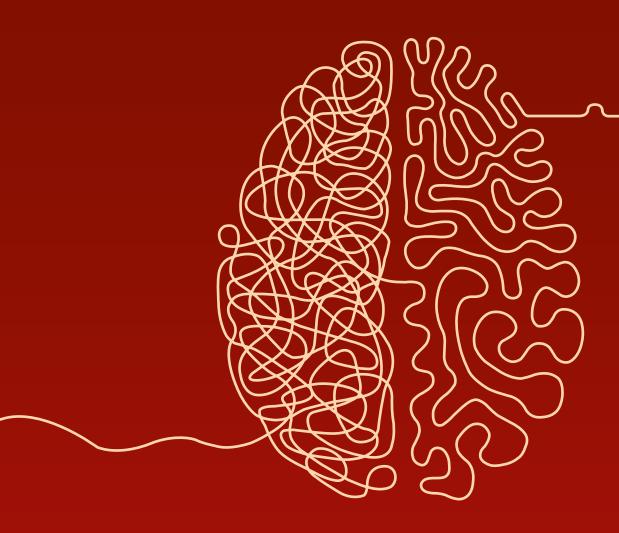
# POWER TO DO MORE







#### **Contents**

About Our Integrated Annual Report.	. 2
About Us	
Our Product Portfolio	3.

ORGANISATIONAL OVERVIEW	
Financial Highlights	12
Non-Financial Highlights	14
Evolutionary Milestones: A Journey of	
Achievements	16
Awards and Accolades	18
Chairman's Statement	20
Managing Director's Message	.24
Board of Directors	.28
Corporate Management Team	30
Senior Management Team	.32
MANAGEMENT DISCUSSION &	
ANALYSIS	
Building a Sustainable Future Through	1
Strategic Initiatives	.38
Our Integrated Value Creation Busines	
Model	.42

Operating Environment Overview ......44

Our Stakeholder

Our Material Topics Explained	.50
Capital Management Review	
Human Capital	56
Financial Capital	66
Manufactured Capital	76
Intellectual Capital	82
Social & Relationship Capital	. 86
Natural Capital	94
Performance of Business Segments	00
Terrormance of business segments	7 7

Engagement Strategy......46

GC	١V	FR	N.	44	JC.	F

Corporate Governance	.108
Risk Management Report	.164
Annual Report of the Board of Directors on the Affairs of the Company Human Resource and Remuneration	
Committee Report	
Audit Committee Report	.185
Related Party Transactions Review  Committee Report	187
Integrated Risk Management	
Committee Report	.188
FINANCIAL STATEMENTS	
Financial Calendar	.190

Internal Control Over Financial Reporting.....191

Responsibilities......192

Director's Statement on

Statement of Director's

Key Highlights	193
Independent Auditor's Report	194
Statement of Profit or	
Loss and Other Comprehensive	
Income1	98
Statement of Financial Position2	00
Statement of Changes in	
Equity - Company2	02
Statement of Changes in	
Equity - Group2	03
Cash Flow Statement2	04

Notes to the Financial Statements.....206

#### SUPPLEMENTARY INFORMATION

independent Assurance Report to	
Vallibel Finance PLC	300
GRI Content Index	304
Glossary of Financial Terms	307
Sources and Utilisation of Income	312
Information on Ordinary Shares	314
Ten Year Summary	316
List of Abbreviations	320
Corporate Information	321
Notice of Annual General Meeting.	322
Form of Proxy	323
Stakeholder Feedback Form	325
Notes	327

# POWER TO DO MORE

Financial empowerment extends beyond monetary transactions; it brings the ability to pursue dreams and create meaningful impact in the lives of people. Being aware that the financial landscape is constantly evolving, our philosophy centres around empowering individuals and businesses to achieve their financial goals with confidence.

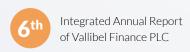
Dedicated to giving all our community the power to do more, we remain committed to being a catalyst for growth and progress in the lives of our people. By aligning our business objectives with the upliftment of our nation, we demonstrate our commitment to use finance as a force for good, thus giving our stakeholders the power to build a brighter future together.

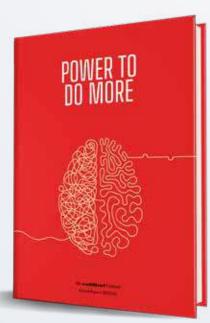






# About Our Integrated Annual Report





Vallibel Finance PLC is proud to release our sixth Integrated Annual Report for the financial year 2023/24. The report explores how we create value over time and is aligned with the International Integrated Reporting Council (IIRC) Framework, providing a comprehensive yet concise review of our performance for the financial year ended 2023/24. We've identified the most material factors influencing our value creation through a robust materiality assessment process. Stakeholder engagement was central throughout the process, ensuring the report addressed the information needs of all our stakeholders. We highlight the year's operational and financial performance, comparing it to the previous year, while also

emphasising the progress made in achieving our sustainability goals. This report offers a glimpse into our future, showcasing how our strategy integrates financial and nonfinancial aspects to ensure longterm value creation.

Our current 6th Integrated Annual Report FY ended 31st March 2024

#### **Reporting Period:**

1st April 2023 to 31st March 2024





Our 3rd Integrated Annual Report for the FY ended 31st March 2021

#### **Reporting Period:**

1st April 2020 to 31st March 2021

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 4th Integrated Annual Report for the FY ended 31st March 2022

#### **Reporting Period:**

1st April 2021 to 31st March 2022 Our 5th Integrated Annual Report for the FY ended 31st March 2023

#### **Reporting Period:**

1st April 2022 to 31st March 2023

#### **Boundary and Scope of Reporting**

Areas falling within the purview of our integrated report boundary.





To ensure convenient access for all our stakeholders, the Integrated Annual Report is available in a digital format on our website.

#### **GRI Content Index**

The GRI Content Index is available on pages 304 to 306 of this annual report.

#### **Demonstrating Transparency: Our Approach to Reporting**

This annual report focuses on the financial year from 1st April 2023 to 31st March 2024. The report provides qualitative and quantitative information, allowing for a richer understanding of the Company's performance. Comparisons to the previous year are included wherever relevant and possible. Additionally, the report offers insights into anticipated future developments based on what was known at the time of publication. To provide further context, relevant data from the past five years has also been incorporated.

#### Reporting Updates for the Financial Year Ending 2023/24

**Company Structure:** There were no significant changes in the organisation's type, structure, or ownership during the reporting period.

**Supply Chain:** The Company's supply chain remained consistent throughout the reporting period.

**Subsidiary:** Vallibel Properties Ltd., a subsidiary of Vallibel Finance PLC, began commercial operations on 9th November 2023. Their performance will be reflected in future capital reports.

Material Topics: The 12 key topics identified in the previous report remain relevant and have been included with adjustments reflecting developments during the past year. However, 'Economic Uncertainty' has been replaced with the topic of 'Macroeconomic Development and Policy Trends' for the reporting period.

#### **External Assurance**

Messrs. KPMG has audited the financial statements and the non-financial information included in this report. Their opinion confirms the accuracy and fairness of the financial statements presented on pages 194 to 197. Additionally, reasonable assurance has been obtained for the financial highlights on page 12 to 13, and limited assurance for the non-financial highlights on page 14 to 15. The full external assurance report can be found on pages 300 to 303.

External assurance promotes transparency, strengthens internal controls, and demonstrates the Company's commitment to sustainability and long-term value creation.

#### About Our Integrated Annual Report \_\_\_\_

#### **Reporting Frameworks and Guidelines**

The Company complies with several mandatory and voluntary reporting frameworks and guidelines to ensure unbiased and comprehensive 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



- 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
- Global Reporting Initiative Sustainability Reporting Standards (GRI) 2021







- Finance Business Act No. 42 of
- Listing Rules of the Colombo Stock Exchange (CSE)
- Finance Business Act Direction No. 05 of 2021 on Corporate Governance 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)







INTEGRATED REPORTING (IR)



This approach allows for a well-rounded understanding of the Company's performance and impact on various stakeholders.

#### **Precautionary Approach**

Vallibel Finance has considered the principle of caution when reporting by carefully reviewing all financial and non-financial information to ensure accuracy before including it in the report to reduce the possibility of misleading stakeholders

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

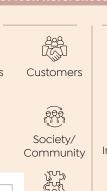
Senior DGM - Finance & Administration Vallibel Finance PLC No. 310, Galle Road, Colombo 03. Tel: 011-4393100

Government

Institutions & Regulators

Environment

# **Stakeholders** Shareholders Customers **Employees** Society/





# About Us

# Vision

Mission

Our work ethics involve working tirelessly to formulate and offer a financial product we do, including accountability in financial stewardship and our responsibility towards customers, stakeholders, and our country.



#### **Vallibel Finance: Empowering Sri Lankans Through Financial Services**

At Vallibel Finance, we are dedicated to crafting innovative financial solutions that cater to the evolving needs of Sri Lankans. We strive for excellence in everything we do, from financial stewardship to fostering trust with our customers, employees, suppliers, other stakeholders, and the nation

We envision a Sri Lanka where financial prosperity is inclusive and accessible to all. Driven by a relentless passion to empower individuals, we aim to transform the financial landscape and create a nationwide wave of economic awakening.



A Legacy of **Empowering** Sri Lanka

For over 17 years, Vallibel Finance has been a leading force for financial inclusion in Sri Lanka. We understand the diverse needs of our customers, large or small, and offer customised solutions to help them achieve their financial goals.

