluable insight by relying on tacit knowledge. Therefore, we can decide and follow through on an appropriate strategic path leading us to provide acceptable product innovations, customer services, and financial performance as per stakeholder expectations. Customer relationship management, stakeholder communications, employee rewards and remunerations are also enhanced via tacit knowledge insights.

Training and development are key activities that build tacit knowledge and are therefore intrinsically linked to business strategies while supporting employee growth prospects. By nurturing the implicit knowledge of our employees, we gain longer-term returns which adds value to intellectual capital and our stakeholders.

The unusual operating conditions together with the new working methodologies in the last two years have resulted in new solutions and experiences being added to our information and data repository which is expected to make the Company more explicitly ready for future disturbances that deviate from the past norms of doing business.

Our Corporate Values

INTELLECTUAL CAPITAL

Our Corporate Culture

The Vallibel Finance corporate culture is emphasised by our vision, mission, and core values. These elements integrate seamlessly to establish a culture that is open, encouraging, compassionate, and collaborative as we believe that this is the best type of working environment to foster an innovative and learning organisation which promotes employee engagement and motivation and the achievement of employee career goals. We encourage our employees to voice their opinions, suggest changes, and be proactive in solving problems and offering innovative solutions. Many of the Company's process and systems improvements were derived from employees' sharing their ideas and beliefs in doing work more effectively.

To maintain a corporate culture that thrives on equality and fairness as well as improve transparent business operations, the Company relies on our Corporate Governance structure and risk management principles to guide us in the right direction. For additional information on Corporate Governance and Risk Management, refer to pages 128 to 163 and pages 164 to 180 of this annual report, respectively.

Ultimately, Vallibel Finance strives to build a corporate culture that is highly engaged and performance-oriented to achieve strategic priorities and meet targets while satisfying customers and other stakeholders and maintaining a market leadership position for future growth and success.

Brand Equity

Nurturing brand equity remains a key priority for Vallibel Finance as this element of intellectual capital creates the highest sustainable value for the Company and our stakeholders. Creating brand equity value has many dependencies including our products, services, process efficiencies, how we conduct business activities and our interactions with stakeholders. How Vallibel Finance is perceived by the public also has an impact on brand value and equity creation.

The Company's brand value stood at Rs. 1,283 Mn as of 31 March 2022. For over a decade, Vallibel Finance has nurtured and strengthened robust relationships with multiple stakeholder groups and our brand value is derived from market opinion and how we are perceived in the marketplace. Today, we are renowned for being a stable, customer-friendly, trusted, ethical and reliable organisation.

Credit Rating

The Company's credit rating is dependent and influenced by the Vallibel Finance brand acceptance in the marketplace as well as the financial position and strength the Company has developed over 15 years of growth and success. In August 2021, ICRA Lanka Limited (ICRA Lanka), the credit rating agency licensed by the Securities and Exchange Commission of Sri Lanka (SEC) upgraded the Vallibel Finance credit rating to BBB+ with a Stable Outlook from the previous BBB Stable Outlook rating. This achievement, amidst the prevailing economic downturn and the immediate aftermath of the lockdown due to the COVID-19 pandemic, demonstrates the Company's value in the industry, amongst peers, and the public.

Awards and Accolades also strengthen the Company's brand by reflecting our strengths relative to peers in various aspects of our operations. Over the years, the Company has received many acknowledgements which acts as a motivator to do better in the future. In the financial year under review, we received two outstanding tributes which reiterate our employees' hard work and our tenacity to thrive within our chosen market space.

Vallibel Finance, over the last 15 years of operations, has built a corporate brand and culture that we are very proud of. As we celebrate 15 years of successful business growth and expansion, we will continue to fortify our past legacy of success with another 15 years of memorable and sustainable developments which would build on the trust and loyalty we have created to date.

BBB+ with a Stable Outlook rating in August 2021

Best Finance Company Awarded at the Sri Lanka Global Economics Awards 2021

Best Auto Finance Company Awarded at the Global Banking and Finance Review Awards 2021

Best Finance Company Awarded at the Sri Lanka Global Economics Awards 2022

Internal Processes and Systems

Our information technology systems and infrastructure are the underpinning facets that drive business operations in a digitally advanced world with rapid consumer acceptance and the use of new technologies. Thus, technology plays a critical role in creating Intellectual Capital value in terms of effectiveness and efficiencies of processes and systems leading to a superior perception of the Company and ensuring business sustainability and the achievement of business strategies. Accordingly, the Company continuously invests in Information Communication Technology (ICT) systems and infrastructure to build a platform on which we can proactively manage industry developments, market movements, and evolving customer preferences. We also use ICT systems to improve customer service standards, internal processes, stakeholder communications and interactions, and to 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.

The importance of ICT for continued uninterrupted business activities has been recognised in the last two years since the COVID-19 pandemic outbreak. Resultantly, the Company's investments in adopting developing technologies will remain a key consideration to sustain business operations and overcome the challenges while creating sustainable intellectual capital value for our stakeholders.

Building Relationships and creating Brand Value

Creating goodwill for the business while supporting the wider community's social initiatives enables Vallibel finance to create long term sustainable value for Intellectual Capital.

- Celebrated Children's Day by holding a fancy dress competition at our Head Office premises on 08th October 2021

Rewarding winners of the Children's Day Fancy Dress Competition

SOCIAL & RELATIONSHIP CAPITAL

What

- The relationships established and nurtured with our external stakeholders, particularly customers, business partners, suppliers, government and regulatory authorities, shareholders, and the community

Why

- Supports business growth and sustainablity
- Enables the timely identification of changing needs and requirements
- Increases engagement with stakeholders
- Creates opportunities for strengthening stakeholder relations

How

- Continuous enhancement of customer value and service experience
- Collaborations for mutual benefits
- Timely and relevant adoption of laws and regulations
- Supports community development directly and indirectly

Material Aspect	Stakeholders Impacted				
Customer Satisfaction	Shareholders	Customers			
Ethics, Compliance and Good Governance	Regulatory	Customers	Employees	Business Partners	Society/Community
Community Upliftment	Customers	Employees	Society/Community		

Our Achievements

Rs. 1.87 Bn
Paid to the Government as taxes

Increased deposit base to
Rs. 41.02 Bn

Rs. 2.85 Bn
paid as interest to depositors

Rs. 885.65 Mn
Paid to business partners

Successfully served **76,502** lending customers and **9,429** deposit customers

Rs. 1.23 Bn
interest paid to financial service providers

Engaged in eight community projects with an investment of
Rs. 2.03 Mn

SWOT Analysis

Strengths

Well established and recognised brand

Reputation and confidence of the Group and leadership

Consistent improvements in brand value

Visibility on social media

Weaknesses

Delays associated with maintaining manual systems

Delays in process changeovers due to external uncontrollable factors

Opportunities

Increasing visibility on emerging and existing social media platforms

People's zest for learning and developing new skills and enhancing knowledge

Threats

Systems failure due to greater dependency on technology

Older generations unwilling to use and switch over to modern technology

Some remote locations in the country have limited access to digital systems and the internet

Value Created in 2021/22

Inputs

- Ever improving customer service levels
- Branding and promotional activities to reach more customer segments
- Interaction with communities

Challenges

- Constantly evolving customer needs and wants
- Managing customer complaints to the satisfaction of all parties concerned
- Rapidly evolving competitive landscape
- Increasing value creation for the community while balancing other stakeholder needs
- Identifying right fit alliances for sustainable long term value creation

Key Outputs

- Monetary and non-monetary compensation for our stakeholders
- An unparalleled service experience
- Customised products portfolio
- Timely availability of information about the Company across social media networks
- Involvement in community projects

SOCIAL & RELATIONSHIP CAPITAL

Creating Future Value

- Customer satisfaction across key touch points will continue to remain a key focus area, with technology and digitalisation playing a key role in planned enhancements
- Constantly improving customer complaint handling processes
- Continuous expansion of our business partnership and supplier networks to enable us to offer improved services and more convenient access to our products
- Expanding community development initiatives and projects
- Improved and more comprehensive social media engagement

Management Approach

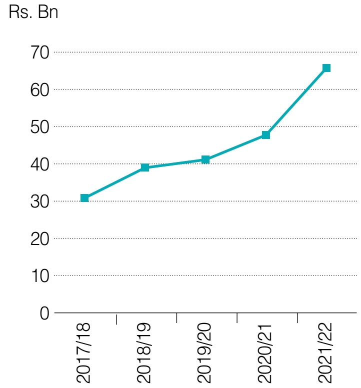
The Company approaches Social and Relationship Capital value creation by satisfying the needs and expectations of our key external stakeholders. To streamline this value creation process, the Company identifies the relevant stakeholders and then works towards fulfilling their specific needs and wants. We also undertake some external market research to ascertain emerging development and trends that can be used for the effective management of Social and Relationship Capital inputs. The Company's value creation process for our stakeholders under this capital is given in this report.

Our Approach to Creating Stakeholder Value

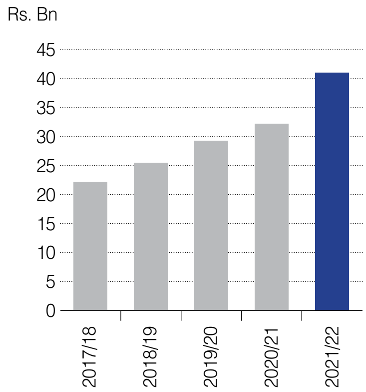
Stakeholders	Activities	How Value is Created
Shareholders	Adequate returns	Wealth created through optimised and sustainable business operations Transparent and ethical business operations
Customers	Product development Product enhancement Branch network expansion Marketing activities	Serving a wider customer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

By implementing this value creation model, Vallibel Finance has successfully added value to our Social and Relationship Capital and corresponding stakeholder groups as depicted above.

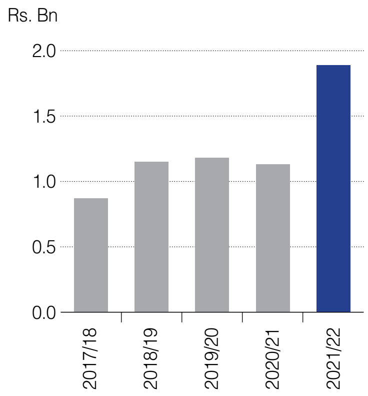
Lending Portfolio



Deposit Base



Taxes paid to Government



Customers

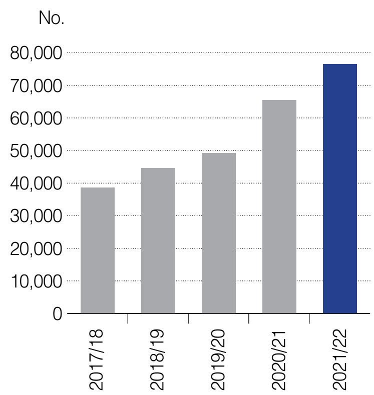
Our customers are an essential stakeholder group, who encourage us to create and deliver greater and more effective product and service offerings. The Company's customer base is diversified and constitutes people from all ethnicities and demographics. Vallibel Finance aims to build relationships with customers that continue over their lifespan, hand-holding and supporting them in their financial needs journey. We also focus on enhancing customer experience creating a competitive advantage for the Company while ensuring service quality remains at high levels. Accordingly, we work towards building personalised and meaningful relationships that create increasing value as their interactions with the Company expand.

The year under review continued to be controlled by the lasting and emerging effects of the COVID-19 pandemic, impacting the lifestyles and livelihoods of our customers, and creating challenges for them. Considering the prevailing conditions, Vallibel Finance focused on reaching our customers and offering uninterrupted services to enable them to fulfil their financial needs amidst the nationwide and area-wise lockdowns. We also offered our customers financial relief in the form of moratoriums, waiving of default interest, and restructuring facilities.

As an essential services provider, Vallibel Finance continued to operate and service our clients, albeit on a limited scale, throughout the pandemic. We deployed dedicated teams to effectively support our customers by responding to questions and doubts while implementing processes and systems to enable our customers to be connected to employees who had to work from home. Branches that remained open amidst the pandemic operating environment, worked within strict guidelines as issued by the Ministry of Health, thus ensuring the health and safety of our customers as well as employees. As the pandemic impact receded towards the latter half of the financial year, our customers were faced with a new challenge – the economic and financial crisis that is currently at its peak in the country. Through these difficult times, the Company continues to do its part to provide relief and support our customers to meet their financial commitments by offering innovative solutions to those in need.

The year on year growth of our customer base is a testament to the trust and brand integrity of Vallibel Finance and reflects the success of our strategies to meet the varying financing needs of our diversified customer base.

Number of Borrowers



Our Product Portfolio

The range of products at Vallibel Finance has been developed by understanding customers' needs and observing the trends and latest developments in the marketplace. Our products offer choice to our customers and support customers' varying pocket sizes. Refer to the Performance of Business Segments on pages 116 to 125 for the Company's product portfolio.

Customer Communications

Communications and interactions with our customers support the Company's efforts to build long term customer relationships that continuously add value. We engage with customers at different levels and at different times. We prioritise engaging with customers to understand their changing needs, concerns about a product, and any issues they may have in the product acquisition process.

We ensure they have access to adequate product information when purchasing products. Our product information is shared in all three languages – Sinhala, English, and Tamil – to ensure easy understanding across Sri Lanka's multi-cultural population. We also use a range of marketing and communication channels to reach our customers and make it easy for them to interact with the Company. Additionally, we employ multilingual employees from local towns to facilitate greater interaction with the community and minimise communication barriers.

SOCIAL & RELATIONSHIP CAPITAL

Social Media Footprint

The Company is quite active on social media and utilises these platforms to share information and interact with not only customers but other stakeholders and potential customers as well. A well-received engagement tool on social media during the year under review was the weekly brain teaser challenge which received participation in the 100s, showing the high levels of engagement with stakeholders.

Operating a Responsible, Ethical, and Transparent Business

An underlying success factor for Vallibel Finance is our emphasis on developing products and services responsibly and in compliance with statutory and legal requirements as set forth by the Central Bank of Sri Lanka (CBSL) and other regulatory bodies. Being a responsible corporate, we are committed to fair and transparent business practices and ensure our customers receive complete information about the Company's financial products clearly and, in the preferred language of choice.

During the year under review, no incidents of non-compliance were reported against the Company or fines and cases filed regarding our marketing communications or products and services information labelling. The Company also did not receive any substantiated complaints concerning breaches of customer privacy and losses of customer data.

As part of our best practices in marketing communications, the Company complied with the codes of best practices for marketing, advertising, and public announcements. Furthermore, as a corporate citizen founded on good corporate governance practices, we did not incur any fines or non-monetary sanctions for non-compliance with national and industry laws and regulations related to socio-economic aspects and no cases were filed for violations of country laws and regulations.

Customer Grievance Handling

Handling customer grievances in a diplomatic and planned manner is a critical element of creating customer value and managing long term relationships. Accordingly, Vallibel Finance has in place a grievance handling mechanism with several methods available for customers to file grievances with the Company. The process of grievance handling is communicated via our corporate website and notices placed in prominent locations within our branch network. The Company periodically reviews and improves the grievance handling process as feedback from customers and employees handling the grievances are received.

Receive Customer Complaint

Record in the Company's complaint tracking system/database

Follow-up call to get more details (within 24 hours)

Forward complaint to Customer Complaint Unit (within 48 hours)

Resolve issue and inform customer

If unable to resolve issue at this level then escalate to Senior Management for Review

If a higher authority is required for making a decision then escalate to the Managing Director

Resolve issue and inform customer

Take required action, consult with the Audit Committee, Legal Team or other necessary personnel

Resolve issue and inform customer

Business Partners

Business partners facilitate our business processes as well as provide value-adding services for the benefit of our customers. Over the years, the Company has built trustworthy relations with our business partners, many of whom are integral to our value chain. Our focus on ethical and transparent business operations together with the brand presence created in the marketplace has resulted in continuous value creation for our business partners who have concurrently grown with Vallibel Finance. A key value-adding activity for our business partners is discharging debt and credit obligations as per terms agreements and on time. Despite the challenges faced and difficulties that abounded in the operating environment, Vallibel Finance ensured supplier invoices were settled without delay and as agreed.

Our partnership also extends to the business community, where the Company and our employees are members of professional associations and business organisations to contribute to society at large.

Procurement Processes

The Company's procurement process is founded on the principles of supply chain management, with emphasis on waste minimisation, competitive prices, quality of goods, and implementation of ethical business practices by the supplier. The Company also believes in giving back to society and makes every effort to use local suppliers whenever possible. Equal opportunities and fair treatment of our suppliers, notwithstanding organisational size or the value of the purchase, is a critical element of the Company's procurement guidelines.

Our business partners are essential to the smooth functioning of business operations and ensuring excellent service to our customers.

Assets and material	Financial services	IT infrastructure	Value-added services	Outsourced services
1. Motor vehicle importers/ dealers 2. Office furniture 3. Office equipment 4. Stationery	1. Financial institutions	1. Hardware 2. Software development 3. Network security	1. Companies 2. Insurance companies 3. Advertising & marketing 4. Printing	1. Security 2. Drinking water 3. Janitorial 4. Courier 5. Construction

Government and Regulatory Authorities

Vallibel Finance adds value to this stakeholder group by abiding by country laws and complying with industry rules and regulations promptly. As such, we ensure compliance with minimal capital requirements and pay taxes on time to the government. In the financial year 2021/22, the Company contributed Rs. 1.87 billion in taxes to the Government.

During the year under review, as the country's economy continued to be impacted by the COVID-19 pandemic with cascading challenges to the public at large, the Company supported the government and regulators' efforts to grant and extend moratoriums on loans and leases by offering this facility to our customers. We also continued to implement the safety and health guidelines as issued by the Ministry of Health across our business operations.

Shareholders

Creating value for shareholders relies on the Company's growth and success and how effectively Vallibel Finance can increase shareholder wealth, year-on-year. Being a responsible corporate citizen, implementing ethical and transparent business operations, ensuring long-lasting and growing customer relationships, adopting good governance practices, and effective risk management processes all seamlessly integrate to add value to our shareholders over the years.

For comprehensive information on value created for our shareholders, refer to the Financial Capital review on pages 78 to 89 of this Annual Report.

Community

Vallibel Finance takes a two-fold approach to create value for the community. As a finance company, offering financial services to individuals and businesses, the Company supports community growth and enrichment of lifestyles and livelihoods through easy and convenient access to finance. We also promote financial inclusion and financial literacy to increase the general knowledge and know-how of financial products and services of the public. Secondly, the Company also creates value for community members

SOCIAL & RELATIONSHIP CAPITAL

by investing in initiatives and projects which are focused on improving the lives, livelihoods and health and well-being of communities across the country.

The prevailing pandemic operating environment resulted in limiting the Company's community-related activities during the financial year under review. However, we successfully proceeded with selective community projects aimed at alleviating hardships that arose among certain lower-income communities at an investment of Rs. 2.03 Mn.

Community Outreach Initiatives

Distribution of Dry Rations



Distribution of dry rations in Pemaduwa and Mahavillachchiya village households in Anuradhapura


Distribution of dry rations in villages in Abakotte, Kandy

Vallibel Finance put its best foot forward to support low-income families in rural locations by distributing dry rations to enable them to manage adversities faced due to the COVID-19 pandemic.

Donating a Refrigerator to the Minuwangoda Base Hospital

The Company donated a refrigerator to the Minuwangoda Base Hospital to be used by first responders for their daily storage needs as they continued to work to support the health and safety of the society against the COVID-19 pandemic outbreak.

Building Relationships with Community

Creating goodwill for the business while supporting the wider community's social initiatives enables Vallibel Finance to create long term sustainable value for social and relationship capital.

Co-Sponsorships for supporting a tolerant and inclusive culture

- Sponsored the Katina Maha Ceremony of the Sri Isipathnarama Viharaya, Colombo 14
- Sponsored the 32nd Charter Celebration and Installation Ceremony of the Rotaract Club of Colombo East at Hilton Colombo
- Sponsored the Cricket Tournament held by the Past Pupils of the Anuradhapura Central College- 2001 batch

Supporting our Police force

- Sponsored the repairs for the ceiling of the Archive Room at the Alauwa police Station
- Donated towards the construction of a new building at the Bambalapitiya police station

Social Media Posts

NATURAL CAPITAL

What

- Renewable and non-renewable resources needed to carry out our day-to-day operations as a financial services institution

Why

- Safeguards scarce natural resources for future generations
- Supports our corporate goals related to environmental sustainability
- Enhances corporate reputation as a responsible corporate citizen

How

- Enables the Company goals to preserve the environment and reduce natural resource consumption
- Reduces our carbon footprint resulting in preserving the natural environment
- Company initiatives such as reduce, recycle, and reuse can promote greater awareness among the community on natural resource conservation
- Supports employees and customers personal agenda towards environmental conservation

Material Aspect	Stakeholders Impacted				
Customer Satisfaction	Shareholders	Customers			
Ethics, Compliance and Good Governance	Regulatory	Customers	Employees	Business Partners	Society/Community
Community Upliftment	Customers	Employees	Society/Community		

Our Achievements

3,916 Kgs
of recycled of paper during the FY

Rs. 3,347 Mn
Disbursed on green lending loans

Reduced Electricity Consumption at Head Office by
31.67%

Reduced per employee water consumption by
15.42%

Value Created in 2021/22

SWOT Analysis

Strengths	Weaknesses
Top management plans to improve efficiency of water consumption, energy consumption and waste management across our business activities	Dependency on non-renewable resources for business activities

Opportunities	Threats
Increasing demand for green financing due to increasing consumer and customer awareness of environmental sustainability	Increasing competition related to green financing Having streamlined process and solid regulations to promote green financing as an industry Climate Change Availability of non-renewal resources over time

Inputs

- Planned reductions in water consumption
- Continuous implementation of energy saving measures
- Applying the principles of the 3R concept - Reduce, Reuse & Recycle when using both renewable and non renewable resources
- Investment in technology and systems to reduce paper used in business operations

Challenges

- Gaining buy-in from customers and employees to use electronic systems rather than traditional ways of carrying out transactions
- Reluctance or at times inability to adhere to strict guidelines on resource conservation

Key Outputs

- A workplace and business that continuously reduces paper used in day-to-day activities.
- Steadily declining use of non-renewable resources by the Company
- Improving carbon footprint

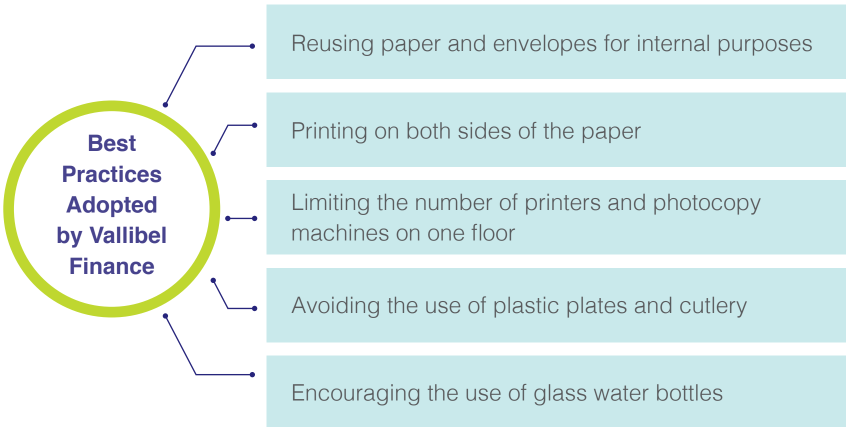
NATURAL CAPITAL

Creating Future Value

- Continue to research and adopt best practices that will support the Company's efforts to reduce non-renewable resource consumption and our carbon footprint
- Increasing focus on green lending facilities to support stakeholders' efforts to reduce their negative impact on the environment

Management Approach

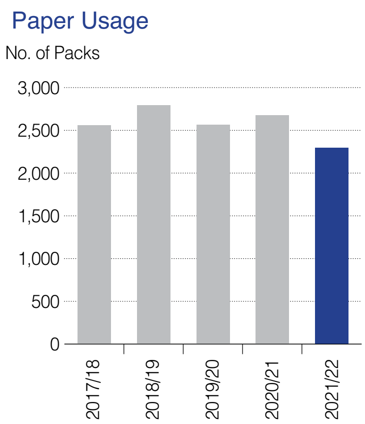
Vallibel Finance takes a dual approach to create value for natural capital – the direct approach and the indirect approach. The Company's direct approach includes focal measures to reduce the consumption of non-renewable natural resources such as fuel, water, electricity, and paper. To do this we take the tried and tested reduce, reuse, and recycle approach that had enables the Company to reduce consumption over time. We also educate our employees and create awareness within internal teams on the importance of conservation efforts with regards to the use of natural scarce resources. The Company's indirect approach to the contribution of natural capital value is a part of our business operations, where we provide green lending facilities to eligible customers. Through this method, we extend our reach across communities supporting environmentally conscientious people to manage their environmental footprint in a realistic manner.



Paper Usage

Paper is one of the Company's most used products during business activities. Paper is used for both internal and external purposes. Over the years, as a measure to reduce our carbon footprint and support efforts at reducing deforestation and the cutting down of trees to manufacture paper, the Company had been digitalising systems and processes and implementing best practices that will have a positive impact on reducing paper usage within the organisation.

Our efforts can be quantified in terms of reducing purchases of A4, A5, and Legal sized paper packs by the Head Office over the years. A 14.2% reduction was recorded in the year under review with the total number of paper packs reducing from 2,677 in 2020/21 to 2,297 in the year ended 2021/22.



Water Conservation

The Company does not use water for business activities. Water is used by employees for sanitation purposes. This water is supplied by the national water board. Drinking water is supplied by a third-party mineral water supplier for all business locations of the Company.

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

	2021/22 (m3)	2020/21 (m3)
Total Consumption**	15,640	15,523
Consumed per Employee [1.]	12	15
Consumed per Workday [2.]	56	50
Consumed at Head Office	3,955	5,078
Consumption by all Branches/Service Centres	11,685	10,447

1. The total consumption per employee is calculated based on the number of employees as at 31st March 2022.

2. There were 280 working days from 01st April 2021 to 31st March 2022. Hence, the total consumption was divided by 280. It is calculated as 24 working days per month (including ½ day on Saturday).

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

Energy Consumption

The Company uses energy in the form of electricity to conduct day-to-day business operations. The national electricity grid which predominantly uses hydro power supplies us with all our electricity. During the year under review, the total consumption of electricity increased by 13.44% due to the exceptional business growth experienced during the reporting year. This is a result of our dedicated commitment to promoting energy efficiency and reduced energy usage across all business operations and locations.

We also use diesel to power generators in case of a power outage and purchased 17,768.29 litres of diesel for the year under review which is a decrease of 48.6% compared to the previous year. Petrol is used to operate vehicles to carry on business activities. We used 2,895.51 litres of petrol during the year which is a 35.3% decrease compared to that of the previous year.

	2021/22 (KwH)	2020/21 (KwH)
Total Consumption**	1,186,067	1,045,505
Consumed per Employee [1.]	933	980
Consumed per Workday [2.]	4,244	3,394
Consumed at Head Office	233,657	341,971
Consumption by all Branches/Service Centres	952,410	703,534

3. The total consumption per employee is calculated based on the number of employees as at 31st March 2022.

4. There were 280 working days from 01st April 2021 to 31st March 2022. Hence, the total consumption was divided by 280. It is calculated as 24 working days per month (including ½ day on Saturday).

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

Waste Management

Paper constitutes the largest quantity of waste generated by the Company. Continuing our efforts to improve waste management processes and increase our sustainable actions, the Company continued to partner with M/S Paper Recyclers to collect all paper waste generated for recycling. We successfully collected and handed over 3,916 kilograms of paper during the financial year 2021/22, an increase of 39% compared to the previous financial year.

Other waste generated by the Company includes organic waste due to employees' lunches and snacks, as well as some plastic waste which is disposed of in a proper manner as required by the municipal waste collection authorities. Electronic waste generated is also disposed of in a safe and environmentally-friendly manner.

The Company does not generate any hazardous waste or effluents and does not discharge any hazardous wastewater into any natural water bodies.

Green Lending Facilities

During the year under review, Vallibel Finance extended 870 new green financing facilities amounting to Rs. 3,347 Mn to our existing customers, recording an increase of 79.77% compared to the financial year ended 2020/21. This increasing progress in green lending showcases increased demand as well as the Company's expanding involvement in supporting green business ventures and purchase of environmentally-friendly products by conscientious customers. Our support of green lending facilities also indirectly contributes to the reduction of carbon emissions and air pollution in the country.

Environmental Compliance

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

PERFORMANCE OF BUSINESS SEGMENTS

The precision applied in our strategic development process together with the Company's determination to achieve our goals facilitated Vallibel Finance to achieve phenomenal growth in times where adversities abounded, and challenges emerged at every turn.

The COVID-19 pandemic continued to influence economic activity and social interaction during the financial year ended 2021/22. The emerging new variants of COVID caused added lockdowns and a slower than expected return to normal business activity. These conditions worsened the economic position of Sri Lanka towards the end of the Financial Year leading to higher interest rates, the rapid rise in inflation, a depreciating Sri Lankan rupee, and a falling foreign exchange reserve. While these factors impacted business operations, the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) recorded considerable improvement in performance, specifically in terms of credit growth and profitability during the Year 2021/2022. Thus, Vallibel Finance was able to capitalise on emerging opportunities, resulting in an astounding year of business success which we largely attribute to the trust of our customers and the dedication of our employees to remain focused on achieving business goals and ultimately our vision. We achieved success across a range of business indicators, proving yet again, that remaining focused on a sustainable future while operating a transparent and ethical business entity to create value across all stakeholder groups is the right path for Vallibel Finance in the longer term.

Our Product Portfolio

Lending Portfolio

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

Deposit Portfolio

For the general public and institutional investors

Portfolio Growth Highlights

Total Loans

Rs. 65.66 Bn

A growth of 37.53% in FY 2021/22, an 21.42% increase compared to FY 2020/21

Fixed Deposits

Rs. 41.02 Bn

A growth of 27.51% in FY 2021/22, an 17.50% increase compared to FY 2020/21

Gold Loans

Rs. 8.66 Bn

Grew by 60.92% in FY 2021/22, an 8.24% increase compared to FY 2020/21

Deposits Portfolio

Vallibel FD

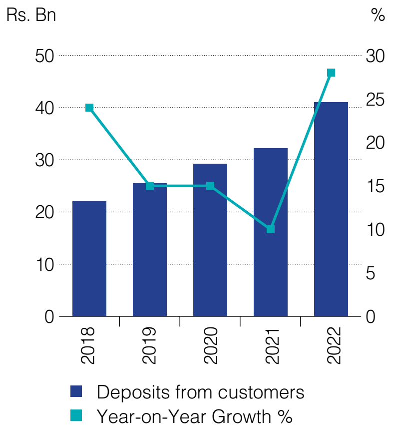
The Company's fixed deposit products continue to be popular with our customers mainly as the Company offers fair terms and provides absolute security with high levels of customer service for a wider target audience.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ 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 to 60-month deposits ▪ Flexible interest payment terms ▪ Free investment advisory services ▪ Eligible senior citizens are 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	During the financial year 2021/22, the Company's total deposits grew by 27.51%, amounting to Rs. 41.02 Bn as at 31st March 2022, compared to Rs. 32.17 Bn recorded as at 31st March 2021. Interested expenses decreased by 0.83% to Rs. 2.85 Bn in the year under review compared to the Rs. 2.87 Bn in the previous financial year. Fixed deposits accounted for 99.37% of the total deposit base, while Certificate of Deposits contributed a modest 0.63% during the financial year ended 31st March 2022.	The forthcoming year's outlook seems quite challenging when considering the prevailing economic conditions of the country. The depreciating rupee, coupled with high inflation and interest rates will continue to impact the rate of business growth, while simultaneously increasing the Company's interest cost. Furthermore, the political instability and the social unrest if not controlled could lead to longer-term repercussions on the country's economic growth and stability; and will invariably impact the industry operating environment. However, the Company is confident that our customers will continue to invest with us and remain loyal to Vallibel Finance. Accordingly, Vallibel Finance will remain vigilant about economic and external market developments and adjust strategies to support business viability and customer needs.

PERFORMANCE OF BUSINESS SEGMENTS

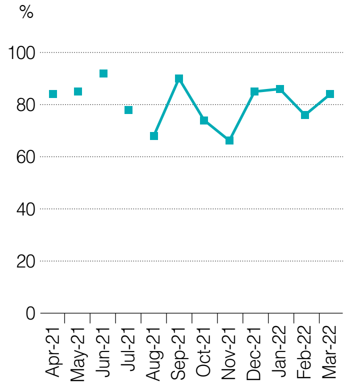
Growth in Deposit Base

The noteworthy growth of the deposit base amidst tightening money market conditions and a high inflation regime in the year under review is a testament to the reputation of the Company as an ethical and trustworthy financial services organisation working to secure the future of its customer investments. The flexibility offered and the unique features of our deposit products have facilitated increasing growth over the years.



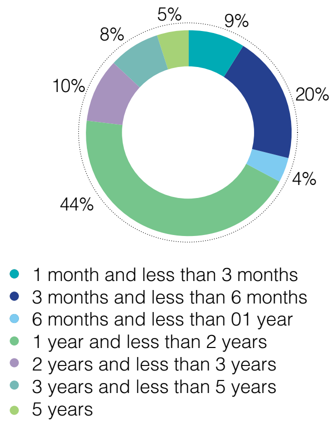
Monthly Fixed Deposit Renewal Ratio for the year ended 31st March 2022

The Company continued to maintain a high renewal ratio rate despite constraints in the market and rising inflation rates. The increasing interest rates also played a part in promoting fixed deposit renewals in the year under review. Thus, the Company retained an average fixed deposit renewal ratio of 81% for the year under review.



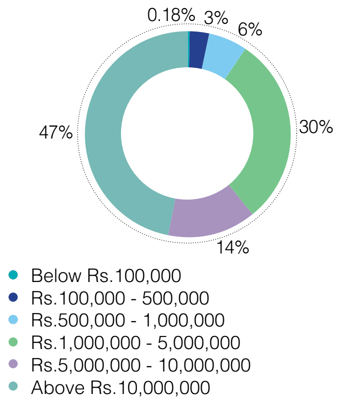
Tenure-wise Deposits Base as at 31st March 2022

Amidst the challenging operating environment, the Company continued to focus on growing the medium and long term tenured fixed deposits in the year under review.



Amount-wise Deposits Base as at 31st March 2022

Considered from a value perspective, 47% of the Company's deposits belong to high net worth customers. Each customer holds a deposit account with a value greater than Rs. 10 Mn. Another 44% of the deposit portfolio belong to customers with deposits ranging between Rs. 1 Mn and Rs. 10 Mn. These numbers continue to increase year on year and solidify Vallibel Finance's position as a reputable financial institution in the country.



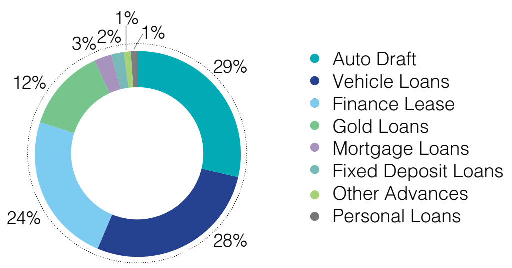
Lending Portfolio

Vallibel Finance has a robust and sought after lending portfolio developed to meet the needs of various demographics and target markets. The Company's lending portfolio aims to create long term value for our stakeholders while giving greater benefits to our customers. The Company has created a winning mix of products that support sustainable business growth while catering to the diverse needs of our discerning customers. Finance leasing facilities, vehicle loans, auto drafts, and gold loans continued to remain the key contributors to revenue and profitability in the year under review.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Competitive interest rates ▪ Regularly update the product features to match changing consumer needs ▪ Flexible terms and conditions to suit customer needs as 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 ▪ High levels of service standards ▪ Easy access to products and services through an extensive branch network	The total lending portfolio grew by 37.53% to Rs. 65.66 Bn in the FY 2021/22 compared to Rs. 47.74 Bn recorded in the previous financial year. Auto draft, vehicle loan, gold loan and leasing facilities were the key drivers of portfolio growth. Auto draft facilities (gross) grew by 139.43% amounting to Rs. 19.69 Bn and accounted for 28.71% of the total lending portfolio. Vehicle loans accounted for 27.70% of the portfolio, while finance leases accounted for 23.60% of the portfolio. The interest income generated by the total lending portfolio increased by 21.01% to Rs. 9.62 Bn for the year under review compared to Rs. 7.95 Bn earned during the previous financial year due to the increased loan disbursement volumes by the Company in the year under review.	The acceleration of the deteriorating economic conditions with no clear path seen for recovery at the time of writing will challenge the Company's strategic goals while creating financial market uncertainties that could have a negative impact on the industry and the business. However, the Company will remain steadfast in delivering on our promises and commitment to assist our customers, despite any impacts on business growth rates in the short term. Vallibel Finance's story of success even in challenging times gives us the impetus to maintain a positive stance on future growth. However, we will continue to apply focused strategies, diligently review loan applications, streamline business activities, and apply effective cost control measures while catering to the needs of our target customers to maintain sustainable business operations while we create value for our stakeholders.

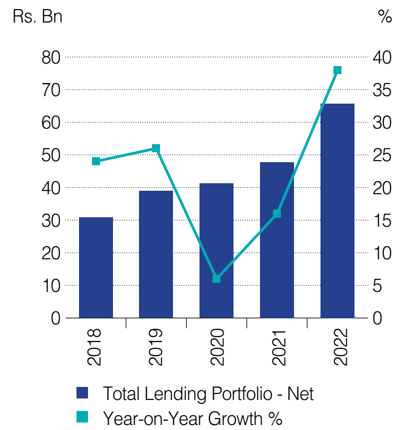
Lending Portfolio Composition as at 31st March 2022

The Company continues to maintain a diversified lending portfolio to maintain a balanced risk profile and offer a sustainable mix of products to fulfil the needs of various customer segments. Auto draft loans achieved a noteworthy growth of 139.43% and amounted to 29% of the lending portfolio for the financial year 2021/22, while the vehicle loans share of the lending portfolio recorded a marginal decline to 28%. The Finance leases also recorded a falling share of the portfolio, amounting to 24% compared to the 30% achieved in the previous financial year. Gold loans also continued their growth momentum during the year under review.



Growth in Lending Portfolio

The lending portfolio momentum picked up in the year under review, achieving an extraordinary growth of 37.53% compared to the slower growth rates recorded in the financial years ended 2019/20 and 2020/21, respectively. Considering the subdued economic growth and a slower than expected return to normal by the industry, the Company attributes the growth to successful strategies implemented and the excellent reputation the Company had developed in the market over time.



PERFORMANCE OF BUSINESS SEGMENTS

Leasing

The Company's leasing is segregated into two categories- general leasing and micro leasing. General leasing facilities support the funding needs of individuals or businesses 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 motorbikes.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Regularly updated 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	Leasing facilities (Gross) achieved a moderate growth of 6.85% amounting to Rs. 16.19 Bn for the financial year under review compared to Rs. 15.15 Bn in the previous financial year. The continuous raise in the vehicle prices is attributed to the slower growth of the leasing facilities. Thus, the total leasing portfolio accounted for 23.60% of the total lending portfolio a reduction compared to the 30.22% recorded in the previous financial year. Interest income from finance leases amounted to Rs. 2.96 Bn compared to Rs. 2.75 Bn earned in the previous financial year.	Expectations of interest rates remaining high in the forthcoming financial year will not support the faster growth of the Company's leasing products. The Company expects to sustain growth levels achieved in the last two financial years by implementing focused strategies to identify feasible target customer segments and increase cost efficiencies. However, considering the current tightening of the money market liquidity and rising inflation levels, the Company will continue to take a cautionary approach in pursuing growth of the leasing portfolio in the short term to maintain optimal risk levels and reduce the liability of defaults. We will continue to adopt the selective lending strategy and tweak it to align with changing market conditions as the year progresses.

Vehicle Loan

The Company's vehicle loan product holds a significant share of the lending portfolio and maintaining the position as the second-largest contributor to the Company's lending portfolio during the financial year ended 31st March 2022.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Flexibility through a customisation policy ▪ Faster and more convenient loan processes ▪ Regularly updated to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The gross vehicle loans portfolio increased by 25.49% to Rs. 19.00 Bn as at 31st March 2022 compared to Rs. 15.14 Bn recorded in the previous financial year. Interest income earned was Rs. 2.36 Bn, while the overall contribution to the Company's lending portfolio was 27.70%.	The import restriction on vehicles, the devaluation of the rupee, high inflation, and high-interest rates are expected to continue in the coming year as the government works towards stabilising the economy. The Company expects these factors to curb vehicle loan portfolio growth in the forthcoming year. We will focus on maintaining the existing portfolio through timely interventions and re-negotiations with selective customers. A cautionary approach will continue to be adopted with an in-depth screening of new customers. The Company will continue to implement stringent procedures and processes and employ relevant monitoring mechanisms.

Mortgage Loan

Mortgage loans are offered to individuals to obtain funds by mortgaging immovable property or fully owned vehicles not under any lease agreements.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Flexible with the ability to be customised to the financial situations and needs of individuals ▪ Regularly upgraded to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The Company's gross mortgage loan portfolio decreased by 25.78% to Rs. 2.16 Bn compared to Rs. 2.90 Bn in the previous financial year. Mortgage loans comprised 3.14% of the total lending portfolio, a declining trend that continues due to the Company's decision to slowly discontinue vehicle mortgage loan facilities in the medium term. This decision is predominantly based on the trend of consumers opting for types of financial products that are faster to obtain. However, the Company's substitute Vehicle Loan product caused minimal disruption to customers who still wished to opt for a similar financial product. The interest income earned from mortgage loans was Rs. 339.31 Mn.	The Company will continue to sustainably manage the current portfolio while focusing on ensuring no defaults on repayments in the medium term.

Property Mortgage Loan

Property mortgage loan facilities are targeted at government and private sector employees, self-employed professionals, and businessmen to facilitate the purchase of land or land with a house or a building for personal or commercial construction, renovation, or re-building; or to redeem or to settle an existing loan facility, or to obtain cash for any other personal requirement.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Flexible with the ability to be customised to the financial situations and needs of individual customers ▪ Regularly upgraded to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The Company's property mortgage loans recorded a growth of 46.36% to Rs. 1.60 Bn compared to the 12.15% growth to Rs. 1.09 Bn recorded in the previous financial year. The property mortgage loans accounts for 2.32% share of the total lending portfolio as at 31st March 2022.	The Company will continue to focus on expanding our property mortgage loans portfolio considering the increasing demand experienced in the recent past. However, the current context of rising interest rates may hamper growth momentum in the forthcoming year.

PERFORMANCE OF BUSINESS SEGMENTS

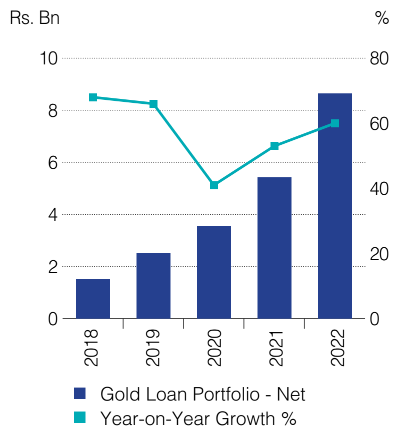
Gold Loans

Gold loans are offered to individuals to obtain loans secured against their gold jewellery.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
■ Loan value will equal the value of the gold at the date of obtaining the funds ■ Regularly upgraded terms and conditions to match changing consumer needs ■ A hassle-free, convenient, and easier method to get cash quickly ■ Offers high service standards ■ Easy access to products and services through an extensive branch network	Gold loans continued to contribute significantly to the Company's year-on-year lending portfolio growth, increasing by 60% to exceed Rs. 8 Bn. The prevailing economic conditions together with the focused strategy of targeting customer segment with a preference for obtaining loans secured against gold has yielded exceptional results in the year under review. Gold loans accounted for 12.59% of the total lending portfolio as at 31st March 2022. The total gross gold loan portfolio reached Rs. 8.63 Bn as at 31st March 2022 compared to Rs. 5.41 Bn recorded in the previous financial year. During the year under review, another 08 branches of the Company added the gold loan to its lending portfolio, making the gold loan facility available in 53 branches out of a total of 54 branches as at 31st March 2022. The interest income earned from the gold loans portfolio was Rs. 1.39 Bn, an 51.08% increase compared to the previous financial year.	The Company will continue to expand the gold loan product across branches in the forthcoming financial year as the demand for this product is expected to continue to rise considering the current economic conditions and the need for individuals to meet their financial obligations. The Company will also continue to promote this product and maintain transparent processes to increase our customer confidence and further accelerate the growth in the medium term. We will also continue to explore new opportunities and further penetrate market segments yet to be captured while maintaining the successful strategies implemented to date.

Growth in Gold Loan Portfolio

The increasing growth rate of gold loans signifies the increasing demand and interest by consumers as personal wealth positions are tightened due to the prevailing external economic conditions. While a steep decline in growth was recorded from 2019 to 2020, this was mainly due to the external market conditions at that time. However, the Company has successfully achieved growth in its net gold loan portfolio over the last seven years. This achievement since the introduction of gold loans in 2016 is attributed to the Company's good reputation and the execution of winning strategies.



Vallibel Auto Draft

Vallibel Auto Draft provides individuals with the flexibility to make interest payments every month, while the capital amount is paid in full at the end of the loan term. This product has been developed to be more economical than obtaining a bank overdraft facility although requiring to provide security against a vehicle or through a personal guarantor.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Greater convenience and hassle-free loan option ▪ Highly competitive interest rates ▪ Unmatched and customised repayment terms ▪ Regularly reviewed and revised to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The Company's Auto Draft portfolio amounted to Rs. 19.69 Bn as at 31st March 2022 with a growth of 139.43%, compared to Rs. 8.82 Bn recorded in the previous financial year. The prevailing economic conditions supported the growth momentum during the year under review enabling the Company to increase the auto draft portfolio by 139.43% to account for a 28.71% share of the total lending portfolio as at 31st March 2022. The interest income earned amounted to Rs. 1.92 Bn compared to Rs. 1.25 Bn earned in the previous financial year.	The worsening economic conditions towards the last half of the financial year under review together with the social and political unrest experienced in the fourth quarter is expected to continue in the forthcoming financial year. Thus, the Company has taken a strategic decision to temporarily slow down three-wheeler and two-wheeler auto drafts facilities which will impact growth rates in the short term.

Vallibel Wheel Draft

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ 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 12 months ▪ Regularly upgraded to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The wheel draft portfolio amounted to Rs. 0.36 Bn as at 31st March 2022 compared to Rs. 0.24 Bn recorded in the previous financial year. The Company's decision to slow down offering this product due to the economic challenges that abounded in the year under review was the primary reason for slow growth in this portfolio. Thus, the wheel draft product's share of the total Auto Draft portfolio reduced to 1.83% as at 31st March 2022 compared to 2.71% recorded in the previous financial year.	The Company will continue to hold back offering new Wheel Draft loans due to the prevailing economic conditions coupled with the high interest rates, making this product unsustainable for the business in the short to medium terms. However, as this is one of the Company's most popular offshoot products of the Auto Draft loans line, we will remain cognisant of changing market conditions and re-evaluate our decision to slow down offering this product in the market.

PERFORMANCE OF BUSINESS SEGMENTS

Personal Loan

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

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Competitively low interest rates ▪ Easy and convenient application and settlement process ▪ Regularly upgrade to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The gross personal loan portfolio continued its declining trend, decreasing by 30.52% to Rs. 0.86 Bn during the financial year under review. This decline is attributed to the Company's strategic decision to promote other lending facilities to maintain an optimal lending portfolio mix and manage risks to ensure long-term business sustainability. Personal loans only account for 1.25% of the total lending portfolio. The interest income earned from personal loans also declined to Rs. 108.65 Mn for the year ended 31st March 2022.	The Company will continue to offer loans to customers who request them, but the focus will be to promote other lending products. It is expected that the high market interest rate will continue to have a negative impact on demand for personal loans in the forthcoming year.

Business Loan

The business loan facility is a flexible financial solution offered to support small and medium-sized businesses to pursue business growth and expansion by obtaining a short-term loan for the purchase of fast-moving stocks, while still being able to fulfil their financial obligations without undue stress.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Regularly upgraded to match changing consumer needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The continuing impact of the COVID-19 pandemic coupled with the worsening economic environment was not feasible for the growth of the Company's business loans portfolio. Hence, the gross business loan portfolio continued its declining trend, amounting to Rs. 39.24 Mn as at 31st March 2022.	The Company does not foresee a turnaround in growth for business loans as the prevailing uncertain economic, social, and political situation continues to impact market and investor sentiments negatively. The Company will remain vigilant of external market developments and continue to monitor changes in economic conditions to feasibly support our customers and SME sector growth in these challenging times.

Loans against Fixed Deposits

Loans against fixed deposits are a unique product offered by Vallibel Finance, as a value-added service for our most valuable fixed deposit customers.

Key Features	Performance for FY 2021/22	Outlook for FY 2022/23
▪ Low cost compared to other lending products ▪ Regularly upgrade to match changing consumer needs ▪ A short-term solution to meet urgent financial needs ▪ Offers high service standards ▪ Easy access to products and services through an extensive branch network	The loans against fixed deposits achieved a growth of 73.76%, although it accounts for only a 1.65% share of the Company's total lending portfolio. Resultantly, the portfolio amounted to Rs. 1,132.75 Mn as at 31st March 2022 compared to Rs. 651.91 Mn recorded in the previous financial year. The interest income earned was Rs. 76.80 Mn for the year ended 31st March 2022.	The Company expects the demand for loans against fixed deposits to be in higher demand in the forthcoming year as we foresee our deposit customers opting for this product to manage their financial needs in the context of the prevailing economic conditions. We will do our best to facilitate this service to as many customers as feasible while maintaining sustainable business operations.

PROGRESS FOR PROMINENCE

Looking at the future with renewed optimism, and expanding our portfolio with our distinctive offerings.

Governance


COMPLIANCE
2

CORPORATE GOVERNANCE

Approach to Corporate Governance

The rules, regulations, guidelines, ethical business practices, and best industry practices all converge to form the corporate governance framework of Vallibel Finance PLC. The Company's business model is created to incorporate relevant elements of corporate governance within business strategies to enable the Company to practice good governance across all business operations and activities creating increasing financial and non-financial value for all our stakeholders.

The principles of accountability, transparency, and responsibility are embedded within the Company's corporate governance processes to ensure seamless integration within our business operations and for the easy identification of gaps that exist. The Company ensures full compliance with all mandatory rules and regulations as set forth by the relevant authorities. The Company also considers both the external and internal rules and regulations in setting governance policies and systems, and complements these by the adoption of voluntarily best governance practices relevant to the industry and listed companies.

The Company's commitment to improving corporate governance mechanisms has facilitated the cohesive establishment of corporate governance principles at Vallibel Finance, supporting progressively improving governance structures, systems, practices, and processes to set the highest standards of corporate conduct and ethical and transparent business operations. This has also enabled the Company to increase emphasis on ethical business practices while ensuring integrity and transparency in all the Company's dealings with stakeholders.

The changing regulations, operating environment and the evolving nature of business operations require the Company to continually review and evaluate the relevance of our corporate governance structure, systems, processes, and framework to integrate changing governance requirements with emerging internal and external developments and best practices. As a listed public company on the Colombo Stock Exchange, we believe that it is our duty to continually improve our corporate governance practices to retain the trust of our shareholders and other stakeholders. As a financial services institution working with public deposits and disbursing funds to those in need, a comprehensive and robust governance system builds long-term trust, accountability, and acceptability by these key stakeholders.

The Board of Directors (BOD) of Vallibel Finance retain oversight for all governance-related matters on behalf of the Company. The BOD is responsible for setting governance policies and facilitating the governance process by authorising reporting lines and responsibilities across the organisational hierarchy. The Board Sub-Committees and the Management Committee support the BOD in establishing accountability for corporate governance and facilitating the implementation, control, and monitoring of the corporate governance systems across the Company.

Corporate Governance Framework

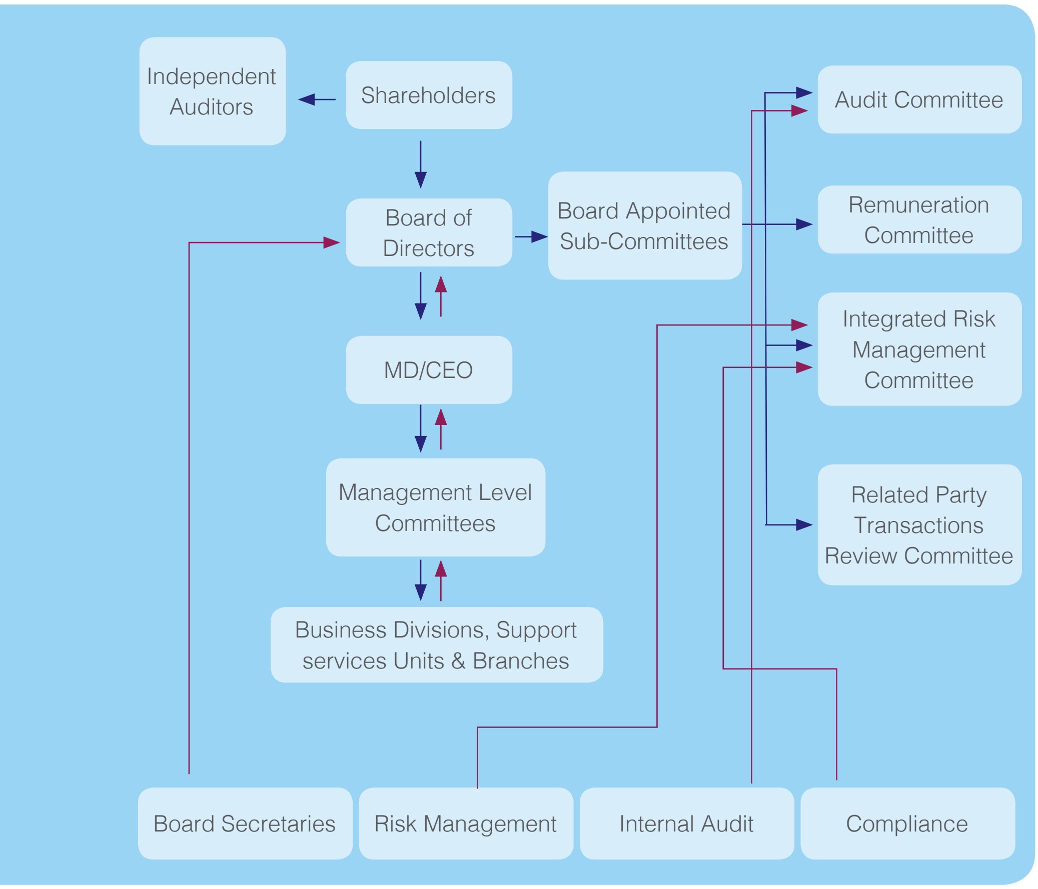
The corporate governance framework clearly identifies and defines the various roles and responsibilities, establishes clear reporting lines, and supports the systematic review of external and internal environmental impacts on business operations.

External Regulatory Framework

- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Finance Companies (Corporate Governance) Direction No.03 of 2008 (as amended) issued by Monetary Board of 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)
- Listing Rules of Colombo Stock Exchange (CSE)
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 36 of 1987 (as amended)

The Company's corporate governance framework facilities the seamless implementation of sustainable governance principles and processes within the Company's strategic decision-making process and in conducting day-to-day business operations. The governance framework also supports the Company's value creation process enabling the business sustainability, development, and growth over time.

CORPORATE GOVERNANCE FRAMEWORK



Internal Control and Monitoring Mechanisms

- Vision, Mission and Corporate Values
- Articles of Association
- Charters of Board Sub-committees
- Organizational Structure
- Policies, Guidelines and Manuals
- Risk Management Procedures
- Internal Control Procedures and Processes

Appointment flow
Reporting flow

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

Application of Corporate Governance Practices at Vallibel Finance

Vallibel Finance considers all mandatory regulations in setting and implementing corporate governance practices in business operations. The following sections explain the application of corporate governance practices by the Company for the financial year ended 31st March 2022.

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 Acting Chairman, are Non-Executive Directors with a balance of skills and experience which is appropriate for the business carried out by the Company.

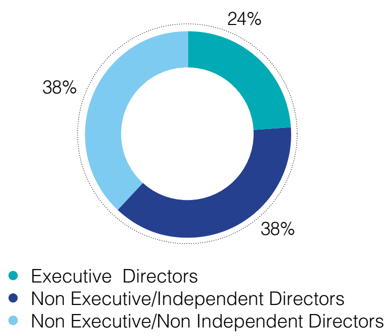
CORPORATE GOVERNANCE

No.	Name of Director	Status	Date of Appointment to the Board
1	Mr. K D A Perera	Acting Chairman / Non-Executive Director	12.08.2014 Appointed as the Acting Chairman w.e.f. 18.12.2021
2	Mr. S B Rangamuwa	Managing Director	14.03.2007
3	Mr. Dhammika Perera	Executive Director	22.08.2005 Appointed as an Executive Director w.e.f. 21.08.2014
4	Mr. T Murakami	Non-Executive Director	16.07.2014
5	Mr. A Dadigama	Independent Non-Executive Director	15.09.2014 Appointed as the Senior Independent Director w.e.f. 18.12.2021
6	Mr. S S Weerabahu	Executive Director	20.04.2018 Appointed as an Executive Director w.e.f. 19.12.2019
7	Mr. J Kumarasinghe	Independent Non-Executive Director	01.02.2019
8	Mrs. C P Malalgoda	Independent Non-Executive Director	01.12.2021
	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. A Dadigama, Mr. J Kumarasinghe and Mrs. C P Malagoda, are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Board Composition



Board Composition by Age

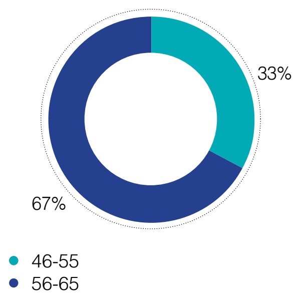


Table: Tenure of Directors

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

Chairman and Managing Director

The functions of the Chairman and the Managing Director are separate with a clear distinction drawn between responsibilities, ensuring the balance of power and authority. Mr. K D A Perera serves as the Acting 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 matters that require the attention of the Board. The Board meets once a month, and when ever necessary, Special Meetings of the Board are held.

During the year ended 31st March 2022, twelve (12) meetings of the Board were held. The attendance of Board members at the meetings was as follows.

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K D A Perera	Non-Executive	12/12
Mr. Dhammika Perera	Executive	10/12
Mr. S B Rangamuwa	Executive	12/12
Mr. T Murakami	Non-Executive	-
Mr. A Dadigama	Independent Non-Executive	11/12
Mr. S S Weerabahu	Executive	12/12
Mr. J Kumarasinghe	Independent Non-Executive	12/12
Mrs. C P Malalgoda*	Independent Non-Executive	04/04
Mr. R M Karunaratne**	Independent Non-Executive	08/08
Mr. H Ota (Alternate Director to Mr. T Murakami)	Non-Executive	11/12

* Appointed w.e.f 01.12.2021
**Ceased w.e.f. 17.12.2021

Audit Committee

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

Name of Member	Position	Meeting Attendance
Mr. A Dadigama	Independent Non-Executive Director	6/6
Mr. R M Karunaratne*	Independent Non-Executive Director	3/3
Mr. J Kumarasinghe	Independent Non-Executive Director	6/6
Mrs. C P Malalgoda**	Independent Non-Executive Director	N/A

*Ceased w.e.f. 17.12.2021
**Appointed w.e.f 25.05.2022

The Report of the Audit Committee is given on page 185.

Remuneration Committee

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

Name of Member	Position	Meeting Attendance
Mr. J Kumarasinghe	Independent Non-Executive Director	3/3
Mr. R M Karunaratne*	Independent Non-Executive Director	2/2
Mr. K D A Perera	Non-Executive Director	3/3
Mr. A Dadigama	Independent Non-Executive Director	1/1

*Ceased w.e.f. 17.12.2021

CORPORATE GOVERNANCE

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 this Committee and attendance at meetings is given below.

Name of Member	Position	Meeting Attendance
Mr. A Dadigama	Independent Non-Executive Director	6/6
Mr. R M Karunaratne*	Independent Non-Executive Director	3/3
Mr. J Kumarasinghe	Independent Non-Executive Director	6/6
Mrs. C P Malalgoda**	Independent Non-Executive Director	N/A

*Ceased w.e.f. 17.12.2021

**Appointed w.e.f 25.05.2022

The Report of the Related Party Transactions Review Committee is given on page 186.

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 this Committee and attendance at meetings is 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
Mrs. C P Malalgoda*	Independent Non-Executive Director	N/A
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 25.05.2022

The Report of the Integrated Risk Management Committee is given on page 187.

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 team.

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 the Sri Lanka Accounting Standards No.19, Employee Benefits.

Compliance Statement

We confirm that as of the date of this Annual Report, the Company was compliant with the Listing Rules of the Colombo Stock Exchange and Finance Companies Direction No. 3 of 2008 on Corporate Governance and amendments thereto.

In addition, tables set out on pages 147 to 159 depict the extent of adherence with the Code of Best Practice on Corporate Governance 2017 issued by the Institution of Charted Accountants of Sri Lanka (CA Sri Lanka). Further, the Company has complied with the provisions of the Companies Act No. 7 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 to satisfy themselves that they present a true and fair view of the Company's affairs for the financial year ended 31st March 2022.

By Order of the Board

VALLIBEL FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2022

CORPORATE GOVERNANCE

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 action taken to mitigate possible risks are submitted for Board's information where necessary. Please refer Risk Management report on pages 164 to 180 and Integrated Risk Management Committee report on page 187 for further details.

Directions			Extent of Compliance
	d)	Communication with all stakeholders;	Complied with. Board approved Communication Policy covering all stakeholders is 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 actions 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.

CORPORATE GOVERNANCE

Directions			Extent of Compliance
	k)	Regular meeting with the Key Management Personnel;	Complied with. The members of the senior management regularly make presentation and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.
	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 are 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 the each calendar year enabling them to include matters and proposals in this regard. Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.
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 2021/2022. Refer page 131 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 carrying 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 Secretaries 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 Secretaries 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 Secretaries. 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 Secretaries covering all requirements of this direction.

CORPORATE GOVERNANCE

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 2022.
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-Executive Directors, the Board has determined that three Non-Executive Directors, namely Mr. A Dadigama, Mr. J Kumarasinghe and Mrs. C P Malalagoda and are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
4 (5)		Appointment of Alternate Director to represent an Independent Non-Executive Director	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 30 and 31.
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 2021/2022, 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 130 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.

Directions			Extent of Compliance
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.
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 2022.
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 Managing Director / 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. Mr. R M Karunaratne, who served as Chairman / Independent Non-Executive Director ceased his office on 17th December 2021 on reaching the age of 70 years and Mr. K D A Perera who is a Non-Executive Director was appointed as the Acting Chairman of the Company with effect from 18th December 2021. Accordingly, Mr. A Dadigama who is an Independent Non-Executive Director was appointed as the Senior Independent Director of the Company with effect from 18th December 2021.

Directions			Extent of Compliance
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 Secretaries circulate formal agenda prior to the Board Meeting.
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 a 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.

Directions			Extent of Compliance
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 Secretaries 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 185, 186 and 187 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 the Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience. Qualifications and experience are disclosed in page 31 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.
	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.

Directions			Extent of Compliance
	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 actions were taken accordingly.
	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 in-house internal audit department and also the outsourced service provider - Ernst & Young Advisory Service (Pvt) Limited. The Company has established an 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 actions agreed upon. Where required, the Management is invited to attend the meeting to provide clarifications. Performance of Internal Auditors is reviewed by the Audit Committee. The Internal Audit function is an independent function which directly reports to the Board Audit Committee and the audits are performed with impartiality and due professional care.

Directions			Extent of Compliance
	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 (in-house internal auditor and outsourced) generally attend meetings. Where it is deemed necessary, other members of the corporate management are invited to attend the meeting. During the year under review the Committee met twice with the External Auditors, without the presence of Executive Directors.
	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 Secretaries.
	o)	Disclosures in the Annual Report	**Complied with.** The Report of the Board Audit Committee is on page 185 and includes the detailed activities, meetings held during the year and the Directors attendance at the Audit Committee Meetings.
	p)	Recording and maintenance of minutes of meetings	**Complied with.** The Company Secretaries functions as the Secretaries to the Committee and records and maintains detailed minutes of the Committee meeting.
	q)	Whistle-blowing policy and relationship with External Auditors	**Complied with.** A Whistle Blower Policy is in place which covers these aspects. The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on periodic basis to discharge this function.
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 three Independent Non - Executive Directors, two Executive Director including Managing Director / CEO, Senior Deputy General Manager - Credit, Senior Deputy General Manager - Finance & Administration and Deputy General Manager - Asset Management who supervises broad risk categories as detailed in this Direction. Any other key management personnel and staff are invited as and when the Committee needs their presence.

Directions			Extent of Compliance
	b)	Periodical risk assessment	Complied with. Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Integrated Risk Management Committee at quarterly intervals for necessary guidance. Please refer Risk Management Report on page 164 to 180 for further details.
	c)	Review the adequacy and effectiveness of Management level committees	Complied with. Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.
	d)	Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee	Complied with. All risk indicators which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action. The progress of rectification of the position and implementation of the recommendations are also being monitored closely by the Committee.
	e)	Frequency of meetings	Complied with The Integrated Risk Management Committee meetings are held at quarterly intervals.
	f)	Action against officers for failure to identify specific risks and take prompt corrective action	Complied with The Internal Audit identifies lapses of this nature and makes recommendations to the Board Audit Committee to initiate action against officers where material failures to meet risk management responsibilities are observed.
	g)	Submission of risk assessment report to the Board	Complied with The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendation and risk reports.
	h)	Establishment of a compliance function	Complied with The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Company has appointed a Compliance Officer and the Compliance Officer submits a Compliance Report to the Board at its meetings held monthly and quarterly to the Integrated Risk Management Committee.
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 Transaction 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 186.
9 (3)		Related party transactions covered in the direction	Complied with. Information in this regard, is disclosed in Note 52 on "Related Party Disclosures" in the Financial Statements.

Directions			Extent of Compliance
9 (4)		Monitoring of related party transactions defined as more favourable treatment	Complied with. The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" as defined in this Direction.
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 192 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 191.
	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.
	d)	Details of directors, including names, transactions with the finance company	Complied with. Profiles of Directors are given on pages 30 to 31. Aggregate fees and expenses paid to the Board of Directors during the year amounted to Rs. 5.78 Mn and deposits held as at 31st March 2022 amounted to Rs. 322.93 Mn.
	e)	Fees/remuneration paid by the finance company to the directors in aggregate	Complied with. This has been disclosed in Note 52 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.

<table>
<tr><th colspan="3">Directions</th><th>Extent of Compliance</th></tr>
<tr><td></td><td>g)</td><td>The aggregate values of remuneration paid and the value of transactions with the Key Management Personnel</td><td>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.

<table><tr><th></th><th>Rs. Mn</th></tr><tr><td>Compensation to KMP</td><td>189.15</td></tr><tr><td>Deposits Held</td><td>347.95</td></tr></table></td></tr>
<tr><td></td><td>h)</td><td>A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls</td><td>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”.</td></tr>
<tr><td></td><td>i)</td><td>Non-compliance reporting</td><td>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.</td></tr>
<tr><td></td><td>j)</td><td>External Auditors certification of compliance</td><td>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.</td></tr>
</table>

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 page 131.
A.1.2	The role and responsibilities of the Board Formulation and implementation of a sound business strategy;	Complied with. The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings. Please refer response to requirement 2 (1) a) and b) of Section One, the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on page 134 for details.

CORPORATE GOVERNANCE

Code Ref.	Principle	Extent of Compliance
	Appointing the chair and the senior independent directors if relevant;	Mr. R M Karunaratne, who served as Chairman / Independent Non-Executive Director ceased his office on 17th December 2021 on reaching the age of 70 years and Mr. K D A Perera who is a Non-Executive Director was appointed as the Acting Chairman of the Company with effect from 18th December 2021. Accordingly, Mr. A Dadigama who is an Independent Non-Executive Director was appointed as the Senior Independent Director of the Company with effect from 18th December 2021.
	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 135 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 136 & 139 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 191, 185 and 187 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 page 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.

Code Ref.	Principle	Extent of Compliance
	A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	Financial reports are prepared on a 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. The Board is committed to fulfilling such other functions that are required according to the business environment.
A.1.3	Compliance with laws and seeking independent professional advice	Complied with. The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company. The Directors are permitted to seek independent professional advice at the Company's expense as and when such advice is required.
A.1.4	Access to the advice and services of the Company Secretary	Complied with. Please refer response to requirement 3 (7) to (8) of the Section One on page 137 for details on advice and services of Company Secretaries. The removal of the Company Secretaries is a matter to be considered by the Board as a whole.
A.1.5	Independent judgment of Directors	Complied with. Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation, risk management, compliance and standards of business conduct.
A.1.6	Dedication of adequate time and effort by the Board	Complied with. Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.
A.1.7	Call for resolution	Complied with. Such a 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.

CORPORATE GOVERNANCE

Code Ref.	Principle	Extent of Compliance
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 30 and 31 for the Profiles of the Directors.
A.5 Board Balance		
A.5.1	Have a balance of Executive & Non-Executive Directors	Complied with. Board maintains the required balance of Executive and Non-Executive Directors on the Board. The Board consists of 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 Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A.5.4 & A.5.5	Board to determine annually as to the Independence or Non-Independence of Non-Executive Directors	Complied with. The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
A.5.6	Appointment of Alternate Director	Complied with. No Alternate Directors have been appointed to represent Independent Non-Executive Directors.
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	Complied with. Please refer response requirement 7 2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 on page 139 for details.
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.

Code Ref.	Principle	Extent of Compliance
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 page 137 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.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with. Details of new Directors are disclosed to the shareholders through an announcement made to the Colombo Stock Exchange (CSE) at the time of their appointment.
A.8 Re-election		
A.8.1 & A.8.2	All Directors should be subject to re-election by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	Complied with. Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.
A.8.3	At the resignation the Director should submit a written communication to the board of his reasons for resignation in the event of resigning prior to completion of his appointed term.	No such situations have arisen.
A.9 Appraisal of Board performance		
A.9.1 – A.9.4	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	Complied with. Refer 2 (8) on page 136 of Section One.

CORPORATE GOVERNANCE

Code Ref.	Principle	Extent of Compliance
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 30 to 31. 2). Related party transactions are given in Note No 52 to the Financial Statements on pages 273 to 277. 3). Membership of Sub-Committees and attendance at Board Meetings on pages 131 & 132.
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.
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 and Executive Directors. No Director is involved in deciding his own remuneration.
B.1.2	Remuneration Committee to comprise exclusively of Non-Executive Directors	Complied with. All members of the Committee are Non-Executive Directors. The committee members are; 1). Mr. J Kumarasinghe - Independent Non-Executive Director (Chairman) 2). Mr. K D A Perera - Non-Executive Director 3). Mr. A Dadigama - Independent Non-Executive Director
B.1.3	Membership to be disclosed in the Annual Report	Complied with. Disclosed in the page 184 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 CEO are consulted for proposals relating to the compensation packages of other Executive Directors and independent advice is also resorted as deemed necessary.

Code Ref.	Principle	Extent of Compliance
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 Executive Directors remuneration to promote the long-term success of the company Remuneration packages in line with industry practices and transparent - performance related elements Executive share option Non Executive Directors remuneration	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. 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. The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/industry rates. No share options schemes have been offered to the Executive Directors. Non-Executive Directors of the Company are paid a fee in line with the market practices.
B.3 Disclosure of Remuneration		
Requirement for Annual Report to contain a Statement of Remuneration Policy and details of Board's remuneration as a whole.		
B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to Executive and Non- Executive Directors	Complied with. Refer 'Annual Report of the Board of Directors on the Affairs of the Company' on pages 184 for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company. The remuneration paid to the Board of Directors is disclosed in aggregate in Note No 52 to the Financial Statements on page 273.
C. Relations with Shareholders		
C.1 Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings		
The Board should use the Annual General Meetings to communicate with shareholders and encourage their active participation.		
C.1.1	Notice of Annual General Meeting to be sent to shareholders with other related papers as determined by statute, before the meeting.	Complied with. Notice of the AGM, Form of Proxy and a copy of the Annual Report are sent to all shareholders at least 15 working days prior to the meeting in accordance with the provisions of the Companies Act of 2007, CSE Rules and the Articles of Association of the Company.
C.1.2	Separate resolutions for each substantially separate issue	Complied with.
		A separate resolution is proposed at the AGM for each item to be voted on. Forms of Proxy allow shareholders the option to direct their proxy holder to vote for or against each resolution or to withhold their vote on any matter.
C.1.3	Properly recording and counting of proxy votes	Complied with. All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.

CORPORATE GOVERNANCE

Code Ref.	Principle	Extent of Compliance
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 are the Company Secretaries. The Company Secretaries shall maintain 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.
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.

Code Ref.	Principle	Extent of Compliance
D.1.2	Present interim and other price sensitive public reports and mandated reports to regulators by statute	Complied with. The Board's responsibility over financial reporting is stated in the 'Statement of Directors' Responsibilities' on page 191 and 192. 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 Senior Deputy General Manager - Finance & Administration on their responsibility in respect of financial reporting.
D.1.4	Declarations by Directors in the Directors' Report	Complied with. Declarations/confirmations pertaining to this Principle are disclosed in the 'Annual Report of the Board of Directors on the affairs of the Company' on pages 181 to 184.
D.1.5	Statements by Directors and Auditors on Responsibility for Financial Reporting	Complied with. The 'Statement of Directors' Responsibilities' is given on page 192 and 'Directors' Statement on internal control system over financial reporting' is given on page 191. See 'Independent Auditor's Report' on pages 194 and 197 for the reporting responsibility of Auditors.
D.1.6	Include a Management Discussion and Analysis	Complied with. Please refer 'Management Discussion and Analysis' on page 40 to 125 and 'Financial performance Review' on pages 78 to 89.
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.

CORPORATE GOVERNANCE

Code Ref.	Principle	Extent of Compliance
D.1.8	Disclosure of Related Party Transactions adequately and accurately in the Annual Report	Complied with Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' is disclosed in Note No 52 to the Financial Statements on page 273 to 277 . Please refer responses to requirements of section 9 of the Finance Companies Corporate Governance Direction on pages 144 to 145 for further details.
D.2 Internal Control		
D.2	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied with. The Board is responsible for determining the risk appetite for achieving the strategic objectives of the Company and establishing and overseeing the adequacy and integrity of the Company's risk management processes and internal control systems. The Audit Committee assists the Board in discharging its duties in relation to internal control systems. Internal Audit reviews of the adequacy and effectiveness of the internal control systems are reported on a regular basis to the Board Audit Committee. The overall risk management has been assigned to the Integrated Risk Management Committee of the Board.
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 164 to 180 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 187.

Code Ref.	Principle	Extent of Compliance
D.2.3	Internal audit function	Complied with. The Company's Internal Audit function is carried out by in-house internal audit department and the outsourced service provider - Ernst & Young Advisory Service (Pvt) Limited, who provides assistance in carrying out branch and specialized audit assignments. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings.
D.2.4	Audit Committee to conduct reviews of the process and effectiveness of risk management and internal controls and document to the Board	Complied with. Described in response to D.2.1 above.
D.3 Audit Committee		
Formal and transparent arrangements to be in place for selection and application of accounting policies, financial reporting & internal control principles and maintaining appropriate relationship with the Company's Auditors.		
D.3.1	Composition of the Audit Committee	Complied with. All members of the Board Audit Committee, including the Chairman are Non-Executive Directors and all members are Independent Non-Executive Directors as well.
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 page 141 to 143 for further details.
D.3.3	Disclosures of the Audit Committee	Complied with. Please refer 'Audit Committee Report' on page 185 of this Annual Report.
D.4 Related Party Transactions Review Committee		
Transactions with related parties should be in manner that would not grant ''more favourable treatment"' than that accorded to third parties in the normal course of business.		
D.4.1	Related party transactions to be as defined by LKAS 24	Complied with. Related party transactions are defined in accordance with the LKAS 24, CBSL and CSE regulations.

CORPORATE GOVERNANCE

Code Ref.	Principle	Extent of Compliance
D.4.2	Establishing a Related Party Transaction Review Committee with a minimum of three Non-Executive Directors.	Complied with. The Related Party Transactions Review Committee was established in August 2015 in line with the Listing Rules of the Colombo Stock Exchange. Please refer 'Related Party Transactions Review Committee Report' on page 186 of this Annual Report for detailed Committee information.
D.4.3	RPT Review Committee's Written terms of reference	Complied with. The Related Party Transactions Committee operates under Terms of Reference and a Board approved Related Party Transactions Policy.
D.5 Code of Business Conduct and Ethics		
Requirement to adopt a Code of Business Conduct and Ethics for Directors, Key Management Personnel and all other employees with due disclosures of waivers.		
D.5.1	Disclosure whether the Company has a Code of Business Conduct and Ethics for directors and key management personnel	Complied with. The Company has developed a Code of Business Conduct and Ethics for all employees.
D.5.2	Material and Sensitive information is promptly identified and reported	Complied with. Material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
D.5.3	Policy, process for monitoring and disclosure of shares purchased by Directors, Key Management Personnel or employees	Complied with. All the share dealings of the Directors are disclosed to the CSE promptly as per the CSE Listing Rules.
D.5.4	Chairman to affirm that code of conduct and ethics has been introduced 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).

Code Ref.	Principle	Extent of Compliance
E.2 Evaluation of Governance Disclosures		
Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.2	Encourage Institutional investors to give due weight to relevant governance arrangements	Complied with. Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.
F. Other Investors		
F.1 Investing/Divesting Decision		
F.1	Adequate analysis or seek independent advice	Complied with. Individual shareholders investing directly in the company are encouraged to carry out adequate analysis in investing or divesting decisions.
F.2 Shareholder Voting		
F.2	Individual shareholder voting	Complied with. Individual shareholders are encouraged to participate at Annual General Meeting and exercise their voting rights.
G. Internet Of Things And Cyber Security		
G.1 – G.5	Internet Of Things And Cyber Security	Complied with. Comprehensive IT policy is in place covering network access controls, closer monitoring of the usage of the internet, email and mail server, use of antivirus and firewall servers and software, etc. The functions of the Chief Information Security Officer have been delegated to Chief Manager - IT Operations. Risks relating to IT matters including that arising from cyber security are discussed at Board meetings and Board Sub - Committee meetings and the review of information security is carried out by the Auditors periodically. Refer Risk Management Report on pages 164 to 180 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 and the GRI Guidelines. All efforts are taken to ensure that the Annual Report includes sufficient information in order to assess how ESG risks and opportunities are 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 40 to 125 2). Corporate Governance on pages 128 to 163 3). Risk Management on pages 164 to 180

CORPORATE GOVERNANCE

Section Three

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

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

Rule Reference	Requirement	Extent of Compliance
7.6 (i)	Names of persons who held the positions of Directors during the financial year	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 181.
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 181 and Section 1.3 of the Notes to the Financial Statements on page 206.
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied with. Please refer 'Information on Ordinary Shares' on page 312 and 313. The Company has not issued any non-voting shares.
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Entity complies with the Minimum Public Holding requirement	Complied with. Please refer 'Information on Ordinary Shares' on page 312.
7.6 (v)	The statement of each Directors' holding and Chief Executive Officer's holding in shares of the Entity	Complied with. Please refer page 182 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 164 to 180.
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 183 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied with. Please refer Note 48 on 'Stated Capital' in the Financial Statements on page 270.
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied with. Please refer 'Information on Ordinary Shares' on page 312.
7.6 (xi)	Ratios and market price information on Equity and Debt	Complied with. Please refer 'Financial Highlights' on page 10, 'Information on Ordinary Shares' on pages 312 & 313.