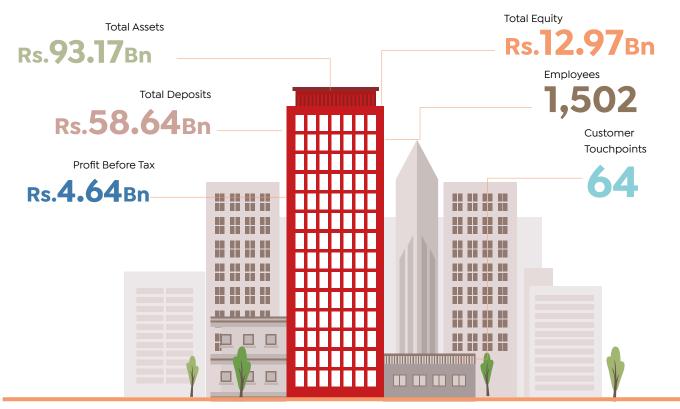
Extensive Network, Exceptional Service

Our commitment to accessibility is reflected in our expansive branch network. With 64 branches across all eight provinces (Western, Central, Sabaragamuwa, Southern, North-Western, Uva, North Central and. Northern), we ensure convenient access to financial services for Sri Lankans throughout the country.

A Dedicated Team by Your Side

Supporting our operations is a team of 1,502 passionate employees who share our commitment to delivering exceptional customer service. We believe in building long-term relationships with our clients and providing them with the highest standards of support.

#### **Building a Strong Foundation**



# Looking to the Future: A Commitment to Growth and Value

With the power of possibility on our side, we will work towards creating the financial tools needed to turn dreams into reality. We are here to empower Sri Lankans to achieve their financial goals, big or small.

We will also actively pursue an aggressive branch expansion strategy to establish a strong brand presence in all localities across Sri Lanka. This expansion will bring financial services directly to our customers' doorsteps, making it easier than ever to access a variety of solutions.

The Vallibel Finance state-of-the-art corporate office within the greater Colombo area is a landmark building

#### **Shareholding Structure**



showcasing our unwavering responsibility to our stakeholders. It also stands as our dedication to shaping Sri Lanka's ever-evolving financial future through excellence and innovation.

By combining our passion for financial inclusion with a strategic expansion plan and a commitment to world-class infrastructure, Vallibel Finance is positioned to be the strongest partner in achieving all our stakeholders' dreams.

#### **Annual Report Structure and Content 2023/24**

#### Leadership

- Chairman and Managing Director's Statement: Presents a comprehensive overview of the financial year, highlighting key challenges, developments, and future strategic direction, while addressing stakeholder concerns.
- Board of Directors and Management:
   Provides information about the
   Company's leadership team, their
   roles in strategy development
   and implementation, and their
   commitment to sustainability
   and success.

#### **Business Model and Value Creation**

Explains the methodologies used to establish and maintain a business model that fosters long-term value creation for all stakeholders.

#### Management Discussion and Analysis

 Provides a comprehensive overview of the Company's business operations, considering the economic and industry environment, and progress in key areas.

#### Stakeholder Engagement and Materiality

- Stakeholder Engagement
   Analysis: Offers insights into the
   Company's primary stakeholder
   groups, detailing selection and
   engagement processes.
- Materiality Analysis: Presents a clear approach to selecting and prioritising material topics, associated risks and opportunities, and their integration into the corporate strategy.



#### Capital Management Review

- Analyses, discusses, and compares the value generated for stakeholders across various capitals (human, financial, manufactured, intellectual, social, relationship, and natural).
- Addresses challenges encountered and anticipated future challenges.
- Includes future-oriented information about planned value-creation activities.

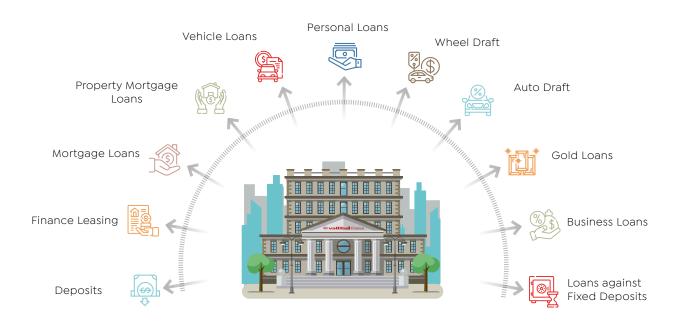
#### Governance and Risk Management

- Provides an overview of the governance and risk management structures, policies, processes, and measures established to uphold responsible, transparent, and ethical practices.
- Explains the shared responsibilities of the Board, Management, and employees in maintaining these practices.

#### Financial Reports

- Statutory accounting and Financial Statements with accompanying disclosures offer comprehensive insights into the Company's operations for the financial year.
- Comparisons with the previous year provide a broad understanding of the Company's performance.

## **Our Product Portfolio**





#### Gold Loan

Need cash fast? Our gold loan service provides a hassle-free and convenient method to leverage the value of gold for a quick loan. We offer competitive loan amounts based on the current gold value. We regularly review our terms to ensure they meet our customers' evolving needs. Our commitment to customer service guarantees a positive experience, while our well-located branch network serves to make financial solutions easily accessible.

#### Leasing

We don't just offer leases; we offer leasing that adapts to you! We constantly innovate our plans with flexible terms and add-on services. Competitive rates and a streamlined process ensures our customers an easy start to the process. We offer exceptional customer service and a nationwide network of branches to ensure uninterrupted customer support throughout the lease period.



#### Fixed Deposit

With our fixed deposit options, our customers are given the possibility to grow their money safely and securely! Enjoy guaranteed returns, flexible terms, and the opportunity to leverage a deposit for a loan with interest only on the amount used. We offer competitive interest rates, senior citizen benefits, and deposit insurance for your peace of mind. Our advisors are ready and willing to guide customers, and our extensive branch network provides streamlined conveniences

#### \_ .

Customers have the opportunity to apply for a loan that suits their needs. We offer competitive interest rates and flexible terms that can be adjusted to your specific needs. Loan terms, including repayment options, are clearly defined upfront. Our customer service ensures a smooth experience, while our extensive branch network simplifies the process of obtaining the loan.

#### Vehicle Loan

Experience streamlined convenience. We offer tailor-made loan options to fit customer needs, with a faster and easier application process. Our commitment to continuous improvement ensures our products remain relevant, while customer service guarantees a positive experience. Our extensive branch network facilitates this service across the country.

#### Mortgage Loan Portfolio

Our solutions are flexible and can be customised to suit the unique financial situations and goals of individual customers. We regularly update our offerings to align with evolving customer requirements. Experience exceptional customer service every step of the way. Our extensive branch network provides a hassle-free access to our products and services.





#### Property Mortgage Portfolio

We understand that every person's financial journey is unique. That's why we offer flexible solutions that can be tailored to specific needs. We are constantly innovating to keep pace with evolving market demands, ensuring customers always have access to the most relevant options. Exceptional customer service is our priority, and our widespread branch network makes everything conveniently accessible.



Obtain a great deal, easily. We offer competitive interest rates and a hassle-free application process. Plus, we're constantly innovating to better meet customer needs. Our customer service ensures a smooth experience, and our widespread branch network makes access convenient.

Personal Loan



#### **Vallibel Auto Draft**

Obtain an auto draft loan that is designed for you, on your terms. We offer a streamlined process with enhanced convenience, highly competitive rates, and personalised repayment options. We constantly improve our offerings to meet our customers' evolving needs, all delivered via an outstanding branch network and a customer service.



#### **Vallibel Wheel Draft**

Get a loan that fits your budget. We offer customisable repayment periods that can extend up to 12 months, depending on the loan amount. We regularly update our offerings to better serve our customers, and exceptional customer service is always a priority. Our branch network spread across the country ensures convenience and seamless loan processing facilities.

#### **Loan Against Fixed Deposit**

Our loan against fixed deposit is designed specifically for our valued fixed deposit customers. It provides a convenient short-term solution for urgent financial needs, all at competitive interest rates. We regularly update our offerings to ensure the solution meets changing customer needs. Our customer service throughout the process is exceptional, and our extensive branch network provides easy access.





Vallibel Finance reigns supreme again, winning Best Finance Company for a record-breaking 3rd year!







In the year under review, Vallibel Finance stood as a beacon of hope for Sri Lankans endeavouring to progress with premeditation. As we prepare for a future of furnishing dreams, we present a concise picture of our efforts to provide relief, confidence and strength to people and businesses.

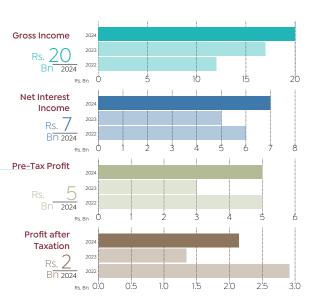
### ORGANISATIONAL OVERVIEW

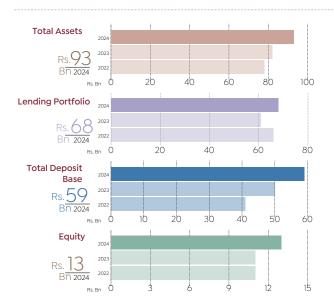
Financial Highlights	12
Non-Financial Highlights	14
Evolutionary Milestones: A Journey of Achievements	16
Awards and Accolades	18
Chairman's Statement	20
Managing Director's Message	24
Board of Directors	28
Corporate Management Team	30
Soniar Management Team	33