Rule Reference	Requirement	Extent of Compliance
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 183 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	There were no any share issues, rights issues or private placement during the year under review.
7.6 (xiv)	Information in respect of Employee Share Option /Purchase Schemes	No share options schemes have been offered by the Company.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules	Complied with. Please refer 'Corporate Governance' report on page 128 to 163.
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Complied with. Please refer Note 52 on 'Related Party Disclosures' in the Financial Statements.

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

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

Rule Reference	Requirement	Extent of Compliance
7.10.1 Non-Executive Directors		
7.10.1 (a)	The board of directors of a Listed Entity shall include at least, two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher.	Complied with. The Board consists of 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.

Rule Reference	Requirement	Extent of Compliance
7.10.2 (b)	Each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in Rule 7.10.4.	Complied with. All Non-Executive Directors have submitted their independence declaration as per the requirements for the Financial Year under review.
7.10.3 Disclosure Relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Complied with. Disclosed in the page 181 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 2021/2022.
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 30 and 31 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 and the Chairman is an Independent Non-Executive Director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer, to the Board.	Complied with. The Remuneration Committee recommends the remuneration payable to the Managing Director / Chief Executive Officer, Executive Directors and other management personnel. The Board makes the final determination after considering such recommendations.

Rule Reference	Requirement	Extent of Compliance
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 184 of the 'Annual Report of the Board of Directors on the Affairs of the Company'. Aggregate fees and expenses paid to the Board of Directors have been disclosed in Note 52 to the Financial Statements
7.10.6 Audit Committee		
A listed Entity shall have a Audit Committee.		
7.10.6(a)	The Audit Committee shall comprise of a minimum of three 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 Senior Deputy General Manager - Finance & Administration 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 31 of the Annual Report. The MD/CEO and Senior Deputy General Manager - Finance & Administration 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 185 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 185.

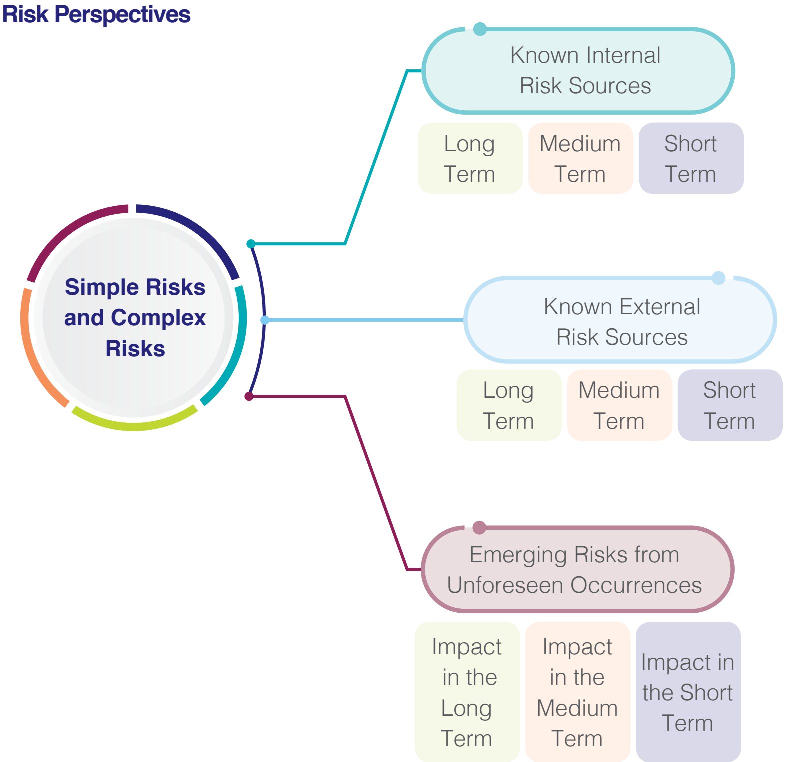
RISK MANAGEMENT REPORT

Overview

As a leading player in the Licensed Finance Companies (LFCs) Sector, Vallibel Finance PLC views risk management as integral to the Company's sustainable business operations in the longer term. Our focused efforts in adopting and following sound risk management principles within our business operations over the years, enable the Company to minimise risk exposure by implementing optimal strategies to manage, control, and monitor risks in real-time.

The Company takes an integrated approach to managing risks and adapting appropriate risk management principles and processes within organisational strategies and objectives. To Company considers risks from several perspectives to ensure long-term success and sustainability as shown below.

Risk Perspectives



Myriad risks arise in the macroeconomic and operating environments and their occurrence can have either a minor or lasting impact on the Company's business and stakeholders necessitating the need to implement new ways of doing business and innovative processes to manage risk optimally with minimal impact on business outcomes. 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 Company's risk management process is supported by a cohesive and flexible risk management framework that is consistently and widely applied across the organisation to identify and manage 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.

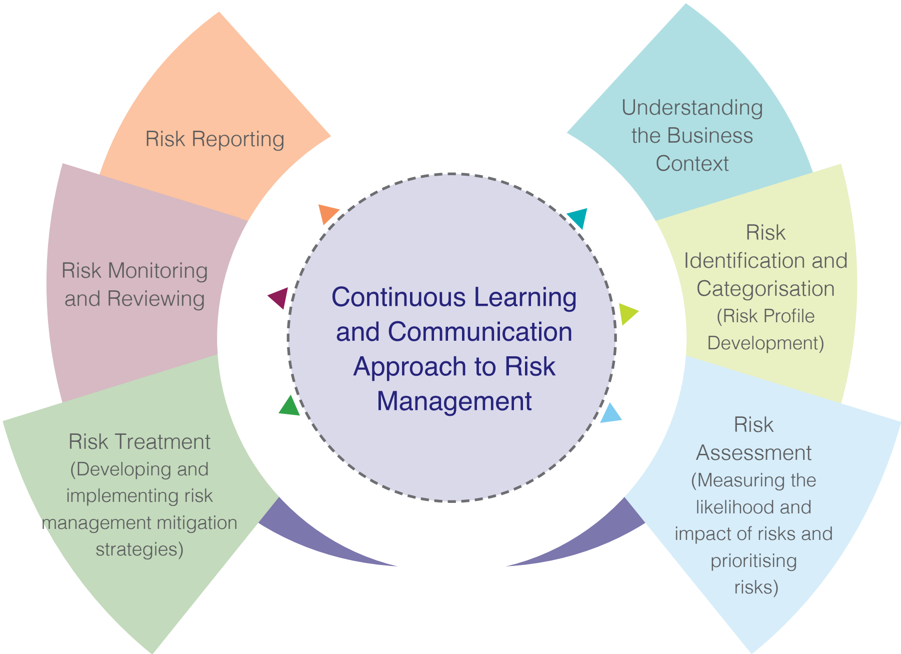
A critical development in the year under review was the deteriorating economic position of Sri Lanka resulting in the current economic crisis where a shortage of foreign reserves to buy the essentials such as fuel and gas has resulted in increased inflation and cost of living creating an atmosphere of uncertainty amongst the public on the stability and sustainability of banks and finance companies. This caused changes to the Company's risk position and the need for re-evaluating risk management processes as a slowdown in economic activity, import restrictions, and other factors which affected credit growth and consumer spending.

In addition, the continued impact of the COVID-19 pandemic and the outbreak of the third wave of the COVID-19 pandemic in the first half of the financial year further increased emerging risks to the business due to restrictions placed on human physical contact, new threats to health and safety, new ways of operating the business, the need to be innovative in the adoption of digitalised and online technology.

All these factors resulted in the country's sovereign rating being the downgraded by several international rating agencies during the year under review due to their concerns regarding sovereign debt; the impact on social, economic; and financial conditions of the country; the dearth of foreign currency liquidity, reducing worker remittances, and recovery from the pandemic. These factors in turn impacted Vallibel Finance's risk evaluations and position during the year under review requiring more stringent policies to be adopted and a stricter process to be implemented to minimise expected risks in the future.

Risk Management Process

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



The strong and streamlined risk management process used by the Company supports our continued efforts to identify, measure, monitor, manage, review, and report on the various old and new risks to business operations in a sustainable manner while protecting the business and our stakeholders.

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 modifications to the Company's strategy formulation process allowing us to have the right balance of risk-averse and risk-taking strategies for business growth and sustainability. This structured, step-by-step approach enables the comprehensive identification and review of risk profiles and appetites and supports the Company in proactively managing all categories of risks while minimising or mitigating their effects on business viability and the stakeholder value creation process.

The Company's Board of Directors and senior management team are responsible for the oversight of risk management at Vallibel Finance. They drive 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, monitoring, review, and reporting of the different categories of risks of the Company in day-to-day business operations. These teams regularly provide updates to the Integrated Risk Management Committee comprising of members of the Board of Directors and the senior management team. Thus, the top-most level of the Company's decision-makers are fully aware of the Company's risks and provide experienced guidance on improving and reducing risk exposures of stakeholders due to the Company's business activities.

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 due to the continued evolution of the COVID-19 pandemic in the year under review. Our approach also enabled the Company to take proactive measures to reduce/mitigate the risks exposures to economic and financial risk factors arising due to the prevailing uncertainties that exist because of the economic crisis faced by the country.

This report presents the risk governance structure and the risk management framework of Vallibel Finance. The main risks associated with our various business growth and expansion strategies, and how identified risks may impact the business value creation process and our stakeholders are also explained. We also put into context how risks are managed across our business operations.

Risk Governance

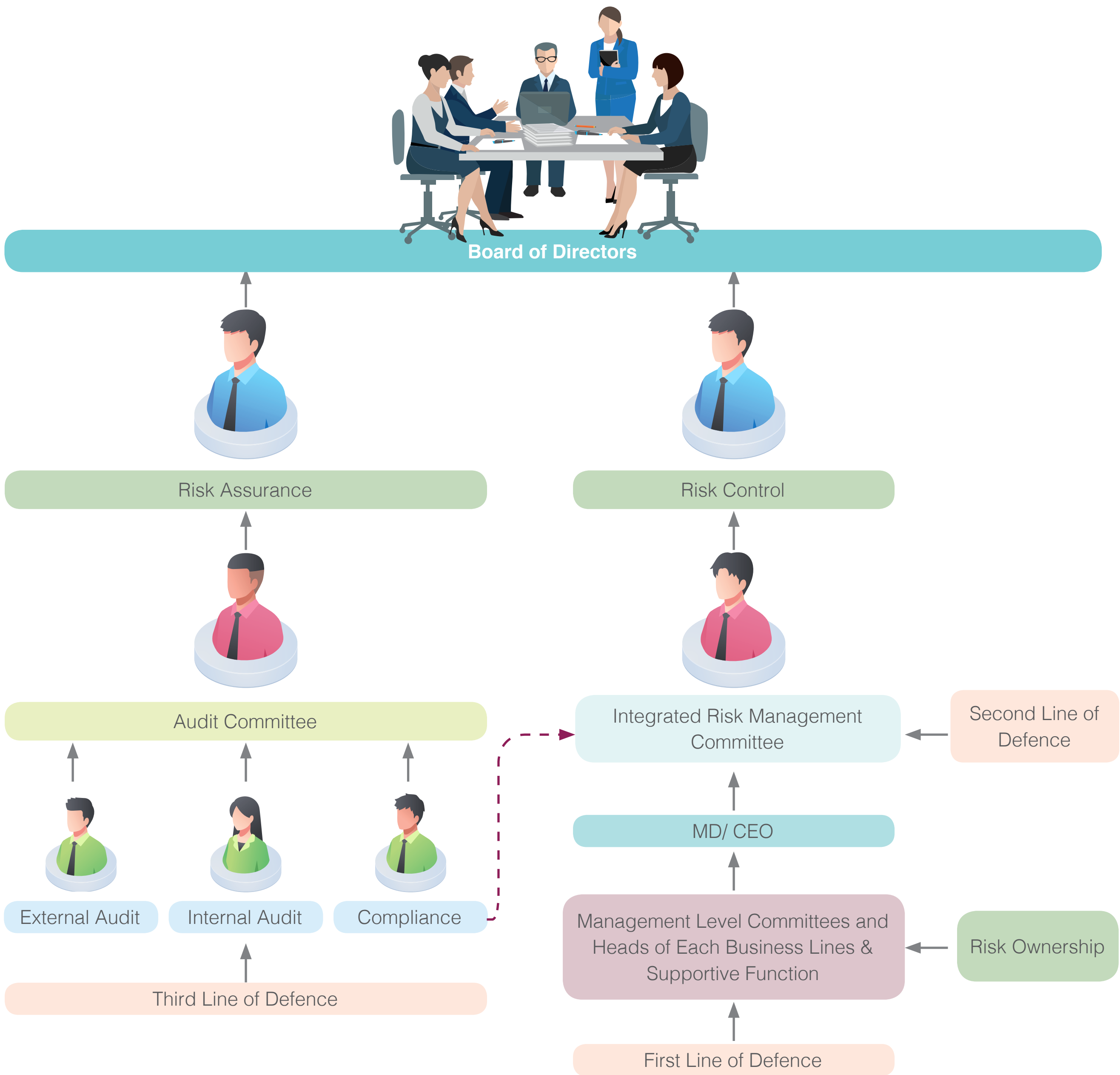
Risk governance plays an integral role in laying the foundation for the delivery of an effective risk management process by the Company. Risk governance is maintained by delegating authority across all levels of leadership of the organisation. Our risk governance process begins with the Board of Directors (BOD) and the Audit Committee and the Integrated Risk Management Committee. The responsibility is then cascaded to the senior management team, who in turn delegate responsibility to lower management levels. The Company's

RISK MANAGEMENT REPORT

employees also play a part in our risk governance process as they are the final point of control to ensure risks are managed as per the Company's predetermined risk appetites. The Board 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 Company's use of the 'three lines of defence' approach to ensure a robust risk management system enables the implementation and enforcement of its risk appetite at different levels of the organisation and within day-to-day business activities. The risk governance framework also supports clear accountability for risk-taking, oversight, and independent assurance within the Company.

During the year under review, the Company's comprehensive risk management framework together with our approach to risk governance supported the reduction of the impact of the COVID-19 pandemic and the developments within the macroeconomic and operating environments in our business operations by enabling the timely evaluations of risk exposures across all aspects of business strategy and activities.



Risk Management Committees and their Responsibilities

Board and Management Committees	Risk Management Responsibilities
Board of Directors	The Board of Directors (BOD) has the ultimate responsibility for the establishment and oversight of the risk management process of the Company. Accordingly, the Board has established sub-committees-Audit Committee and Integrated Risk Management Committee-to assist the BOD in discharging its risk management-related responsibilities. The Statement of Director's Responsibilities for the financial year ended 31st March 2022 is available on page 192 of this Annual Report.
Audit Committee	The Audit Committee assists the BOD in fulfilling its oversight responsibilities for the integrity of the financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's independence, the performance of the Company's internal audit function, and the soundness of the internal controls and practices. The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and evaluating the suitability of the risk management process adopted to manage the risks faced by the Company. The Audit Committee is assisted in these functions by the Internal Audit team.
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 IMRC meets quarterly to assess all aspects of risk management, or more frequently as it deems necessary or appropriate to carry out its duties and responsibilities in a timely and accountable manner.
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 risks 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 comprises representatives from the senior management team and supervise major risk categories. The ALCO is chaired by the Managing Director/CEO. All action taken by the ALCO is reported to the IMRC. The ALCO meet monthly to review progress and developments, 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, documentation 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 the risk exposure concentration limits for counterparties, geographies, industries, assets classes, and market liquidity. The Credit Committee is comprised of the Managing Director/CEO, Executive Director, Senior DGM – Credit, Senior DGM – Collections, DGM – Credit, DGM –Branch Operations and Channel Management and the Senior Manager – Credit Administration. The Credit Committee meets on monthly basis, or more frequently 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. Other risks that impact Company operations include operational risk, legal risk, compliance risk, and reputational risk. During the year under review, economic risks and political risks was an increasing concern for the Company. 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 2022

Risk Category	Risk Description	Key Risk Indicators

1. Credit Risk

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

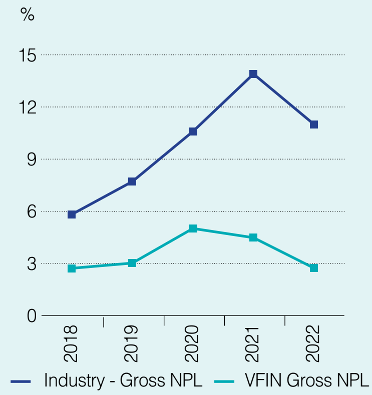
Credit risk arises principally from the Company's lease and hire purchase facilities and other loans and advances to given to customers. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligations, default risk, and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

Risk Category	Risk Description
Default Risk	Default risk is the risk of 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.
Concentration Risk	Concentration risk is the risk of uneven distribution of the Company's loans and advances to individuals, counterparties, products, or geographical regions. This arises due to insufficient diversification of the product portfolio.

Key Risk Indicators

The graphs and tables which follow provide valuable input to managing the Company's credit risk.

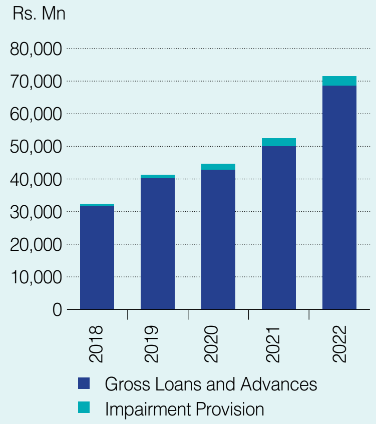
Non-Performing Loans (NPL) ratio



**Industry comprise only LFCs & SLCs, and the data is at 31st December 2021 (Source: CBSL).*

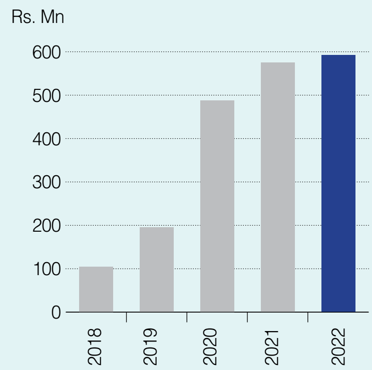
The lowering impact of the COVID-19 pandemic resulted in the NPL ratio of the industry improving in the FY 2021/22 recording 11% as opposed to 13.9% recorded in the previous financial year. The Company's NPL which had been declining since 2020, achieved a very good position of 2.73% in the year under review. The continued implementation of stringent credit controls and collection management policies and procedures enables Vallibel Finance to maintain a better position than the industry in terms of non-performing loans.

Gross Loans & Advances and Impairment Provision



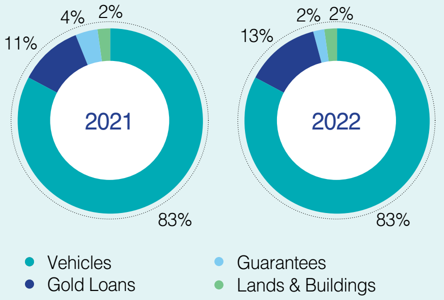
The Company's gross loans and advances increased to Rs. 68,601 Mn and the impairment provision was Rs. 2,936 Mn as at 31st March 2022.

Impairment Charge



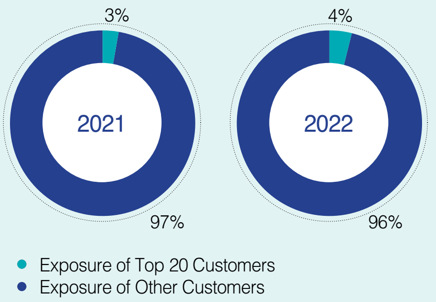
The impairment charge amounted to Rs. 592 Mn as at 31st March 2022, a Rs. 17 Mn increase compared to the financial year ended 31st March 2021.

Main Types of Collateral



The Company continued to record vehicles as the most popular collateral used for obtaining loans and advances in the year under review. Nearly 80% of the portfolio experienced this trend.

Exposure to Top 20 Customers



Exposures of the Top 20 customers have contributed to only 4% of the portfolio and the balance customers have contributed to 96% of the portfolio.

Risk Mitigating Strategies

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

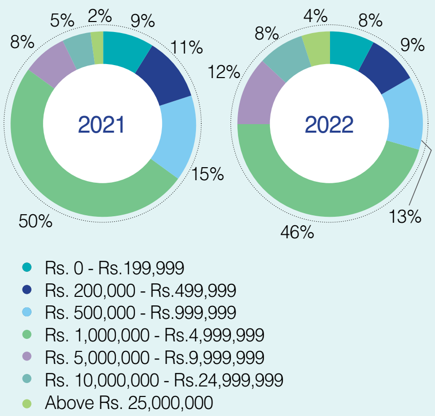
Strategies used to mitigate credit risk by the Company are summarised below.

- 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, and maintaining an acceptable credit rating, and market liquidity position to ensure that lending is diversified across a wide range of products, industries, and customer segments.
- Undertaking periodic 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.

RISK MANAGEMENT REPORT

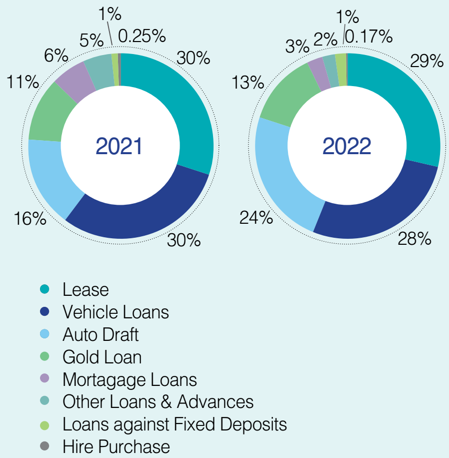
Risk Category	Risk Description	Key Risk Indicators

Exposure by Customer Size



The Company's core customer segment continues to have an exposure that is between Rs. 1,000,000 to Rs. 4,999,999. They consisted of more than 50% of the portfolio in the FY 2020/21 but decreased to 46% of the portfolio in the year under review.

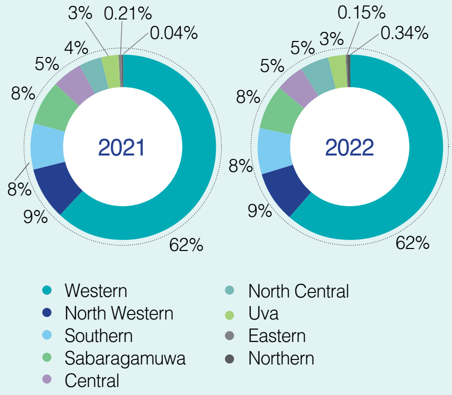
Product Concentration



During the financial year under review, the auto draft portfolio, vehicle loan portfolio, and lease portfolio combine to capture 80% of the total lending portfolio, while the gold loan portfolio increased to 13% of the total lending portfolio.

Risk Mitigating Strategies

Geographical Concentration



The western province's contribution to the total portfolio remains steady at over 60% and has been the core location for achieving business growth in the last two financial years.

Maturity Analysis of Lending Portfolio as at 31st March 2022

Total Loans and Advances (Net)	Rs. Mn
Up to 3 Months	10,526
3 to 12 months	14,510
1 to 3 years	33,974
3 to 5 years	6,624
More than 5 years	30
Total	65,664

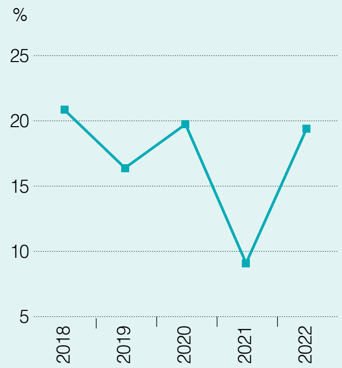
The maturity period of between 1 to 3 years of the total lending portfolio amounts to Rs. 33,978 Mn, the highest-valued loan maturity period within the given timelines.

- Receiving advice and guidance from the Credit Committee which also provide specialist skills to business lines to promote best practices throughout the Company.
- 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 to the management and the Credit Committee all matters relating to credit. Each business line is responsible for the quality and performance of its credit portfolio, and for monitoring and controlling of 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.

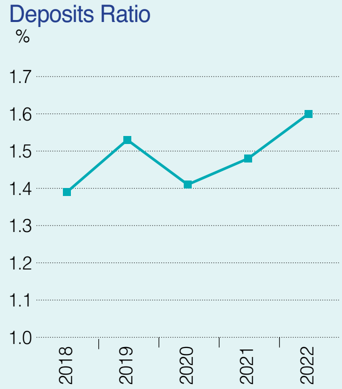
RISK MANAGEMENT REPORT

<table>
<tr><th>Risk Category</th><th>Risk Description</th><th>Key Risk Indicators</th></tr>
<tr>
<td>2. Liquidity Risk</td>
<td>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.

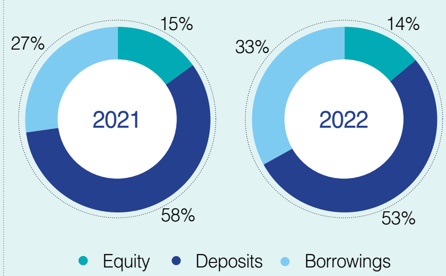
Furthermore, a risk of losses may arise because of the Company's difficulty in disposing of or realising certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.</td>
<td>
Key risk indicators used to assess the liquidity position of the Company are shown below.

Liquid Assets to Deposit Ratio


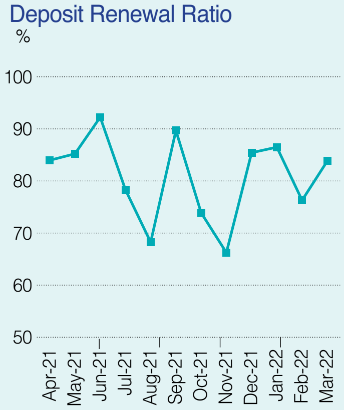
As of 31st March 2022, the liquid asset to deposit ratio recorded an increase to 19.65%, a rate which the Company strives to maintain.

Movement in Advances to Deposits Ratio


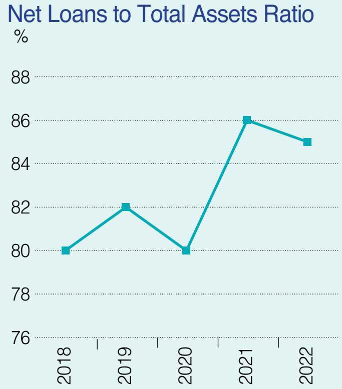
The movement in the advances to deposit ratio has increased to 1.60 times as of 31st March 2022 compared to the 1.48 times

Funding Composition


As of 31st March 2022, the Company's funding position comprised 53% from deposits from customers (a 5% decline from the previous FY), 33% from borrowings (a 6% increase compared to the previous FY), and the balance 14% from equity funds (a 1% decline from the previous FY).

Deposit Renewal Ratio


The average deposit renewal ratio for the financial year under review increased to 81%, exhibiting the level of confidence depositors have in the Company.

Net Loans to Total Assets Ratio


The net loans to total assets ratio was 85% as at 31st March 2022, a 1% decline compared to the previous financial year.
</td>
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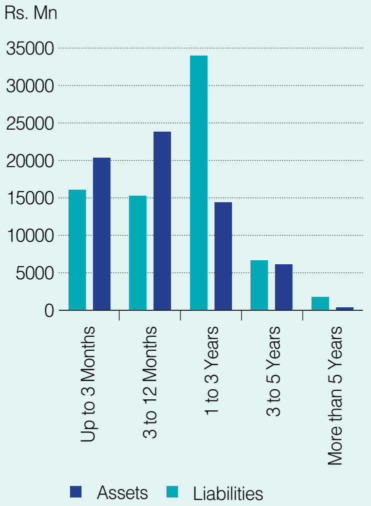
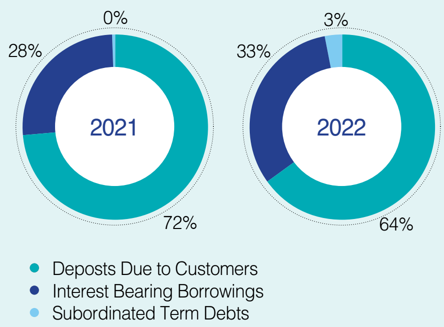
	Risk Mitigating Strategies

Maturity Analysis of Interest Bearing Assets and Liabilities as at 31st March 2022



The maturity of 39% of interest-bearing assets is within one year as opposed to 59% 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.

Interest Bearing Liabilities Mix



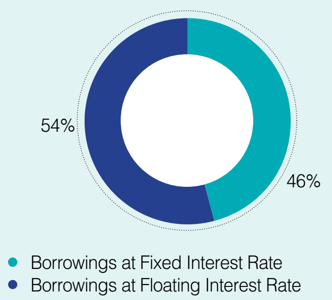
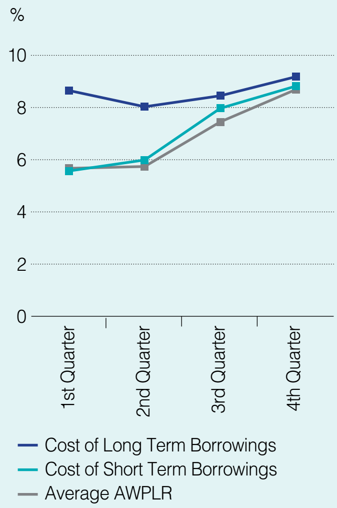
Of the interest-bearing liabilities of the Company, deposits from customers contributed 64% to the total interest-bearing liabilities in the financial year under review, a 8% decrease compared to the previous financial year. Interest-bearing borrowings from other institutions accounted for the balance 36% of these liabilities.

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 implemented 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 by maintaining competitive pricing and constantly monitoring 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 the liquid asset portfolio to support contingencies.

RISK MANAGEMENT REPORT

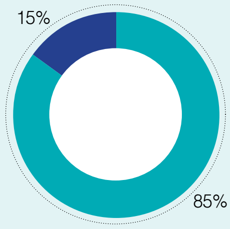
Risk Category	Risk Description	Key Risk Indicators
3. Market Risk Market risk is the possibility of losses to the Company from changes in market variables such as interest rates, exchange rates, equity prices, and commodity prices which will adversely affect the value of assets and liabilities or income. Commodity Price Risk refers to the uncertainties of future market values and the size of the future income caused by the fluctuation of commodity prices. Given the significance of the gold loans business to the Company's overall lending operation, fluctuations in gold prices would adversely impact business activities.		
Interest Rate Risk	Interest rate risk is the potential of changes in rates to reduce the Company's earnings or value. The Company's main exposure to interest rate risk is derived from interest income and interest cost. Continuous volatility in market interest rate affects the Company's net interest income and net interest margin. The Company's exposure to market risk arises because of dealing in financial products including loans, deposits, securities, short term borrowings, long term debt, etc.	Floating and Fixed Interest Rates 2021/2022  The interest rate applied to 54% of the total borrowing is based on the floating rate while the balance 46% is calculated as a fixed rate. The Company's interest cost will be increased upwards in the case of a high interest rate environment. Borrowing Cost of 2021/22  The Company's borrowing cost recorded an increase in the financial year under review due to the upward trend in the interest rate environment.
4. 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 2022 was 14.58% for Tier I and 18.52% for total capital, maintained at above the minimum requirements of 7% for Tier I and 11% for total capital as per the capital adequacy directions given by the Central Bank of Sri Lanka. During the financial year under review, the Tier 2 Capital was strengthened by the issue of a Rs. 2 Bn Subordinated Term Loan at a 5-year maturity.

	Risk Mitigating Strategies

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.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. Overall authority for market risk is vested with the IRMC of the Company. The Treasury Department is entrusted with managing the market risk including interest rate risk and liquidity risk of the Company.

The concentration of finance company exposures in Sri Lanka (Fitch rating wise)



Of the total deposit investments, 85% of the funds have been invested in financial institutions with a Fitch rating between AAA and A-, while the remaining 15% of funds have been invested in financial institutions with a Fitch rating between BBB+ to B.

The main interest rate risk mitigation strategies are as follows.

- Evaluation of the net interest position and analysis of various interest rate scenarios are carried out to assess the interest rate risk faced by the Company. Regular monitoring of trends in the economy in general and interest rates, in particular, are carried out to limit any potential adverse impact on the Company's earnings.
- The ALCO approves interest rate risk tolerances by reviewing how movements in interest rates may adversely affect the Company's earnings and capital using the Company's projected earnings and capital as a benchmark.
- The ALCO reviews interest margin trends including forecast position and the variances from the planned net interest rate margin and changes the interest rate offers according to the changes in interest rates.
- To ensure adequate controls are in place, the Company closely monitors interest rate fluctuations in the economy while maintaining an adequate Net Interest Margin, thereby ensuring that increases in interest expenses can be absorbed without causing adverse financial impacts to the Company.

As at 31 March	Rs. Mn 2022	Rs. Mn 2021
Tier I Capital	10,271	8,036
Tier II Capital	2,779	689
Total Capital	13,050	8,725
Risk Weighted Amount for Credit Risk	62,384	55,156
Risk Weighted Amount for Operational Risk	8,070	6,755
Total Risk Weighted Amount	70,453	61,911
Regulatory Minimum Tier I Capital Ratio %	7.00%	6.50%
Tier I Capital Ratio %	14.58%	12.98%
Regulatory Minimum Total Capital Ratio %	11.00%	10.50%
Total Capital Ratio %	18.52%	14.09%

A breakdown of the capital adequacy ratio computation is available in the notes to the Financial Statements from pages 297 to 296 of this Annual Report.

Capital risk management is integral to the Company's approach to maintaining financial stability and is 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.

Table 2: Overview of operational, legal, compliance, and reputation risks for the year ended 31st March 2022

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, 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 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 the 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 employees. Necessary precautions are taken at the designing stage of transactions to minimise legal risk exposure. In the event of a legal risk factor, the legal division of the Company takes immediate action to address and mitigate these risks. The Company's legal division ensures that all business activities are carried out in a manner which complies with the laws and regulations applicable 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 risk arises due to the potential threats to the Company that result from non-conformance with laws, regulations, rules, directions, prescribed practices, and ethical business practices. Financial institutions in Sri Lanka are governed by the Central Bank of Sri Lanka (CBSL) which is the main regulatory body in the country.	The Integrated Risk Management Committee (IRMC) has established a compliance function to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls, and other prescribed practices. A separate Compliance Officer has been appointed to carry out the compliance function independently. Regular reviews are carried out to assess the Company's compliance with the regulatory and statutory requirements.

Risk Category/ Type	Risk Description	Risk Mitigating Strategies
	Every financial institution must obtain a license from the CBSL before commencing a finance business while continuing to carry out business in compliance with the laws, directions, rules, determinations, notices, and guidelines issued by the CBSL. Furthermore, the Company must 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.	
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 exposure as a consequence of a failure to manage other key risks arising from the business activities.	Events that could lead to reputational risk are closely monitored, utilising an early warning system that includes inputs from frontline employees, media reports, and internal and external market survey results. Reputational risk management and mitigation aspects are embedded in the Company's policies and procedures, and training programmes. Policies and standards relating to the conduct of the Company's business and by employees 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 manage employees' complaints regarding accounting, internal controls, or auditing matters; any breaches to laws; non-conformity to statutory and regulatory matters; or any other ethical concerns. The Company is committed to maintaining and improving the standards across all business activities and operations.

RISK MANAGEMENT REPORT

Emerging Risks

The Company must also effectively manage emerging risks which unexpectedly occur due to changes in the macroeconomic and industry operating environments. Developments and changes in consumer trends, technology, the adoption of digitalisation, and stakeholders' needs as they evolve and become more sophisticated are also contributors to emerging risk factors faced by the Company. The dynamism of changes in the global and local economic and industry landscape makes proactive emerging risk considerations crucial for the Company's sustainable business growth and success. A precautionary approach is adopted to manage these risks proactively and in line with business long term goals.

In the year under review, the Company continued to be impacted by the developments of the COVID-19 pandemic outbreak. Furthermore, the deteriorating position of the Sri Lankan economy was also a grave concern for the Company as such a situation has not arisen in the Company's past. 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 3: Emerging Risks

Risk Category	Risk Factor	Nature of the Impact	Impact on the Company	Precautionary Approach Adopted
Macroeconomic Environmental Risks	Falling/low economic growth Steep depreciation of the Sri Lankan rupee Rising interest rates High inflation rates Restrictions on imports Reducing business activity	Weakens industry sector operations Reduces disposable income Increases costs of living	Limits growth and expansion opportunities Slows down year-on-year business growth Depreciation in asset quality and increased impairment charges Reducing demand for financial products due to low business activity	▪ Restructured existing products and re-introduce them to consumers ▪ Strengthened recovery processes and teams ▪ Focused on products that support consumers in the management of their financial needs ▪ Promotion of long term deposits to improve asset and liability matching
COVID-19 Pandemic Risks	Cessation 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	Limited growth opportunities 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

Risk Category	Risk Factor	Nature of the Impact	Impact on the Company	Precautionary Approach Adopted
				▪ Monitoring employees who worked on our premises to ensure they were safe ▪ Distributing COVID-19 information through our communication channels to for the continued safety of all our stakeholders
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 enhance brand reputation and credibility while highlighting the strength of the Company's credit ratings ▪ Maintaining good relations with industry governing bodies to support the growth of industry reputation and be advised on changing regulations
Technological Risks	Increasing concerns about cyber security	Due to the increasing use of digital technology, there have 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 reputational risk if unable to put in place countermeasures promptly	▪ Ongoing investments in upgrading hardware and software ▪ Deploy regular IT vulnerability assessments ▪ Strong IT governance ▪ Continuously improving IT security environment supported by a 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 Increasing HR costs due to high inflation and rising market prices	▪ Strategic investments to develop and enhance employee skills and competencies ▪ Maintaining engagement and motivational levels of 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 a falling competitive advantage	▪ Deploying a communication strategy focused on digitalisation and social media as platforms to reach customers effectively

RISK MANAGEMENT REPORT

Risk Category	Risk Factor	Nature of the Impact	Impact on the Company	Precautionary Approach Adopted
			Availability of internal competencies Established business processes and systems becoming obsolete at a rapid pace Agile thinking to remain robust within a rapidly changing business operating environment	▪ Strategic investments in market research to identify emerging trends and changing consumer tastes ▪ Operating on the basis of a flexible business strategy that can incorporate changes without compromising sustainable business growth
Environmental & Social Risks	Increasing vulnerability to natural disasters and unexpected social developments Social and societal unrest causing a reverberating impact on other risks factors	Business interruptions resulting in a slowdown in business operations	Changing work patterns impacting employee productivity and leading to lower year-on-year revenue and profitability growth	▪ Deploy measures to increase employee morale in times of crisis and ensure employees are an integral part of the Company's teams ▪ Close monitoring of the developments in the market and societal sentiments
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 Political instability	Can impact business governance, day-to-day business operations, and medium- to long-term business plans	Could require changes to products and service terms and conditions, and impact business processes Could have a declining effect on business growth rates	▪ Benchmark current practices with internationally accepted ones ▪ Continuously review and keep updated on changes and how best to implement them in business plans ▪ Be vigilant of the changing public opinion as it can have an impact on business activities ▪ Maintain a politically neutral stance

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 2022 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.

ICRA Lanka Limited has upgraded Rating of Vallibel Finance PLC to [SL] BBB+ (Stable) outlook from [SL] BBB with (Stable) outlook.