# Financial Highlights

For the Year Ended / As at 31st March		2024	2023	Change %
Financial Performance				
Gross Income	Rs. thousand	20,029,639	16,704,448	19.9
Interest Expense	Rs. thousand	11,365,024	11,013,954	3.2
Net Interest Income	Rs. thousand	7,006,612	4,661,764	50.3
Total Operating Income	Rs. thousand	8,664,616	5,690,494	52.3
Pre-Tax Profit	Rs. thousand	4,644,589	2,762,600	68.1
Income Taxation	Rs. thousand	1,313,647	725,908	81.0
Profit after Taxation	Rs. thousand	2,141,553	1,339,572	59.9
Financial Position				
Total Assets	Rs. thousand	93,167,549	82,324,075	13.2
Lending Portfolio	Rs. thousand	68,241,967	61,371,395	11.2
Total Deposit Base	Rs. thousand	58,643,446	49,659,457	18.1
Borrowings	Rs. thousand	16,032,253	18,613,426	(13.9)
Shareholder's Funds	Rs. thousand	12,973,793	11,086,926	17.0
Investor Information				
Earnings Per Share (EPS)	Rs. per share	9.10	5.69	59.9
Net Assets Per Share	Rs. per share	55.10	47.09	17.0
Market Value Per Share	Rs. per share	39.00	32.90	18.5
Market Capitalisation	Rs. thousand	9,182,683	7,746,417	18.5
Price Earning Ratio (PE)	Times	4.29	5.78	(25.9)
Dividend per share (DPS)	Rs. per share	_	1.00	(100.0)
Key Ratios				
Return on Average Equity - After Tax	%	17.80	12.32	44.5
Return on Average Assets - After Tax	%	2.44	1.67	45.8
Interest Cover	Times	1.41	1.25	12.7
Equity / Assets	Times	0.14	0.13	3.4
Lending Portfolio / Deposits	Times	1.16	1.24	(5.8)
Debt plus Total Deposit to Equity	Times	5.76	6.16	(6.5)
Non Performing Ratio - Gross	%	5.88	6.16	(4.5)
Non Performing Ratio - Net	%	0.88	1.33	(33.8)
Statutory Ratios				
Liquid Assets	%	22.60	26.92	(16.0)
Core Capital Ratio - Minimum Required 8.50%	%	17.06	17.02	0.2
Total Risk Weighted Capital Ratio - Minimum Required 12.50%	%	19.80	22.26	(11.0)









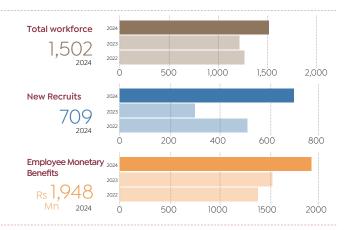


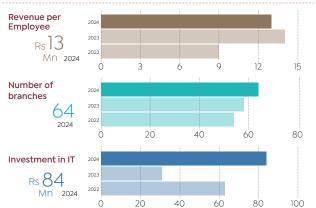


# Non-Financial Highlights

For the Year Ended / As at 31st March		2024	2023
Capital Indicators			
Human Capital			
Total Workforce	number	1,502	1,220
New Recruits	number	709	306
Employees Completed 10 Years of Service	number	158	144
Investment in Training and Development	Rs. thousand	819	542
Employees Monetary Benefits	Rs. thousand	1,948,215	1,552,819
Staff Retention Ratio	%	80	78
Female Representation	%	37	35
Return to Work After Maternity Leave	%	81	63
Gender Diversity Ratio (Male : Female)	%	63:37	65:35
Revenue per Employee	Rs. thousand	13,335	13,692
Manufactured Capital			
Branches	number	64	58
New Branches Opened	number	6	4
Branches outside Western province	number	32	28
Investment in Property, Plant and Equipment	Rs. thousand	359,725	181,367
Investment in IT Development	Rs. thousand	83,609	31,448
Intellectual Capital			
Credit Rating, LRA	rating	BBB+	BBB+
Brand Rating, LMD	rating	A-	A
Collective Tacit Knowledge	number	1,502	1,220
Social and Relationship Capital			
Economic Value Added	Rs. thousand	20,029,639	16,704,448
Economic Value Distributed To:			
Depositors and Lenders	Rs. thousand	10,721,969	10,417,334
Employees	Rs. thousand	1,947,396	1,552,280
Government	Rs. thousand	2,525,450	1,436,128
Payment to providers of capital	Rs. thousand	878,507	1,067,526
Community Development Programmes	number	20	16
Total Loans Disbursed	Rs. thousand	50,399,728	24,155,350
Natural Capital			
Electricity Consumption - Head Office	kWh	342,404	252,550
Electricity Consumption - All Branches	kWh	1,218,671	1,006,808
Water Consumption - Head Office	m3	4,966	3,805
Water Consumption - All Branches	m3	14,646	11,070
Paper re-cycled	Kg	7,154	2,402
A4 Paper Usage at Head Office	Packs	2,219	1,223
A4 Paper Purchased at Head Office	Packs	2,483	1,308
Fuel Usage	Litres	29,551	18,956



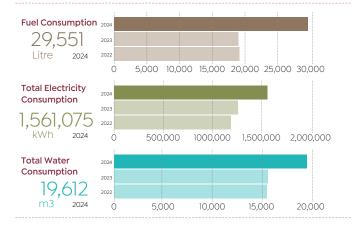














# **Evolutionary Milestones: A Journey of Achievements**

- Inaugurated the much-anticipated Vallibel Finance Corporate Office in the heart of Colombo.
- Focused on an aggressive branch expansion, and successfully established 6 branches for the year ended 31st March 2024.
- Asset base increased by 13.2% to Rs. 93.17 Bn.
- Recognised as 'Best Finance Company – 2023' Sri Lanka by The Global Economics Awards for third consecutive year.
- Gold Loan portfolio grew by 78% during the financial year 2023.
- Asset base reached Rs. 82.32 Bn as at 31st March 2023.
- Recognised as 'Best Finance Company – 2022' Sri Lanka by The Global Economics Awards.
- The Gold Loan portfolio reached Rs. 8 Bn as at 31st March 2022.
- Total asset base surpassed Rs. 70 Bn and deposit base grew to Rs. 38 Bn as at 31st January 2022.
- Gross income exceeded Rs. 9.7 Bn as at 31st January 2022.
- Customer outreach points surpassed 50.

2023

- 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.
- 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.

2014 2015 2016

- 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

Transfers (Pvt) Ltd.

selected branches.

in Nugegoda.

Western Union -MBBL Money

Opened the first Premier Centre

Introduced Group Personal Loans

and Property Mortgage Loans in

- Total assets reached over Rs. 6
  Bn, while the fixed deposit base amounted to Rs. 4 Bn as at 31st
  March 2012.
- The Head Office was relocated to a prominent location on No. 310, Galle Road, Colombo 03.
- Growth supported by 10 branches across the island.

2012

2013

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. Crowned Brand of the Year Sri Lanka 2020 - Financial Services by the Global Brand value increased by 26.56%. Banking & Finance review at the 10th Recognised as 'Best Finance Company - 2021' Sri Lanka by The Global Global Banking & Finance Awards. Economics Awards. Crowned Most Innovative Finance Honoured as the 'Best Auto Finance Company 2021' by Global Banking & Product Sri Lanka 2020 - Vallibel Finance review at the 11th Global Banking & Finance Awards. Wheel Draft by the Global Banking & Finance review at the 10th Global ICRA Lanka upgraded the Company's credit rating to [SL] BBB+ with a stable Banking & Finance Awards. 2020 Continued branch network expansion Celebrated the corporate milestone operating 40 branches across the of providing 10 years of customised island as at 31st March 2019 financial products to the Sri Lankan The Company was certified as a financial industry having achieved Great Place to Work™ in Sri Lanka and unprecedented growth over the years. The Company's profit after tax selected to be among the '25 Best recorded over Rs. 1 Bn as at 31st Places to Work in Sri Lanka'. The opening of the Uragasmanhandiya March 2018. branch resulted in Vallibel Finance The fixed deposit base exceeded Rs. 25 becoming the first finance company Bn as at 31st March 2019. ICRA Lanka upgraded the serving customers in this town and the Company's credit rating to [SL] Brand Finance Sri Lanka upgraded surrounding vicinity. BBB with stable outlook. the Vallibel Finance brand rating to A+ as one of Sri Lanka's Most Valuable The Company's branch network The Company achieved the status Consumer Brands of 2019 expansion continued reaching 32 of the 'Most Respected Finance/ strategic locations by 31st March 2017. The Company was considered to be Leasing Company' in LMD's Most among the 100 Most Valuable Brands Respected Rankings in 2017. Introduced Micro Financing to the by LMD in 2019. The Company's brand Company's product portfolio. The Company was also awarded value reached Rs. 1,300 Mn. the status of 'Sector Winner' of the The Vallibel Auto Draft was recognised The Gold Loan portfolio reached Rs. 3 Bn. Finance and Leasing Sector by as the "Most Innovative Finance Product The Company's asset base surpassed LMD's Most Respected Rankings in Sri Lanka" by the 2007 Global Banking Rs. 50 Bn as at 31st September 2019. in 2017. & Finance Review Awards. The ground breaking ceremony of The Company was rated among The Company was ranked as the "Fastest the new Corporate Office premises the fastest in Sri Lanka to cross Rs. 1 Growing Auto Financing Company in promised to be a 16-storey financial Bn in profits. Sri Lanka" by the 2007 Global Banking & landmark in Colombo took place on Finance Review Awards. 07th November 2019.

2017 2018 2019

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

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

Acquired by the Vallibel Group of companies and renamed as Vallibel Finance.

2010 2007 2005

## **Awards and Accolades**

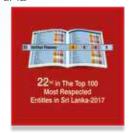
#### 2016

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



#### 2017

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



#### 2017

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



#### 2017

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



#### 2019/20

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



#### 2020

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



#### 2020

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



#### 2017

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



#### 2018

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



#### 2018

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



#### 2018

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



#### 2020/21

Received A+ Brand Rating from Brand Finance Sri Lanka



#### 2020/21

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



#### 2021

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



#### 2022

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

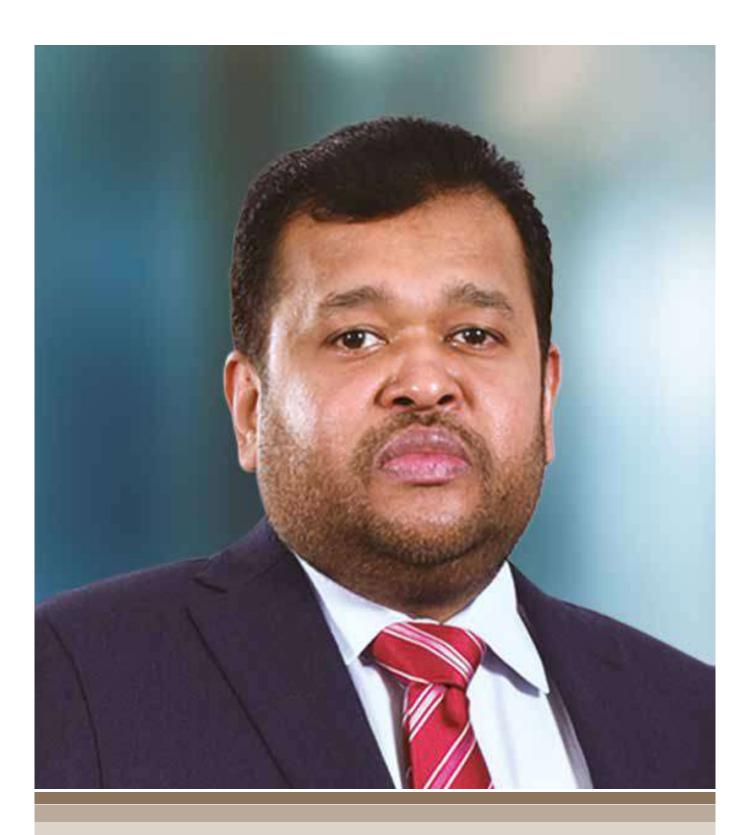


#### 2023

Best Finance Company - Sri Lanka Global Economics Awards



# **Chairman's Statement**



K D A Perera Chairman Vallibel Finance has a well-deserved reputation for empowering Sri Lankans and driving our nation's financial progress. In line with this mandate, Vallibel Finance embarked on the development of our landmark corporate office building in the heart of Colombo in 2019, and moved into our new state-of-the-art corporate office during the year under review.

#### Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Vallibel Finance PLC's annual report for the financial year ending 31st March 2024. We have prepared our annual report for the sixth consecutive year using a comprehensive framework that combines financial and sustainability reporting. This framework aligns with the Integrated Reporting Framework, overseen by the IFRS Foundation, and the GRI Universal Standards 2021 issued by the Global Reporting Initiative (GRI).

Vallibel Finance has a well-deserved reputation for empowering Sri Lankans and driving our nation's financial progress. In line with this mandate, Vallibel Finance embarked on the development of our landmark corporate office building in the heart of Colombo in 2019, and moved into our new state-of-the-art corporate office during the year under review.

While the financial year under review presented its share of external challenges, particularly in the first half, we are pleased to report that the Company's performance strengthened alongside the improving macroeconomic environment. This reinforces our unwavering mission and supports our financial inclusion efforts for all Sri Lankans.

The Company recorded growth in both our lending and deposit portfolios

supported by the positive sentiment within the financial services sector due to improving key economic indicators. Accordingly, the Company's lending portfolio recorded an 11.2% growth compared to the 6.5% decline in the previous financial year. The deposit base also expanded, recording an 18.1% growth during the financial year ended 31st March 2024. Better performance in our key products resulted in a turnaround in gross income and profitability. The Company's gross income increased by 19.9% to Rs. 20.03 Bn during the year under review, compared to the 38.4% increase recorded in the previous year. Profit before tax recorded a 68.1% growth to Rs: 4.64 Bn for the year ended 31st March 2024, compared to the Rs. 2.76 Bn recorded in the previous year. However, the Company's interest expenses, and operational costs continued their rising trend driven by the higher interest rates and inflation levels compared to past

Despite facing challenges, the Company's balance sheet remains robust, a testament to our prudent asset and liability management strategies. The Company's total assets increased by 13.2% to Rs. 93.17 Bn compared to the Rs. 82.32 Bn record in the previous financial year. Thus, the Company is well-positioned to reach the significant milestone of 100 Bn in assets by the end of the next financial year.

**68.24** Bn

Lending Portfolio (Rs.)

**58.64** Bn

Deposits Base (Rs.)

**20.03** Bn

Gross Income (Rs.)

**93.17** Bn

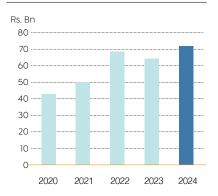
Total Assets (Rs.)

**2.50** Bn

Total Taxes (Rs.)

Looking ahead, we are confident that the strategies we have implemented position Vallibel Finance for continued growth and success, even amidst evolving and unpredictable market conditions. The improving economic environment in 2024 presents a strong tailwind for enhanced performance and sustainable long-term growth.

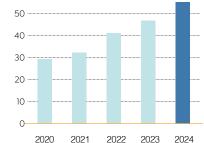
#### **Gross Loans & Advances**



The Company made strategic investments across our capital base to deliver value for all stakeholders. These investments aim to ensure long-term business sustainability and create lasting value for all our stakeholders. For our customers, our focus was on expanding our reach. The Company invested in six new branches, bringing our services closer to communities nationwide. Additionally, we invested in IT infrastructure to enhance operational efficiency, translating to faster service and a more user-friendly experience for our customers.

Rs. Bn 60

**Deposit Base** 



We prioritised employee development by investing in learning and development programs, enhanced welfare benefits, and engaging in team-building activities. These investments foster a culture of continuous learning, well-being, and collaboration, ultimately empowering our employees to excel in their roles and deliver exceptional service.

By strengthening our business foundation and expanding our reach, the Company is well-positioned for continued growth, ultimately benefiting our shareholders. This is reflected in the 17% increase in the Company's shareholders' funds, which amounted to Rs. 12.97 Bn during the year under review, compared to the Rs. 11.09 Bn recorded in the previous financial year.

Additionally, the Company's CSR activities support community development, while our new branches bring financial services to underserved areas, promoting financial inclusion and contributing to their economic development.

Upholding our commitment to transparency and ethical business practices, Vallibel Finance remains steadfast in implementing robust corporate governance principles across all our operations. This commitment extends to proactive risk management practices, ensuring long-term sustainability and stakeholder value creation.

The Company continues to maintain a strong track record of regulatory compliance and a commitment to upholding the highest ethical standards. As a responsible publicly listed entity, we prioritise adherence to Central Bank of Sri Lanka (CBSL) regulations and the requirements set by the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE). Furthermore, we have implemented a Code of Business Conduct and Ethics that applies to all employees throughout the company and there were no reported violations contrary to the Company's ethical business practices which occurred during the financial year under review.

These comprehensive approaches have resulted in a positive BBB+ credit rating from the Lanka Rating Agency.

Looking ahead, we are confident that the strategies we have implemented position Vallibel Finance for continued growth and success, even amidst evolving and unpredictable market conditions. The improving economic environment in 2024 presents a strong tailwind for

enhanced performance and sustainable long-term growth. Accordingly, we will strategically continue to expand our branch network, bringing our financial services closer to underserved communities throughout Sri Lanka. Additionally, we will invest in enhancing existing branches to provide a more modern, efficient, and customer-centric experience.

To ensure continued personal growth and development for our employees, we remain committed to fostering a culture of continuous learning and development. As such we will invest in training programs that provide our employees with the skills and knowledge they need to excel in their roles, deliver exceptional service, and embrace innovation.

Recognising the transformative power of technology, we will strategically invest in digitalisation initiatives to streamline our operations, enhance efficiency, and provide our customers with convenient and user-friendly access to our services.

The changing operating environment also requires a dedicated understanding of the evolving financial needs of our diverse customer base. We will leverage market research and customer insights to develop innovative financial products and services that cater to those needs and promote financial inclusion.

As we strive for growth, remain resolute in our commitment to our mission and conducting our business in a responsible and ethical manner. We will continue to uphold the highest standards of corporate governance, and environmental and social best practices.

By prioritising these strategic initiatives, Vallibel Finance is well-positioned to navigate the evolving market landscape, solidify its position as a leading financial institution in Sri Lanka, and create long-term value for all its stakeholders...

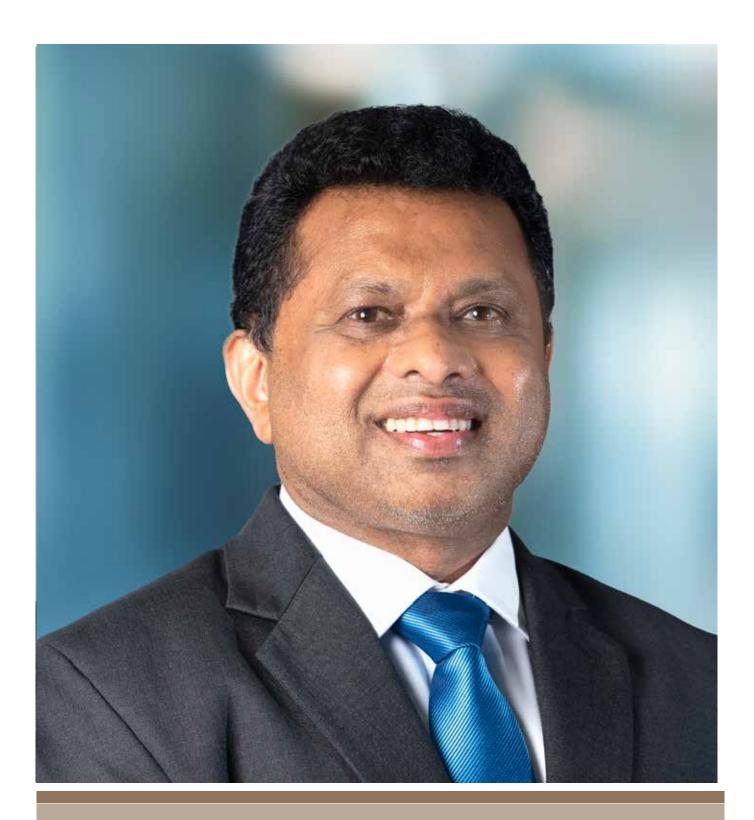
In closing, I would like to express my sincere gratitude to Mr S.B. Rangamuwa, the Managing Director, and our dedicated team of employees whose hard work and commitment are the backbone of our success. I also extend my appreciation to our valued shareholders and customers for their continued trust and partnership.