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

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

The Company's only subsidiary, Vallibel Properties Ltd 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 06th June 2022.

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 200 to 297, 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 194 to 197.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 206 to 297.

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

* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended)

** Alternate Director – Mr. H Ota

Mr. R M Karunaratne who served on the Board of Vallibel Finance PLC ceased to be the Chairman/Director of the Company on 17th December 2021 on reaching the age of 70 years, pursuant to paragraph 5(1) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

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

Mr. J Kumarasinghe 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.

Mrs. C P Malalgoda was appointed as a Director to the Board of the Company with effect from 01st December 2021 and shall retire in terms of Article 94 of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Based on the declarations made by the Independent Non-Executive Directors under the Listing Rules, the Board determined that Messrs A Dadigama, J Kumarasinghe and Mrs. C P Malalgoda were independent as against the criteria for defining "independence" set out in the Listing Rules and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended).

Consequent to the cessation of office of Mr. R M Karunaratne, who served as the Chairman, Mr. K D A Perera was appointed the Acting Chairman of the Board of Directors and Mr. A Dadigama was re-designated as the Senior Independent Director. The said appointment/re-desigantion was effective from 18th December 2021.

The relevant regulatory approval in terms of Finance Companies (Structural Changes) Direction No. 01 of 2013 was obtained for the aforesaid structural changes.

Directors of the Subsidiary Company

Mr. S B Rangamuwa - Director

Mr. S S Weerabahu - Director

Messrs R M Karunaratne, A Dadigama and J Kumarasinghe ceased to be Directors of Vallibel Properites Ltd with a view of meeting the independence criteria set out by the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended).

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 2022 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 52 to the financial statements.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2022.

Directors' Remuneration

The remuneration of Directors of the Company and its subsidiary is disclosed under key management personnel compensation in Note 52.2 to the Financial Statements on page 273.

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 2022 was Rs. 1,325,918,000/- represented by 235,453,400 ordinary shares.

There were no changes in the Stated Capital of the Company during the year. The number of shares in issue increased from 58,863,350 ordinary shares to 235,453,400 ordinary shares consequent to the sub-division (splitting) of shares which was approved by the shareholders on 30th June 2021.

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2022 are as follows:

	Shareholding as at 31/03/2022	Shareholding as at 31/03/2021
Mr. K D A Perera**	8,532,960	2,133,240
Mr. Dhammika Perera*	50,465,064	12,616,266
Mr. S B Rangamuwa	Nil	Nil
Seylan Bank PLC / Mr. S B Rangamuwa	5,250,000	1,312,500
Mr. T Murakami	Nil	Nil
Mr. A Dadigama	2,450	Nil
Mr. S S Weerabahu	Nil	Nil
Seylan Bank PLC / Mr. S S Weerabahu	Nil	16,551
Mr. J Kumarasinghe	Nil	Nil
Mrs. C P Malalgoda	Nil	Nil
Mr. H Ota (Alternate Director)	Nil	Nil

*Mr. Dhammika Perera is the Chairman and major shareholder of Vallibel Investments (Pvt) Ltd which holds 121,108,000 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 312 and 313 Earnings, Dividends, Net Assets per Share, appear on page 10.

Subordinated Term Loan

The Company obtained a subordinated loan of Rs. 2,000 Mn on 21st February 2022 which was utilized to further strengthen the Tier II capital of the Company.

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. 2,677,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 1,710,000/- as Audit Fees and audit related services, and Rs. 967,000/- as for non-audit services.

A fee of Rs. 513,000/- 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 06 June 2022 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.79,532/-. 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 the revalued amount and details of those properties and their market values as at 31st March 2022 as per valuations conducted by Mr. H.B. Manjula Basanayake an independent valuer are set out in Note 36.4 to the financial statements on page 259.

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 2022 as per valuation conducted by Mr. H.B. Manjula Basanayake an independent valuer are set out in Note 35.6 to the financial statements on page 256.

Material Foreseeable Risk Factors

The section on Risk Management on pages 164 and 180 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 Business Act Direction 06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons).

The Corporate Governance Statement on page 128 to 163 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
Mrs. C P Malalgoda**	- Member

*Ceased to be a member w.e.f. 17.12.2021

** Appointed w.e.f 25.05.2022

The Report of the Audit Committee appears on page 185.

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

Remuneration Committee

Mr. J Kumarasinghe - Chairman

Mr. R M Karunaratne* - Member

Mr. K D A Perera - Member

Mr. Aravinda Dadigama- Member

*Ceased to be a member w.e.f. 17.12.2021

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

Mrs. C P Malalgoda** - Member

*Ceased to be a member w.e.f. 17.12.2021

** Appointed w.e.f 25.05.2022

The Report of the Related Party Transactions Review Committee appears on page 186.

Integrated Risk Management Committee

Mr. J Kumarasinghe - Independent Non-Executive Director - (Chairman)

Mr. A Dadigama - Independent Non-Executive Director

Mrs. C P Malalgoda* - 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 w.e.f 25.05.2022

The report of the Integrated Risk Management Committee appears on page 187.

Statement by the Board

The Board acknowledges its responsibility to ensure the integrity of this Integrated Report, which in the Board's opinion addresses all material issues and presents fairly the integrated performance of Vallibel Finance PLC.

Annual General Meeting

The Annual General Meeting will be held on 30th June 2022 at 10.00 a.m centered at the Board Room.

The notice of the Annual General Meeting appears on page 320.

This Annual Report is signed for and on behalf of the Board of Directors by

K D A Perera
Acting Chairman

S B Rangamuwa
Managing Director

Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2022
Colombo

AUDIT COMMITTEE REPORT

Composition of the Audit Committee
The Board Audit Committee comprises of three Independent Non-Executive Directors.

The composition of the committee is as follows.

Mr. Aravinda Dadigama - Chairman

Mr. R M Karunaratne* - Member

Mr. J Kumarasinghe - Member

Mrs. C P Malalgoda** - Member

*Ceased to be a member w.e.f. 17.12.2021

** Appointed w.e.f 25.05.2022

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 25 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 Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

Meetings
The Committee met six times during the year. The attendance at the meetings was as follows:

Name of Director	Executive/Non-Executive Independent/Non-Independent	Attendance
Mr. A Dadigama	Independent Non-Executive	6/6
Mr. R M Karunarathne	Independent Non-Executive	3/3
Mr. J Kumarasinghe	Independent Non-Executive	6/6
Mrs. C P Malalgoda	Independent Non-Executive	N/A

The Company Secretaries function as the Secretaries to the Committee. The Managing Director and the Senior Deputy General Manager - Finance & Administration attended the meetings on invitation. The minutes of the Audit Committee were tabled at the monthly Board meetings

The Committee carried out the following activities:

Financial Statements
The Committee reviewed the Financial Information of Vallibel Finance PLC in order to monitor the integrity of the Financial Statements, its Annual Report and Accounts Reports prepared for publication.

Internal Audit
The Company has an own in-house Internal Audit Department and Messers Ernst and Young, Chartered Accountants also provides assistant in carrying out branch and 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 2023, subject to the approval of the Shareholders at the next Annual General Meeting.

Based on the declaration provided by Messrs. KPMG, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditors) or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the Reporting Date

Conclusion
The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.

A Dadigama
Chairman
Audit Committee

06th June 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition of the Related Party Transaction Review Committee

The Related Party Transactions Review Committee, appointed by the Board of Directors of Vallibel Finance PLC, is comprised of three Independent Non-Executive Directors.

The composition of the committee is as follows.

Mr. A Dadigama
Independent Non Executive Director
(Chairman)

Mr. J Kumarasinghe
Independent Non Executive Director

Mrs. C P Malalgoda*
Independent Non Executive Director

* Appointed w.e.f 25.05.2022

Brief profile of each member of the Committee is given on pages 30 to 31.

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

The Company has not entered into any transactions as set out in Sections 9.1.1, 9.1.2 and 9.3.2 (b) of the Listing Rules of the CSE. All transactions entered into by the Company which fall under section 9.3.2 (a) of the Listing Rules have been disclosed in Note 52.7.1 to the Financial Statements on page 277.

Details of other Related Party Transactions are given in Note No. 52 to the Financial Statements on pages 273 to 277.

A Dadigama
Chairman
Related Party Transaction Review Committee

06th June 2022

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Composition of the Integrated Risk Management Committee (IRMC)

IRMC is comprised of three Non-Executive Directors, one Executive Director, CEO and three representatives from the senior management.

The composition of the committee is as follows.

Mr. J Kumarasinghe (Chairman)
Independent Non Executive Director

Mr. A Dadigama
Independent Non Executive Director

Mrs. C P Malalgoda*
Independent Non Executive Director

Mr. S B Rangamuwa
Managing Director/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 w.e.f 25.05.2022

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

06th June 2022

POISED FOR PERFORMANCE

Our search for excellence in all that we do creates exceptional value for all our stakeholders, which gives us the added impetus to capitalise on the opportunities in the market.

Financial Statements

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING (AGM) CALENDAR

	2021/22	2022/23
Annual Report and Accounts for the year signed/to be signed	06th June 2022	In May 2023
Annual General Meeting to be held	30th June 2022	In June 2023

INTERIM FINANCIAL STATEMENTS CALENDAR - SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2021/22 Submitted on	2022/23 To be Submitted on or before
For the three months ended / ending 30th June	22nd July 2021	15th August 2022
For the six months ended / ending 30th September	22nd October 2021	15th November 2022
For the nine months ended / ending 31st December	25th January 2022	15th February 2023
For the year ended / ending 31st March	27th May 2022	31st May 2023

SIX MONTHS FINANCIAL STATEMENTS

Six months ended /ending 30th September	2020/21 Published on	2021/22 To be published on or before
English	15th November 2021	30th November 2022
Sinhala	15th November 2021	30th November 2022
Tamil	15th November 2021	30th November 2022

ANNUAL FINANCIAL STATEMENTS

Year ended/ ending 31st March	2020/21 Published on	2021/22 To be published on or before
English	28th June 2021	30th June 2022
Sinhala	28th June 2021	30th June 2022
Tamil	28th June 2021	30th June 2022

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

S B Rangamuwa
Managing Director

A Dadigama
Chairman
Audit Committee

06th June 2022

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 2022/23, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board

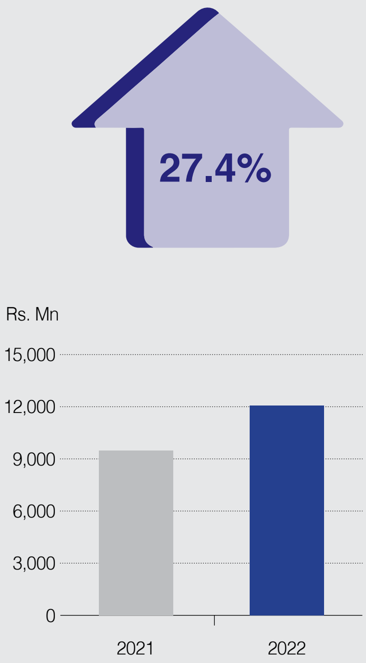
VALLIBEL FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

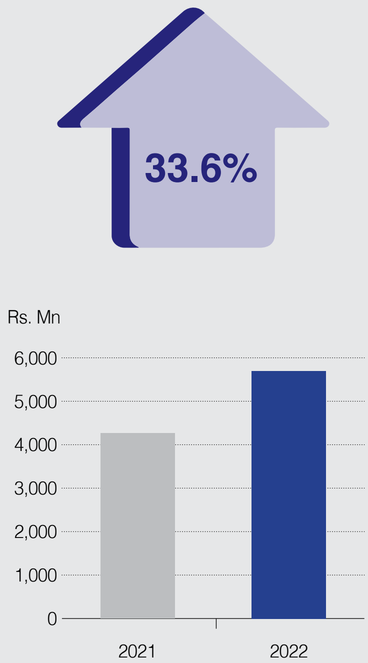
06th June 2022

KEY HIGHLIGHTS

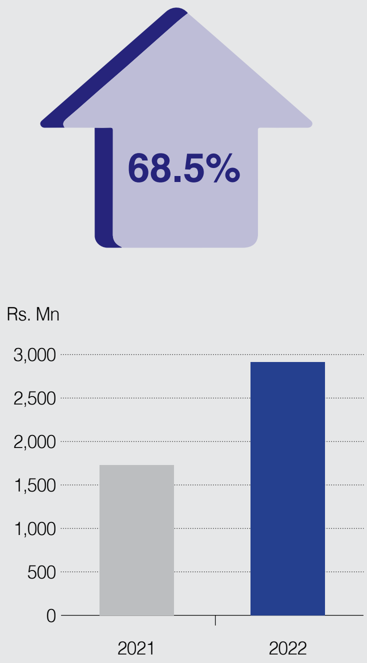
Gross Income



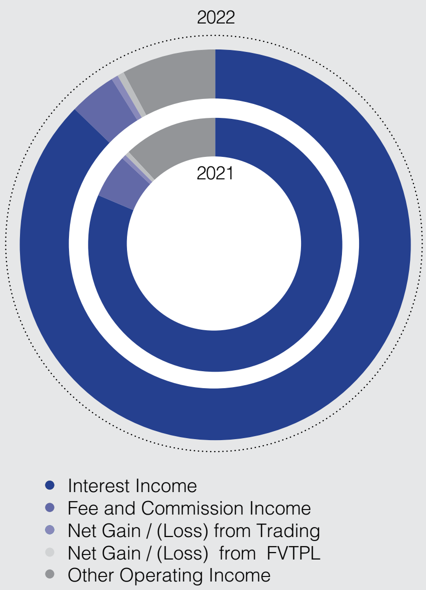
Net Interest Income



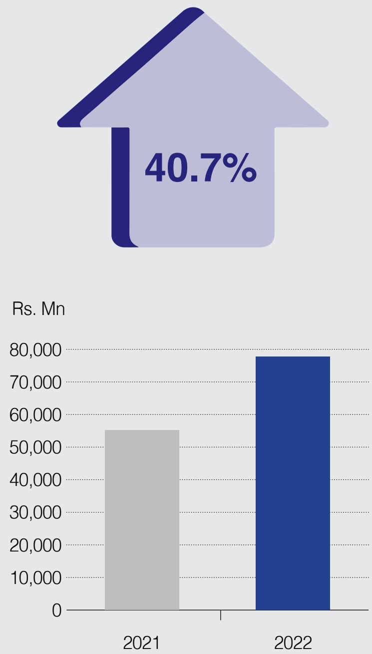
Profit for the Year



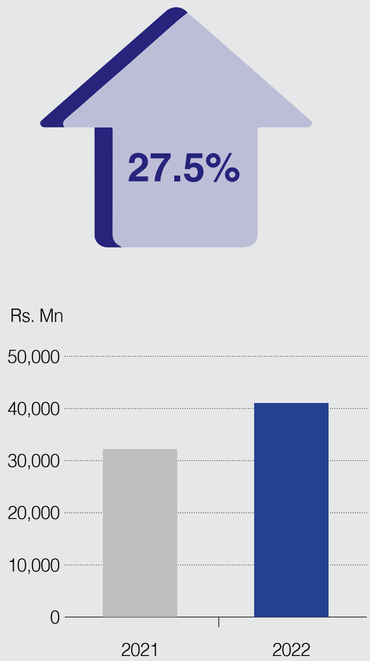
Gross Income Composition



Total Assets



Deposits due to Customers



INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
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+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF VALLIBEL FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vallibel Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group), which comprise the statement of financial position as at 31 March 2022, 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 198 to 297 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

1. Allowance for Impairment losses for loans and receivables, lease rental and hire purchase receivables

Refer note 29, 30.1.1 and 30.2.1 to the financial statements and the accounting policies in the note 6.1.10.

Risk Description	Our Response:
As at 31 March 2022, 85% of its total assets of the Company consisted of loan and receivables, lease and hire purchase receivables totaling to Rs 65.6 Bn, net of impairment allowance of Rs 2.9 Bn. The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for impairment loss in accordance with SLFRS 9- Financial Instruments (SLFRS 9)	Our audit procedures included: ▪ Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain and volatile macro-economic environment; ▪ Challenging the key assumptions in the ECL models, including staging, PD, and LGD and evaluating the reasonableness of Management's key judgments and estimates;

Risk Description	Our Response:
High degree of complexity and judgment are involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the ECL model 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 prevailing uncertain and volatile macro-economic environment and implications of 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 allowance for expected credit losses as a key audit matter due to the significance of the loans and receivables, lease and hire purchases receivables balances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances and level of required disclosures set out by the requirements of SLFRS 7 financial instruments: Disclosures.	▪ Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; ▪ Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; ▪ Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment and implications of COVID-19 pandemic; ▪ Working with our internal consulting specialists in order to assess the management computation of ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, assumptions, and management overlays to the ECL model. ▪ Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

KPMG

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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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
06th June 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Page No.	Note	Company 2022 Rs.	Company 2021 Rs.	Company Change %	Group 2022 Rs.	Group 2021 Rs.	Group Change %
Gross Income	233	11	12,066,211,076	9,469,941,763	27.4	11,978,477,367	9,469,941,763	26.5
Interest Income	233	12.1	9,930,097,982	8,331,297,497	19.2	9,930,097,982	8,331,297,497	19.2
Interest Expense	234	12.2	(4,234,571,767)	(4,067,534,369)	4.1	(4,234,571,767)	(4,067,534,369)	4.1
Net Interest Income	233	12	5,695,526,215	4,263,763,128	33.6	5,695,526,215	4,263,763,128	33.6
Fee and Commission Income	234	13	672,707,103	373,550,576	80.1	672,707,103	373,550,576	80.1
Net Fee and Commission Income			672,707,103	373,550,576	80.1	672,707,103	373,550,576	80.1
Net Gain / (Loss) from Trading	234	14	12,589	642,028	(98.0)	12,589	642,028	(98.0)
Net Gain / (Loss) from other Financial Instruments at FVTPL	234	15	33,825,363	36,563,641	(7.5)	33,825,363	36,563,641	(7.5)
Other Operating Income	235	16	1,429,568,039	727,888,021	96.4	1,341,834,330	727,888,021	84.3
Total Operating Income			7,831,639,309	5,402,407,394	45.0	7,743,905,600	5,402,407,394	43.3
Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets	235	17	(592,488,831)	(575,076,254)	3.0	(592,488,831)	(575,076,254)	3.0
Net Operating Income			7,239,150,478	4,827,331,140	50.0	7,151,416,769	4,827,331,140	48.1
Expenses								
Personnel Expenses	236	18	(1,404,669,796)	(1,068,762,651)	31.4	(1,404,866,104)	(1,068,771,249)	31.4
Premises Equipment and Establishment Expenses			(221,286,928)	(171,557,465)	29.0	(221,286,928)	(171,557,465)	29.0
Other Operating Expenses			(835,514,204)	(728,461,168)	14.7	(837,435,478)	(731,704,537)	14.4
Operating Profit Before Taxes on Financial Services	236	19	4,777,679,550	2,858,549,856	67.1	4,687,828,259	2,855,297,889	64.2
Taxes on Financial Services	236	20	(783,809,641)	(468,767,648)	67.2	(783,809,641)	(468,767,648)	67.2
Profit Before Income Tax			3,993,869,909	2,389,782,208	67.1	3,904,018,618	2,386,530,241	63.6
Income Tax Expense	236	21	(1,081,971,589)	(661,604,106)	63.5	(1,062,383,369)	(660,823,634)	60.8
Profit for the Year			2,911,898,320	1,728,178,102	68.5	2,841,635,249	1,725,706,607	64.7
Profit attributable to:								
Equity holders of the Company			2,911,898,320	1,728,178,102	68.5	2,841,635,249	1,725,706,607	64.7
Non - Controlling Interest			-	-	-	-	-	-
Profit for the Year			2,911,898,320	1,728,178,102	68.5	2,841,635,249	1,725,706,607	64.7
Earnings Per Share	238	22						
Basic Earnings Per Share		22.1	12.37	7.34	68.5	12.07	7.33	64.7
Diluted Earnings Per Share		22.2	12.37	7.34	68.5	12.07	7.33	64.7

The notes appearing on pages 206 to 297 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

For the Year Ended 31st March	Page No.	Note	Company 2022 Rs.	2021 Rs.	Change %	Group 2022 Rs.	2021 Rs.	Change %
Profit for the Year			2,911,898,320	1,728,178,102	68.5	2,841,635,249	1,725,706,607	64.7
Other Comprehensive Income, Net of Tax								
Items that will never be reclassified to Profit or Loss								
Gains / (Losses) on remeasurement of Defined Benefit Liability	268	47.3	125,947,705	(30,289,378)	515.8	125,947,705	(30,289,378)	515.8
Deferred Tax (Charge) / Reversal on Actuarial Gains / (Losses)			(30,227,449)	7,269,449	(515.8)	(30,227,449)	7,269,449	(515.8)
Net Actuarial Gains / (Losses) on Defined Benefit Liability			95,720,256	(23,019,929)	515.8	95,720,256	(23,019,929)	515.8
Revaluation of Land & Buildings	272	50.1	48,245,347	-	100.0	127,745,347	-	100.0
Deferred Tax (Charge) / Reversal on Revaluation of Land & Buildings			(9,130,356)	4,615,161	(297.8)	(28,210,356)	4,615,161	(711.3)
Net Change in Revaluation of Land & Buildings			39,114,991	4,615,161	747.5	99,534,991	4,615,161	2,056.7
Items that are or may be reclassified to Profit or Loss								
Fair Value Gains / (Losses) that arose during the Year, Net of Tax	254	31.2	(297,777,200)	-	(100.0)	(297,777,200)	-	(100.0)
Deferred Tax (Charge) /Reversal on Fair Value Gains / (Losses)			71,466,528	-	100.0	71,466,528	-	100.0
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income			(226,310,672)	-	(100.0)	(226,310,672)	-	(100.0)
Other Comprehensive Income for the Year, Net of Tax			(91,475,425)	(18,404,768)	397.0	(31,055,425)	(18,404,768)	68.7
Total Comprehensive Income for the Year			2,820,422,895	1,709,773,334	65.0	2,810,579,824	1,707,301,839	64.6
Attributable to:								
Equity holders of the Company			2,820,422,895	1,709,773,334	65.0	2,810,579,824	1,707,301,839	64.6
Non - Controlling Interest			-	-	-		-	-
Total Comprehensive Income for the Year			2,820,422,895	1,709,773,334	65.0	2,810,579,824	1,707,301,839	64.6

The notes appearing on pages 206 to 297 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 2022 Rs.	Company 2021 Rs.	Company Change %	Group 2022 Rs.	Group 2021 Rs.	Group Change %
Assets								
Cash and Cash Equivalents	247	26.1	877,638,204	1,683,003,076	(47.9)	900,929,559	1,712,137,601	(47.4)
Placements with Banks and Other Finance Companies	247	27	4,167,388,105	267,311,713	1,459.0	4,167,388,105	267,311,713	1,459.0
Reverse Repurchase Agreements			1,770,612,142	1,795,352,511	(1.4)	1,780,760,519	1,795,352,511	(0.8)
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	247	28	314,015,408	1,188,828,796	(73.6)	796,421,859	1,352,702,922	(41.1)
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	249	29	50,691,038,582	33,660,559,075	50.6	50,691,038,582	33,660,559,075	50.6
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	250	30	14,973,325,141	14,085,116,152	6.3	14,973,325,141	14,085,116,152	6.3
Financial Investments Measured at Fair Value Through Other Comprehensive Income	253	31	1,737,815,264	203,800	852,606.2	1,737,815,264	203,800	852,606.2
Financial Assets at Amortised Cost - Debt and other Financial Instruments	254	32	100,423,871	-	100.0	100,423,871	-	100.0
Financial Assets at Amortised Cost - Other Financial Assets	254	33	13,647,730	15,162,142	(10.0)	13,647,730	15,162,142	(10.0)
Investment in a Subsidiary	255	34	20	20	-	-	-	-
Investment Property	255	35	1,179,500,000	1,100,000,000	7.2	-	-	-
Property, Plant and Equipment	257	36	756,193,121	614,154,778	23.1	3,208,302,588	2,119,143,851	51.4
Right-of-use Lease Assets	262	37	781,224,648	583,944,570	33.8	781,224,648	583,944,570	33.8
Intangible Assets	262	38	28,671,530	9,897,595	189.7	28,671,530	9,897,595	189.7
Deferred Tax Assets	267	45.4	141,914,484	80,267,468	76.8	143,203,176	81,047,940	76.7
Other Assets	263	39	156,802,865	141,234,971	11.0	156,829,959	139,271,402	12.6
Total Assets			77,690,211,115	55,225,036,667	40.7	79,479,982,531	55,821,851,274	42.4
Liabilities								
Bank Overdrafts	247	26.2	1,062,546,767	983,750,361	8.0	1,062,546,767	983,750,361	8.0
Rental Received in Advance			227,759,381	247,760,859	(8.1)	227,759,381	247,760,859	(8.1)
Financial Liabilities at Amortised Cost - Deposits due to Customers	263	40	41,021,169,765	32,170,953,144	27.5	41,021,169,765	32,170,953,144	27.5
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	264	41	20,034,340,212	11,282,498,665	77.6	21,835,482,493	11,880,986,632	83.8
Subordinated Term Debt	265	42	2,012,844,267	-	100.0	2,012,844,267	-	100.0
Lease Liabilities	266	43	858,556,285	599,680,856	43.2	858,556,285	599,680,856	43.2
Current Tax Liabilities	266	44	604,894,450	635,606,078	(4.8)	604,894,450	635,606,078	(4.8)
Deferred Tax Liabilities	267	45.3	142,580,571	112,558,388	26.7	142,580,571	112,558,388	26.7
Other Liabilities	268	46	989,544,615	841,325,477	17.6	990,488,316	842,123,612	17.6
Retirement Benefit Obligations	268	47	80,824,933	162,995,765	(50.4)	80,824,933	162,995,765	(50.4)
Total Liabilities			67,035,061,246	47,037,129,593	42.5	68,837,147,228	47,636,415,695	44.5

As at 31st March	Page No.	Note	Company 2022 Rs.	Company 2021 Rs.	Company Change %	Group 2022 Rs.	Group 2021 Rs.	Group Change %
Equity								
Stated Capital	270	48	1,325,918,000	1,325,918,000	-	1,325,918,000	1,325,918,000	-
Statutory Reserve Fund	271	49	1,699,794,425	1,554,199,509	9.4	1,699,794,425	1,554,199,509	9.4
Other Reserves	271	50	(47,934,140)	139,261,541	(134.4)	12,485,860	139,261,541	(91.0)
Retained Earnings	273	51	7,677,371,584	5,168,528,024	48.5	7,604,637,018	5,166,056,529	47.2
Total Equity attributable to Equity holders of the Company			10,655,149,869	8,187,907,074	30.1	10,642,835,303	8,185,435,579	30.0
Non - Controlling Interest			-	-	-	-	-	-
Total Equity			10,655,149,869	8,187,907,074	30.1	10,642,835,303	8,185,435,579	30.0
Total Liabilities and Equity			77,690,211,115	55,225,036,667	40.7	79,479,982,531	55,821,851,274	42.4
Net Assets Value Per Share (Rs.)			45.25	34.78	30.1	45.20	34.76	30.0

The notes appearing on pages 206 to 297 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

06th June 2022,
Colombo.

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 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	50.1	-	-	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	49.1	-	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
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	-	-	2,911,898,320	2,911,898,320
Other Comprehensive Income, net of Tax								
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income	50.2	-	-	-	(226,310,672)	-	-	(226,310,672)
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	95,720,256	95,720,256
Net Change in Revaluation of Land & Buildings	50.1	-	-	39,114,991	-	-	-	39,114,991
Total Comprehensive Income for the Year		-	-	39,114,991	(226,310,672)	-	3,007,618,576	2,820,422,895
Transactions with owners of the Company								
Contributions and distributions								
Dividends to equity holders								
Dividend Paid Share for the Financial Year 2020/21		-	-	-	-	-	(353,180,100)	(353,180,100)
Statutory Reserve Transfer	49.1	-	145,594,916	-	-	-	(145,594,916)	-
Total Transactions with Equity Holders		-	145,594,916	-	-	-	(498,775,016)	(353,180,100)
Balance as at 31st March 2022		1,325,918,000	1,699,794,425	170,876,532	(226,310,672)	7,500,000	7,677,371,584	10,655,149,869

The notes appearing on pages 206 to 297 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 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	50.1	-	-	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	49.1	-	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
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-		-	2,841,635,249	2,841,635,249
Other Comprehensive Income, net of Tax								
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income	50.2	-	-	-	(226,310,672)	-	-	(226,310,672)
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	95,720,256	95,720,256
Net Change in Revaluation of Land & Buildings	50.1	-	-	99,534,991	-		-	99,534,991
Total Comprehensive Income for the Year		-	-	99,534,991	(226,310,672)	-	2,937,355,505	2,810,579,824
Transactions with owners of the Company								
Contributions and distributions					-			
Dividends to equity holders					-			
Dividend Paid Share for the Financial Year 2020/21		-	-	-	-	-	(353,180,100)	(353,180,100)
Statutory Reserve Transfer	49.1	-	145,594,916	-	-	-	(145,594,916)	-
Total Transactions with Equity Holders		-	145,594,916	-	-	-	(498,775,016)	(353,180,100)
Balance as at 31st March 2022		1,325,918,000	1,699,794,425	231,296,532	(226,310,672)	7,500,000	7,604,637,018	10,642,835,303

The notes appearing on pages 206 to 297 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CASH FLOW STATEMENT

For the Year Ended 31st March	Note	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Cash Flow from Operating Activities					
Interest and Commission Receipts		10,603,908,836	8,910,714,128	10,603,908,836	8,910,714,128
Interest Payments		(4,129,891,466)	(4,009,051,810)	(4,201,624,032)	(4,021,627,152)
Cash Receipts from Customers		1,274,372,014	660,326,353	1,266,138,305	660,326,353
Cash Payments to Employees and Suppliers		(3,144,402,952)	(2,192,261,551)	(3,146,376,468)	(2,194,715,382)
Operating Profit Before Changes in Operating Assets and Liabilities (Note A)		4,603,986,432	3,369,727,120	4,522,046,641	3,354,697,947
(Increase) / Decrease in Operating Assets					
Short Term Funds		240,946,988	432,173,165	241,587,666	318,540,461
Deposits held for Regulatory or Monetary Control Purposes		(350,812,535)	394,841,356	(360,960,911)	394,841,356
Financial assets at amortised cost – Loans and advances / Lease rental & Hire purchase receivables		(18,537,242,505)	(7,251,267,142)	(18,537,242,505)	(7,251,267,142)
Other Short Term Negotiable Securities		(4,692,381,935)	2,115,733,357	(5,010,914,260)	1,955,733,357
Increase / (Decrease) in Operating Liabilities					
Financial liabilities at amortised cost – Due to depositors		9,109,892,480	2,977,388,145	9,109,892,480	2,977,388,145
Financial liabilities at amortised cost – Certificate of Deposits		(394,238,530)	(159,602,382)	(394,238,530)	(159,602,382)
Net Cash (Used in) / Generated from Operating Activities before Income Tax		(10,019,849,605)	1,878,993,619	(10,429,829,419)	1,590,331,742
Current Taxes Paid	44	(1,112,199,327)	(392,986,113)	(1,112,199,327)	(392,986,113)
Gratuity Paid	47.1	(6,782,085)	(2,324,327)	(6,782,085)	(2,324,327)
Net Cash (Used in) / Generated from Operating Activities		(11,138,831,017)	1,483,683,179	(11,548,810,831)	1,195,021,302
Cash Flows from Investing Activities					
Dividends Received		191,910	121,600	191,910	121,600
Investment in a Subsidiary		-	(20)	-	-
Proceed from Sale of Property , Plant and Equipment		650,530	512,160	650,530	512,160
Purchase of Property, Plant and Equipment		(226,621,921)	(182,245,495)	(1,022,485,277)	(464,449,113)
Purchase of Intangible Assets		(28,483,352)	-	(28,483,352)	-
Net Cash (Used in) / Generated from Investing Activities		(254,262,833)	(181,611,755)	(1,050,126,189)	(463,815,353)
Cash Flows from Financing Activities					
Net Increase / (decrease) in Financial liabilities at amortised cost – Interest bearing Borrowings		10,862,112,672	(1,684,916,954)	12,062,112,672	(1,084,916,954)
Dividend Paid		(353,180,100)	-	(353,180,100)	-
Unclaimed Dividend Adjustments		-	121,894	-	121,894
Net Cash Generated from / (Used in) Financing Activities		10,508,932,572	(1,684,795,060)	11,708,932,572	(1,084,795,060)
Net (Decrease) / Increase in Cash & Cash Equivalents		(884,161,278)	(382,723,636)	(890,004,448)	(353,589,111)
Cash & Cash Equivalents at the Beginning of the Year		699,252,715	1,081,976,351	728,387,240	1,081,976,351
Cash & Cash Equivalents at end of the Year (Note B)		(184,908,563)	699,252,715	(161,617,208)	728,387,240

For the Year Ended 31st March	Note	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Note A					
Reconciliation of Operating Profit Before Changes in Operating Assets and Liabilities					
Profit Before Income Tax		3,993,869,909	2,389,782,208	3,904,018,618	2,386,530,241
Amortisation of Intangible Assets	38.1	9,709,417	7,766,054	9,709,417	7,766,054
Accrual for Interest Expense / (Income)		(51,234,200)	(1,673,453)	(122,966,766)	(14,248,795)
Accrual for Interest Income / (Expense)		27,523,873	139,024,903	27,523,873	139,024,903
Accrual for Other Payable		(37,679,598)	147,530,870	(37,535,532)	148,329,006
Retirement Benefit Cost	47.2	50,558,958	32,388,472	50,558,958	32,388,472
Depreciation of Property, Plant and Equipment	36	132,635,844	107,276,263	132,635,844	107,276,263
Impairment Charges and Other Credit Losses on Financial Assets	17	592,488,831	575,076,254	592,488,831	575,076,254
Dividend Income		(191,910)	(121,600)	(191,910)	(121,600)
Unrealised Fair Value gains / (losses) on Financial Instruments measured at FVTPL		88,121	(642,028)	88,121	(642,028)
Unrealised Fair Value gains / (losses) on Other Financial Instruments measured at FVTPL	15	(33,825,363)	(36,563,641)	(33,825,363)	(36,563,641)
Gain / (Loss) on Disposal of Property, Plant & Equipment		(457,450)	(271,626)	(457,450)	(271,626)
Fair value change in Investment Property		(79,500,000)	-	-	-
Impairment Loss on Property, Plant & Equipment		-	10,154,444	-	10,154,444
		4,603,986,432	3,369,727,120	4,522,046,641	3,354,697,947
Note B					
Cash & Cash Equivalents at the end of the Year					
Cash in Hand and at Banks		877,638,204	1,683,003,076	900,929,559	1,712,137,601
Bank Overdrafts		(1,062,546,767)	(983,750,361)	(1,062,546,767)	(983,750,361)
		(184,908,563)	699,252,715	(161,617,208)	728,387,240

The notes appearing on pages 206 to 297 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	2022	2021
Company	1,271	1067
Group	1,277	1072

Corporate information is presented in the page 319 of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st March 2022 comprise the Vallibel Finance PLC (Parent Company) and its subsidiary (together referred to as the "Group" and individually as "Group entities").

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited, which is incorporated in Sri Lanka.

1.3 Principal Business Activities, Nature of Operations of the Group and ownership by the Company

Group Structure

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).

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 2022 (including comparatives for 2021) were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 06th June 2022.

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".

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group.

2.8 Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

The ongoing economic crisis in the country has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and unemployment). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. However, In light of the ongoing economic crisis, the Group has assessed its going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

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 Prevailing economic conditions and 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 and economic conditions resulted in the application of further judgement within those areas due to the 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 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recognized on the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

2.12.4 Impairment Losses on Financial Assets

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The accuracy of the provision depends on the model assumptions and parameters used in determining the ECL calculations.

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 economic conditions and 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.

Further during 2021, 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.

2.12.5 Impairment of Non Financial Assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash-Generating Unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate doing so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rate, and hence, they are subject to uncertainty.

2.12.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions determining the discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2.12.7 Revaluation of Property, Plant and Equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). The Group engages independent professional valuers to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on "Fair Value Measurement".

The key assumptions used to determine the fair value of the land and building and sensitivity analysis are provided in notes to the financial statements.

2.12.8 SLFRS 16 – Leases

2.12.8.1 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

A. Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting material adjustments are included in the following notes.

2.12.8.2 Estimating the incremental borrowing rate

As the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay'', which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease).The Group estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.12.9 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilized against such tax losses. Judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax planning strategies.

2.12.10 Useful Life time of the Property, Plant & Equipment

The Group reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each Reporting date. Judgment of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.12.11 Provisions for Liabilities, Commitments and Contingencies

The Group receives legal claims in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

2.13 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties at similar locations and categories. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in notes to financial statements.

2.14 Events after the Reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the Reporting Period have been considered and appropriate disclosures are made in the Financial Statements where necessary.

3. FAIR VALUE MEASUREMENT

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in the absence, in the most advantageous market to which the Group has the access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs that are quoted (unadjusted) market prices in active markets for identical assets or liabilities.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for 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 2021. 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 16 Leases: COVID-19-Related Rent Concessions beyond 30th June 2021

On 04th December 2020 CA Sri Lanka issued COVID-19-Related Rent Concessions - amendment to SLFRS 16 Leases.

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change was not a lease modification. The amendment was intended to apply until 30th June 2021 but as the impact of the COVID-19 pandemic is continuing, on 28th June 2021, CA Sri Lanka extended the period of application of the practical expedient up to 30th June 2022. The amendment applies to annual reporting periods beginning on or after 01st April 2021.

4.1.2 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – (“IBOR reform”)

Working Groups in different jurisdictions have recommended robust, alternative Risk-free rates (RFRs) to transition away from existing interbank offered rates (IBORs). The RFR benchmarks are overnight whereas current use of IBOR is largely in term rates.

IBOR reforms Phase 1

On 15th January 2021 CA Sri Lanka issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to IBOR reform (Phase 1). A summary of Phase 1 amendments are as follows:

- Highly Probable Requirement: According to SLFRS 9 and LKAS 39, when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- Prospective assessments: A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the IBOR reform.
- LKAS 39 retrospective assessment: To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment'. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.
- Separately identifiable risk components: While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to IBOR Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative RFR. The amendments include the following practical expedients.

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 01st January 2021 in the Sri Lankan context.

However, the regulatory authorities and public and private sector working groups in several jurisdictions have been discussing the alternatives to IBORs but there is still uncertainty over when these alternative rates will be available and how the reforms will impact specific financial products and services.

5. SIGNIFICANT ACCOUNTING POLICIES – GENERAL

5.1 Basis of consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements".

5.1.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. As required by SLFRS 3 - Business Combinations and amendments to SLFRS 3, when the Group acquires a business, it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions that exist as at the acquisition date. The Group applies Definition of a Business (Amendments to SLFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The Group measures goodwill at the acquisition date, as excess of the aggregate of the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; the fair value of the pre-existing interest in the acquiree if the business combination is achieved in stages; and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed; measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity, or else subsequent changes in the fair value of the contingent consideration is recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31st March or when circumstances indicate that the carrying value of the goodwill may be impaired. For the purpose of impairment testing, from the acquisition date, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

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

5.1.2 Non-Controlling Interests (NCI)

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

5.1.3 Subsidiary

Subsidiary is an investee controlled by the Group. The Group "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The Financial Statements of subsidiary included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

5.1.4 Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.1.5 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an Associate or in accordance with the Group's Accounting Policy for financial instruments depending on the level of influence retained.

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 :
  - Held for trading; or
  - Designated at fair value through profit or loss
- Financial Liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

6.1.4.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading, if they are acquired principally for the purpose of repurchasing in the near term or held as a part of a portfolio that is managed together for short-term profit or position taking.