I sincerely thank the Board of Directors for their constant guidance and support throughout the year. My most profound appreciation also goes to our Founder Chairman, Mr. Dhammika Perera, for his invaluable advice and exemplary leadership.

On behalf of the Board and the entire Vallibel Finance team, we eagerly anticipate your continued support and trust as we navigate the future together.

K D A Perera

# Managing Director's Message



#### S B Rangamuwa

Managing Director

The successful construction and completion of our new corporate office within a two-to-three-year timeframe is a testament to Vallibel Finance's unwavering strength and resilience. This accomplishment is even more remarkable considering the challenges posed by the emergence of COVID-19 and the 2022 economic crisis. It reflects the dedication and hard work of both our employees and all those involved in the project.

Vallibel Finance PLC achieved significant milestones in the financial year under review. We successfully completed the construction of our new, state-of-the-art corporate office. In June 2023, we unveiled our transformative ultra-modern Corporate Office, poised to propel the Company's growth in the recovering Sri Lankan economy.

Our financial performance exceeded expectations, reflecting our positive outlook. Revenue and profitability grew steadily throughout the year, demonstrating significant value creation for our stakeholders. Accordingly, the Company achieved a 20% growth in revenues, while profit after tax recorded a growth of 60%.

#### **Operating Context**

The Sri Lankan economy emerged from a six-quarter contraction, marking a return to growth by the latter half of 2023. This turnaround came after a period of significant hardship. Inflation, a major concern in 2022, showed signs of gradual moderation throughout 2023. This easing of price pressures has improved the operating environment for businesses and industries. Additionally, the successful debt restructuring efforts, along with progress made in tackling the twin deficits - a major source of the 2022 crisis - continue to be positive developments for economic stability and future operations. However, the country and its government must maintain the commitment to economic reforms in the coming years to ensure long-term sustainability and responsible debt management.

Economic recovery also had a positive impact on the financial sector. Sri Lanka's Licensed Finance Companies (LFCs) sector displayed impressive resilience in 2023. Even amidst a challenging economic climate, the sector maintained adequate capital and liquidity buffers, demonstrating stability. This financial strength was crucial as overall financial sector stability faced pressures. Thus, the LFC sector saw growth in assets, deposits, and profitability. However, a rise in non-performing loans indicates some deterioration in asset quality. This highlights a need for continued monitoring to ensure long-term financial health.

Looking deeper, the LFC sector boasts a wide geographic reach with over 1,800 branches. Notably, over 65% of these branches are located outside the Western Province, promoting financial inclusion, and making financial services accessible to a wider population. The sector's investment focus also reflected the improving economic environment, with many leading players moving forward with their branch expansion strategies.

## **Strong Financial Performance Drives Growth**

The Company's performance continued its growth momentum during the financial year under review, supported by the improving operating conditions and the recovery of Sri Lanka's economy. Accordingly, the lending portfolio which recorded a 7% decline in the previous financial year, witnessed a turnaround during the financial year ended 31st

**20**% **6** 

Revenue Growth

60% c

**Profit After Tax Growth** 

13.2%

**Assets Growth** 

1,500+

Workforce

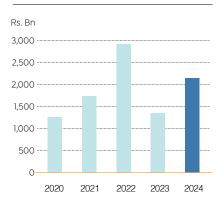
11.20%

Portfolio Expansion



Brand Rating, by LMD

#### **Profit After Tax**



6

**New Branches** 

5.88%

**Gross NPL Ratio** 

March 2024, recording an 11% growth. This reiterates the trust placed in the Vallibel brand by our customers.

The NPL ratio, a measure of non-performing loans, decreased to 5.88% at the year-end, compared to the 6.16% recorded at the end of the previous financial year. The Company's NPL ratio, which is among the industry best, continues to remain significantly lower than the industry average, a testament to our strict risk management practices.

Vallibel Finance's total assets reached Rs. 93.17 Bn by the end of the year under review, reflecting a growth of 13.2% compared to the 5.96% growth achieved in the previous financial year. The next milestone that we focus on for our assets base is the Rs. 100 Bn landmark horizon.

While the pace of revenue growth moderated compared to the previous year, Vallibel Finance continued its positive trajectory during the year under review. Revenue increased by a healthy 19.9%, following a remarkable 38.4% growth in the previous financial year. Similarly, the deposit base saw an 18.1% increase, building on the impressive 21.1% growth achieved previously.

Encouragingly, the Company defied the decelerating growth momentum and recorded positive growth in both pretax and post-tax profits during the year under review. Pre-tax profits increased by 68.1% and post-tax profits increased by 59.9%. This improvement comes after a decline in profit growth observed in the previous financial year.

#### **Expanding Our Reach**

Financial inclusion remains a cornerstone of Vallibel Finance's mission. This year, we actively expanded our reach by opening five new branches in Wariyapola, Matale, Mahiyanganaya, Weligama, and Boralesgamuwa. These strategically chosen locations bring essential financial services closer to a wider population in Sri Lanka.

Additionally, our sixth and most significant branch of the year opened in June 2023. Located in our corporate office in Colombo 03, this landmark branch will offer our customers superior services in a ultra-modern environment hither to not experienced in the financial services sector.

#### **Delivering Exceptional Service**

Delivering exceptional customer service remains a top priority for the Company. Understanding that customer satisfaction is key to our success, we strive to deliver on our promises. Despite the challenges our customers continued to face as the economy stabilised, we dedicated significant resources to meet their needs and ensure an unparalleled experience. Through proactive communication, personalised assistance, and careful

attention to feedback, we consistently endeavour to exceed customer expectations.

## Managing Costs and Maintaining Quality

We recognise the importance of responsible financial management. The management continued to focus on, and implement, effective cost control mechanisms to proactively minimise expenses. This included optimising products and services to achieve cost savings without compromising quality for our customers.

#### **Milestones and Achievements**

Vallibel Finance was recognised as Sri Lanka's Best Finance Company for the three consecutive years 2021, 2022, and 2023 by the Global Economics Awards. This recognition by the Global Economics Awards serves as a powerful validation of our ongoing efforts and future direction. Claiming this prestigious title for the third consecutive year reinforces our commitment to excellence in everything we do, and is a testament to the Company's victories.

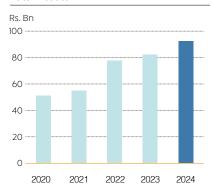
In an endorsement to our robust financial management and strategic planning, Vallibel Finance secured a BBB+ credit rating from the Lanka Rating Agency during the year under review. The strong credit rating serves as a powerful validation of our commitment to sound business practices. It reaffirms our confidence in the chosen strategies and our solid foundation for sustained operations well into the future.

Lanka Monthly Digest (LMD) recognised Vallibel Finance as one of the 100 Most Valuable Consumer Brands in Sri Lanka, giving the Company an A- brand rating for 2023.

#### **Creating Value for Our Stakeholders**

Vallibel Finance remains unwavering in our commitment to creating value for all stakeholders. By consistently supporting and collaborating with our stakeholders,





we aim to build unwavering confidence in Vallibel Finance. This strengthens our reputation as a partner truly dedicated to their success and well-being. As this trust grows, we gain the power to do more, enabling us to achieve even greater success together.

We achieve this by operating with a well-defined corporate strategy and working diligently towards achieving our objectives. Additionally, we proactively implement strategies that anticipate and adapt to evolving market conditions.

We also actively listen to our stakeholders' needs and concerns, fostering a collaborative environment which provides us with information that supports service improvements and innovative product developments.

Furthermore, by prioritising stakeholder value creation, Vallibel Finance builds long-term sustainability and fosters trust. We demonstrate our dedication by acting as a reliable financial partner, standing by our stakeholders through both favourable and unfavourable times.

## A Brighter Horizon for Sri Lanka and Vallibel Finance

While 2023 recorded much improvement from an economic perspective compared to 2022, the dawn of 2024 brought a more optimistic outlook for Sri Lanka. The encouraging economic progress witnessed in the latter half of 2023 is projected to carry over into the

coming years, fuelled by continued reforms under the International Monetary Fund's Extended Fund Facility (IMF-EFF) program. This comprehensive approach will support broad-based economic growth across all sectors while maintaining domestic price stability.

The improved economic forecast for Sri Lanka opens a significant door for Vallibel Finance to accelerate our growth. We are strategically positioned to capitalise on this positive environment through a multi-pronged approach designed to expand our reach, tailor solutions to evolving customer needs, and continuously improve customer service.

We will significantly enhance accessibility to our financial services by opening nine new branches across the country. This expansion brings Vallibel Finance closer to a wider population, fostering financial inclusion and serving the diverse needs of local communities.