Changes in fair value are recorded in "Net fair value gains / (losses) from financial instruments at fair value through profit or loss" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest paid / payable is accrued in "Interest expense", using the EIR.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

6.1.4.2 Financial Liabilities at Amortised Cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'Deposits Due to Customers', 'Interest Bearing Borrowings' and 'Subordinated Term Debts' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in 'Interest Expense' in the Income Statement. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

6.1.4.3 Deposits due to Customers

These include term deposits, savings deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. "Interest expense" on these deposits recognised in profit or loss.

6.1.4.4 Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Group designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

6.1.5 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

6.1.5.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Group reclassifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

6.1.5.2 Measurement of reclassification of financial assets

6.1.5.2.1 Reclassification of Financial Instruments - Fair value through profit or loss

- To Fair value through other comprehensive income

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.

- To Amortised Cost

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

6.1.5.2.2 Reclassification of Financial Instruments - Fair value through other comprehensive income

- To Fair value through profit or loss

The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.

- To Amortised Cost

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

6.1.5.2.3 Reclassification of Financial Instruments - Amortised Cost

- To Fair value through other comprehensive income

The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

6.1.6 De recognition of Financial Assets and Financial Liabilities

6.1.6.1 Financial Assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Group retains all or substantially all risks and rewards of ownership of such assets.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

6.1.6.2 Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

6.1.7 Modification of Financial Assets and Financial Liabilities

6.1.7.1 Modification of Financial Assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. Subsequently the Group recognizes the interest income on recalculated gross carrying amount based on the Original EIR from the commencement of terms modification date to the end of the lifetime of the instrument.

6.1.7.2 Modification of Financial Liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

6.1.8 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

6.1.9 Amortised Cost and Gross Carrying Amount

An 'Amortised Cost' of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount and the maturity amount, and for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

6.1.10 Identification and Measurement of Impairment of Financial Assets

6.1.10.1 Overview of the ECL principles

The Group records an allowance for expected credit losses for lease rental and hire purchase receivables, loans and receivables to other customers, debt and other financial instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- Stage 2: If significant increases in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL.
- Stage 3: If a financial asset is credit-impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%.

Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Group does not have POCI loans as at the reporting date.

6.1.10.2 Measurement of ECL

The Group recognizes loss allowances for Expected Credit Losses (ECL) on financial investments that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. For some financial assets, EAD is determined by considering contractual cash flows, prepayments and other factors.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling 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 Write-off of Financial Assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6.3 Property, Plant & Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets (including buildings under operating leases where the Group is the lessor) which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

6.3.1 Basis of Recognition

Property, Plant & Equipment is recognized if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

6.3.2 Basis of Measurement

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing).The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

- Cost Model

The Group applies the Cost Model to all Property, Plant & Equipment except freehold land and buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

- Revaluation Model

The Group applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Group are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income only to the extent of the amounts written down previously. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

The Group revalued all its freehold land and buildings as at 31st March 2022. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value together with the sensitivity of same are given in notes to Financial Statements.

6.3.3 Subsequent Expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

6.3.4 Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Freehold land is not depreciated. Right-of-use assets are depreciated over the useful lives of the assets. However if there is no reasonable certainty that the Group will obtain the ownership by end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

The estimated useful lives for the current and comparative years are as follows:

Class of Asset	Period (Years)
Freehold Buildings	15
Buildings on Leasehold Land	15
Computer Equipment	4
Furniture & Fittings	4
Office Equipment	4
Motor Vehicles	4

The above rates are compatible with the rates used by all Group entities, and these rates have not been changed during the year.

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment and commence to depreciate when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reassessed at each Reporting date and adjusted, if required.

6.3.5 De-recognition

An item of Property, Plant & Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in 'Other Operating Income' in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

6.3.6 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

6.4 Borrowing Costs

As per the Sri Lanka Accounting Standard – LKAS 23 on "Borrowing Costs", the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

6.5 Intangible Assets

The Group's intangible assets include the value of Computer Software.

6.5.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

6.5.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

6.5.3 Amortisation of intangible assets

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

Class of Asset	Period (Years)
Computer Software	4

6.5.4 Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

6.6 Investment Properties

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both.

Investment properties are initially measured at cost, including transaction costs. The Group subsequently measures investment properties under fair value model. Any gain or loss arising from a change in fair value and the rental income from the investment property is recognised under other operating income.

When the portion of the property is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services for the portions separately if these portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is treated as investments property, only if an insignificant portions is held for use in the production of supply of goods or service or for administrative purposes.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the other operating income.

6.7 Impairment of Non-Financial Assets

At each Reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For assets other than goodwill an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.8 Non-current assets held for sale and disposal groups

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

As per the Sri Lanka Accounting Standard – SLFRS 5 on "Non-current Assets Held for Sale and Discontinued Operations", such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

6.9 Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors. Interim dividends are deducted from Equity when they are declared by the Board of Directors.

Dividends for the year, that are approved after the Reporting date and not provided for, are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on "Events after the reporting period".

6.10 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

6.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in 'Interest Expense' in profit or loss.

6.11.1 Provisions for Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to amounts of principal outstanding for loans and advances.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

6.12 Employee Benefits

6.12.1 Defined Benefit Plan (DBP) - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value.

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits".

Actuarial gains and losses in the period in which they occur have been 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains & losses on the settlement of a defined benefit plan when a settlement occurs.

The gratuity liability is not externally funded.

6.12.2 Defined Contribution Plans (DCPs)

A Defined contribution plan is a post- employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to Defined Contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

6.12.2.1 Employees' Provident Fund (EPF)

The Company and employees contribute to an approved Provident Fund at 12% and 8% respectively, on the salaries of each employee. Other entity of the Group and its employees contribute at the same percentages as above to the Employees' Provident Fund managed by the CBSL.

6.12.2.2 Employees' Trust Fund (ETF)

The Company and other entity of the Group contribute at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the CBSL.

6.13 Earnings per Share (EPS)

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

6.14 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For each of the strategic divisions, the Group's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

Detailed information on the results of each reportable segment as required by the Sri Lanka Accounting Standard – SLFRS 8 "Operating Segments" is provided in Notes to the Financial Statements.

6.15 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

Pending legal claims against the Group form part of contingencies.

7. SIGNIFICANT ACCOUNTING POLICIES – RECOGNITION OF INCOME AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

7.1 Net Interest Income

Interest income and expense are recognised in profit or loss using the effective interest method (EIR) method.

Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method;

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

7.2 Fee and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR of a financial asset or liability are capitalized and included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

7.3 Net Gain / (Loss) from Trading

'Net gain / (loss) from trading' comprise gains less losses related to trading assets and liabilities, and include all realised and unrealised fair value changes and dividends.

7.4 Net Gain / (Loss) from derecognition of Financial Assets

'Net gains/(losses) from derecognition of financial assets' comprised realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost.

7.5 Leases

7.5.1 Application as per SLFRS 16

The Group assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Group determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

7.5.1.1 Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

7.5.1.2 Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand- alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

7.5.1.2.1 Finance leases – Group as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the SOFP and present them as a "Lease Rental Receivable" at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Group's net investment in lease is included in notes to financial statements. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub lease separately. It assesses the lease classification of a sub lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub lease as an operating lease.

7.5.1.2.2 Operating leases – Group as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight line basis as part of other Operating Income.

7.6. Rental Income and Expenses

Rental income and expense are recognised in profit or loss on an accrual basis.

8. SIGNIFICANT ACCOUNTING POLICIES –TAX EXPENSE

8.1. Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

The Group has determined that interest and penalties related income taxes, including uncertain tax treatments do not meet the definition of income taxes and therefore accounted for them under LKAS 37 Provisions, Contingent liabilities and Contingent Assets.

8.1.1 Current Tax

'Current tax' comprises the best estimate of 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
- Temporary differences in relation to a right – of – use asset and a lease liability for leases are regarded as a net package (Right – of – use Leased asset) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

8.1.3 Tax exposures

In determining the amount of current and deferred tax, the Group considers the favourable / adverse impact to the tax liability due to assessments revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered as an over or under provision.

8.1.4 Changes proposed to Income Tax from Government Tax Proposals

Following onetime tax was proposed in Government budget 2022;

- Imposition of a Tax Surcharge

As per provisions of the Surcharge Tax Act No. 14 of 2022, if the aggregate of the taxable income of the holding company and all subsidiaries in a group of companies, for the Year of Assessment 2020/21, exceed rupees two thousand Million (2 Billion), each company in the group of companies is liable to pay Surcharge Tax calculated at twenty five per centum on the taxable income (after deducting profit from dividends received from subsidiaries included in the taxable income). The surcharge tax is payable in two equal instalments on or before, 20th April 2022 and 20th July 2022, to the Commissioner General of Inland Revenue.

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. The Government has increased the rate of VAT on Financial Services by 3% to 18% effective from 01st January 2022.

8.3 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.

9. SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

9.1 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “Direct Method” of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS- 07 “Cash Flow Statements”. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and favourable balances with banks.

10. AMENDMENTS TO ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 01st April 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

Amendments to “Provisions, Contingent Liabilities and Contingent Assets” (LKAS 37) : Onerous Contracts – Costs of Fulfilling a Contract

On 25th March 2021, CA Sri Lanka issued amendments to “Provisions, Contingent Liabilities and Contingent Assets” (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 01st January 2022. The Group does not expect this will result in a material impact on its Financial Statements.

Amendments to “Property, Plant & Equipment” (LKAS 16) : Proceeds before Intended Use

On 25th March 2021, CA Sri Lanka issued amendments to “Property, Plant and Equipment” (LKAS 16) - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 01st January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Group does not expect this will result in a material impact on its Financial Statements.

Amendments to “Business Combinations” (SLFRS 3) : Updating a reference to conceptual framework

On 23rd March 2021, CA Sri Lanka issued amendments to “Business Combinations” (SLFRS 3) - Updating a Reference to the “Conceptual Framework for Financial Reporting”. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the “Conceptual Framework for Financial Reporting” issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Frame work for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 01st January 2022 and apply prospectively. The amendment is not expected to have a material impact on the Group’s Financial Statements.

Amendments to “First-time Adoption of Sri Lanka Financial Reporting Standards” (SLFRS 1) : Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, CA Sri Lanka issued an amendment to “First-time Adoption of International Financial Reporting Standards” (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1. The amendment is effective for annual reporting periods beginning on or after 01st January 2022 with earlier adoption permitted.

Amendments to “Financial Instruments” (SLFRS 9) – Fees in the ’10 per cent’ test for de-recognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the CA Sri Lanka issued an amendment to “Financial Instruments” (SLFRS 9).The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 01st January 2022, with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

The amendment aims to promote consistency in applying the requirements by helping companies to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Disclosure of Accounting Policies (Amendment to LKAS 1)

Amendments to LKAS 1 - Presentation of Financial Statements; intends to help companies provide useful accounting policy disclosures. Key amendments to LKAS 1 includes; requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Definition of Accounting Estimates (Amendments to LKAS 8)

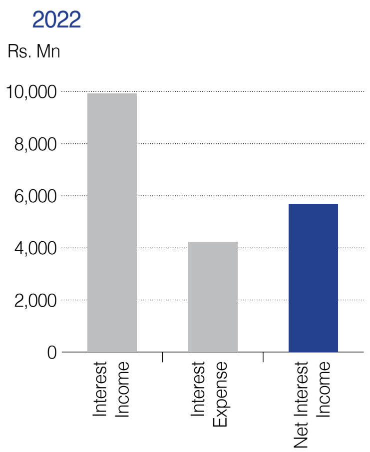
Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. The approach taken can therefore affect both the reported results and trends between periods. Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors will clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

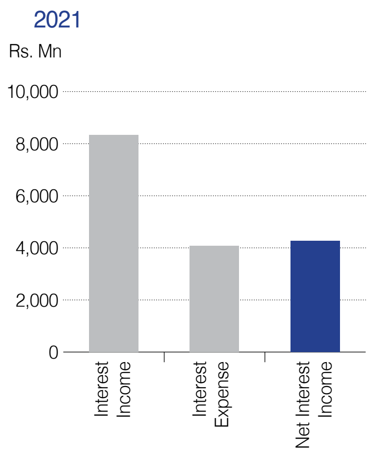
11 GROSS INCOME

For the Year Ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Interest Income (Note 12.1)	9,930,097,982	8,331,297,497	9,930,097,982	8,331,297,497
Fee and Commission Income (Note 13)	672,707,103	373,550,576	672,707,103	373,550,576
Net Gain / (Loss) from Trading (Note 14)	12,589	642,028	12,589	642,028
Net Gain / (Loss) from other Financial Instruments at FVTPL (Note 15)	33,825,363	36,563,641	33,825,363	36,563,641
Other Operating Income (Note 16)	1,429,568,039	727,888,021	1,341,834,330	727,888,021
	12,066,211,076	9,469,941,763	11,978,477,367	9,469,941,763

12 NET INTEREST INCOME

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Interest Income (Note 12.1)	9,930,097,982	8,331,297,497	9,930,097,982	8,331,297,497
Interest Expense (Note 12.2)	(4,234,571,767)	(4,067,534,369)	(4,234,571,767)	(4,067,534,369)
	5,695,526,215	4,263,763,128	5,695,526,215	4,263,763,128





12.1 Interest Income

For the Year Ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Cash and Cash Equivalents	49,417,922	83,677,667	49,417,922	83,677,667
Placements with Banks and Other Finance Companies	90,709,998	110,846,208	90,709,998	110,846,208
Loans and Receivables to Other Customers (Note 12.1.1)	6,655,106,119	5,198,508,747	6,655,106,119	5,198,508,747
Lease Rental and Hire Purchase Receivables (Note 12.1.2)	2,967,408,961	2,753,331,143	2,967,408,961	2,753,331,143
Sri Lanka Government Securities	164,032,769	181,765,650	164,032,769	181,765,650
Other Financial Assets	3,422,213	3,168,082	3,422,213	3,168,082
	9,930,097,982	8,331,297,497	9,930,097,982	8,331,297,497

NOTES TO THE FINANCIAL STATEMENTS

12.1.1 Loans and Receivables to Other Customers

For the Year Ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Loans and Advances	5,192,368,785	4,203,638,849	5,192,368,785	4,203,638,849
Loans against Fixed Deposits	76,804,744	77,495,376	76,804,744	77,495,376
Gold Loans	1,385,932,590	917,374,522	1,385,932,590	917,374,522
	6,655,106,119	5,198,508,747	6,655,106,119	5,198,508,747

12.1.2 Lease Rental and Hire Purchase Receivables

Hire Purchase	3,606,849	58,544	3,606,849	58,544
Lease	2,963,802,112	2,753,272,599	2,963,802,112	2,753,272,599
	2,967,408,961	2,753,331,143	2,967,408,961	2,753,331,143

12.2 Interest Expense

Financial Liabilities at Amortised Cost - Deposits due to Customers	2,850,913,527	2,874,630,815	2,850,913,527	2,874,630,815
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	1,233,588,503	1,111,198,794	1,233,588,503	1,111,198,794
Bank Overdrafts	3,266,396	16,634,616	3,266,396	16,634,616
Subordinated Term Debts	25,132,055	-	25,132,055	-
Commercial Papers	44,514,858	4,914,132	44,514,858	4,914,132
Interest Expense on Lease Liabilities (Note 43)	77,156,428	60,156,012	77,156,428	60,156,012
	4,234,571,767	4,067,534,369	4,234,571,767	4,067,534,369

13 FEE AND COMMISSION INCOME

Loans and Receivables related services	672,690,610	373,446,702	672,690,610	373,446,702
Other Financial Services	16,493	103,874	16,493	103,874
	672,707,103	373,550,576	672,707,103	373,550,576

14 NET GAIN / (LOSS) FROM TRADING

Equities				
Net mark- to- market Gain/ (Loss)	(88,121)	642,028	(88,121)	642,028
Dividend Income	100,710	-	100,710	-
	12,589	642,028	12,589	642,028

15 NET GAIN / (LOSS) FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Unit Trusts				
Net mark- to- market Gain/ (Loss)	33,825,363	36,563,641	33,825,363	36,563,641
	33,825,363	36,563,641	33,825,363	36,563,641

16 OTHER OPERATING INCOME

For the Year Ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Dividend Income - Financial Investments Measured at Fair Value Through Other Comprehensive Income	91,200	121,600	91,200	121,600
Redemption Income - Unit Trusts	64,052,258	67,168,442	64,052,258	67,168,442
Early Termination Income	1,213,084,437	590,228,978	1,213,084,437	590,228,978
Fair value change in Investment Property	79,500,000	-	-	-
Gain / (Loss) on Disposal of Property, Plant & Equipment	457,450	271,626	457,450	271,626
Service Charges Income	49,244,153	36,532,271	49,244,153	36,532,271
Rent Income	8,233,709	2,357,136	-	-
Other Income	14,904,832	31,207,968	14,904,832	33,565,104
	1,429,568,039	727,888,021	1,341,834,330	727,888,021

17 IMPAIRMENT CHARGES / (REVERSALS) AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Placements with Banks and Other Finance Companies (Note 27.1)	1,523,363	(8,053,465)	1,523,363	(8,053,465)
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Note 17.1)	455,684,915	314,874,972	455,684,915	314,874,972
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Note 17.2)	135,240,554	268,160,492	135,240,554	268,160,492
Financial Assets at Amortised Cost - Other Financial Assets (Note 33.2)	39,999	94,255	39,999	94,255
	592,488,831	575,076,254	592,488,831	575,076,254

17.1 Financial Assets at Amortised Cost - Loans and Receivables to Other Customers

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Impairment Charges - Stage 1	350,324,788	93,760,724	350,324,788	93,760,724
Impairment Charges - Stage 2	67,426,539	41,411,934	67,426,539	41,411,934
Impairment Charges - Stage 3	37,933,588	179,702,314	37,933,588	179,702,314
	455,684,915	314,874,972	455,684,915	314,874,972

17.2 Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Impairment Charges - Stage 1	38,377,568	137,182,576	38,377,568	137,182,576
Impairment Charges - Stage 2	17,635,654	40,710,625	17,635,654	40,710,625
Impairment Charges - Stage 3	79,227,332	90,267,291	79,227,332	90,267,291
	135,240,554	268,160,492	135,240,554	268,160,492

18 PERSONNEL EXPENSES

For the Year Ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Salary & Bonus	1,198,589,113	891,903,932	1,198,589,113	891,903,932
Retirement Benefit Costs (Note 47.2)	50,558,958	32,388,472	50,558,958	32,388,472
Employer's Contribution to Employee's Provident Fund	86,712,078	73,994,376	86,712,078	73,994,376
Employer's Contribution to Employee's Trust Fund	21,433,220	18,285,358	21,433,220	18,285,358
Staff Welfare Expenses	47,376,427	52,190,513	47,572,735	52,199,111
	1,404,669,796	1,068,762,651	1,404,866,104	1,068,771,249

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:	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Professional Fees	5,393,149	4,632,313	5,478,199	4,632,313
Auditors Remuneration				
- Statutory Audit and Audit Related Services	1,710,000	1,500,000	2,223,000	1,950,000
- Non Audit Services	967,000	984,000	967,000	984,000
Directors Fees and Expenses	5,776,296	5,477,186	5,776,296	5,477,186
Depreciation of Property, Plant and Equipment	132,635,844	107,276,263	132,635,844	107,276,263
Amortisation of Intangible Assets	9,709,417	7,766,054	9,709,417	7,766,054
Amortisation of Right to Use Asset	143,760,490	110,272,854	143,760,490	110,272,854
Advertising & Related Expenses	152,000,001	76,500,000	152,000,001	76,500,000
Business Promotion Expenses	44,212,535	33,872,072	44,212,535	33,872,072
Donations	79,532	8,725,508	79,532	8,725,508
Deposit Insurance Premium	47,479,759	37,277,270	47,479,759	37,277,270
CROP Insurance Levy	26,781,781	17,284,101	26,781,781	17,284,101
Personnel Expenses (Note 18)	1,404,669,796	1,068,762,651	1,404,866,104	1,068,771,249
Impairment Loss on Property, Plant & Equipment	-	10,154,444	-	10,154,444

20 TAXES ON FINANCIAL SERVICES

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Value Added Tax on Financial Services	783,809,641	468,767,648	783,809,641	468,767,648
	783,809,641	468,767,648	783,809,641	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 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Current Income Tax Expense on Profits for the Year (Note 21.1)	1,127,729,027	844,909,584	1,127,729,027	844,909,584
Over provision in respect of previous year	(46,241,328)	(40,315,415)	(46,241,328)	(40,315,415)
	1,081,487,699	804,594,169	1,081,487,699	804,594,169
Deferred Tax (Reversal) / Charge for the Year (Note 45.2)	483,890	(142,990,063)	(19,104,330)	(143,770,535)
	1,081,971,589	661,604,106	1,062,383,369	660,823,634

21.1 Reconciliation of Accounting Profit to Income Tax Expense

For the Year Ended 31st March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Profit Before Income Tax	3,993,869,909	2,389,782,208	3,904,018,618	2,386,530,241
Add : Non deductible Expenses	2,517,912,098	3,619,730,048	2,605,645,807	3,619,730,048
Less : Tax Deductible Expenses	(1,812,831,098)	(2,480,354,990)	(1,810,713,516)	(2,477,103,023)
Less : Allowable Credits	-	-	-	-
Assessable Income	4,698,950,909	3,529,157,266	4,698,950,909	3,529,157,266
Less : Qualifying Payments	-	(8,650,000)	-	(8,650,000)
Taxable Income	4,698,950,909	3,520,507,266	4,698,950,909	3,520,507,266
Current Income Tax Expense @ 24%	1,127,702,160	844,892,560	1,127,702,160	844,892,560
Current Income Tax Expense @ 14%	26,867	17,024	26,867	17,024
	1,127,729,027	844,909,584	1,127,729,027	844,909,584

21.2 Reconciliation of Effective Tax Rate

For the Year Ended 31st March	Company				Group			
		2022		2021		2022		2021
	%	Rs.	%	Rs.	%	Rs.	%	Rs.
Profit Before Income Tax		3,993,869,909		2,389,782,208		3,904,018,618		2,386,530,241
Taxable Income	24.0% & 14.0%	958,509,587	24.0% & 14.0%	573,535,570	24.0% & 14.0%	936,945,277	24.0% & 14.0%	572,755,098
Non - Deductible Expenses	15%	604,298,904	36.4%	868,735,212	16%	625,354,994	36.4%	868,735,212
Tax Deductible Expenses	-11%	(435,079,464)	-24.9%	(595,285,198)	-11%	(434,571,244)	-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	0.0%	483,890	-6.0%	(142,990,063)	-0.48%	(19,104,330)	-6.0%	(143,770,535)
Effects on (Over) / under provision	-1%	(46,241,328)	-1.7%	(40,315,415)	-1%	(46,241,328)	-1.7%	(40,315,415)
Total Income Tax Expense	27.1%	1,081,971,589	27.7%	661,604,106	27.2%	1,062,383,369	27.7%	660,823,634

The income tax provision of the Company has been calculated on its adjusted profit at the standard rate of 24% and for dividend income at the rate of 14%. The income tax provision of the subsidiary has also been calculated on its adjusted profit at the standard rate of 24%.

21.3 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Company is liable for the surcharge tax of Rs. 665.18 million out of the adjusted taxable income of Rs. 2,660.7 million for the year of assessment 2020/21. The surcharge tax so calculated shall be deemed to be expenditure for the year ended 31st March 2021. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would be as follows:

	Company Rs.	Group Rs.
Total Comprehensive Income for the Year ended 31st March 2021	1,709,773,334	1,707,301,839
Surcharge tax levied under Surcharge Act	(665,183,520)	(665,183,520)
Comparable Comprehensive Income for the Year ended 31st March 2021	1,044,589,814	1,042,118,319

22 EARNINGS PER SHARE

22.1 Basic Earnings per Share

Basic Earnings per Share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

	Company			Group		
For the Year Ended 31st March	2022	2021 Restated	2021	2022	2021 Restated	2021
Amount used as the Numerator						
Profit for the Year attributable to Equity holders (Rs.)	2,911,898,320	1,728,178,102	1,728,178,102	2,841,635,249	1,725,706,607	1,725,706,607
Number of Ordinary Shares used as the Denominator						
Weighted Average Number of Ordinary Shares (Note 22.1.1)	235,453,400	235,453,400	58,863,350	235,453,400	235,453,400	58,863,350
Basic Earnings Per Share (Rs.)	12.37	7.34	29.36	12.07	7.33	29.32

22.1.1 Weighted Average Number of Ordinary Shares

	Outstanding Number of Shares		Weighted Average Number of Shares	
	2022	2021	2022	2021
Number of shares in issue as at beginning of the year	58,863,350	58,863,350	58,863,350	58,863,350
Ordinary shares on share split	176,590,050	-	176,590,050	-
Number of shares in issue as at end of the year	235,453,400	58,863,350	235,453,400	58,863,350

* Basic earning per share of 2021 have been restated based on the post sub-division weighted average number of ordinary shares as at 31 March 2022.

22.1.2 The ordinary shares of the Company were subdivided by splitting each issued ordinary share into 04 ordinary shares from 5th July 2021. Consequently the total number of existing issued Ordinary Shares were increased from 58,863,350 to 235,453,400 without changing the Stated Capital of the Company.

22.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

23 DIVIDENDS ON ORDINARY SHARES

	Company		Group	
For the Year Ended 31st March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Dividend Paid Per Share				
Gross Dividend Paid for the Financial Year 2020/21	353,180,100	-	353,180,100	-
First Interim				
Dividend Paid Per Share for the Financial Year 2020/21	6.00	-	6.00	-

24 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 Classification of Financial Assets and Financial Liabilities As at 31st March 2022 - Company

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL) 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	-	-	877,638,204	877,638,204
Placements with Banks and Other Finance Companies	-	-	4,167,388,105	4,167,388,105
Reverse Repurchase Agreements	-	-	1,770,612,142	1,770,612,142
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	-	-	314,015,408
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,691,038,582	50,691,038,582
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,973,325,141	14,973,325,141
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	1,737,815,264		1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	100,423,871	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	-	-	13,647,730	13,647,730
Total Financial Assets	314,015,408	1,737,815,264	72,594,073,775	74,645,904,447

	Financial Liabilities at Amortised Cost (AC) Rs.	Total Carrying Amount Rs.
Financial Liabilities		
Bank Overdrafts	1,062,546,767	1,062,546,767
Rental Received in Advance	227,759,381	227,759,381
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	20,034,340,212	20,034,340,212
Subordinated Term Debt	2,012,844,267	2,012,844,267
Lease Liabilities	858,556,285	858,556,285
Total Financial Liabilities	65,217,216,677	65,217,216,677

There were no reclassifications or transfers of Financial Assets during the year.

24.2 Classification of Financial Assets and Financial Liabilities As at 31st March 2022 - Group

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL) 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	-	-	900,929,559	900,929,559
Placements with Banks and Other Finance Companies	-	-	4,167,388,105	4,167,388,105
Reverse Repurchase Agreements	-	-	1,780,760,519	1,780,760,519
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	796,421,859	-	-	796,421,859
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,691,038,582	50,691,038,582
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	14,973,325,141	14,973,325,141
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	1,737,815,264	-	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	100,423,871	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	-	-	13,647,730	13,647,730
Total Financial Assets	796,421,859	1,737,815,264	72,627,513,507	75,161,750,630

	Financial Liabilities at Amortised Cost (AC) Rs.	Total Carrying Amount Rs.
Financial Liabilities		
Bank Overdrafts	1,062,546,767	1,062,546,767
Rental Received in Advance	227,759,381	227,759,381
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	21,835,482,493	21,835,482,493
Subordinated Term Debt	2,012,844,267	2,012,844,267
Lease Liabilities	858,556,285	858,556,285
Total Financial Liabilities	67,018,358,958	67,018,358,958

24.3 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

	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 Liabilities	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.

24.4 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) 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	-	-	1,712,137,601	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) 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	11,880,986,632	11,880,986,632
Lease Liabilities	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.

25 FAIR VALUE OF ASSETS AND LIABILITIES

25.1 Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

	Company				Group			
As at 31st March 2022	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	-	-	399,500,000	399,500,000	-	-	1,579,000,000	1,579,000,000
Investment Properties	-	-	1,179,500,000	1,179,500,000	-	-	-	-
Total Non - Financial Assets at Fair Value	-	-	1,579,000,000	1,579,000,000	-	-	1,579,000,000	1,579,000,000
Financial Assets								
Financial Assets recognised through profit or loss - Measured at fair value								
Equity Shares - Quoted	1,636,544	-	-	1,636,544	1,636,544	-	-	1,636,544
Unit Trusts	-	312,378,864	-	312,378,864	-	794,785,315	-	794,785,315
Financial Investments Measured at Fair Value Through Other Comprehensive Income								
Government of Sri Lanka Treasury Bonds	-	1,737,611,464	-	1,737,611,464	-	1,737,611,464	-	1,737,611,464
Total Financial Assets at Fair Value	1,636,544	2,049,990,328	-	2,051,626,872	1,636,544	2,532,396,779	-	2,534,033,323
Total Assets at Fair Value	1,636,544	2,049,990,328	1,579,000,000	3,630,626,872	1,636,544	2,532,396,779	1,579,000,000	4,113,033,323

	Company				Group			
As at 31st March 2021	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

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 2022	Company Carrying Value	Company Fair Value Level 1	Company Fair Value Level 2	Company Fair Value Level 3	Company Fair Value Total	Group Carrying Value	Group Fair Value Level 1	Group Fair Value Level 2	Group Fair Value Level 3	Group Fair Value Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets										
Cash and Cash Equivalents	877,638,204	-	-	-	877,638,204	900,929,559	-	-	-	900,929,559
Placements with Banks and Other Finance Companies	4,167,388,105	-	-	4,167,388,105	4,167,388,105	4,167,388,105	-	-	4,167,388,105	4,167,388,105
Reverse Repurchase Agreements	1,770,612,142	-	-	1,770,612,142	1,770,612,142	1,780,760,519	-	-	1,780,760,519	1,780,760,519
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,691,038,582	-	-	49,993,556,123	49,993,556,123	50,691,038,582	-	-	49,993,556,124	49,993,556,124
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,973,325,141	-	-	14,922,683,279	14,922,683,279	14,973,325,141	-	-	14,922,683,279	14,922,683,279
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	99,974,484	-	99,974,484	100,423,871	-	99,974,484	-	99,974,484
Financial Assets at Amortised Cost - Other Financial Assets	13,647,730	-	-	13,647,730	13,647,730	13,647,730	-	-	13,647,730	13,647,730
	72,594,073,775	-	99,974,484	70,867,887,380	71,845,500,067	72,627,513,508	-	99,974,484	70,878,035,756	71,878,939,799
Financial Liabilities										
Bank Overdrafts	1,062,546,767	-	-	-	1,062,546,767	1,062,546,767	-	-	-	1,062,546,767
Rental Received in Advance	227,759,381	-	-	227,759,381	227,759,381	227,759,381	-	-	227,759,381	227,759,381
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	-	-	40,870,664,976	40,870,664,976	41,021,169,765	-	-	40,870,664,976	40,870,664,976
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	20,034,340,212	-	-	19,525,569,553	19,525,569,553	21,835,482,493	-	-	21,153,894,099	21,153,894,099
Subordinated Term Debt	2,012,844,267	-	-	2,012,844,267	2,012,844,267	2,012,844,267	-	-	2,012,844,267	2,012,844,267
Lease Liabilities	858,556,285	-	-	858,556,285	858,556,285	858,556,285	-	-	858,556,285	858,556,285
	65,217,216,677	-	-	63,495,394,462	64,557,941,229	67,018,358,958	-	-	65,123,719,008	66,186,265,785

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	-	-	1,795,352,511	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 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	-	-	47,921,080,255	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 Liabilities	599,680,856	-	-	599,680,856	599,680,856	599,680,856	-	-	599,680,856	599,680,856
	45,284,643,885	-	-	44,368,456,197	45,599,967,417	45,883,131,852	-	-	45,214,705,023	46,198,455,384

26 CASH AND CASH EQUIVALENTS

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Cash & Cash equivalents (Note 26.1)	877,638,204	1,683,003,076	900,929,559	1,712,137,601
Bank Overdrafts (Note 26.2)	(1,062,546,767)	(983,750,361)	(1,062,546,767)	(983,750,361)
Net cash and Cash Equivalents	(184,908,563)	699,252,715	(161,617,208)	728,387,240

26.1	Cash at Bank	639,190,886	1,518,456,048	662,445,766	1,547,575,271
	Cash in Hand	238,447,318	164,547,028	238,483,793	164,562,330
		877,638,204	1,683,003,076	900,929,559	1,712,137,601
26.2	Bank Overdrafts	(1,062,546,767)	(983,750,361)	(1,062,546,767)	(983,750,361)

27 PLACEMENTS WITH BANKS AND OTHER FINANCE COMPANIES

Placements with Banks and Other Finance Companies	4,168,929,692	267,329,937	4,168,929,692	267,329,937
Allowance for Impairment (Note 27.1)	(1,541,587)	(18,224)	(1,541,587)	(18,224)
	4,167,388,105	267,311,713	4,167,388,105	267,311,713

27.1	Movement in Stage 1 Impairment				
	Balance as at the beginning of the year	18,224	8,071,689	18,224	8,071,689
	Net impairment charge / (reverse) for the year	1,523,363	(8,053,465)	1,523,363	(8,053,465)
	Balance at the End of the year	1,541,587	18,224	1,541,587	18,224

28 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Quoted Equities (Note 28.1)	1,636,544	1,724,665	1,636,544	1,724,665
Unquoted Units in Unit Trusts (Note 28.2)	312,378,864	1,187,104,131	794,785,315	1,350,978,257
	314,015,408	1,188,828,796	796,421,859	1,352,702,922

28.1 Investments in Quoted Equities

Balance at the Beginning of the year	1,724,665	1,082,637	1,724,665	1,082,637
Movement during the year	-	-	-	-
Gain / (Loss) from marked to market valuation	(88,121)	642,028	(88,121)	642,028
Balance at the End of the year	1,636,544	1,724,665	1,636,544	1,724,665

As at 31st March	Company						Group					
	2022			2021			2022			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.	No of Ordinary shares	Cost Rs.	Fair Value Rs.
Bank , Finance & Insurance												
Singer Finance (Lanka) PLC	125,888	2,261,651	1,636,544	125,888	2,261,651	1,724,665	125,888	2,261,651	1,636,544	125,888	2,261,651	1,724,665
Total Quoted Equities		2,261,651	1,636,544		2,261,651	1,724,665		2,261,651	1,636,544		2,261,651	1,724,665

28.2 Unquoted Units in Unit Trusts

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance at the Beginning of the year	1,187,104,131	1,083,372,048	1,350,978,257	1,083,372,048
Movement during the year	(908,550,630)	67,168,442	(601,550,630)	227,168,442
Gain / (Loss) from marked to market valuation	33,825,363	36,563,641	45,357,688	40,437,767
Balance at the End of the year	312,378,864	1,187,104,131	794,785,315	1,350,978,257

As at 31st March	Company						Group					
	2022			2021			2022			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.	No of Units	Cost Rs.	Fair Value Rs.
Capital Alliance Income Fund	10,132,040	228,553,502	228,613,280	32,848,417	685,572,733	685,710,695	10,132,040	228,553,502	228,613,280	32,848,417	685,572,733	685,710,695
NDB Wealth Money Plus Fund	3,788,789	50,000,000	83,765,584	21,073,946	400,000,000	501,393,436	25,602,978	520,874,125	566,172,035	27,961,700	560,000,000	665,267,562
		278,553,502	312,378,864		1,085,572,733	1,187,104,131		749,427,627	794,785,315		1,245,572,733	1,350,978,257

29 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS

As at 31st March	Company		Group	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Gross Loans and Receivables to Other Customers	52,294,775,642	34,805,057,100	52,294,775,642	34,805,057,100
Allowance for Impairment	(1,603,737,060)	(1,144,498,025)	(1,603,737,060)	(1,144,498,025)
Net Loans and Receivables to Other Customers (Note 29.1)	50,691,038,582	33,660,559,075	50,691,038,582	33,660,559,075

29.1 Loans and Receivables to Other Customers

As at 31st March	Company						Group					
	2022			2021			2022			2021		
	Gross Carrying Amount	ECL Allowance	Carrying Amount	Gross Carrying Amount	ECL Allowance	Carrying Amount	Gross Carrying Amount	ECL Allowance	Carrying Amount	Gross Carrying Amount	ECL Allowance	Carrying Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Receivable on Loans and advances	42,522,523,695	(1,566,459,688)	40,956,064,007	28,739,333,939	(1,115,840,184)	27,623,493,755	42,522,523,695	(1,566,459,688)	40,956,064,007	28,739,333,939	(1,115,840,184)	27,623,493,755
Receivable on Loans against fixed deposits	1,132,754,716	-	1,132,754,716	651,907,305	-	651,907,305	1,132,754,716	-	1,132,754,716	651,907,305	-	651,907,305
Receivable on Micro Finance Loans	5,526,765	(5,526,765)	-	5,595,238	(5,595,238)	-	5,526,765	(5,526,765)	-	5,595,238	(5,595,238)	-
Receivable on Gold Loans	8,633,970,466	(31,750,607)	8,602,219,859	5,408,220,618	(23,062,603)	5,385,158,015	8,633,970,466	(31,750,607)	8,602,219,859	5,408,220,618	(23,062,603)	5,385,158,015
	52,294,775,642	(1,603,737,060)	50,691,038,582	34,805,057,100	(1,144,498,025)	33,660,559,075	52,294,775,642	(1,603,737,060)	50,691,038,582	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		Group	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	1,144,498,025	808,447,036	1,144,498,025	808,447,036
Net impairment charge /(reversal) for the year	459,239,035	336,050,989	459,239,035	336,050,989
Balance as at the end of the year	1,603,737,060	1,144,498,025	1,603,737,060	1,144,498,025

29.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company							
	2022				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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning 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
Changes due to loans and receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(21,580,108)	19,271,899	2,308,210	-	(11,122,119)	10,228,768	893,351	-
Transferred from Lifetime ECL not-credit impaired	33,089,823	(38,461,450)	5,371,627	-	7,920,703	(19,798,643)	11,877,940	-
Transferred from Lifetime ECL credit impaired	33,772,560	10,539,054	(44,311,614)	-	1,758,333	345,369	(2,103,702)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	3,554,120	3,554,120	-	-	21,176,017	21,176,017
Net remeasurement of loss allowance	305,042,513	76,077,036	74,565,365	455,684,915	95,203,807	50,636,440	169,034,725	314,874,972
Balance as at the end of the year	603,714,114	259,273,941	740,749,005	1,603,737,060	253,389,326	191,847,402	699,261,297	1,144,498,025

As at 31st March	Group							
	2022				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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning 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
Changes due to loans and receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(21,580,108)	19,271,899	2,308,210	-	(11,122,119)	10,228,768	893,351	-
Transferred from Lifetime ECL not-credit impaired	33,089,823	(38,461,450)	5,371,627	-	7,920,703	(19,798,643)	11,877,940	-
Transferred from Lifetime ECL credit impaired	33,772,560	10,539,054	(44,311,614)	-	1,758,333	345,369	(2,103,702)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	3,554,120	3,554,120	-	-	21,176,017	21,176,017
Net remeasurement of loss allowance	305,042,513	76,077,036	74,565,365	455,684,915	95,203,807	50,636,440	169,034,725	314,874,972
Balance as at the end of the year	603,714,114	259,273,941	740,749,005	1,603,737,060	253,389,326	191,847,402	699,261,297	1,144,498,025

30 FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTAL AND HIRE PURCHASE RECEIVABLES

	As at 31st March	Company		Group	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
30.1	Hire Purchase Receivable (Note 30.1.1)	1,474,896	4,319,893	1,474,896	4,319,893
30.2	Lease Rental Receivable (Note 30.2.1)	14,971,850,245	14,080,796,259	14,971,850,245	14,080,796,259
		14,973,325,141	14,085,116,152	14,973,325,141	14,085,116,152

30.1.1 Hire Purchase Receivable

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Hire purchase receivables within one year	116,505,274	124,111,844	116,505,274	124,111,844
Hire purchase receivables after one year but before five years	-	-	-	-
Hire purchase receivables after five years	-	-	-	-
Total Hire Purchase Receivable	116,505,274	124,111,844	116,505,274	124,111,844
Unearned Income	-	(3,757)	-	(3,757)
Gross Hire Purchase Receivable	116,505,274	124,108,087	116,505,274	124,108,087
Allowance for Impairment	(115,030,378)	(119,788,194)	(115,030,378)	(119,788,194)
Net Hire Purchase Receivable	1,474,896	4,319,893	1,474,896	4,319,893

30.1.2 Movement in Provision for Impairment During the Year

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Balance as at the beginning of the year	119,788,194	124,601,001	119,788,194	124,601,001
Net impairment charge /(reversal) for the year	(4,757,816)	(4,812,807)	(4,757,816)	(4,812,807)
Balance as at the end of the year	115,030,378	119,788,194	115,030,378	119,788,194

30.1.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

	Company							
As at 31st March	2022				2021			
	Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.	Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	-	-	119,788,194	119,788,194	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	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL not-credit impaired	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL credit impaired	-	-	-	-	-	-	-	-
Interest accrued / (reversals) on impaired loans and advances	-	-	(947,389)	(947,389)			(206,789)	(206,789)
Net remeasurement of loss allowance	-	-	(3,810,427)	(3,810,427)	(858)	(3,154)	(4,602,006)	(4,606,018)
Balance as at the end of the year	-	-	115,030,378	115,030,378	-	-	119,788,194	119,788,194

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Group 2022 Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.	2021 Stage 1: 12-Month ECL Rs.	Stage 2: Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	-	-	119,788,194	119,788,194	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	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL not-credit impaired	-	-	-	-	-	-	-	-
Transferred from Lifetime ECL credit impaired	-	-	-	-	-	-	-	-
Interest accrued / (reversals) on impaired loans and advances	-	-	(947,389)	(947,389)			(206,789)	(206,789)
Net remeasurement of loss allowance	-	-	(3,810,427)	(3,810,427)	(858)	(3,154)	(4,602,006)	(4,606,018)
Balance as at the end of the year	-	-	115,030,378	115,030,378	-	-	119,788,194	119,788,194

30.2.1 Lease Rental Receivable

As at 31st March	Company 2022 Rs.	2021 Rs.	Group 2022 Rs.	2021 Rs.
Lease Rental receivable within one year	8,587,934,915	8,465,918,198	8,587,934,915	8,465,918,198
Lease Rental receivable after one year but before five years	12,184,133,286	11,140,258,947	12,184,133,286	11,140,258,947
Lease Rental receivable after five years	4,957,490	5,431,408	4,957,490	5,431,408
Total Lease Rental receivable	20,777,025,691	19,611,608,553	20,777,025,691	19,611,608,553
Unearned Income	(4,587,546,422)	(4,459,320,143)	(4,587,546,422)	(4,459,320,143)
Gross Lease Rental receivable	16,189,479,269	15,152,288,410	16,189,479,269	15,152,288,410
Allowance for Impairment (Note 30.2.2)	(1,217,629,024)	(1,071,492,151)	(1,217,629,024)	(1,071,492,151)
Net Lease Rental receivable	14,971,850,245	14,080,796,259	14,971,850,245	14,080,796,259

30.2.2 Movement in Provision for Impairment During the Year

Balance as at the beginning of the year	1,071,492,151	795,010,532	1,071,492,151	795,010,532
Net impairment charge /(reversal) for the year	146,136,873	276,481,619	146,136,873	276,481,619
Balance as at the end of the year	1,217,629,024	1,071,492,151	1,217,629,024	1,071,492,151

30.2.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March	Company							
	2022				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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning 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
Changes due to Lease Rental Receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(41,770,192)	38,053,976	3,716,216	-	(12,278,582)	11,553,932	724,650	-
Transferred from Lifetime ECL not-credit impaired	36,004,357	(47,273,689)	11,269,332	-	9,452,919	(17,354,383)	7,901,464	-
Transferred from Lifetime ECL credit impaired	18,006,651	22,320,493	(40,327,145)	-	5,571,111	16,705,155	(22,276,266)	-
Interest accrued / (reversals) on impaired loans and advances			7,085,892	7,085,892	-	-	3,715,110	3,715,110
Net remeasurement of loss allowance	26,136,751	4,534,874	108,379,355	139,050,981	134,437,985	29,809,075	108,519,449	272,766,509
Balance as at the end of the year	294,875,297	233,425,031	689,328,694	1,217,629,024	256,497,730	215,789,377	599,205,044	1,071,492,151

As at 31st March	Group							
	2022				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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning 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
Changes due to Lease Rental Receivables recognised in opening balance that have:								
Transferred from 12 Month ECL	(41,770,192)	38,053,976	3,716,216	-	(12,278,582)	11,553,932	724,650	-
Transferred from Lifetime ECL not-credit impaired	36,004,357	(47,273,689)	11,269,332	-	9,452,919	(17,354,383)	7,901,464	-
Transferred from Lifetime ECL credit impaired	18,006,651	22,320,493	(40,327,145)	-	5,571,111	16,705,155	(22,276,266)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	7,085,892	7,085,892	-	-	3,715,110	3,715,110
Net remeasurement of loss allowance	26,136,751	4,534,874	108,379,355	139,050,981	134,437,985	29,809,075	108,519,449	272,766,509
Balance as at the end of the year	294,875,297	233,425,031	689,328,694	1,217,629,024	256,497,730	215,789,377	599,205,044	1,071,492,151

31 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Unquoted Equities (Note 31.1)	203,800	203,800	203,800	203,800
Government of Sri Lanka Treasury Bonds (Note 31.2)	1,737,611,464	-	1,737,611,464	-
	1,737,815,264	203,800	1,737,815,264	203,800

31.1 Unquoted Equities

As at 31st March	No of Ordinary shares	Cost of investment	Company Market Value as at 31/03/2022	Company Market Value as at 31/03/2021	Group Market Value as at 31/03/2022	Group Market Value as at 31/03/2021
		Rs.	Rs.	Rs.	Rs.	Rs.
Credit Information Bureau of Sri Lanka	38	3,800	3,800	3,800	3,800	3,800
Finance House Association	20,000	200,000	200,000	200,000	200,000	200,000
		203,800	203,800	203,800	203,800	203,800

31.2 Government of Sri Lanka Treasury Bonds

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Balance at the beginning of the year	-	-	-	-
Movement During the year	2,035,388,664	-	2,035,388,664	-
Gain/(Loss) on marked to market valuation	(297,777,200)	-	(297,777,200)	-
Balance at the End of the year	1,737,611,464	-	1,737,611,464	-

32 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Government of Sri Lanka Treasury Bills - Face Value	102,432,000	-	102,432,000	-
Less:- Income allocated for future periods	(2,008,129)	-	(2,008,129)	-
	100,423,871	-	100,423,871	-

33 FINANCIAL ASSETS AT AMORTISED COST - OTHER FINANCIAL ASSETS

Gross Staff Loans (Note 33.1)	14,692,501	16,166,914	14,692,501	16,166,914
Allowance for Impairment (Note 33.2)	(1,044,771)	(1,004,772)	(1,044,771)	(1,004,772)
Net Staff Loans	13,647,730	15,162,142	13,647,730	15,162,142

33.1 Gross Staff Loans

Balance at the beginning of the year	16,166,914	17,528,500	16,166,914	17,528,500
Granted during the year	15,759,000	17,730,000	15,759,000	17,730,000
Recovered during the year	(17,824,561)	(19,418,876)	(17,824,561)	(19,418,876)
Net change in Prepaid Staff Cost during the year	591,148	327,290	591,148	327,290
Balance at the end of the year	14,692,501	16,166,914	14,692,501	16,166,914

33.2 Allowance for Impairment

Balance at the beginning of the year	1,004,772	910,517	1,004,772	910,517
Net Impairment charge during the year	39,999	94,255	39,999	94,255
Balance at the end of the year	1,044,771	1,004,772	1,044,771	1,004,772

34 INVESTMENT IN A SUBSIDIARY

As at 31st March	Company 2022 Rs.	2021 Rs.
Vallibel Properties Limited (Note 34.1)	20	20
	20	20

34.1 Vallibel Properties Limited

A Company under the name "Vallibel Properties Ltd" was incorporated as a fully owned subsidiary of Vallibel Finance PLC, to engage in administration of construction, development and maintenance of the proposed 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 2022. There were no any restriction on its ability to access or use assets and settlement of liabilities of the Group.

35 INVESTMENT PROPERTY

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Cost/Valuation				
As at beginning of the year	1,100,000,000	-	-	-
Additions during the year	-	-	-	-
Transfers from Property, Plant and Equipment	-	1,100,000,000	-	-
Fair value gains /losses) during the year	79,500,000	-	-	
Disposals during the year	-	-	-	-
As at end of the year	1,179,500,000	1,100,000,000	-	-

35.1 The Company leased a bare land situated at Galle road, Colombo 03 extent of 42.12 perch for its fully owned subsidiary Vallibel Properties Ltd.

35.2 The Company earned Rs.8,233,709/- (2020/21- Rs. 2,357,136/-) 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 2022 (2020/21-Rs. 1.8 Bn)

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.
No.480, Kollupitiya Road, Colombo 03	-	42.12	1,179,500,000	1,100,000,000

Investment Property - Valuation

Date of valuation : 31st March 2022

Name of Professional Valuer / Location and address of the Property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Carrying value of the Investment Property before fair valuation Rs.	Fair Value of the Investment Property Rs.	Fair Value gain /(loss) recognised in Income Statement Rs.
H.B. Manjula Basnayaka No.480, Kollupitiya Road, Colombo 03	Market Comparable Method - Price per perch for land	Rs.28,000,000 p.p	1,100,000,000	1,179,500,000	79,500,000

Valuation techniques and sensitivity of the fair value measurement of the Investment Property of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market comparable method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land	Estimated fair value would increase/(decrease) if; Price per perch would increase/ (decrease)

36 PROPERTY, PLANT AND EQUIPMENT

36.1 Property, Plant and Equipment - Company

As at 31st March	Freehold Land	Freehold Building	Building on Leasehold Land	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Capital WIP	Total 2022	Total 2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation										
As at 01st April	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
Additions during the year	-	292,670	-	34,387,475	145,599,319	46,342,457	-	-	226,621,921	182,245,495
Transfer during the year	-	-	-	-	-	-	-	-	-	(1,212,966,431)
Transfer of accumulated depreciation on assets revalued	-	(21,765,113)	-	-	-	-	-	-	(21,765,113)	-
Surplus on Revaluation of property	21,033,000	27,212,347	-	-	-	-	-	-	48,245,347	-
Impairment Loss	-	-	-	-	-	-	-	-	-	(17,581,188)
Disposals during the year	-	-	-	(79,500)	(2,359,480)	(2,269,381)	(323,875)	-	(5,032,236)	(7,037,830)
As at 31st March	284,500,000	115,000,000	1,950,000	183,465,813	507,942,415	215,199,875	82,315,065	-	1,390,373,168	1,142,303,249
Accumulated Depreciation										
As at 01st April	-	14,477,465	1,007,500	105,962,742	234,697,946	114,514,336	57,488,482	-	528,148,471	435,096,249
Depreciation for the year	-	7,287,648	195,000	24,025,937	62,885,307	25,767,353	12,474,599	-	132,635,844	107,276,263
Transfer of accumulated depreciation on assets revalued	-	(21,765,113)	-	-	-	-	-	-	(21,765,113)	-
Impairment Loss	-	-	-	-	-	-	-	-	-	(7,426,745)
Disposals during the year	-	-	-	(79,500)	(2,357,816)	(2,077,964)	(323,875)	-	(4,839,155)	(6,797,296)
As at 31st March	-	-	1,202,500	129,909,179	295,225,437	138,203,725	69,639,206	-	634,180,047	528,148,471
Carrying Amount										
As at 31st March 2022	284,500,000	115,000,000	747,500	53,556,634	212,716,978	76,996,150	12,675,859	-	756,193,121	
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

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 2022	Total 2021
	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	149,157,838	364,702,576	171,126,799	82,638,940	404,989,073	2,647,292,322	2,197,643,203
Additions during the year	-	292,670	-	34,387,475	145,599,319	46,342,457	-	867,620,394	1,094,242,315	474,268,137
Transfer during the year	-	-	-	-	-	-	-	-	-	-
Transfer of accumulated depreciation on assets revalued	-	(21,765,113)	-	-	-	-	-	-	(21,765,113)	-
Surplus on Revaluation of property	100,533,000	27,212,347	-	-	-	-	-	-	127,745,347	-
Impairment Loss	-	-	-	-	-	-	-	-	-	(17,581,188)
Disposals during the year	-	-	-	(79,500)	(2,359,480)	(2,269,381)	(323,875)	-	(5,032,236)	(7,037,830)
As at 31st March	1,464,000,000	115,000,000	1,950,000	183,465,813	507,942,415	215,199,875	82,315,065	1,272,609,467	3,842,482,635	2,647,292,322
Accumulated Depreciation										
As at 01st April	-	14,477,465	1,007,500	105,962,742	234,697,946	114,514,336	57,488,482	-	528,148,471	435,096,249
Depreciation for the year	-	7,287,648	195,000	24,025,937	62,885,307	25,767,353	12,474,599	-	132,635,844	107,276,263
Transfer of accumulated depreciation on assets revalued	-	(21,765,113)	-	-	-	-	-	-	(21,765,113)	-
Impairment Loss	-	-	-	-	-	-	-	-	-	(7,426,745)
Disposals during the year	-	-	-	(79,500)	(2,357,816)	(2,077,964)	(323,875)	-	(4,839,155)	(6,797,296)
As at 31st March	-	-	1,202,500	129,909,179	295,225,437	138,203,725	69,639,206	-	634,180,047	528,148,471
Carrying Amount										
As at 31st March 2022	1,464,000,000	115,000,000	747,500	53,556,634	212,716,978	76,996,150	12,675,859	1,272,609,467	3,208,302,588	
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:

As at 31st March	Company						Group					
	As at 31st March 2022			As at 31st March 2021			As at 31st March 2022			As at 31st March 2021		
	Cost	Accumulated Depreciation	Net Book Value	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.	Rs.	Rs.	Rs.
Class of Asset												
Freehold Land	152,219,000	-	152,219,000	152,219,000	-	152,219,000	1,248,088,000	-	1,248,088,000	1,248,088,000	-	1,248,088,000
Freehold Building	56,376,607	19,161,599	37,215,008	54,323,841	15,270,629	39,053,212	56,376,607	19,161,599	37,215,008	54,323,841	15,270,629	39,053,212
	208,595,607	19,161,599	189,434,008	206,542,841	15,270,629	191,272,212	1,304,464,607	19,161,599	1,285,303,008	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			106,400,000		106,400,000	95,000,000
No. 126-5, High level Road, Maharagama.		12,240	1		61,200,000	61,200,000	43,994,500
Kiribathgoda Branch	10.0			70,000,000		70,000,000	67,500,000
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda		2,626	1		13,000,000	13,000,000	9,998,750
Galle Branch	5.70			74,000,000		74,000,000	69,000,000
No. 128, Main Street , Galle		2,812	1		12,400,000	12,400,000	10,398,700
Chilaw Branch	10.00			18,000,000		18,000,000	17,467,000
No. 84, Kurunegala Road, Chilaw		2,144	1		9,500,000	9,500,000	7,199,100
Embilipitiya Branch	9.77			16,100,000		16,100,000	14,500,000
No. 103, New Town Road, Embilipitiya		3,776	1		18,900,000	18,900,000	16,196,603
Land	42.12	-		1,179,500,000		1,179,500,000	1,100,000,000
Galle Road , Colombo 03							

Freehold land & buildings - Valuations

Date of valuation : 31st March 2022

Name of Independent Professional Valuer / Location and address of the Property	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net Book Value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
			Land	Building	Land	Building	Land	Building
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
H.B. Manjula Basanayaka								
Maharagama Branch	Market Comparable Method							
No. 126, High level Road, Maharagama.	- Price per perch for land	Rs. 7,000,000 p.p	95,000,000		106,400,000		11,400,000	
	- Price per sq.ft for building	Rs. 5,000 p.sq.ft		43,994,500		61,200,000		17,205,500
Kiribathgoda Branch	Market Comparable Method							
No. 376, Kandy Road, Kiribathgoda	- Price per perch for land	Rs 7,000,000 p.p	67,500,000		70,000,000		2,500,000	
	- Price per sq.ft for building	Rs. 4,950 p.sq.ft		9,998,750		13,000,000		3,001,250
Galle Branch	Market Comparable Method							
No. 128, Main Street , Galle	- Price per perch for land	Rs. 13,000,000 p.p	69,000,000		74,000,000		5,000,000	
	- Price per sq.ft for building	Rs. 4,410 p.sq.ft		10,398,700		12,400,000		2,001,300
Chilaw Branch	Market Comparable Method							
No. 84, Kurunegala Road, Chilaw	- Price per perch for land	Rs. 1,800,000 p.p	17,467,000		18,000,000		533,000	
	- Price per sq.ft for building	Rs. 4,431 p.sq.ft		7,199,100		9,500,000		2,300,900
Land	Market Comparable Method							
No. 480, Galle Road , Colombo 03	- Price per perch for land	Rs. 28,000,000 p.p	1,100,000,000		1,179,500,000		79,500,000	
Embilipitiya Branch	Market Comparable Method							
No. 103, New Town Road, Embilipitiya	- Price per perch for land	Rs. 1,650,000 p.p	14,500,000		16,100,000		1,600,000	
	- Price per sq.ft for building	Rs. 5,005 p.sq.ft		16,196,603		18,900,000		2,703,397

Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Company & Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method		Estimated fair value would increase/(decrease) if;
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per 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 2022, 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.519,231,325.08/- as at 31st March 2022 (2020/21 Rs. 337,429,459/-).

36.7 The Group has capitalised Rs. 71,757,038/- (2020/21- 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 2022.

36.9 Property bearing assessment no.480, Galle road, Colombo 03 pledged as security for borrowing obtained from Commercial Bank of Ceylon as at 31st March 2022.

36.10 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2022.

36.11 The capital WIP includes the under construction work of the proposed head office premises of the Company.

36.12 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2022.

37 RIGHT-OF-USE LEASE ASSETS

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Right-of-use Assets (Note 37.1)	781,224,648	583,944,570	781,224,648	583,944,570
	781,224,648	583,944,570	781,224,648	583,944,570

37.1 Right-of-use Assets

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Cost				
Balance as at the beginning of the year	790,185,344	465,660,781	790,185,344	465,660,781
Additions during the year	343,694,325	330,142,712	343,694,325	330,142,712
Terminations during the year	(2,653,757)	(5,618,149)	(2,653,757)	(5,618,149)
Balance as at the end of the year	1,131,225,912	790,185,344	1,131,225,912	790,185,344
Accumulated Depreciation				
Balance as at the beginning of the year	206,240,774	95,967,920	206,240,774	95,967,920
Charge for the year	143,760,490	110,272,854	143,760,490	110,272,854
Balance as at the end of the year	350,001,264	206,240,774	350,001,264	206,240,774
Carrying Amount				
As at 31st March 2022	781,224,648		781,224,648	
As at 31st March 2021		583,944,570		583,944,570

38 INTANGIBLE ASSETS

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Computer Software (Note 38.1)	28,671,530	9,897,595	28,671,530	9,897,595
	28,671,530	9,897,595	28,671,530	9,897,595

38.1 Computer Software

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Cost				
Balance as at the beginning of the year	44,189,507	44,189,507	44,189,507	44,189,507
Additions during the year	28,483,352	-	28,483,352	-
Balance as at the end of the year	72,672,859	44,189,507	72,672,859	44,189,507
Accumulated Amortisation				
Balance as at the beginning of the year	34,291,912	26,525,858	34,291,912	26,525,858
Charge for the year	9,709,417	7,766,054	9,709,417	7,766,054
Balance as at the end of the year	44,001,329	34,291,912	44,001,329	34,291,912
Carrying Amount				
As at 31st March 2022	28,671,530		28,671,530	
As at 31st March 2021		9,897,595		9,897,595

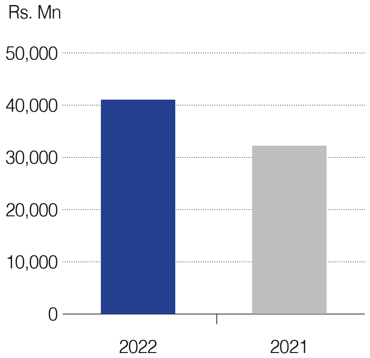
38.2 Intangible Assets included fully amortised assets having a gross amount of Rs. 20,356,951 /- as at 31st March 2022 (2020/21 Rs. 19,938,620 /-).

39 OTHER ASSETS

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Refundable Deposits	40,354,235	32,354,235	42,379,422	32,354,235
Prepaid Expenses	33,306,821	30,148,998	34,542,437	30,148,998
Prepaid Staff Cost	2,980	594,128	2,980	594,128
Advance Payments	30,220,000	32,117,478	30,220,000	32,117,478
Related Party Receivable	-	1,963,569	-	-
Other Receivables	52,918,829	44,056,563	49,685,120	44,056,563
	156,802,865	141,234,971	156,829,959	139,271,402

40 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS DUE TO CUSTOMERS

	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Fixed Deposits	40,762,712,429	31,519,259,413	40,762,712,429	31,519,259,413
Savings Deposits	1,002,135	-	1,002,135	-
Certificate of Deposits	257,455,201	651,693,731	257,455,201	651,693,731
	41,021,169,765	32,170,953,144	41,021,169,765	32,170,953,144



40.1 Analysis of Deposits due to Customers by Maturity Date

As at 31st March 2022	1 to 90 days Rs.	91 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Fixed Deposits	16,269,339,331	19,337,329,713	5,156,043,385	40,762,712,429
Savings Deposits	1,002,135	-	-	1,002,135
Certificate of Deposits	257,455,201	-	-	257,455,201
	16,527,796,667	19,337,329,713	5,156,043,385	41,021,169,765

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2021	1 to 90 days Rs.	91 to 365 days Rs.	More than 365 days Rs.	Total 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

41 FINANCIAL LIABILITIES AT AMORTISED COST - INTEREST BEARING BORROWINGS

	Company		Group	
As at 31st March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Institutional Borrowings (Note 41.1)	20,013,525,789	11,246,866,006	21,814,668,070	11,845,353,973
Commercial Papers	20,814,423	35,632,659	20,814,423	35,632,659
	20,034,340,212	11,282,498,665	21,835,482,493	11,880,986,632

41.1 Institutional Borrowings - Company

	As at 01/04/2021	Facility Obtained	Interest Recognised	Repayments		As at 31/03/2022	Tenure of Loan	Security Offered
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Bank of Ceylon	1,074,334,458	-	72,274,344	500,000,000	67,658,308	578,950,494	4 Years	Mortgage Bond over Receivables
PABC Bank	-	999,743,532	37,073,487	124,999,998	34,098,174	877,718,847	4 Years	Mortgage Bond over Receivables
Seylan Bank	3,743,549,726	7,647,335,171	303,290,350	6,830,800,000	298,242,658	4,565,132,589	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	100,131,918	600,000,000	3,691,918	600,000,000	3,248,493	100,575,343	3 Months	Mortgage Bond over Receivables
Hatton National Bank	4,522,553,544	4,460,980,743	494,172,640	2,106,487,329	600,686,544	6,770,533,054	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	155,864,787	998,160,794	55,296,912	191,600,000	50,729,603	966,992,890	4 Years	Mortgage Bond over Receivables
NSB Bank	1,067,528,912	-	71,681,671	400,000,000	71,396,401	667,814,182	5 Years	Mortgage Bond over Receivables
Sampath Bank	582,902,661	2,994,759,754	160,007,592	512,500,000	156,431,554	3,068,738,453	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	-	1,997,994,637	34,633,836	83,500,000	32,008,493	1,917,119,980	4 Years	Mortgage Bond over Receivables
Cargills Bank	-	498,484,204	1,465,753	-	-	499,949,957	4 Years	Mortgage Bond over Receivables
	11,246,866,006	20,197,458,835	1,233,588,503	11,349,887,327	1,314,500,228	20,013,525,789		

41.1 Institutional Borrowings - Group

	As at 01/04/2021 Rs.	Facility Obtained Rs.	Interest Recognised Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31/03/2022 Rs.	Tenure of Loan	Security Offered
Bank of Ceylon	1,074,334,458	-	72,274,344	500,000,000	67,658,308	578,950,494	4 Years	Mortgage Bond over Receivables
PABC Bank	-	999,743,532	37,073,487	124,999,998	34,098,174	877,718,847	4 Years	Mortgage Bond over Receivables
Seylan Bank	3,743,549,726	7,647,335,171	303,290,350	6,830,800,000	298,242,658	4,565,132,589	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	100,131,918	600,000,000	3,691,918	600,000,000	3,248,493	100,575,343	3 Months	Mortgage Bond over Receivables
Hatton National Bank	4,522,553,544	4,460,980,743	494,172,640	2,106,487,329	600,686,544	6,770,533,054	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	155,864,787	998,160,794	55,296,912	191,600,000	50,729,603	966,992,890	4 Years	Mortgage Bond over Receivables
NSB Bank	1,067,528,912	-	71,681,671	400,000,000	71,396,401	667,814,182	5 Years	Mortgage Bond over Receivables
Sampath Bank	582,902,661	2,994,759,754	160,007,592	512,500,000	156,431,554	3,068,738,453	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	598,487,967	3,197,994,637	120,565,344	83,500,000	115,285,687	3,718,262,262	4 Years & 78 Months	Mortgage Bond over Receivables &PFMB over property at No. 480, Galle Road, Colombo 03 & Corporate Guarantee from Vallibel Finance PLC amounting to Rs. 1.8 Bn
Cargills Bank	-	498,484,204	1,465,753	-	-	499,949,957	4 Years	Mortgage Bond over Receivables
	11,845,353,973	21,397,458,835	1,319,520,011	11,349,887,327	1,397,777,422	21,814,668,070		

42 SUBORDINATED TERM LOAN

	Company		Group	
As at 31st March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Balance as at beginning of the year	-	-	-	-
Movement during the year	2,012,844,267	-	2,012,844,267	-
Balance as at end of the year	2,012,844,267	-	2,012,844,267	-

43 LEASE LIABILITIES

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Balance as at beginning of the year	599,680,856	402,518,972	599,680,856	402,518,972
Additions during the year	319,174,325	256,042,712	319,174,325	256,042,712
Terminations during the year	(3,641,220)	(6,897,786)	(3,641,220)	(6,897,786)
Interest Expense on Lease Liabilities	77,156,428	60,156,012	77,156,428	60,156,012
Payments	(133,814,104)	(112,139,054)	(133,814,104)	(112,139,054)
Balance as at end of the year	858,556,285	599,680,856	858,556,285	599,680,856

44 CURRENT TAX LIABILITIES

Balance as at Beginning of the Year	635,606,078	223,998,022	635,606,078	223,998,022
Income Tax Provision on Current Year Profits	1,127,729,027	844,909,584	1,127,729,027	844,909,584
(Over) / under provision in respect of previous year	(46,241,328)	(40,315,415)	(46,241,328)	(40,315,415)
Paid and Set off During the Year	(1,112,199,327)	(392,986,113)	(1,112,199,327)	(392,986,113)
Balance as at end of the Year	604,894,450	635,606,078	604,894,450	635,606,078

45 DEFERRED TAX LIABILITIES

Deferred Tax Liabilities (Note 45.3)	142,580,571	112,558,388	142,580,571	112,558,388
Deferred Tax Assets (Note 45.4)	(141,914,484)	(80,267,468)	(143,203,176)	(81,047,940)
Net Deferred Tax Liabilities (Note 45.1)	666,087	32,290,920	(622,605)	31,510,448

45.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Taxable / (Deductible) Temporary Differences				
Property, Plant & Equipment	115,514,379	23,395,832	115,514,379	23,395,832
Lease capital Balance	44,763,235	138,074,691	44,763,235	138,074,691
Legal Termination receivables	129,470,558	130,930,566	129,470,558	130,930,566
Revaluation Surplus on Freehold Land	224,837,541	176,592,194	304,337,541	176,592,194
Investment Property fair valuation	79,500,000	-	-	-
Taxable Temporary Differences	594,085,713	468,993,283	594,085,713	468,993,283
Retirement Benefit Obligation	(80,824,933)	(162,995,765)	(80,824,933)	(162,995,765)
Unclaimed Impairment provision	(94,150,848)	(103,843,471)	(94,150,848)	(103,843,471)
Right of use Lease asset	(118,557,371)	(67,608,546)	(118,557,371)	(67,608,546)
Gain/(Loss) on marked to market valuation -FVOCI	(297,777,200)	-	(297,777,200)	-
Tax Loss on Subsidiary	-	-	(5,369,548)	(3,251,967)
Total Taxable Temporary Differences (net)	2,775,361	134,545,501	(2,594,187)	131,293,534
Applicable Tax Rate	24%	24%	24%	24%
Net Deferred Tax Liabilities / (Assets)	666,087	32,290,920	(622,605)	31,510,448

45.2 Deferred Tax Expense

	Company		Group	
	2022	2021	**2022**	2021
	Rs.	Rs.	**Rs.**	Rs.
Origination of Deferred tax				
Liability (Note 45.3)	30,022,183	(148,387,002)	30,022,183	(148,387,002)
Asset (Note 45.4)	(61,647,016)	(6,487,671)	(62,155,236)	(7,268,143)
	(31,624,833)	(154,874,673)	(32,133,053)	(155,655,145)
Total expense charged / (reversed) to Income Statement	483,890	(142,990,063)	(19,104,330)	(143,770,535)
Total expense charged / (reversed) to OCI	(32,108,723)	(11,884,610)	(13,028,723)	(11,884,610)

45.3 Deferred Tax Liabilities

	Company				Group			
	2022		2021		2022		2021	
	Temporary Difference	**Tax Effect**	Temporary Difference	Tax Effect	**Temporary Difference**	**Tax Effect**	Temporary Difference	Tax Effect
	Rs.	**Rs.**	Rs.	Rs.	**Rs.**	**Rs.**	Rs.	Rs.
Balance as at beginning of the year	468,993,289	112,558,388	931,947,821	260,945,390	468,993,289	112,558,388	931,947,821	260,945,390
Impact of change in tax rate recognised in Income Statement & OCI	-	-	-	(37,277,914)	-	-	-	(37,277,914)
Originating / (reversing) during the year	125,092,424	30,022,183	(462,954,532)	(111,109,088)	125,092,424	30,022,183	(462,954,532)	(111,109,088)
Balance as at end of the year	594,085,713	142,580,571	468,993,289	112,558,388	594,085,713	142,580,571	468,993,289	112,558,388

45.4 Deferred Tax Assets

Balance as at beginning of the year	334,447,782	80,267,468	263,499,275	73,779,797	337,699,748	81,047,940	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	256,862,569	61,647,016	70,948,507	17,027,642	258,980,151	62,155,236	74,200,473	17,808,114
Balance as at end of the year	591,310,351	141,914,484	334,447,782	80,267,468	596,679,899	143,203,176	337,699,748	81,047,940

46 OTHER LIABILITIES

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Other Provisions & Payables (Note 46.1)	821,403,585	708,995,189	821,403,585	709,793,324
Accrued Expenses	168,141,030	132,330,288	169,084,731	132,330,288
	989,544,615	841,325,477	990,488,316	842,123,612

46.1 Other Provisions & Payables

RMV Payable	13,462,725	15,161,223	13,462,725	15,161,223
Insurance Payable	160,422,786	114,511,078	160,422,786	114,511,078
Taxes Payable	166,076,182	215,778,887	166,076,182	215,778,887
Social Development Fund	3,100,474	3,130,974	3,100,474	3,130,974
Supplier Payables	391,336,061	255,123,145	391,336,061	255,123,145
Other Payables	87,005,357	105,289,882	87,005,357	106,088,017
	821,403,585	708,995,189	821,403,585	709,793,324

47 RETIREMENT BENEFIT OBLIGATIONS

47.1 Retirement Benefit Liability Recognised in Statement of Financial Position

Balance as at 1st April	162,995,765	102,642,242	162,995,765	102,642,242
Amounts Recognised in Income Statement (Note 47.2)	50,558,958	32,388,472	50,558,958	32,388,472
Amounts Recognised in OCI (Note 47.3)	(125,947,705)	30,289,378	(125,947,705)	30,289,378
Payments during the Year	(6,782,085)	(2,324,327)	(6,782,085)	(2,324,327)
Balance as at 31st March	80,824,933	162,995,765	80,824,933	162,995,765

47.2 Amounts Recognised in Income Statement

Service cost	31,455,603	21,611,037	31,455,603	21,611,037
Past Service Cost	4,922,724	-	4,922,724	-
Net Interest on the net defined benefit obligation	14,180,631	10,777,435	14,180,631	10,777,435
	50,558,958	32,388,472	50,558,958	32,388,472

47.3 Amounts Recognised in OCI

Remeasurement of retirement benefit obligation arising from changes in assumptions	(110,921,681)	(791,931)	(110,921,681)	(791,931)
Remeasurement of retirement benefit obligation arising from experience adjustments	(15,026,024)	31,081,309	(15,026,024)	31,081,309
	(125,947,705)	30,289,378	(125,947,705)	30,289,378

47.4 Defined Benefit Obligation Reconciliation

	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Benefit obligation at end of prior year	162,995,765	102,642,242	162,995,765	102,642,242
Company service cost	31,455,603	21,611,037	31,455,603	21,611,037
Past Service Cost	4,922,724	-	4,922,724	-
Interest cost	14,180,631	10,777,435	14,180,631	10,777,435
Payments made during the year	(6,782,085)	(2,324,327)	(6,782,085)	(2,324,327)
Remeasurement of retirement benefit obligation arising from changes in assumptions	(110,921,681)	(791,931)	(110,921,681)	(791,931)
Remeasurement of retirement benefit obligation arising from experience adjustments	(15,026,024)	31,081,309	(15,026,024)	31,081,309
Benefit obligation at end of year	80,824,933	162,995,765	80,824,933	162,995,765

47.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2022 was carried out by Mr. Piyal S Goonetilleke, FIA , of Messers. Piyal S Goonetilleke and Associates, a firm of professional actuaries.

47.4.2 The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard - LKAS 19 “Employee Benefits”.

47.4.3 During the period 2021/2022, retirement benefits obligation was adjusted to reflect new legal requirements regarding the retirement age based on the Minimum Retirement Age of Workers Act No. 28 of 2021. As a result of the plan amendment, the Company’s retirement benefits obligation increased by Rs. 4,922,724 (2020/2021- Nil). A corresponding past service debit was recognised in the income statement during 2021/2022.

47.5 Assumptions

	Company		Group	
	2022	2021	2022	2021
Discount Rate	16.00%	8.70%	16.00%	8.70%
Salary increment	10.00%	10.00%	10.00%	10.00%
Staff Turnover				
20 years	15.00%	15.00%	15.00%	15.00%
25 years	15.00%	15.00%	15.00%	15.00%
30 years	9.00%	9.00%	9.00%	9.00%
35 years	6.00%	6.00%	6.00%	6.00%
40 years	1.00%	1.00%	1.00%	1.00%
45 years	1.00%	1.00%	1.00%	1.00%
50 years	1.00%	1.00%	1.00%	1.00%
55 years	1.00%	-	1.00%	-
59 years	1.00%	-	1.00%	-
Mortality - GA 1983 mortality Table				
Retirement age	60 Years	55 Years	60 Years	55 Years

47.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table illustrates the impact of the possible changes in the discount rate and salary increment rate on the gratuity valuation of the Company as at 31st March 2022.

	Sensitivity effect on Statement of Financial Position (Benefit Obligation) Rs.
1% increase in discount rate	(6,633,130)
1% decrease in discount rate	7,843,840
1% increase in salary increment rate	8,099,968
1% decrease in salary increment rate	(6,925,811)

There were no changes in the methods and assumptions used in preparing sensitivity analysis.

47.7 Maturity Analysis of the Payments

The following gross payments are expected on defined benefit obligation in future 10 years.

	Company	Group
	2022	2022
	Rs.	Rs.
Next 12 months	14,745,458	14,745,458
Between 1 - 2 years	7,475,148	7,475,148
Between 2 - 5 years	34,928,645	34,928,645
Between 5 - 10 years	99,280,360	99,280,360
	156,429,611	156,429,611

The weighted average duration of the defined benefit obligation is 10.7 Years.

48 STATED CAPITAL

	Company		Group	
As at 31st March	2022	2021	2022	2021
Ordinary Shares (Note 48.1) (Rs.)	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000
No. of shares (Note 48.2)	235,453,400	58,863,350	235,453,400	58,863,350

48.1 Movement of Stated Capital

At the Beginning of the Year	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000
Movement during the Year	-	-	-	-
As at the End of the Year	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000

48.2 Movement of no. of Shares

At the Beginning of the Year	58,863,350	58,863,350	58,863,350	58,863,350
Movement during the Year	176,590,050	-	176,590,050	-
As at the End of the Year	235,453,400	58,863,350	235,453,400	58,863,350

48.3 The Ordinary shares of the Company were subdivided by splitting each issued ordinary share into 04 ordinary shares from 5th July 2021. Consequently the total number of existing issued Ordinary Shares were increased from 58,863,350 to 235,453,400 without changing the Stated Capital of the Company.

48.4 There were no shares held by the Vallibel Finance PLC or Vallibel Properties Limited in the Company as at 31st March 2022.

48.5 The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

49 STATUTORY RESERVE FUND

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Statutory Reserve Fund (Note 49.1)	1,699,794,425	1,554,199,509	1,699,794,425	1,554,199,509
	1,699,794,425	1,554,199,509	1,699,794,425	1,554,199,509

49.1 Statutory Reserve Fund

Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
At the Beginning of the Year	1,554,199,509	1,208,563,889	1,554,199,509	1,208,563,889
Transfers during the Year	145,594,916	345,635,620	145,594,916	345,635,620
As at the End of the Year	1,699,794,425	1,554,199,509	1,699,794,425	1,554,199,509

49.1.1 The Company has transferred 5% of net profit to the fund since the capital funds exceeded 25% of total deposit liabilities in the current year. In 2021 the transfer requirement was stood at 20% since the capital funds were less than 25% of total deposit liabilities, but not less than 10% thereof.

50 OTHER RESERVES

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Revaluation Reserve (Note 50.1)	170,876,532	131,761,541	231,296,532	131,761,541
Fair Value Reserve (Note 50.2)	(226,310,672)	-	(226,310,672)	-
General Reserve (Note 50.3)	7,500,000	7,500,000	7,500,000	7,500,000
	(47,934,140)	139,261,541	12,485,860	139,261,541

50.1 Revaluation Reserve

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

As at 31st March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the Beginning of the Year	131,761,541	127,146,380	131,761,541	127,146,380
Surplus on Revaluation of Freehold Land & Buildings	48,245,347	-	127,745,347	-
Deferred Tax (Charge) / Reversal on Revaluation of Land & Buildings	(11,578,883)	-	(30,658,883)	-
Deferred tax effect on revaluation Surplus due to change in tax rate	2,448,527	4,615,161	2,448,527	4,615,161
As at the End of the Year	170,876,532	131,761,541	231,296,532	131,761,541

50.2 Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at the fair value through other comprehensive income until they are derecognised or impaired.