We are committed to understanding and anticipating the changing needs of our customers. This begins with in-depth market research and a thorough analysis of customer feedback. Based on these insights, we will develop innovative financial products that cater to these evolving demands. Additionally, we will continuously reassess and refine our existing product portfolio to ensure perfect alignment with customer expectations. This involves optimising features, interest rates, and repayment structures to create a more attractive and accessible range of financial solutions for individuals and businesses.

We will maintain exceptional customer service as a cornerstone of our success. Recognising the importance of investing in our people we will invest in training and development programs to equip our employees with the knowledge, skills, and technology to deliver exceptional customer experiences consistently. Additionally, we will continuously review and improve our internal processes to enhance efficiency and reduce wait

times for customers through close collaborations with our dedicated staff. This includes leveraging digital solutions to streamline loan applications, account management, and other customer touchpoints.

By implementing these focused initiatives, the Company is poised to take advantage of the improved economic climate and achieve sustainable growth in the years to come. This will allow us to create greater value for our stakeholders, contribute to the financial well-being of Sri Lankans, and solidify our position as a leading financial institution.

#### Acknowledgements and Appreciation

I would like to express my sincere gratitude to all those who played a vital role in Vallibel Finance's success during the year under review. Our senior management team and all staff members deserve immense recognition for their unwavering dedication and collective efforts. They were pivotal in overcoming challenges and achieving our goals.

To the Chairman, Board of Directors, and our esteemed Founder Chairman, Mr. Dhammika Perera, I extend my deepest appreciation for your astute guidance and leadership. Your foresight has been instrumental in keeping us on the right track.

Finally, a heartfelt thank you to all our stakeholders. Your unwavering trust, loyalty, and constant belief in our Company have been a critical element in our ongoing progress and achievements.

We are grateful for your continued support enabling us to have the power to do more.

Zhar

**S B Rangamuwa**Managing Director

# **Board of Directors**



**KDA Perera** Chairman



**S B Rangamuwa**Managing Director



**S S Weerabahu** Executive Director



**J Kumarasinghe**Independent Non-Executive Director



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



MAKB Dodamgoda
Independent Non-Executive Director

#### **KDA Perera**

#### Chairman

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

He serves as Director of Vallibel Investments (Pvt) Ltd., Bally's Limited, Country Energy (Private) Limited, Alternate Power Systems (Pvt) Ltd., Bellagio Limited, Greener Water Ltd., Summer Season Ltd., L T L Development Ltd., Vallibel Power Kiriwaneliya (Pvt) Ltd., Neon – X (Pvt) Ltd., Kitulgala Hydro Power (Pvt) Ltd., LWL.Development (Pvt) Ltd., Swisstek Development Ltd., Beverly Jewellers (Pvt) Ltd. and Neonlite (Pvt) Ltd.

#### **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 was a Director of Mercantile Investments PLC having held various key positions during his longstanding career until he joined to launch Vallibel Finance PLC in February 2007.

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

#### S S Weerabahu

#### **Executive Director**

Mr. Sisira Sirimevan Weerabahu possesses 42 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 of Science Degree in Civil Engineering.

Mr. Weerabahu is a Member of the Institute of Engineers of Sri Lanka and is a Fellow of the Chartered Institute of Management

Accountants UK. He has followed the Master of Business Administration Degree programme at the Postgraduate Institute of Management of the University of Sri 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.

He joined the Vallibel Finance PLC as Director in 2020 and continues to date.

He is a Director of Vallibel Properties Ltd. since 2021 to date.

#### **J Kumarasinghe**

#### Independent Non-Executive Director

A past president of Chartered Institute of Personnel Management Sri Lanka and Asia Pacific Federation of HRM, he has earned his B.Com (Sp) Colombo, MSc in Asia Pacific HRM, National University of Singapore and completed CMA (Australia).

A visiting lecturer in HRM at University of Moratuwa in their Master's degrees, he was awarded the CIPM Gold Medal in 2006 for his outstanding contribution to the field of HRM. Also, currently he serves as a COO / Senior VP of One Billion Tech (Pvt) Ltd, and Director of Kent Ridge (Pvt) Ltd.

#### 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.

#### MAKB Dodamgoda Independent Non-Executive Director

Mr. Kapila Dodamgoda is the Regional Director of the Institute of Certified Management Accountants (ANZ) Sri Lanka and the Founder/Managing Director of the Academy of Finance (Private) Limited. He has been a Director of the National Engineering Research and Development Centre (NERD).

Mr. Dodamgoda was the Finance Director for MAS Investments, the General Manager of Finance - Overseas Operations in Madagascar, Vietnam, and India for MAS Active (Private) Limited. He was also a Senior Manager for Trade Finance and Corporate Finance at Vanik Incorporation Limited and an Engineer at Hayleys Electronics (Private) Limited.

The Academy of Finance has pioneered the launching of the ICMA-ANZ, Chartered Institute of Securities and Investments (CISI-UK), Institute of Internal Auditors (IIA-USA), and the Asia e University educational programmes in Sri Lanka under his leadership and guidance.

Mr. Dodamgoda has a Master's Degree in Economics from the University of Colombo and a Bachelor's in Electronics and Telecommunications Engineering from the University of Moratuwa. He is a Fellow Member of ICMA-ANZ, and the Chartered Institute of Management Accountants (UK). He holds Memberships with the CISI (UK), the Chartered Institute of Marketing (UK), the Sri Lanka Institute of Marketing, and the Institute of Engineers (Sri Lanka). He is a Director in Asian College of Management (Pvt) Ltd. and Quantum Leap Training (Pvt) Ltd.

# **Corporate Management Team**



**Sisira Weerabahu** Executive Director



Rohan Tennakoon
Chief Operating Officer



**Niroshan Perera** Senior Deputy General Manager -Credit



Menaka Sameera Senior Deputy General Manager -Finance & Administration



**Thilak Nanayakkara**Senior Deputy General Manager Collections



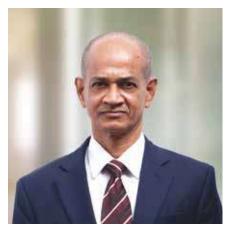
**Tharaka Amaraweera**Deputy General Manager Asset Management



**Shanka Dissanayake**Deputy General Manager Credit



**Lakshman Wanniarachchi**Deputy General Manager Branch Operation & Channel
Development



Nanda Bandara Deputy General Manager -Internal Audit



Rohan de Silva Assistant General Manager -Metropolitan Branches



**Lakmal Gabadage**Assistant General Manager Sabaragamuwa Branches



**Kelum Warnakula**Assistant General Manager Property Loans



**Eranga Gunaratne**Assistant General Manager Human Resources



**Aruni Navaratne**Assistant General Manager - Legal



**Ruchira Bandara** Assistant General Manager - Finance



**Lakmini Kottegoda** Company Secretary

# Senior Management Team



**Suren Abewickrama** Senior Manager -Branches



**Rukmal Mendis** Senior Manager -Administration



**Bathiya Samaraweera** Senior Manager



Ranil Wickramarathne Senior Manager -Credit Administration



**Manjula Pushpakumara** Senior Manager -Gold Loan



Ruwan Wijesooriya Senior Manager -IT Operations



**Dilhani Wijayathilaka** Senior Manager -Compliance



**Chandima Ganesh**Senior Manager Marketing Communication



**Harshaka Perera** Senior Manager - Operations



**Dinesh Samaranayaka**Regional Manager - Recoveries



**Prasanna Ranasinghe**Regional Manager - Recoveries



**Kasun Harischandra**Regional Manager - Recoveries



**Dinesh Siriwardana** Regional Manager



Mahesh Gulawita Regional Manager



**Asinil Perera** Regional Manager



**Ajith Rathnamalala** Regional Manager



**Janaka Kumara** Regional Manager



**Jagath Mendis** Regional Manager



**Priyantha Rathnayake** Regional Manager



**Dilhan Liyanage** Regional Manager



Madhura Jayasekara Regional Manager



**Asela Bandara** Regional Manager



Sampath Gunasekara Chief Manager (Grade 01) -Human Resources



**Lakmal Marasinghe**Chief Manager (Grade 01) Gold Loan



Wasantha Senanayake Chief Manager (Grade 01) - Chilaw



Chithraka Hettiarachchi Chief Manager (Grade 01) -Aluthgama



Ravindra Kumara Chief Manager (Grade 01) - Panadura



Gayan Kumarasinghe Chief Manager (Grade 01) - Wattala



**Chamara Perera** Chief Manager (Grade 01) -Kuliyapitiya



**Priyankara Gamlath**Chief Manager (Grade 01) - Kegalle



**Kumara Thennekumbura** Chief Manager (Grade 01) -Mount Lavinia



Sarath Agalla Chief Manager (Grade 01) -Wennappuwa



**Dulip Gomes** Chief Manager (Grade 01) -Negombo



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



Ranjith Kumara Chief Manager (Grade 02) - Insurance



Ranjith Gunaratne Chief Manager (Grade 02) -Rathnapura



Chamaka Kumarasinghe Chief Manager (Grade 02) -Recoveries



Roshan Fernando Chief Manager (Grade 02) - Special Channels



**Lagath Wanasooriya**Chief Manager (Grade 02) - Special
Channels



**Jayantha Soysa** Chief Manager (Grade 02) -Corporate Communications



**Kelum Udayanka** Chief Manager (Grade 02) -Payments



Asanka Dharmadasa Chief Manager (Grade 02) -Recoveries



Oshada Hapuarachchi Chief Manager (Grade 02) -Recoveries



Menaka Weligalla Chief Manager (Grade 02) - Gold Loan



**Kasun Dissanayake** Chief Manager (Grade 02) - Gold Loan



**Dilshan Rathnayake** Chief Manager (Grade 02) -Kiribathgoda



**Chaminda Attanayake**Chief Manager (Grade 02) Bandarawela



**Damith Indimal** Chief Manager (Grade 02) - Hanwella

### Senior Management Team



Vijitha Gunaratne Head of Security and Premises



Saliya Gunasinghe Chief Manager (Grade 02) - Piliyandala



Shiran Jayasinghe Chief Manager (Grade 02) - Ja-Ela



**Pramod Ranasinghe**Chief Manager (Grade 02) Ambalantota



Ranjith Munasinghe Chief Manager (Grade 02) -Embilipitiya



**Aruna Jayarathna** Chief Manager (Grade 02) - Vavuniya



**Dushan Kumarasinghe** Chief Manager (Grade 02) - Moratuwa



**Anushka Perera** Chief Manager (Grade 02) - Borella



Manjula Kumarasinghe Chief Manager (Grade 02)-Payment Administration



We take pride in our commitment towards being a source of sustenance to the nation, and it is through our meticulous planning and discerning practices that we are able and available to enhance the lives of people and the strongholds of business, with intentional focus on growth and engagement.