As at 31st March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
At the Beginning of the Year	-	-	-	-
Fair Value Gains / (Losses) that arose during the Year	(297,777,200)	-	(297,777,200)	-
Deferred Tax (Charge) /Reversal on Fair Value Gains / (Losses)	71,466,528	-	71,466,528	-
As at the End of the Year	(226,310,672)	-	(226,310,672)	-

50.3 General Reserve

General reserve comprises the amounts appropriated by the Board of Directors as a General Reserve. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

As at 31st March	Company		Group	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
General Reserve	7,500,000	7,500,000	7,500,000	7,500,000
	7,500,000	7,500,000	7,500,000	7,500,000

51 RETAINED EARNINGS

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
At the Beginning of the Year	5,168,528,024	3,808,883,577	5,166,056,529	3,808,883,577
Profit for the Year	2,911,898,320	1,728,178,102	2,841,635,249	1,725,706,607
Other Comprehensive Income	95,720,256	(23,019,929)	95,720,256	(23,019,929)
Statutory Reserve Transfer	(145,594,916)	(345,635,620)	(145,594,916)	(345,635,620)
Dividend Paid	(353,180,100)	-	(353,180,100)	-
Unclaimed Dividend Adjustments	-	121,894	-	121,894
At the End of the Year	7,677,371,584	5,168,528,024	7,604,637,018	5,166,056,529

52 RELATED PARTY DISCLOSURES

Vallibel Finance PLC (the Company) carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

52.1 Parent and Ultimate Controlling Party

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited.

52.2 Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including executive and non-executive Directors) and selected key employees who meet the above criteria have been classified as KMP of the Company.

KMP of the Group

As the Company is the parent of the Group, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company is also KMP of the Group.

52.2.1 Transactions with KMP

52.2.1.1 Compensation of KMP

For the Year Ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Short term employment benefits	183,372,776	137,055,161	183,372,776	137,055,161
Director fees and expenses	5,776,296	5,477,186	5,776,296	5,477,186
Post employment benefits	-	-	-	-
	189,149,072	142,532,347	189,149,072	142,532,347

52.2.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependants of the KMPs domestic partner. CFM too have been identified as related parties of the Company / Group.

52.2.2.1 Statement of Financial Position

As at 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Liabilities				
Financial Liabilities at Amortised Cost - Deposits due to Customers	1,100,149,913	1,125,758,885	1,100,149,913	1,125,758,885
	1,100,149,913	1,125,758,885	1,100,149,913	1,125,758,885

52.2.2.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Interest Expense	79,754,467	79,286,247	79,754,467	79,286,247
Compensation to KMP	189,149,072	142,532,347	189,149,072	142,532,347
	268,903,539	221,818,594	268,903,539	221,818,594

52.2.2.3 Share based transactions of KMP

For the year ended 31st March	Company 2022 Rs.	Company 2021 Rs.	Group 2022 Rs.	Group 2021 Rs.
Dividends paid	96,881,040	-	96,881,040	-
	96,881,040	-	96,881,040	-

52.2.3 Transactions, Arrangements and Agreements involving Entities which are controlled and / or significantly influenced by the KMP or their CFM

52.2.3.1 Statement of Financial Position

	Company		Group		Company Amount Received / (Paid)		Group Amount Received / (Paid)	
As at 31st March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.	2021/22 Rs.	2020/21 Rs.	2021/22 Rs.	2020/21 Rs.
Assets								
Cash and Cash Equivalents	32,566,601	601,921,596	33,167,923	601,921,596	569,354,995	613,250,377	568,753,673	613,250,377
Placements with Banks and Other Finance Companies	361,178,624	267,329,937	361,178,624	267,329,937	(93,848,687)	831,618,818	(93,848,687)	831,618,818
Reverse Repurchase Agreements	-	-	-	-	-	662,429,096	-	662,429,096
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,636,544	1,724,665	1,636,544	1,724,665	88,121	(642,028)	88,121	(642,028)
Property, Plant and Equipment	-	-	375,786,342	35,597,089	-	-	(340,189,253)	(35,597,089)
Other Assets	-	-	-	-	-	75,000	-	75,000
	395,381,769	870,976,198	771,769,433	906,573,287	475,594,429	2,106,731,263	134,803,854	2,071,134,174
Liabilities								
Bank Overdrafts	116,906,218	5,807,133	116,906,218	5,807,133	111,099,085	(9,239,463)	111,099,085	(9,239,463)
Financial Liabilities at Amortised Cost - Deposits due to Customers	4,997,934,305	2,732,448,165	4,997,934,305	2,732,448,165	2,265,486,140	(425,025,678)	2,265,486,140	(425,025,678)
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	877,718,847	-	877,718,847	-	877,718,847	-	877,718,847	-
	5,992,559,370	2,738,255,298	5,992,559,370	2,738,255,298	3,254,304,072	(434,265,141)	3,254,304,072	(434,265,141)

52.2.3.2 Statement of Profit or Loss and Other Comprehensive Income

	Company		Group	
For the year ended 31st March	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Interest Income	42,993,044	177,524,494	42,993,044	177,524,494
Interest Expense	218,838,185	204,474,123	218,838,185	204,474,123
Net Gain / (Loss) from Trading	12,589	642,028	12,589	642,028
Other Operating Income	960,000	960,000	960,000	960,000

52.3 Transactions with the Parent

52.3.1 Share based transactions with Parent

	Company		Group	
For the year ended 31st March	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Dividends paid	181,662,000	-	181,662,000	-
	181,662,000	-	181,662,000	-

52.4 Transactions with Group Entity

The Group entity includes the Vallibel Properties Limited.

52.4.1 Statement of Financial Position

As at 31st March	**2022 Rs.**	**Amount Received / (Paid) 2021/22 Rs.**	**2021 Rs.**	**Amount Received / (Paid) 2020/21 Rs.**
Assets				
Related Party Receivable	-	1,963,569	1,963,569	(1,963,569)
	-	1,963,569	1,963,569	(1,963,569)

52.4.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	**2022 Rs.**	**2021 Rs.**
Other Operating Income	8,233,709	2,357,136

52.4.3 Commitments & Contingent Liabilities

Refer the note 53.3 for details.

52.5 Terms and conditions on the transactions entered by the Directors of the Company / Group

From time to time directors of the Company / Group, or their related entities, may transact with the Company. These transactions are on the same terms and conditions as those entered into by other customers.

52.6 As per CSE Listing Rule 7.6 (xvi) - Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.

Name of the Related Party	Relationship	Terms of the Transaction	Date	2022 Rs.	Rationale for entering Transaction
Summer Season Limited	Affiliate	Fixed Deposit taken for interest rate of 8.25% & 8.36% for 3 Months Maturity	2022/02/11 & 2022/03/22	2,459,564,726	To invest the excess funds

52.7 As per CSE Listing Rules 9.3.2 - Disclosures on Related Party Transactions

52.7.1 Non- recurrent related party transactions which exceeds 10% of equity or 5% of total assets of the Company whichever is lower

A Corporate Guarantee amounting to Rs. 1.8 Bn provided by the Company for Commercial Bank Ceylon PLC for a Borrowing obtained by Vallibel Properties Limited (Fully owned subsidiary) to construct the proposed Head Office premises. The disbursement of the said loan during the current financial year amounted to Rs. 1,200 Mn.

Value of the above related party transaction as a % of equity was 11.26% and as a % of total assets was 1.54%.

52.7.2 Recurrent related party transactions (other than the exempted transactions) which exceeds 10% of the gross income of the Company

The aggregate value of recurrent related party transactions (other than the exempted transactions) entered into by the Company during the year has not exceeded 10% of the gross income of the Company.

53 CONTINGENT LIABILITIES AND COMMITMENTS

53.1 Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in these Financial Statements amounted to approximately.

	Company		Group	
As at 31st March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Approved and contracted for	-	-	507,178,336	784,519,557
	-	-	507,178,336	784,519,557

53.2 Litigations against the Company

Litigation is a common occurrence in the industry due to the nature of the business undertaken.

The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Company confirms that there is no case filed against the Company which is not disclosed which would have a material Impact on the financial position of the Company.

There were no cases filed against the Vallibel Properties Limited.

	Company	
As at 31st March	2022 Rs.	2021 Rs.
Cases pending against the Company	5,000,000	5,000,000
	5,000,000	5,000,000

1 Action filed by a third party claiming the mortgaged bond which was signed in company's favour was forged - Case no. L566/15 (Pending proceedings)

The company's legal professionals are of the opinion that the Company will be able to defend against these cases. Therefore no provision is made for contingent liabilities in the financial statements.

53.3 Contingent Liabilities

A Corporate Guarantee amounting to Rs. 1.8 Bn provided by the Company for Commercial Bank Ceylon PLC for a Borrowing obtained by Vallibel Properties Limited to construct the proposed Head Office premises. The disbursement of the said loan during the current financial year amounted to Rs. 1,200 Mn.

54 ASSETS PLEDGED

The following Financial assets have been pledged as securities against the long-term and short- term borrowings that have been disclosed under the Note 26.2 & 41 to the Financial Statements.

Funding institute	Nature of Assets	Nature of Liability	Value of Assets Pledged Rs.	Included Under
Bank of Ceylon	Lending Portfolio	Long -term Borrowings	868,425,741	Gross Receivable
Pan Asia Banking Corporation PLC	Lending Portfolio	Long-term Borrowings & Overdraft	1,755,437,694	Gross Receivable
Seylan Bank PLC	Lending Portfolio	Long-term Borrowings & Overdraft	5,934,672,364	Gross Receivable
Hatton National Bank	Lending Portfolio	Long-term Borrowings & Overdraft	10,155,799,581	Gross Receivable
DFCC Bank	Lending Portfolio	Long-term Borrowings	1,257,090,758	Gross Receivable
NSB Bank	Lending Portfolio	Long-term Borrowings	868,158,437	Gross Receivable
Sampath Bank	Lending Portfolio	Long-term Borrowings & Overdraft	4,081,422,142	Gross Receivable
NDB Bank	Lending Portfolio	Short-term Borrowings	125,719,179	Gross Receivable
Union Bank	Lending Portfolio	Overdraft	25,000,000	Gross Receivable
Commercial Bank	Lending Portfolio	Long-term Borrowings	2,492,255,974	Gross Receivable
Cargills Bank	Lending Portfolio	Long-term Borrowings	649,934,944	Gross Receivable

In the ordinary course of business the Group enters into transaction that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The Group has transferred future receivables of lending portfolio, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the Group continues to recognise these assets within Lending portfolio.

55 SEGMENT REPORTING

The Group has four reportable segments, as described below, which are the Group's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Group's management and internal reporting structure. For each of the strategic business line, the Group Management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable Segments	Operations
Finance Lease	Granting Finance Leases and related recovery operations
Hire Purchase	Granting Hire Purchase and related recovery operations
Loans and advances	Granting vehicle loans, mortgage loans, gold loans and related recovery operations
Investments	Managing funding, investing and liquidity operations

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Group Management. Segment revenue is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

For the year ended 31 March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Income From												
External Operations												
Interest income	2,963,802,112	2,753,272,599	3,606,849	58,544	6,658,528,332	5,201,676,829	304,160,689	376,289,525	-	-	9,930,097,982	8,331,297,497
Administration Fees	-	-	-	-	-	-	-	-	672,707,103	373,550,576	672,707,103	373,550,576
Dividends	-	-	-	-	-	-	191,910	121,600	-	-	191,910	121,600
Other	-	-	-	-	-	-	64,052,258	67,168,442	1,311,428,114	697,803,648	1,375,480,372	764,972,090
Total Revenue	2,963,802,112	2,753,272,599	3,606,849	58,544	6,658,528,332	5,201,676,829	368,404,857	443,579,567	1,984,136,217	1,071,354,224	11,978,477,367	9,469,941,763
Other material non-cash items												
Impairment losses on Financial Assets	139,050,981	272,765,509	(3,810,427)	(4,606,017)	455,684,915	314,874,972	1,523,363	(8,053,465)	39,999	94,255	(592,488,831)	(575,076,254)
Impairment losses on Non Financial Assets										(10,154,444)	-	(10,154,444)
Profit Before Income Tax											3,904,018,618	2,386,530,241
Income Tax Expense											(1,062,383,369)	(660,823,634)
Profit After Tax											2,841,635,249	1,725,706,607
Other Information												
As at 31 March												
Segment Assets	14,971,850,245	14,080,796,259	1,474,896	4,319,893	50,691,038,582	33,660,559,075	8,582,809,618	3,415,570,947	5,232,809,190	4,660,605,100	79,479,982,531	55,821,851,274
Segment Liabilities	12,967,031,783	12,016,059,099	1,277,399	3,687,246	43,903,211,537	28,724,743,950	7,433,521,127	2,914,728,798	4,532,105,382	3,977,197,403	68,837,147,228	47,636,416,495
Net Assets	2,004,818,462	2,064,737,160	197,497	632,647	6,787,827,045	4,935,815,125	1,149,288,491	500,842,149	700,703,808	683,407,697	10,642,835,303	8,185,435,579

56 FINANCIAL RISK MANAGEMENT

(A) Introduction and Overview

The Company has exposure to following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

(i) Risk Management Framework

The Board of Directors possess overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

The Board has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas. With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly risk review reports are submitted by the respective Deputy General Manager who supervises each major category of risk.

(B) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk).

(i) Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transaction, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(ii) Management of credit risk

The Board of Directors has delegated responsibility for the overseeing of credit risk to its Company Credit Committee. A separate Company Credit department, reporting to the Company Credit Committee is responsible for management of the Company's credit risk, including:

- Formulating credit policies in consultation with business lines, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities: Authorisation limits are allocated to business line Credit Officers. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing and assessing credit risk.

- Company’s Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business line concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) , and by issuer and market liquidity.
- Developing and maintaining the Company’s processes for measuring ECL.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Regular audits of business units and Company Credit processes are undertaken by Internal Audit.

(C) Liquidity Risk

Liquidity risk is that which the Company will encounter in terms of difficulties in meeting obligations associated with its financial liabilities which are settled by delivering cash or other financial assets.

Management of liquidity risk

The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions,without incurring unacceptable losses or risking damage to the Company’s reputation. Finance Division receives information from other business lines regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Division then maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed and calls deposits and short term government securities, to ensure that sufficient liquidity maintained within the Company as a whole. All liquidity policies and procedures are subject to review and approval by Integrated Risk Management Committee. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to Integrated Risk Management Committee. The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company’s borrowing liabilities have maturities of over one year, deposits from customers generally have shorter maturities. The short-term nature of these deposits increases the Company’s liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

(D) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The ALCO is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

(E) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate 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

Credit Quality Analysis

A. i Analysis of Credit Risk Exposure

The following tables shows the maximum exposure to credit risk by class of financial asset.

As at 31st March	Company Maximum Exposure to Credit Risk		Group Maximum Exposure to Credit Risk	
	2022 Rs.	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Assets				
Cash and Cash Equivalents	877,638,204	1,683,003,076	900,929,559	1,712,137,601
Placements with Banks and Other Finance Companies (Gross)	4,168,929,692	267,329,937	4,168,929,692	267,329,937
Reverse Repurchase Agreements	1,770,612,142	1,795,352,511	1,780,760,519	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	1,188,828,796	796,421,859	1,352,702,922
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Gross)	52,294,775,642	34,805,057,100	52,294,775,642	34,805,057,100
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Gross)	16,305,984,543	15,276,396,497	16,305,984,543	15,276,396,497
Financial Investments Measured at Fair Value Through Other Comprehensive Income	1,737,815,264	203,800	1,737,815,264	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	100,423,871	-
Financial Assets at Amortised Cost - Other Financial Assets	13,647,730	15,162,142	13,647,730	15,162,142
Total Financial Assets	77,583,842,496	55,031,333,859	78,099,688,679	55,224,342,510

A. ii Credit Quality Analysis - Stage wise

The following table sets out information about the credit quality of financial assets measured at amortised cost, financial assets measured at FVTPL, Financial Investments Measured at Fair Value Through Other Comprehensive Income of the company.

With the adoption of SLFRS 9 (01st April 2018) - "Financial Instruments" the Company manages credit quality based on three stage approach.

Stage 1 - 12 Month Expected Credit Losses

Stage 2 - Life Time Expected Credit Losses - Not Credit Impaired

Stage 3 - Life Time Expected Credit Losses - Credit Impaired

The following table shows the classification of Financial Assets based on the three stage approach.

As at 31st March 2022	12 Month Expected Credit Losses Rs.	Life Time Expected Credit Losses - Not Credit Impaired Rs.	Life Time Expected Credit Losses - Credit Impaired Rs.	Unclassified Rs.	Total Rs.
Cash and Cash Equivalents	877,638,204	-	-	-	877,638,204
Placements with Banks and Other Finance Companies	4,168,929,692	-	-	-	4,168,929,692
Less : ECL Allowance					(1,541,587)
Reverse Repurchase Agreements	1,770,612,142	-	-	-	1,770,612,142
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	-	-	-	314,015,408
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	46,949,254,137	4,066,841,157	1,278,680,348	-	52,294,775,642
Less : ECL Allowance					(1,603,737,060)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	12,305,652,784	2,580,855,225	1,419,476,534	-	16,305,984,543
Less : ECL Allowance					(1,332,659,402)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	1,737,815,264	-	-	-	1,737,815,264
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	-	-	100,423,871
Financial Assets at Amortised Cost - Other Financial Assets	13,647,730	-	-	13,647,730	13,647,730
	68,237,989,232	6,647,696,382	2,698,156,882	13,647,730	74,645,904,447

As at 31st March 2021	12 Month Expected Credit Losses Rs.	Life Time Expected Credit Losses - Not Credit Impaired Rs.	Life Time Expected Credit Losses - Credit Impaired Rs.	Unclassified Rs.	Total 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

A. iii Amounts arising from ECL

This note highlights inputs, assumptions and techniques used for estimating Expected Credit Losses (ECL) as per SLFRS 9 - " Financial Instruments".

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the information following data.

Payment record – this includes overdue status as well as a range of variables about payment ratios

External data from credit reference agencies, including industry-standard credit scores

Requests for and granting of forbearance

Existing and forecast changes in business, financial and economic conditions

Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

Generating the term structure of Probability of Default (PD)

Past Due date is a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and type of underlying security. For some portfolios, information gathered from external credit agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) ; or the borrower is past due equal more than 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. The Company has stressed the economic variables published and overlay provision been made to reflect the current economic crisis of the country.

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	2022			
	Stage 12-Month ECL Rs.	Stage 2:Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	509,887,056	407,636,779	1,418,254,536	2,335,778,370
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(63,350,300)	57,325,875	6,024,425	-
Transferred from LifeTime ECL not-credit impaired	69,094,180	(85,735,139)	16,640,959	-
Transferred from LifeTime ECL credit impaired	51,779,212	32,859,547	(84,638,759)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	9,692,623	9,692,623
Net remeasurement of loss allowance	331,179,264	80,611,911	179,134,294	590,925,468
Balance as at the end of the year	898,589,411	492,698,972	1,545,108,078	2,936,396,461

As at 31st March	2021			
	Stage 12-Month ECL Rs.	Stage 2:Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL 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 remeasurement 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

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	2022			
	Stage 12-Month ECL Rs.	Stage 2:Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	40,732,561,561	6,818,629,842	2,530,262,194	50,081,453,597
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(3,114,304,126)	2,893,786,473	220,517,653	-
Transferred from LifeTime ECL not-credit impaired	1,217,449,233	(1,400,424,136)	182,974,903	-
Transferred from LifeTime ECL credit impaired	127,314,420	230,308,125	(357,622,545)	-
Financial Assets that have been derecognised	(17,124,197,502)	(4,439,896,480)	(907,733,842)	(22,471,827,824)
Other Changes in the portfolio	37,416,083,336	2,545,292,558	1,029,758,518	40,991,134,412
Balance as at the end of the year	59,254,906,921	6,647,696,382	2,698,156,882	68,600,760,185

As at 31st March	2021			
	Stage 12-Month ECL Rs.	Stage 2:Life Time ECL not-credit impaired Rs.	Stage 3: Lifetime ECL credit impaired Rs.	Total ECL 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

Collateral held as security and other credit enhancements

The Group holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types financial assets.

Type of Credit Exposure	Percentage of exposure that is subject to collateral requirements		
	31st March 2022	31st March 2021	Principal type of collateral held
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers			
Loans and Advances	100	100	Property and equipment
Loans against Fixed Deposits	100	100	Fixed Deposits
Micro Finance Loans	100	100	Personal Guarantees
Gold Loans	100	100	Gold articles
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables			
Lease Rental Receivables	100	100	Property and equipment
Hire Purchase Receivables	100	100	Property and equipment

A. iv Concentration of Credit Risk

The following tables show the concentration of net lending portfolio based on the type of product and geographical region.

Product Concentration of net lending portfolio

As at 31st March	2022		2021	
	Rs.	%.	Rs.	%.
Hire Purchase Receivable	1,474,896	0.00%	4,319,893	0.01%
Lease Rental Receivable	14,971,850,245	22.80%	14,080,796,259	29.49%
Loans and advances	40,956,064,007	62.37%	27,623,493,755	57.86%
Loans against fixed deposits	1,132,754,716	1.73%	651,907,305	1.37%
Gold Loans	8,602,219,959	13.10%	5,385,158,015	11.28%
	65,664,363,723		47,745,675,227	

Geographical Concentration of gross lending portfolio

	Company			
Province	Lease Rental & Hire Purchase Receivables		Loans and Receivables to Other Customers	
As at 31st March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Western	7,673,336,058	8,064,096,905	34,832,378,485	23,217,964,414
Southern	1,529,567,003	1,360,177,305	3,827,302,588	2,783,170,153
Sabaragamuwa	1,799,244,401	1,631,058,387	3,482,326,930	2,434,166,303
Central	1,340,763,758	1,005,108,306	2,284,062,763	1,507,741,893
Uva	656,142,399	511,583,587	1,471,069,919	794,989,928
Eastern	43,877,739	39,716,767	61,339,404	63,071,157
North Western	2,266,480,059	1,926,865,580	3,926,717,785	2,771,911,115
North Central	948,558,976	728,760,009	2,222,563,723	1,219,758,192
Northern	48,014,151	9,029,651	187,014,045	12,283,944
	16,305,984,543	15,276,396,497	52,294,775,642	34,805,057,100

A.v Credit quality analysis of Placements with Banks and other Finance Companies

The following table sets out the credit quality of Placements with Banks and other Finance Companies. The analysis is based on Fitch and ICRA Lanka ratings.

Placements with Banks and other Finance Companies	As at 31st March 2022 Rs.	As at 31st March 2021 Rs.
Rated AAA	1,925,353,808	-
Rated AA- to AA+	1,882,397,260	-
Rated A- to A+	4,410,823	265,859,901
Rated BBB + and below	356,767,801	1,470,036
	4,168,929,692	267,329,937

B. Liquidity Risk

B. i Exposure to Liquidity Risk

Exposure to Liquidity Risk is monitored through the Liquid Asset Ratio (LAR) of the Company.

	Company	
As at 31st March	2022 %	2021 %
Liquid Asset Ratio (LAR)		
Average for the year	13.88%	15.77%
Maximum for the year	21.06%	23.03%
Minimum for the year	8.19%	7.72%

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.

	Company	
As at 31st March	2022 Rs.	2021 Rs.
Cash in Hand	237,350,370	163,700,715
Balances in Current Accounts free from lien	160,668,032	968,765,937
Deposits in Commercial Banks free from lien	4,100,000,000	-
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	99,974,484	-
Any Other Approved Securities	3,474,746,081	1,795,352,508
Total liquid assets	8,072,738,967	2,927,819,160

NOTES TO THE FINANCIAL STATEMENTS

B. ii Maturity analysis for financial assets and financial liabilities

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2022, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

a) Remaining contractual period to maturity – Company

Remaining contractual period to maturity of the assets and Liabilities employed by the Company as at the date of Statement of Financial Position is detailed below:

	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies	3,901,758,104	263,324,045	2,305,956	-	-	4,167,388,105
Reverse Repurchase Agreements	1,301,259,060	469,353,082	-	-	-	1,770,612,142
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	-	-	-	-	314,015,408
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	9,093,505,650	10,774,627,652	26,606,581,400	4,190,847,004	25,476,876	50,691,038,583
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	1,432,784,830	3,735,778,611	7,367,544,357	2,432,562,684	4,654,659	14,973,325,141
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	1,737,611,464	1,737,815,264
Financial Assets at Amortised Cost - Other Financial Assets	2,744,751	6,416,300	4,018,265	468,414	-	13,647,730
Total Interest Bearing Assets	16,046,271,603	15,249,499,690	33,980,449,978	6,623,878,102	1,767,742,999	73,667,842,372
Percentage 2022	22%	21%	46%	9%	2%	
Percentage 2021	20%	25%	45%	10%	0%	
Interest Bearing Liabilities						
Bank Overdrafts	1,062,546,767	-	-	-	-	1,062,546,767
Financial Liabilities at Amortised Cost - Deposits due to Customers	16,429,307,866	19,435,818,700	4,033,124,916	1,122,918,283	-	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	2,824,299,390	4,328,769,032	10,250,099,863	2,631,171,927	-	20,034,340,212
Subordinated Term Debt	-	-	-	2,012,844,267	-	2,012,844,267
Lease Liabilities	15,481,075	48,474,294	131,803,693	329,064,494	333,732,733	858,556,288
Total Interest Bearing Liabilities	20,331,635,098	23,813,062,026	14,415,028,472	6,095,998,971	333,732,733	64,989,457,300
Percentage 2022	31%	37%	22%	9%	1%	
Percentage 2021	33%	37%	25%	4%	0%	

* Loans and Receivables to Other Customers and Lease Rental & Hire Purchase Receivables are reported net of impairment.

b) Undiscounted Cash Flow of financial liabilities

The following table shows the expected undiscounted cash flows for financial liabilities as at 31st March 2022.

As at 31st March 2022	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Liabilities						
Bank Overdrafts	1,062,546,767	-	-	-	-	1,062,546,767
Financial Liabilities at Amortised Cost - Deposits due to Customers	16,645,416,617	20,540,419,002	4,533,582,910	1,464,075,088	-	43,183,493,617
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	3,206,707,013	5,524,219,887	11,894,917,660	2,728,442,357	-	23,354,286,917
Subordinated Term Debt	60,184,658	160,712,877	464,943,014	2,496,688,767	-	3,182,529,316
Total Interest Bearing Liabilities	20,974,855,055	26,225,351,766	16,893,443,584	6,689,206,212	-	70,782,856,617
Percentage 2022	30%	37%	24%	9%	-	

C. Market Risk

C. i Exposure to Market Risk - Trading and non trading portfolios

		Market Risk Measurement			Market Risk Measurement	
	Carrying Amount as at 31st March 2022 Rs.	Trading Portfolios Rs.	Non -Trading Portfolios Rs.	Carrying Amount as at 31st March 2021 Rs.	Trading Portfolios Rs.	Non -Trading Portfolios Rs.
Assets subject to Market Risk						
Cash and Cash Equivalents	877,638,204	-	877,638,204	1,683,003,076	-	1,683,003,076
Placements with Banks and Other Finance Companies	4,167,388,105	-	4,167,388,105	267,311,713	-	267,311,713
Reverse Repurchase Agreements	1,770,612,142	-	1,770,612,142	1,795,352,511	-	1,795,352,511
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	314,015,408	-	1,188,828,796	1,188,828,796	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,691,038,582	-	50,691,038,582	33,660,559,075	-	33,660,559,075
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,973,325,141	-	14,973,325,141	14,085,116,152	-	14,085,116,152
Financial Investments Measured at Fair Value Through Other Comprehensive Income	1,737,815,264	-	1,737,815,264	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	100,423,871	-	-	-
Other Financial Assets	13,647,730	-	13,647,730	15,162,142	-	15,162,142
	74,645,904,447	314,015,408	74,331,889,039	52,695,537,265	1,188,828,796	51,506,708,469
Liabilities subject to Market Risk						
Bank Overdrafts	1,062,546,767	-	1,062,546,767	983,750,361	-	983,750,361
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	-	41,021,169,765	32,170,953,144	-	32,170,953,144
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	20,034,340,212	-	20,034,340,212	11,282,498,665	-	11,282,498,665
Subordinated Term Debt	2,012,844,267	-	2,012,844,267	-	-	-
	62,118,056,744	-	62,118,056,744	44,437,202,170	-	44,437,202,170

Sensitivity Analysis

Financial Assets recognized through Profit or Loss (FVTPL) which measured based on the market prices includes Equity shares and unit trust investments. Equity share valuations are based on the prices directly obtained from CSE and unit trust valuation is based on the available unit prices. Since these prices are based on the market prices and changes to such is beyond the control of the Company sensitivity analysis has not been prepared.

C. ii Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)

As at 31st March	Company	
	2022 Rs.	2021 Rs.
Rate Sensitive Assets (RSA)	73,667,842,373	51,012,534,189
Rate Sensitive Liabilities (RSL)	64,989,457,300	45,036,883,026
GAP (RSA-RSL)	8,678,385,074	5,975,651,163

C. iii Cash flow sensitivity analysis for Variable Rate Financial Instruments

A reasonably possible change of AWPLR increase or decrease at the reporting date would give increase (decrease) of monthly interest expense by the amounts shown below. The analysis assumes that all other variables remain constant.

As at 31st March	2022 Interest Expense Rs.	2021 Interest Expense Rs.
Variable Rate increase 1% (+1 % Increase in AWPLR)	93,998,584	64,534,402
Variable Rate decrease 1% (-1 % decrease in AWPLR)	77,408,451	48,356,905
Variable Rate Interest actual interest Cost	85,703,517	56,445,654
Cash flow sensitivity in Variable Rate increase +1%	8,295,067	8,088,748
Cash flow sensitivity in Variable Rate decrease -1%	(8,295,067)	(8,088,748)

C. iv Equity based investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2022	Lowest Market Value	Effect to the Comprehensive Income if the market price drops to the lowest value
	Rs.	Rs.	Rs.
Bank, Finance & Insurance	1,636,544	1,623,955	12,589
Total	1,636,544	1,623,955	12,589

	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

C.v Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. As the Company's financial instruments are denominated in Sri Lankan rupees no significant currency risk experienced.

C.vi Impact of the economic condition of the country on the interest rate and currency position

Refer the note 57 for details.

(D) Operational Risk

Capital Management

The Company is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

i. Regulatory Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stability of a company. This measure has been introduced by Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company.

The Capital Adequacy Ratio (CAR) is calculated based on the CBSL Finance Business Act Direction No. 3 of 2018. Commencing from 01st July 2021 the Company needs to maintain a CAR not less than 7% with minimum Tier 1 capital and a minimum total CAR with 11% in relation to total Risk Weighted Assets. The minimum Tier 1 capital ratio and total capital ratio will rise to 8.5% and 12.5% respectively with effect from 1st July 2022.

NOTES TO THE FINANCIAL STATEMENTS

Computation of Capital Adequacy Ratios

As at 31st March	Note	Company 2022 Rs.	2021 Rs.
Tier 1 Capital		10,270,607,955	8,036,430,282
Total Capital	(i)	13,049,585,010	8,725,013,534
Risk Weighted Amount for Credit Risk	(ii)	62,383,626,064	55,155,646,737
Risk Weighted Amount for Operational Risk	(iii)	8,069,668,573	6,755,495,513
Total Risk Weighted Amount		70,453,294,637	61,911,142,249
Core Capital Ratio (TIER 1) (Minimum Requirement 7%)		14.58%	12.98%
Total Risk Weighted Capital Ratio (TIER 11) (Minimum Requirement 11%)		18.52%	14.09%

As at 31st March	Note	Company 2022 Rs.	2021 Rs.
Stated capital		1,325,918,000	1,325,918,000
Non-cumulative, Non-redeemable Preference Shares		-	-
Reserve fund		1,699,794,425	1,554,199,509
Audited retained earnings/(losses)		7,346,385,332	5,159,572,700
(less) Revaluation gains/surplus of investment property		(79,500,000)	-
General and other disclosed reserves		7,500,000	7,500,000
Current year's profit(losses)		-	-
Tier 1 capital		10,300,097,757	8,047,190,209
Goodwill (net)		-	-
Other intangible assets (net)		28,671,530	9,897,595
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		818,272	862,333
Shortfall of capital in financial subsidiaries		-	-
Adjustments to Tier 11 capital		(29,489,803)	(10,759,928)
Tier I Capital (after adjustments)		10,270,607,955	8,036,430,282
Instruments qualified as Tier 2 capital		2,000,000,000	-
Revaluation gains		-	-
General provisions/collective impairment allowances		779,795,326	689,445,584
Eligible Tier 2 Capital		2,779,795,326	689,445,584
50% of investment in banking and financial subsidiary companies		-	-
50% of investment in other banking and financial institutions		818,272	862,333
Total Adjustments to eligible Tier 2 Capital		(818,272)	(862,333)
Eligible Tier 2 Capital after adjustments		2,778,977,054	688,583,252
Total Capital		13,049,585,010	8,725,013,534

(ii) Computation of Risk Weighted Amount for Credit Risk

Credit Risk under Standardised Approach - Credit Risk Exposures by Asset Classes and Risk Weights

Item	On Balance Sheet Amount	Credit equivalent of Off-balance sheet items	Total	Risk Weight 0%	2%	20%	50%	60%	75%	100%	125%	150%	As at 31st March 2022 Total credit Exposure Amount	As at 31st March 2021 Total credit Exposure Amount
				Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Claims on Government and Central Bank of Sri Lanka	1,838,035,335	-	1,838,035,335	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Financial institutions	4,481,858,059	-	4,481,858,059	-	-	895,489,447	2,205,412	-	-	-	-	-	897,694,859	385,998,132
Claims on Corporates	312,378,865	-	312,378,865	-	-	-	-	-	-	312,378,865	-	-	312,378,865	1,187,104,132
Retail Claims in respect of motor vehicles and machinery	53,812,546,730	-	53,812,546,730	-	-	-	-	-	-	53,812,546,730	-	-	53,812,546,730	15,967,723,483
Claims Secured by Gold	8,617,877,199	-	8,617,877,199	-	-	-	-	-	-	91,926,640	-	-	91,926,640	1,138,304,870
Retail claims secured by immovable property	1,515,168,013	-	1,515,168,013	-	-	-	459,826,415	-	-	595,515,183	-	-	1,055,341,598	703,659,538
Other retail claims	1,647,015,433	-	1,647,015,433	-	-	-	-	-	-	-	2,058,769,291	-	2,058,769,291	31,331,632,419
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	802,401,226	-	802,401,226	-	-	-	-	-	-	83,771,230	-	1,077,944,993	1,161,716,223	1,839,053,217
Higher-Risk Categories	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other claims	3,492,709,191	-	3,492,709,191	-	-	65,252,504	-	-	-	2,927,999,354	-	-	2,993,251,858	2,602,170,946
Total Assets	76,519,990,050	-	76,519,990,051	-	-	960,741,951	462,031,827	-	-	57,824,138,002	2,058,769,291	1,077,944,993	62,383,626,064	55,155,646,737

Credit Risk under Standardised Approach - Exposures recognized under Credit Risk Mitigation (CRM)

	Company	
As at 31st March	2022	2021
	Rs.	Rs.
CRM Techniques		
Cash	1,132,754,716	651,907,305
Government Securities	1,770,612,141	1,795,352,508
Collateralized transactions	2,903,366,857	2,447,259,813
On-balance sheet netting	-	-
Guarantees	-	-
Other CRM Techniques	-	-
Total CRM exposure	2,903,366,857	2,447,259,813

(iii) Computation of Risk Weighted Amount for Operational Risk

As at 31st March 2022	1st Year	2nd Year	3rd Year	Total	2022 Average
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	8,912,195,796	8,331,297,497	9,930,097,982	27,173,591,275	9,057,863,758
Interest Expenses	(4,854,515,785)	(4,067,534,369)	(4,234,571,767)	(13,156,621,921)	(4,385,540,640)
Non-interest income	783,110,302	1,138,644,266	2,136,113,094	4,057,867,662	1,352,622,554
Less : Realized Profits/losses from the Sale of Securities	(107,414,302)	(67,168,442)	(64,052,258)	(238,635,002)	(79,545,001)
Less : Extraordinary/Irregular Item of Income/expenses	(434,980)	(1,551,260)	(80,944,913)	(82,931,153)	(27,643,718)
Gross Income	4,732,941,031	5,333,687,692	7,686,642,138	17,753,270,861	5,917,756,954
Capital Charges for Operational Risk @* 15%					887,663,543
Risk-Weighted Amount for operational Risk under the Basic Indicator Approach					8,069,668,573
Required total capital ratio based on the Assets					11.0%

57 THE IMPACT DUE TO CURRENT ECONOMIC CONDITION ON THE OPERATIONS OF THE GROUP

The Vallibel Finance business operations are impacted by several key economic factors such as interest rates, market liquidity and inflation. In the current economic context, the rising interest rates will have a direct impact on the performance and growth of the Company's lending and deposit product portfolios creating a situation of inequalities in interest income earned and interest expenses. The rising inflation rate is also a concern as price stability becomes questionable and individuals will face a situation of lower liquidity levels which can impact their ability to save and serviceability of loans obtained. These factors will join forces to create challenges in maintaining the current liquidity position of the Company in the forthcoming financial year and beyond. Furthermore, the lack of foreign exchange liquidity in the banking sector can cascade to the LFCs sector in the medium to longer terms. The downgrading of the sovereign rating of Sri Lanka, which is an indication of the creditworthiness of a country, by leading international institutions will impact not only Vallibel Finance but the LFC sector of the country by creating uncertainties about the stability of the financial sector of the country and the ability of financial services organisations to meet their obligation to existing and prospective customers. The overall outlook in the coming financial year remains bleak in terms of a stable economic background to support business growth and success.

Strategies to Manage External Market Developments

Considering the deteriorating external economic conditions, the Company implemented several strategies to manage challenges to maintain a strong liquidity position and ensure the continuation of confirmed credit lines. Furthermore, cost control mechanisms were reviewed and tightened to improve cost savings, and new processes were implemented, as relevant, to maintain efficiencies of business operations amidst constantly changing market conditions. The Company also revised interest rates applicable on lending products to align with market conditions. These strategies will continue to remain priorities for Vallibel Finance as the Company navigates the economic and market conditions in the forthcoming financial year. The Company will also remain alert to changing economic conditions and implement new and revised strategies to managed external market challenges to maintain a viable business in the long term.

Impact to the Financial Reporting

As per the accounting policies, the Group reviewed the carrying values of lease rental & hire purchase receivables , loans & receivables to other customers, placements with banks & other finance companies and overlay provision been made based on Expected Credit Loss (ECL). Further the Group reviewed the carrying values of property, plant and equipment, investment property, share investments, other assets as at the reporting date, specially the impact the current economic condition could have on these assets and determined that no impairment is necessary. Further, the Company and the subsidiary in the Group have evaluated their business continuity plans and are satisfied that necessary steps have been taken to mitigate any adverse impact on their operations and to safeguard their assets.

58 EVENTS OCCURRING AFTER THE REPORTING PERIOD

58.1 Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than disclosed below.

Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022. Financial impact arising from the same is discussed in note 21.3 to the financial statements.

INDEPENDENT ASSURANCE REPORT TO VALLIBEL FINANCE PLC

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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 2022. The Sustainability Indicators are included in the Vallibel Finance PLC's Integrated Annual Report for the year ended 31 March 2022 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	10

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 2022 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.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal 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;

INDEPENDENT ASSURANCE REPORT TO VALLIBEL FINANCE PLC

- 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.

kpmg

CHARTERED ACCOUNTANTS

Colombo
06th June 2022

Supplementary Information

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GLOSSARY OF FINANCIAL TERMS

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing post employment benefits.

Actuarial Gains and Losses
Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Valuation
Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost
The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

Capital Adequacy Ratio (CAR)
The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying International best practices on maintenance of Capital for financial Institutions, to suit the local requirements.

Cash Equivalents
Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Collective Impairment Provision
Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Contingencies
Conditions or situations at the reporting date, the financial effect of which are to be determined by the future events which may or may not occur.

Contractual Maturity
The final payment date of a loan or other financial instrument, at which point the entire remaining outstanding principal will be repaid and interest is due to be paid.

Corporate Governance
The process by which Corporate Institutions are governed. It involves the way in which authority is exercised over the management and the direction of the company, the supervisions of executive roles and the responsibility and accountability towards owners and other parties.

Cost to Income Ratio
Operating expenses excluding impairment charge as a percentage of total operating income (Net of interest expenses).

Credit Ratings
An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk
The risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Deferred Tax
Sum set aside in the financial statements for income taxation that would become payable / receivable in a financial year other than the current financial year.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Diluted Earnings Per Share
The earnings per share that would result if all dilutive securities were converted into common shares.

Dividend Pay-Out Ratio
Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

Dividend Per Share (DPS)
Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Earnings Per Share (EPS)
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

GLOSSARY OF FINANCIAL TERMS

Effective Income Tax Rate
Provision for taxation divided by the net profit before taxation.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Equity Instrument
Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Expected Credit Losses (ECL)
A probability weighted estimate of credit losses over the expected life of the financial instrument.

12 Month Expected Credit Losses (12MECL)
The portion of life time expected credit losses that represent the expected credit losses resulting from default events of a financial instrument that are possible within 12 months after the reporting date.

Events after the reporting period
Events after the reporting period are those events, favourable and unfavourable, that occur between the end of reporting period and the date when the financial statements are authorised for issue.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Exposure At Default (EAD)
Gross carrying amount of financial instruments subject to impairment calculation.

Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value through Profit or Loss
A financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as fair value through profit or loss.

Financial Instrument
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in other entity.

Forward-Looking Information
Incorporation of macroeconomic scenarios into the impairment calculations.

Global Reporting Initiative (GRI)
A leading organisation in the sustainability field which promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

Going Concern
The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially scale of its operation.

Guarantees
An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Individually Significant Loans
Exposures which are above a certain threshold decided by the Company's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Individually Significant Loan Impairment Provision
Impairment measured individually for loans that are individually significant to the Company.

Intangible Asset
An identifiable non-monetary asset without physical substance.

Interest Cover
Profits before interest and taxes divided by the interest cost. This ratio measures the number of times Interest is covered by the current year's profits before interest and taxes.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

Key Management Personnel (KMP)
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily.

Life Time Expected Credit Loss (LTECL)
The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Loss Given Default (LGD)
The percentage of an exposure that a lender expects to lose in the event of obligor default.

Market Capitalisation
Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statement.

Net Assets Value per Share
Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income
The difference between the amounts a financial institution earns on assets such as loans and securities and what it incurs on liabilities such as deposits and borrowings.

Net Lending Portfolio
Total value of lending products net of unearned income and allowance for impairment.

Non-Performing Loans
Loans advances and hire purchase / lease finance of which interest or capital is in arrears for six months or more.

Non-Performing Ratio
Total non-performing loans expressed as a percentage of the total loans and advances.

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Past Due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)
Market price of an ordinary share divided by earnings per share.

Projected Unit Credit Method
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of Default (PD)
An internal estimate for each borrower grade of likelihood that an obligor will default on an obligation.

Related Parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related party Transactions
A transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Return on Assets (ROA)
Net profit after tax divided by the average assets.

Return on Equity (ROE)
Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement
Transaction involving the purchase of government securities and resale back to the seller at a given price on a specific future date.

Revaluation Reserve
Reserves arising from revaluation of properties owned by the company.

Risk Weighted Assets
Risk weighted assets is the sum of risk weighted asset amount for credit risk and risk weighted asset amount for operational risk.

Right Issue
Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Solvency
The availability of cash over the long term to meet financial commitments as they fall due.

Solely Payments of Principal and Interest Test (SPPI)
Classification decision for non-equity financial assets under SLFRS 9.

Tier I Capital
Core Capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital
Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

Transaction costs
Incremental costs those are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Unit Trust
An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life
The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

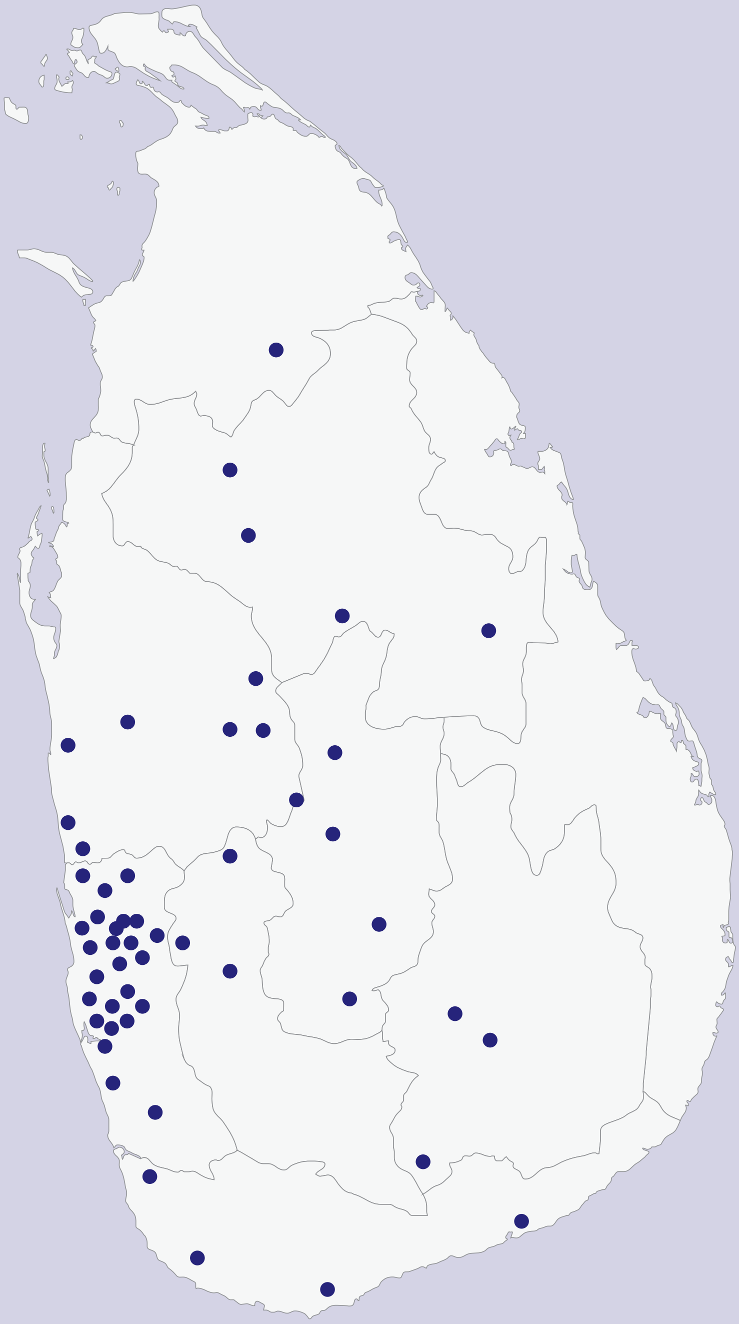
Value Added
Value of wealth created by providing financial and other related services after deducting the cost of providing such services.

Write-off of financial Assets
Loans and debt securities are written off (either partly or in full) when there is no realistic prospective recovery.

BRANCH NETWORK

Branch	Address	Telephone	Fax
Maharagma	No. 126/5, High Level Road, Maharagama	011-7487487	011-7487489
Minuwangoda	No. 28/5A, Kurunegala Road, Minuwangoda	011-7587587	011-7587589
Kandy	No. 161, D.S.Senanayaka Veediya, Kandy	081-7687687	081-7687689
Aluthgama	No. 375, Galle Road, Aluthgama	034-7687687	034-7687689
Ratnapura	No. 191, Main Street, Ratnapura	045-7687687	045-7687689
Kiribathgoda	No. 121, Gala Junction, Kandy Road, Kiribathgoda	011-7787787	011-7787789
Matara	No. 274/A, Anagarika Dharmapala Mawatha, Matara	041-7687687	041-7687689
Kurunegala	No. 395, Colombo Road, Kurunegala	037-7687687	037-7687689
Negombo	No 178, Colombo Road, Negombo	031-7687687	031-7687689
Gampaha	No. 55, Yakkala Road, Gampaha	033-7687687	033-7687689
Galle	No. 128, Main Street, Galle	091-7687687	091-7687689
Chilaw	No. 84, Kurunegala Road, Chilaw	032-7687687	032-7687689
Kuliyapitiya	No. 111, Kurunegala Road, Kuliyapitiya	037-7787787	037-7787789
Embilipitiya	No. 103, New Town Road, Embilipitiya	047-7687687	047-7687689
Moratuwa	No. 303/A, Galle Road, Rawathawatta, Moratuwa	011-7807807	011-7807819
Malabe	No. 824/C, New Kandy Road, Malabe	011-7387387	011-2078671
Panadura	No. 293/A, Galle Road, Panadura	038-7687687	038-7687689
Nugegoda	No. 213, High Level Road, Nugegoda	077-7517517	011-7517519
Bandarawela	No. 197, Badulla Road, Bandarawela	057-7687687	057-7687689
Kalutara	No. 302, Galle Road, Kalutara South	034-7387387	034-7387389
Anuradhapura	No. 521/11, Maithripala Senanayake Mawatha, Anuradhapura	025-7687687	025-7687689
Kegalle	No. 315, Main Street, Kegalle	035-7687687	035-7687689
Rajagiriya	No. 600/A, Nawala Road, Rajagiriya	011-7489489	011-7489489
Kaduruwela	No. 292, Batticaloa Road, Kaduruwela	027-7687687	027-7687689
Piliyanadala	No. 84, Colombo Road, Piliyandala	011-7595595	011-7595599
Warakapola	No. 95, Colombo-Kandy Road, Warakapola	035-7689689	035-7689689
Wattala	No. 520, Negombo Road, Wattala	011-7523523	011-7523529
Borella	No. 58, Castle Street, Borella	011-7876876	011-7876879
Mount Lavinia	No. 340, Galle Road, Mt. Lavinia	011-7867867	011-7867869
Balangoda	No. 86/C, Barnes Rathwaththa Mawatha, Balangoda	045-7857857	045-7857859
Uragasmanhandiya	No. 52, Main Street, Uragasmanhandiya	091-7796796	091-7796799
Nuwara Eliya	No. 78, Kandy Road, Nuwara Eliya	052-7687687	052-7687689
Hanwella	No. 133/C, Avissawella Road, Hanwella	036-7687687	036-7687689
Wennappuwa	No. 200, Main Street, Wennappuwa	031-7487487	031-7487489
Kurunegala Metro	No. 36, Surathissa Mawatha, Kurunegala	037-7889889	037-7517519
Dambulla	No. 722A, Anuradhapura Road, Dambulla	066-7687687	066-7687689
Bambalapitiya	No. 45, Bauddhaloka Mawatha, Colombo 04	011-7738738	011-7517519
Avissawella	No. 19, Colombo Road, Avissawella	036-7867867	036-7867869
Narammala	No. 93, Kurunegala Road, Narammala	037-7475475	037-7475479
Pelawatta	No. 730/A, Pannipitiya Road, Pelawatte	011-7724824	011-7724829
Kohuwala	No. 169, Dutugemunu Street, Kohuwala	011-7677477	011-7677479
Ambalanthota	No. 141, Tangalle Road, Ambalathota	047-7448448	047-7448448
Ja-Ela	No. 150, Negombo Road, Ja-Ela	011-7781881	011-7781882
Thambuttegama	No. 156, Anuradhapura Road, Thambuttegama	025-7480480	025-7480481
Horana	No. 101/A, Rathnapura road, Horana	034-7487487	034-7487488
Homagama	No.52A, High-Level Road, Homagama.	011-7582592	011-582 593
Wellawaya	No.93, Monaragala Road, Wellawaya.	055-7500500	055-7500501
Maradana	No. 74, Deans Road, Maradana	011-7582582	011-582 583
Senkadagala	No,274,Katugastota road,Mahaiyawa	081-7500500	081-7500501
Vavuniya	No,27,2nd cross street,Vavuniya	024-7687687	024 -7687688
Kadawatha	No 27/A,27/B, Kandy Road, Kadawatha	011-7488 888	011-7488 888
Mathugama	No. 23, Neboda Road, Mathugama	034-7488 488	034-7488 481
Dematagoda	No. 8 Dharmarama Road, Dematagoda	011-7889 900	011-7889 901

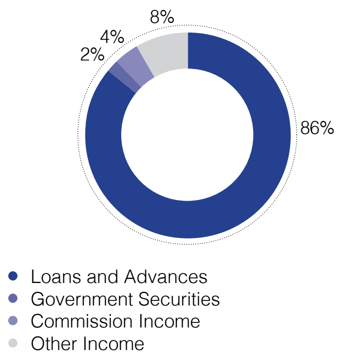
Contact Person
Rohan De Silva
Suren Abeywickrama
Milinda Sumanadasa
Chithraka Hettiarachchi
Ranjith Gunarathne
Dilshan Rathnayake
Janaka Kumara
Dushantha De Silva
Dinusha Uyangoda
Ajith Rathnamalala
Jagath Mendis
Wasantha Senanayake
Chamara Perera
Ranjith Munasinghe
Dushan Kumarasinghe
Priyantha Ratnayaka
Ravindra Kumara
Madhura Jayasekara
Chaminda Attanayake
Priyantha Silva
Rangana Rupasinghe
Priyankara Gamlath
Dilhan Liyanage
Sirimal Priyantha
Saliya Gunasinghe
Prabath Dissanayake
Gayan Kumarasinghe
Sudheera Sampath
Kumara Thennekumbura
Mahesh Abesingha
Hirantha Dissanayake
Nilan Siriwardana
Lalantha Fernando
Tephan Sosa
Asinil Perera
Asanka Handagama
Madushanka Pathirana
Sanjaya Perera
Nilantha Rathnasiri
Iresh Lakmal
Kushan Perera
Pramod Ranasinghe
Shiran Jayasinghe
Dharshana Weerasinghe
Chaminda Perera
Rushan Munasinghe
Ranjan Bandara
Sajeewa Withanage
Asela Bandara
Aruna Jayarathne
Lasantha Ariyarathna
Mahela Jayaranga
Mahinda Nawarathne



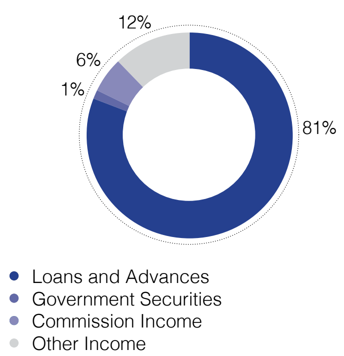
SOURCES AND UTILISATION OF INCOME

For the year ended 31st March	2022		2021	
	Rs.	%	Rs.	%
SOURCES OF INCOME				
Loans and Advances	9,766,065,213	80.94	8,149,531,847	86.06
Government Securities	164,032,769	1.36	181,765,650	1.92
Commission Income	672,707,103	5.58	373,550,576	3.94
Other Income	1,463,405,991	12.12	765,093,690	8.08
Total	12,066,211,076	100.00	9,469,941,763	100.00
UTILISATION OF INCOME				
To Employees				
Personnel Expenses	1,404,669,796	11.64	1,068,762,651	11.29
To Suppliers				
Interest Paid	4,234,571,767	35.09	4,067,534,369	42.95
Other Expenses	914,455,871	7.58	784,976,316	8.29
Depreciation & Amortisation	142,345,261	1.18	115,042,317	1.21
Impairment charge for Loans & other losses	592,488,831	4.91	575,076,254	6.07
To Government				
Taxes on Financial Services	783,809,641	6.50	468,767,648	4.95
Income Tax	1,081,971,589	8.97	661,604,106	6.99
To Shareholders				
Dividends	353,180,100	2.93	-	-
Retained Profit	2,558,718,220	21.20	1,728,178,102	18.25
Total	12,066,211,076	100.00	9,469,941,763	100.00

Sources of Income - 2021

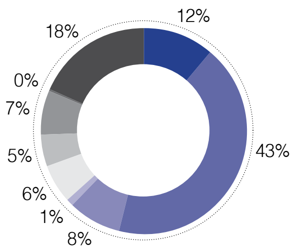


Sources of Income - 2022



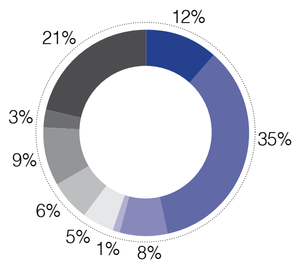
2020		2019		2018	
Rs.	%	Rs.	%	Rs.	%
8,702,590,499	89.76	7,726,246,439	88.56	6,086,063,723	87.83
209,605,297	2.16	161,775,926	1.85	170,916,386	2.47
350,337,255	3.61	361,072,091	4.14	248,286,443	3.58
432,773,046	4.47	475,435,886	5.45	423,934,501	6.12
9,695,306,097	100.00	8,724,530,342	100.00	6,929,201,053	100.00
1,053,241,776	10.86	906,841,898	10.39	732,719,605	10.57
4,854,515,785	50.07	4,524,628,517	51.86	3,500,249,672	50.51
745,122,212	7.69	719,089,378	8.24	622,191,141	8.98
112,714,413	1.16	93,251,698	1.07	74,788,004	1.08
487,815,203	5.03	195,100,737	2.24	104,858,877	1.51
579,795,359	5.98	536,979,738	6.15	356,549,591	5.15
608,691,237	6.28	619,909,904	7.11	519,206,769	7.49
235,453,400	2.43	-	-	269,859,231	3.90
1,017,956,712	10.50	1,128,728,472	12.94	748,778,163	10.81
9,695,306,097	100.00	8,724,530,342	100.00	6,929,201,053	100.00

Utilisation of Income - 2021



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Value Added Tax and Other Taxes
- Income Tax
- Dividends
- Retained Profit

Utilisation of Income - 2022



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Value Added Tax and Other Taxes
- Income Tax
- Dividends
- Retained Profit

INFORMATION ON ORDINARY SHARES

Stock Exchange Listing

Vallibel Finance PLC is a Public Quoted Company, the ordinary shares of which were listed on the main board of the Colombo Stock Exchange on 4th May 2010.

Shareholder Base

The total number of shareholders as at 31st March 2022 were 4,175.

Distribution of Shareholding

Shares	2022				2021			
As At 31st March	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
1-1,000	2,371	56.79	826,158	0.35	2,137	75.81	565,097	0.96
1,001-10,000	1,391	33.32	5,035,233	2.14	563	19.97	1,848,742	3.14
10,001-100,000	350	8.38	9,962,775	4.23	94	3.33	2,827,733	4.80
100,001-1,000,000	52	1.25	15,034,627	6.39	19	0.67	3,428,631	5.83
Over 1,000,000	11	0.26	204,594,607	86.89	6	0.22	50,193,147	85.27
	4,175	100.00	235,453,400	100.00	2,819	100.00	58,863,350	100.00

Categories of Shareholders

Type of Investor	2022			2021		
As At 31st March	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Local Individuals	3,944	87,640,766	37.22	2,674	23,035,686	39.13
Local Institutions	217	144,381,584	61.32	133	33,497,180	56.91
Foreign Individuals	13	1,143,388	0.49	11	301,575	0.51
Foreign Institutions	1	2,287,662	0.97	1	2,028,909	3.45
	4,175	235,453,400	100.00	2,819	58,863,350	100.00

Public holding

The percentage of shares held by the public being 21.16% comprising of 4,166 shareholders as at 31st March 2022.

The Float adjusted market capitalisation - Rs. 1,848,370,786.50

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.14.i (a) of the listing rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

20 Major Shareholders of the Company

Shareholders	As At 31st March 2022		As At 31st March 2021	
	No of Shares	%	No of Shares	%
Vallibel Investments (Pvt) Limited	121,108,000	51.44	30,277,000	51.44
K.D.D. Perera	50,465,064	21.43	12,616,266	21.43
K.D.A. Perera	8,532,960	3.62	2,133,240	3.62
Hatton National Bank PLC / Ravith Francis Thejasri Perera	7,310,000	3.11	Nil	Nil
Seylan Bank PLC / Sarath Bandara Rangamuwa	5,250,000	2.23	1,312,500	2.23
S. Abishek	2,663,917	1.13	628,711	1.07
Pershing LLC S/A Averbach Grauson & Co.	2,287,662	0.97	2,028,909	3.45
K.D.H. Perera	2,076,065	0.88	122,612	0.21
Ceylon Brand House (Pvt) Ltd	1,920,934	0.82	Nil	Nil
B.A.R. Dissanayake	1,541,815	0.65	284,041	0.48
Seylan Bank PLC / Karagoda Loku Gamage Udayananda	1,438,190	0.61	Nil	Nil
A. Ragupathy	975,832	0.41	205,708	0.35
A. Sithampalam	846,433	0.36	176,812	0.30
K.I.A. Hewage	800,000	0.34	200,000	0.34
Sampth Bank PLC / Walisundara Mudiyanselage Ajith Bandara Walisundara	633,000	0.27	Nil	Nil
V. Saraswathi & S. Vasudevan	600,169	0.25	Nil	Nil
N. Balasingam	539,600	0.23	134,900	0.23
S. Durga	514,884	0.22	102,471	0.17
U.F. Strunk & M.G. De Albuquerque Leinenbach	482,168	0.21	124,392	0.21
Merchant Bank Of Sri Lanka & Finance PLC / L.L.M Perera	450,000	0.19	Nil	Nil
	210,436,693	89.37	50,347,562	85.53
Others	25,016,707	10.63	8,515,788	14.47
Total	235,453,400	100.00	58,863,350	100.00

		Quarter Ended				Year Ended	
Market Prices		30.06.2021	30.09.2021	31.12.2021	31.03.2022	31.03.2022	31.03.2021
Highest	Rs.	184.50	42.10	43.80	57.80	184.50	194.50
Lowest	Rs.	105.25	37.10	37.00	36.50	36.50	39.00
Closing	Rs.	157.00	39.50	39.90	37.10	37.10	105.25

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	2022 Rs.	2021 Rs.	2020 Rs.
Statement of Profit or Loss and Other Comprehensive Income			
Gross Income	12,066,211,076	9,469,941,763	9,695,306,097
Interest Income	9,930,097,982	8,331,297,497	8,912,195,796
Interest Expense	4,234,571,767	4,067,534,369	4,854,515,785
Net Interest Income	5,695,526,215	4,263,763,128	4,057,680,011
Net Fee and Commission Income	672,707,103	373,550,576	350,337,255
Other Operating Income	1,463,405,991	765,093,690	432,773,047
Operating Expenses and provisions	3,053,959,759	2,543,857,538	2,398,893,604
Profit Before Taxation	4,777,679,550	2,858,549,856	2,441,896,708
Provision for Taxation	1,865,781,230	1,130,371,754	1,188,486,596
Net Profit	2,911,898,320	1,728,178,102	1,253,410,112

As at 31st March	2022 Rs.	2021 Rs.	2020 Rs.
Assets			
Cash and Cash Equivalents	877,638,204	1,683,003,076	2,046,506,255
Placements with Bank's and Other Finance Companies	4,167,388,105	267,311,713	2,568,898,162
Reverse Repurchase Agreements	1,770,612,142	1,795,352,511	2,079,841,356
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	314,015,408	1,188,828,796	1,084,454,685
Assets Held for Sale	-	-	-
Loans and Receivables to Finance Companies	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,691,038,582	33,660,559,075	27,625,556,987
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	14,973,325,141	14,085,116,152	13,493,996,467
Financial Investments Measured at Fair Value Through Other Comprehensive Income	1,737,815,264	203,800	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	100,423,871	-	97,954,958
Financial Assets at Amortised Cost - Other Financial Assets	13,647,730	15,162,142	16,617,983
Investment in a Subsidiary	20	20	-
Investment Property	1,179,500,000	1,100,000,000	
Property, Plant and Equipment	756,193,121	614,154,778	1,762,546,954
Right-of-use Lease Assets	781,224,648	583,944,570	369,692,861
Intangible Assets	28,671,530	9,897,595	17,663,649
Deferred Tax Assets	141,914,484	80,267,468	73,779,797
Other Assets	156,802,865	141,234,971	186,135,314
Total Assets	77,690,211,115	55,225,036,667	51,423,849,228

2019	2018	2017	2016	2015	2014	2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
8,724,530,342	6,929,201,053	5,114,694,482	3,468,276,901	2,896,187,378	2,570,624,353	1,879,396,483
7,888,022,365	6,256,980,109	4,597,260,244	3,244,786,741	2,799,745,875	2,451,800,812	1,791,914,232
4,524,628,517	3,500,249,672	2,604,049,257	1,558,667,730	1,344,337,892	1,340,464,712	1,008,844,798
3,363,393,848	2,756,730,437	1,993,210,987	1,686,119,011	1,455,407,983	1,111,336,100	783,069,434
361,072,091	248,286,443	189,052,650	109,128,266	50,314,825	43,082,243	31,255,381
475,435,886	423,934,501	328,381,588	114,361,894	46,243,968	75,741,298	56,226,870
2,256,162,712	1,534,557,627	1,186,174,036	997,873,594	918,906,755	741,149,517	402,623,499
2,285,618,114	1,894,393,754	1,324,471,189	911,735,577	632,942,731	489,010,124	467,928,186
1,156,889,642	875,756,360	598,312,215	398,471,056	260,156,129	185,099,891	173,395,744
1,128,728,472	1,018,637,394	726,158,974	513,264,521	372,786,602	303,910,233	294,532,442

2019	2018	2017	2016	2015	2014	2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,507,932,892	1,021,651,531	806,206,582	519,315,084	357,722,928	311,612,928	239,915,519
2,356,358,852	2,076,192,145	2,243,112,840	1,312,169,859	1,768,499,428	1,146,244,786	698,087,988
230,130,165	630,286,027	810,190,562	1,679,716,852	1,353,477,948	112,017,262	-
812,320,782	1,938,675	1,761,300	4,067,378	4,822,336	5,101,684	14,329,011
-	23,919,000	-	-	-	-	-
-	-	-	-	-	-	16,472,400
24,332,295,963	18,073,714,310	12,466,944,145	7,251,676,658	3,307,495,086	1,149,653,055	631,715,458
14,624,916,906	12,753,940,053	12,311,135,772	11,228,228,344	9,261,379,875	8,788,528,303	7,152,325,616
203,800	208,703,800	510,085,388	104,658,351	120,529,779	113,965,232	203,800
1,785,716,058	1,920,722,472	1,019,286,080	300,794,154	296,296,416	612,634,968	281,718,777
15,963,213	16,971,763	20,827,738	15,968,593	11,806,411	7,912,643	6,343,169
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,719,587,171	1,445,289,701	315,103,615	194,787,387	181,172,558	127,325,987	116,748,120
-	-	-	-	-	-	-
19,647,533	14,568,813	10,297,779	4,129,612	4,188,589	4,355,878	5,997,534
73,028,603	16,019,726	8,525,324	37,147,476	66,516,415	33,785,749	2,142,794
181,423,647	202,358,542	161,618,964	114,516,593	159,599,520	165,575,145	137,949,156
47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289	12,578,713,620	9,303,949,343

TEN YEAR SUMMARY

As at 31st March	2022 Rs.	2021 Rs.	2020 Rs.
Liabilities			
Bank Overdrafts	1,062,546,767	983,750,361	964,529,904
Rental Received in Advance	227,759,381	247,760,859	266,875,302
Financial Liabilities at Amortised Cost - Deposits due to Customers	41,021,169,765	32,170,953,144	29,243,912,898
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	20,034,340,212	11,282,498,665	12,037,795,536
Subordinated Term Debt	2,012,844,267	-	-
Lease Liabilities	858,556,285	599,680,856	402,518,972
Current Tax Liabilities	604,894,450	635,606,078	223,998,022
Deferred Tax Liabilities	142,580,571	112,558,388	260,945,390
Other Liabilities	989,544,615	841,325,477	1,442,619,116
Retirement Benefit Obligations	80,824,933	162,995,765	102,642,242
Total Liabilities	67,035,061,246	47,037,129,593	44,945,837,382
Shareholders' Funds			
Stated Capital	1,325,918,000	1,325,918,000	1,325,918,000
Statutory Reserve Fund	1,699,794,425	1,554,199,509	1,208,563,889
Revaluation Reserve	170,876,532	131,761,541	127,146,380
Fair Value Reserve / Available For Sale Reserve	(226,310,672)	-	-
General Reserve	7,500,000	7,500,000	7,500,000
Retained Earnings	7,677,371,584	5,168,528,024	3,808,883,577
Total Shareholders' Funds & Total Liabilities	77,690,211,115	55,225,036,667	51,423,849,228

For the year ended 31st March	2022	2021	2020
Information on Ordinary Shares			
Earnings per Share (Rs.)*	12.37	7.34	5.32
Net Assets per Share (Rs.)*	45.25	34.78	27.51
Interest Cover (Times)	2.13	1.70	1.50
Dividend Per Share (Rs.)	-	6.00	4.00
Dividend Payout (%)	-	20.44	18.79
Market Value Per Share**	37.10	105.25	53.60
P/E Ratio (Times)	3.00	3.58	2.52
Ratios (%)			
Return on Shareholders Funds (%)	27.33	21.11	19.35
Liquid Assets as a % of Deposits (%)	21.86	15.34	26.94
Growth in Income (%)	27.42	(2.32)	11.13
Growth in Interest Expenses (%)	4.11	(16.21)	7.29
Growth in Other Expenses (%)	20.05	6.04	6.33
Growth in Profit After Tax (%)	68.50	37.88	11.05
Growth in Advances (%)	37.53	16.11	5.55
Growth in Deposits (%)	27.51	10.01	14.97
Growth on Shareholders' Funds (%)	30.13	26.40	18.41

* Prior year’s ratios been restated based on the post subdivision of shares.
** Market price per share of prior year’s represent the share price before the subdivision.

2019	2018	2017	2016	2015	2014	2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,566,068,720	1,839,144,681	1,487,193,561	1,224,665,038	463,536,788	233,878,618	360,101,982
324,196,627	308,688,009	243,881,527	208,870,398	170,421,167	136,928,230	164,624,026
25,436,257,664	22,186,879,453	17,863,861,472	14,804,037,141	12,162,096,690	9,299,977,850	6,268,210,181
12,497,221,353	8,011,421,404	6,043,391,985	2,243,116,105	299,522,795	542,516,837	951,201,653
1,031,100,274	1,550,967,094	1,700,465,782	1,917,563,133	1,859,653,357	898,088,784	399,255,587
-	-	-	-	-	-	-
509,696,461	364,888,378	209,076,751	38,687,596	93,290,845	88,294,895	41,938,998
343,733,661	385,537,287	270,783,875	182,865,531	88,459,437	74,288,962	65,089,176
411,165,825	400,427,054	279,104,569	190,776,252	220,230,653	111,124,087	109,699,079
69,131,811	57,213,310	29,716,585	27,669,222	22,125,917	12,872,166	7,652,838
42,188,572,396	35,105,166,670	28,127,476,107	20,838,250,416	15,379,337,649	11,397,970,429	8,367,773,520
1,325,918,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000	287,153,000
957,881,867	732,136,173	528,408,694	383,176,899	280,523,995	333,906,930	237,580,979
127,146,380	-	-	-	-	-	-
-	-	(6,834,947)	(8,009,097)	9,257,510	4,054,987	-
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
3,052,506,942	2,274,320,715	1,741,393,235	1,259,105,123	929,735,134	548,128,273	403,941,844
47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,342	16,893,507,289	12,578,713,619	9,303,949,343

2019	2018	2017	2016	2015	2014	2013
5.09	5.90	4.37	3.09	2.24	1.83	1.77
23.24	19.86	15.39	11.61	9.11	7.11	5.63
1.51	1.54	1.51	1.58	1.47	1.36	1.46
-	6.50	2.50	2.00	1.00	1.50	1.00
-	26.51	14.30	16.19	11.15	20.51	14.11
65.70	67.00	58.50	53.70	45.00	29.70	28.30
3.23	2.84	3.35	4.35	5.02	4.06	3.99
20.63	30.86	28.39	26.61	24.62	25.74	31.46
26.31	26.40	30.17	26.46	32.04	24.69	19.46
25.91	35.48	47.47	19.75	12.66	36.78	55.24
29.27	34.42	67.07	15.94	0.29	32.87	87.93
47.02	29.37	18.87	8.59	23.98	84.08	40.88
10.81	40.28	41.48	37.68	22.66	3.18	27.41
26.37	24.42	34.08	47.03	26.47	27.67	33.27
14.65	24.20	20.67	21.72	30.78	48.37	55.75
65.73	29.07	32.59	27.39	28.24	26.12	36.79

LIST OF ABBREVIATIONS

AC	Amortised Cost
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
BOI	Board Of Investment
CAR	Capital Adequacy Ratio
CBSL	Central Bank of Sri Lanka
CCPI	Colombo Consumer 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
DCP	Defined Contribution Plan
DGM	Deputy General Manager
DMS	Document Management System
DPS	Dividend Per Share
DR	Disaster Recovery
DRL	Debt Repayment Levy
EAD	Exposure At Default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EMDE'S	Emerging Markets and Developing Economies
EPF	Employees' Provident Fund
EPS	Earnings Per Share
ESC	Economic Service Charge
ESG	Environmental Social and Governance
ETF	Employees' Trust Fund
FSCMP	Financial Sector Consolidation Master Plan
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HP	Hire Purchase
HR	Human Resource
ICASL	The Institute of Chartered Accountants of Sri Lanka
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
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 Company
LGD	Loss Given Default
LKAS	Sri Lanka Accounting Standard
LKR	Sri Lankan Rupee
LTECL	Life Time Expected Credit Loss
LTV	Loan To Value
MD	Managing Director
MIS	Management Information System
MN	Million
NBFI	Non-Bank Financial Institution
NBT	Nation Building Tax
NCI	Non-Controlling Interest
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
OPD	Out Patient Department
P.A.	Per Annum
P/E	Price Earnings Ratio
PAT	Profit After Tax
PBT	Profit Before Tax
PAYE	Pay As You Earn
PBV	Price to Book Value
PD	Probability of Default
PLC	Public Limited Company
POCI	Purchased or Originated Credit Impaired
POS	Point Of Sale
PQ	Public Quoted
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
SLAuS	Sri Lanka Auditing Standard
SLC	Specialised Leasing Company
SLFRS	Sri Lanka Financial Reporting Standard
SLIPS	Sri Lanka Interbank Payment System
SLSAE	Sri Lanka Standard on Assurance Engagement
SME	Small and Medium Enterprises
SPPI	Solely Payments of Principal And Interest
TB	Treasury Bill
VAT	Value Added Tax
WHO	World Health Organisation
WHT	Withholding Tax
WIP	Work In Progress

CORPORATE INFORMATION

Name of Company
Vallibel Finance PLC

Legal Form
Public Limited Liability Company incorporated in Sri Lanka.

A Finance Company licensed under the Finance Business Act No.42 of 2011.

A Registered Finance Leasing Establishment in terms of Finance Leasing Act No.56 of 2000.

An Approved Credit Agency under the Mortgage Act No.6 of 1949 and Trust Receipt Ordinance No.12 of 1947.

Date of Incorporation
5th September 1974

Company Registration Number
PB 526/PQ

Board of Directors
Mr. K D A Perera
- Acting Chairman

Mr. S B Rangamuwa
- Managing Director

Mr. K D D Perera
- Executive Director

Mr. S S Weerabahu
- Executive Director

Mr. T Murakami

Mr. A Dadigama

Mr. J Kumarasinghe

Mrs. C P Malalagoda

Registered Office/Head office
No. 310, Galle Road
Colombo 03.

VAT registration no.
104040950 7000

Telephone
(+94) 11-2370990

Facsimile
(+94) 11-4393129

Website
www.vallibelfinance.com

Secretaries and Registrars
P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08.
Telephone: (+94) 11-4640360-3
Fax: (+94) 11-4740588
Email: pwcs@pwcs.lk

External Auditors
KPMG
No. 32A, Sir Mohamed Macan Marker Mawatha
P.O Box 186
Colombo 03.
Telephone: (+94) 11-5426426
Fax: (+94) 11-2445872

Internal Auditors
Ernst & Young Advisory Service (Pvt) Ltd
No.201, De Saram Place
P.O Box 101
Colombo 10.
Telephone: (+94) 11-2463500
Fax: (+94) 11-2697369

Bankers
Bank of Ceylon
Corporate Branch
No.4, Bank of Ceylon Mawatha
Colombo 01.

People's Bank
Headquarters Branch
No.75, Sir Chittampalam A Gardiner Mawatha
Colombo 02.

Seylan Bank PLC
Millennium Branch
90, Galle Road
Colombo 03.

Sampath Bank PLC
Headquarters Branch
No 110, Sir James Peiris Mawatha
Colombo 02.

Pan Asia Banking Corporation PLC
Head Office Branch
No.450, Galle Road
Colombo 03.

National Development Bank PLC
Head Office Branch
No.1825, 40, Nawam Mawatha
Colombo 02.

Hatton National Bank PLC
Kollupitiya Branch
No. 471, Galle Road
Colombo 03.

Commercial Bank
Kollupitiya Branch
No 285, Galle Road
Colombo 03.

Cargills Bank
No.696,
Galle Road
Colombo 03.

Union Bank
Head Office Branch
No. 64,Galle Road
Colombo 03.

National Savings Bank
Head Office Branch
No1732,
Galle Road,
Colombo 03.

DFCC Bank
No 73/5,
Galle Road,
Colombo 03.

Corporate Memberships and Associations
The Finance House Association of Sri Lanka

Leasing Association of Sri Lanka

The Ombudsman Sri Lanka (Guarantee) Limited

The Ceylon Chamber of Commerce

Subsidiary Company
Vallibel Properties Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Vallibel Finance PLC will be held by way of electronic means on 30th June 2022 at 10.00 a.m centred at the Board Room, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Statement of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.

2. To re-elect Mr. Janaka Kumarasinghe who retires by rotation in terms of Articles 87and 88of the Articles of Association, as a Director.

3. To elect Mrs. C P Malalgoda who retires in terms of Article 94 of the Articles of Association, as a Director.

4. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorize the Directors to determine their remuneration.

5. To authorize the Directors to determine donations for the year ending 31st March 2023 and upto the date of the next Annual General Meeting.

By Order of the Board

VALLIBEL FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

06th June 2022
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company; No. 310, Galle Road, Colombo 03,not less than forty seven (47) hours prior to the time appointed for the meeting.

FORM OF PROXY

I/We* ……………………………………………………………………………………holder of NIC No. ……………………………….of

………

being a shareholder / shareholders* of Vallibel Finance PLC hereby appoint ……………………………………………holder of NIC No.

……………………………………of ……………………………………………………………………………………………… or failing him*

Mr. K D A Perera	or failing him*
Mr. Dhammika Perera	or failing him*
Mr. S B Rangamuwa	or failing him*
Mr. T Murakami	or failing him*
(Alternate Director- Mr. H Ota)	
Mr. A Dadigama	or failing him*
Mr. S S Weerabahu	or failing him*
Mr. J Kumarasinghe	or failing him*
Mrs. C P Malalgoda	

as my/our* proxy to represent me/us*, to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 30th June 2022 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. Janaka Kumarasinghe who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.	☐	☐
2	To elect Mrs. C P Malalgoda who retires in terms of Article 94 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 2023 and up to the date of the next Annual General Meeting.	☐	☐

In witness my/our* hand(s) this ……………………………… day of ……………………………………… Two Thousand and Twenty Two.

……………………………………
Signature of Shareholder(s)

*Please delete what is inapplicable.

Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.

INSTRUCTIONS AS TO COMPLETION

1. 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.comforty 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 2021/2022:

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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You can post or Email your feedback to:

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