#### MANAGEMENT DISCUSSION & ANALYSIS

Building a Sustainable Future Through Strategic Initiatives	. 38
Our Integrated Value Creation Business Model	. 42
Operating Environment Overview	. 44
Our Stakeholder Engagement Strategy	. 46
Our Material Tonics Explained	50

## Building a Sustainable Future Through Strategic Initiatives

#### A Holistic Approach to Strategy Creation

Vallibel Finance thrives in an operating environment of constant change. Economic challenges are a reality, but the Company ensures seamless business continuity through a robust strategic framework. This framework centres on planning, defined goals, and efficient resource allocation. On-time execution and continuous monitoring are the cornerstones of our approach, allowing us to stay relevant in a constantly evolving operational environment.

Strategic Organisational Beliefs Collaborative Stakeholder Interaction Adoption of Best Industry Standards Ethical Compliance and Regulatory Adherence Change Management Economic Viability Continuous Improvement Governance Social Equity Continuous Improvement Sustainability Resource Strategy Allocation Protecting the **Environment** Product Innovation **Industry Dynamics External Environment Transformations** Opportunities and Threats Corporate Governance and Risk Oversight

Our strategy goes beyond just financial gain. We believe in integrating economic viability with social responsibility, ethical conduct, and environmental stewardship. This collaborative approach is fundamental to our success. We maintain adaptability by regularly reassessing future trends and aligning growth strategies to achieve a balance between stability and long-term sustainability. We actively pursue achievable growth opportunities that strengthen our position within the financial sector and generate value for all our stakeholders.

### A Multi-Faceted Approach to Sustainability

At Vallibel Finance, sustainability is a core principle woven into the fabric of our business strategy. We recognise that long-term success hinges on a multifaceted approach that balances financial viability, environmental stewardship, and social responsibility.

By integrating these principles into our core business strategy, Vallibel Finance strives to create a sustainable future – one that is financially sound, environmentally responsible, and socially conscious, delivering value for all our stakeholders



#### **Building a Sustainable Economic and Financial Future**

Our economic sustainability strategy focuses on long-term value creation that balances financial profitability with environmental and social responsibility.

- Diversification and Growth: We actively seek
   opportunities to diversify our revenue streams, mitigating
   risk and ensuring long-term growth prospects.
- Operational Efficiency: We implement cost-efficient processes and resource management to optimise resource allocation and maximise profitability.
- Technological Innovation: We invest in cuttingedge technologies to streamline operations, improve efficiency, and drive a competitive advantage.

 Market Adaptability: We closely monitor market trends and adjust our strategies accordingly to

maintain sustainable financial performance in a dynamic economic landscape.



We strive to minimise our environmental impact through ongoing sustainability initiatives and are committed to reducing our carbon footprint.

- Energy Efficiency: We implement energy-saving measures in our buildings and facilities and explore renewable energy sources to minimise our carbon footprint.
- Waste Reduction and Recycling: Effective waste reduction and recycling programs are essential elements of our environmental stewardship.
- Community Conservation: We support conservation efforts and other similar initiatives within our communities.



#### **Promoting Social Responsibility**

Vallibel Finance believes in fostering a positive social impact.

- Diversity and Inclusion: We champion diversity and inclusion in our workforce, creating a fair and equitable work environment that attracts top talent.
- Employee Well-being: We uphold fair labour standards and prioritise employee well-being, promoting work-life balance and a positive work environment.
- Transparent Communication: Open and transparent communication with all stakeholders, including customers, investors, and communities, is fundamental to building trust and strengthening relationships.

#### **Ethical Governance and Continuous Improvement**

Our commitment to sustainability is further strengthened by a robust governance framework.

- Ethical Standards: We adhere to stringent ethical standards and corporate governance principles in all our business practices.
- Sustainability Assessments and Reporting: Regular assessments and transparent reporting ensure accountability and track progress towards our sustainability goals.
- Continuous Improvement: We are a learning organisation, constantly seeking ways to enhance our sustainability performance across all business functions.

## Building a Sustainable Future Through Strategic Initiatives

#### The Pillars of Success

Effective communication and strategy alignment are key priorities followed by the top management and cascaded to all employees. This includes regular business development and goals updates, clear expectations across all employee cadres, and open dialogue to address concerns

and well-being. We foster a culture of accountability and ownership at all levels, ensuring everyone is invested in achieving our strategic goals. Continuous evaluation and refinement are embedded in our approach, guaranteeing that our strategies are aligned with the evolving needs of our stakeholders.

Our success is founded on six strategic pillars which form the heart of our robust strategy. These pillars are designed to overcome operational challenges and deliver desired outcomes.

♦ How We Achieve It

Vallibel Finance prioritises maintaining healthy financial metrics to strengthen credit ratings, reduce borrowing costs, and fuel business expansion initiatives.

Why It Matters

Financial stability is the cornerstone of any successful organisation. It secures investor confidence, supports strategic investments, and enables long-term planning.

Pillar 1
Financial
Stability

Pillar 2
Governing

Why It Matters

Clear governance principles promote accountability, transparency, and ethical conduct across all levels of the Company. This fosters trust with stakeholders and lays the groundwork for sustainable success.

How We Achieve It

Vallibel Finance has always adhered to stringent ethical standards and corporate governance principles.

♠ How We Achieve It

Vallibel Finance employs a proactive approach to risk management.

Proactive risk management safeguards against uncertainties, protect assets, and maintains resilience. By identifying and mitigating risks, the Company can minimise losses, enhance adaptability, and support sustainable growth.

Pillar 3

Risk

Management

Pillar 4
Corporate
Values

Why It Matters 🔘

Clearly defined and actively championed corporate values form the cornerstone of sustainable business operations. These values guide behaviour, decision-making, and interactions with stakeholders.

How We Achieve It

Vallibel Finance translates its corporate values into tangible practices through value alignment, robust internal communication frameworks, and continuous stakeholder engagement.

O How We Achieve It

Vallibel Finance adheres to all relevant laws and regulations governing the financial services sector. This is done through a comprehensive approach whereby we maintain a compliance framework, conduct regular internal audits, provide ongoing training to all employees, and have in place a dedicated compliance team to ensure up-to-date information on regulatory changes.

Why It Matters

Regulatory compliance minimises legal risks and ensures smooth operations. This demonstrates our commitment to responsible business practices and strengthens stakeholder confidence.

Pillar 5
Regulatory
Compliance

Pillar 6

Sustainable Business Practices Why It Matters

Sustainable business practices go beyond just environmental responsibility; they encompass a holistic approach that considers the long-term social, economic, and environmental impact of our operations. By integrating sustainability into our core business model, we create a win-win scenario for Vallibel Finance, our stakeholders, and the environment.

How We Achieve It

Vallibel Finance actively seeks opportunities to implement sustainable practices across various aspects of our business.

#### Our Action Plan

	Objective	Actions in Practice	Planned for Future
Building a Sustainable Economic and Financial Future		<ul> <li>Tailoring bespoke financial services to mitigate adverse impacts of economic volatility.</li> <li>Capitalising on growth opportunities within specific business sectors.</li> <li>Maintaining robust capital and liquidity positions for optimal operational resilience.</li> <li>Exemplary industry leadership amidst market volatilities.</li> <li>Sustained robust capital and liquidity management.</li> <li>Prudent risk governance enhancing asset quality and minimising operational challenges.</li> </ul>	<ul> <li>Unyielding commitment to maintaining high-quality portfolio assets.</li> <li>Continuing to implement marketing initiatives customised to specific customer segments.</li> <li>Prioritising stakeholder interests for sustainable long-term value creation.</li> <li>Strategic cost management and investment allocation for future growth.</li> <li>Ensuring sustained financial stability through robust liquidity positions.</li> <li>Promoting business diversification for balanced growth across sectors and geographies.</li> </ul>
Continuous Improvement		<ul> <li>Persistent investments in network security and stability.</li> <li>Continuous enhancement of corporate governance practices.</li> </ul>	<ul> <li>Operational efficiency enhancement through digital process optimisation.</li> <li>Leveraging digital platforms to meet evolving customer preferences.</li> </ul>
Employee Satisfaction		<ul> <li>Enhanced remuneration strategies aligned with prevailing market conditions.</li> <li>Emphasis on diversity, equity, and inclusion across all operational aspects.</li> <li>Cultivating a performance-driven organisational culture.</li> </ul>	<ul> <li>Continued investment in comprehensive employee training and development programs.</li> <li>Establishing succession plans for talent nurturing and organisational continuity.</li> <li>Fostering an innovative and learning-centric organisational culture.</li> </ul>
Enhanced Customer Experience		<ul> <li>Product offerings aligned with unique customer needs.</li> <li>Continuous process enhancements for ongoing customer experience improvements.</li> <li>Ongoing physical branch network expansion.</li> </ul>	<ul> <li>Enhanced customer engagement initiatives.</li> <li>Intensified focus on information security and system stability.</li> <li>Consistent support to customers amidst economic challenges.</li> <li>Expansion of physical branches in targeted regions.</li> <li>Leveraging digital channels to expand customer reach.</li> </ul>
Promoting Social Responsibility		<ul> <li>Continuation of corporate social responsibility (CSR) initiatives amid economic challenges.</li> <li>Year-on-year increase in tax payments contributing to government revenues.</li> <li>Increased focus on lending and financing sustainable businesses and initiatives.</li> <li>Strengthened local procurement and supplier relationships.</li> <li>Adhere to all relevant laws and regulations</li> </ul>	<ul> <li>Continue to focus on increasing the portfolio of sustainable lending products and financing opportunities.</li> <li>Supporting community upliftment initiatives.</li> <li>Strengthening efforts towards environmental conservation and scarce resource efficiency.</li> </ul>

## Our Integrated Value **Creation Business Model**



#### **/ALUE CREATION PROCESS**



#### **Financial Capital**

Investor and customer funding

- Shareholders' Funds Rs. 12.97 Bn
- Deposits Rs. 58.64 Bn
- Assets Rs. 93.17 Bn
- Borrowings Rs. 16.03 Bn



#### Manufactured Capital

Investments in buildings, machinery, and equipment to support business activities

- Investment in Buildings, Machinery, and Equipment - Rs. 359.72 Mn
- Investment in IT Rs. 83.61 Mn
- No. of Branches in the Country 64



#### Intellectual Capital

Brand reputation and business know-how enabling operational efficiency

- Credit Rating BBB+
- The Team's Collective Tacit Knowledge 1,502 individuals





#### **Human Capital**

The skill and dedication of our team enables competitive advantage and strategic execution.

- Total Employees 1,502
- Recruits 709
- Increase in Salaries and Benefits 25.5%
- Total Training Programs for Employees 33



#### Social & Relationship Capital

Building strong stakeholder relationships for sustainable growth and success

- No. of Deposit Customers 16,576
- No. of Lending Customers 85,224
- Payments to Suppliers Rs. 1,122.11 Mn



#### **Natural Capital**

Managing the environmental impact of our resource use.

- Electricity Consumption 1,561,075 kWh
- Water Consumption 19,612 m3
- A4 Used at the Head Office 2,219 packets



#### **Factors Beyond the Company's Control**

- Commodity market fluctuations
- Political uncertainty in the country
- Macroeconomic changes and policy dynamics
- Talent migration
- Shift in consumer preferences





#### **Strategic Pillars**

- Financial Stability
- Governing **Principles**
- Risk Management
- Corporate Values
- Regulatory Compliance
- Sustainable Business **Practices**
- Mass migration of professionals seeking overseas employment



#### **Business Lines**

- Lending
- Gold Loans
- Deposits



#### **OUTCOMES & STAKEHOLDERS IMPACTED**



#### **Key Risks**

- Credit Risk
- Market Risk
- Liquidity Risk 0
- Operational Risk
- Legal Risk
- Compliance Risk
- Reputational Risk
- 0 Loans
- Personal Loans 0
- Fixed Deposit Loans
- **Accepting Deposits**



#### **Key Enablers/Support Functions**

- Administration
- Information Technology
- Human Resources
- o Finance
- Legal and Compliance
- Operations
- Recovery
- **Customer Relations**
- Governance
- Risk Management



Rs. **50.4** Bn

in loan disbursements



Rs. 8.98 Bn

increase in customer deposits.



Rs. 9.02 Bn

interest paid to deposit holders.



Enhanced skills and knowledge of

1,502

employees.



Opened



new branches.



Maintained workforce stability without any retrenchments or pay cuts.

#### **Financial Capital**

- Total assets increased by 13.2%
- Lending portfolio increased by 11.20% to Rs. 68.24 Bn
- Net interest income Rs. 7.01 Bn
- ROE increased to 17.8%
- Deposit base increased by 18.1%
- Customers
- Employees
- Government
- and Regulators
- Shareholders

#### (🕸) Manufactured Capital

- Property, plant, and equipment increased to Rs. 968.06 Mn
- Investment in IT Rs. 83.61 Mn
- Customers **Employees**

#### **Intellectual Capital**

- Knowledge enhancement
- Upgraded IT systems
- Streamlined processes
- Customers
- Employees

#### Human Capital

- 709 recruits
- Retention rate is 80%
- Total employees increased by 23%
- Revenue per employee Rs. 13 Mn
- **Employees** Society/
- Community



#### Social & Relationship Capital

- Deposit customers increased by 1.28%
- Lending customers decreased by 3.61%
- Built more meaningful stakeholder relationships
- Customers
- **Employees**
- Society/
- Community
- Business
- Partners
- Suppliers



#### **Natural Capital**

- Fuel consumption increased by 56%
- Increased paper recycled by
- 81% increase in paper used at the Head Office
- Customers
- Society/
- Community
- Shareholders

## Operating Environment Overview

## The Global Economic Recovery Stumbles: A Slower, Uneven Path in

Despite a temporary rebound in 2023, growth is slowing and unevenly distributed. While some countries, such as the United States, are experiencing stronger-than-expected momentum, others, particularly in the eurozone and emerging markets, are facing weaker growth. This slowdown is due to a combination of lingering effects from the pandemic, the war in Ukraine, rising geopolitical tensions, and efforts to control inflation through higher interest rates and reduced government spending.

The International Monetary Fund's (IMF) October 2023 World Economic Outlook (WEO) presented a cautiously optimistic view of a slow global economic recovery. Compared to historical trends, the pace of expansion is lacklustre. Growth is projected to slow down from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. This slowdown is attributed to tighter policies aimed at combating inflation.

Inflation is expected to decline but remains above target levels in most countries. The WEO estimated global inflation at 6.9% in 2023, still significantly higher than pre-pandemic levels.
This outlook also has significant risks, including a deepening crisis in China's property sector, persistently high inflation, and potential climate or geopolitical shocks. To navigate these challenges, central banks must manage interest rates carefully, governments must implement targeted fiscal policies, and countries must collaborate on debt resolution and climate change initiatives.

## Sri Lanka's Economy: Signs of Recovery in 2023

Sri Lanka's economy began a gradual comeback in 2023, emerging from its worst downturn since independence. Despite initial hardships, decisive actions by the government and the Central Bank of Sri Lanka (CBSL) restored a significant

degree of macroeconomic stability. These measures were critical to prevent further economic decline and put the country on a sustainable recovery path.

The economic adjustment program in 2023 yielded promising results. Inflation fell from its peak in 2022 to single digits by 2023, allowing the CBSL to ease monetary policy. This was due to lower demand, tighter fiscal policies, and declining global commodity prices. By year-end, inflation was near the target level. Thus, after six consecutive quarters of contraction, the economy finally expanded in the latter half of 2023.

Foreign exchange reserves also gradually rebuilt due to increased tourism and service exports, worker remittances, and subdued import demand. This helped ease the severe foreign exchange crisis. The Sri Lankan rupee strengthened in 2023 and early 2024 due to improved foreign exchange inflows and increased market confidence.

Domestic market interest rates dropped significantly as the CBSL relaxed monetary policy starting in June 2023, and risk premiums on government securities decreased after the successful completion of the domestic debt restructuring. This decrease reversed the credit contraction experienced by the private sector since June 2023.

The resilience demonstrated by the financial sector can be attributed to the proactive policies of the CBSL, and improved crisis preparedness by financial institutions. Banks maintained capital adequacy levels, and liquidity remained healthy. However, credit risk increased slightly. Additionally, the CBSL Act No. 16 of 2023, redefined the Central Bank's mandate, enhancing its independence and accountability. This marked a significant step towards improved financial system stability.

The economic progress seen in late 2023 is expected to continue, supported by ongoing reforms under the IMF's Extended Fund Facility (IMF-EFF). Broadbased economic expansion across all sectors is anticipated, with inflation likely to remain under control due to the greater independence of the CBSL, and the prohibition of government budget deficit financing through money printing. The external sector should also remain stable, supported by increased reserves, normalised foreign inflows, and the completion of the government's debt restructuring.

Sri Lanka's economic recovery hinges greatly on maintaining current reforms, especially the IMF-EFF program and debt restructuring. Any deviations from this path could derail progress. Recent events have emphasised the severe consequences of policy errors. Reversing reforms would lead to a return to economic instability. Keeping a wide political and social agreement on economic reforms is essential to prevent policy reversals and guarantee sustained growth that serves all citizens of Sri Lanka.

### Performance of the Licensed Finance Companies Sector

The Licensed Finance Companies (LFCs) sector in Sri Lanka consisted of 33 companies as of the end of 2023. These LFCs held a collective 5.1% share of the country's total assets. Notably, the sector boasted a wide reach with 1,827 branches spread across the nation. Over 65.6% of these branches were located outside the Western Province, ensuring accessibility for citizens beyond the capital region.

The Licensed Finance Companies (LFCs) sector remained stable throughout 2023 despite a challenging economic climate. The assets, deposits, and profitability of LFCs recorded growth during 2023. However, the increase in non-performing (Stage 3) loans raised concerns about asset quality.

# Highlights

- Assets increased by 5.1% to reach Rs. 1,692.0 Bn, mainly due to investments in government securities.
- Loans and advances declined by 3.2% to Rs. 1,160.4 Bn, with finance leases making up the largest share.
- The ratio of bad loans (Stage 3) rose to 17.8%, reflecting increased risk and a deteriorating asset quality.
- Profit After Tax (PAT) grew by 11.3% to Rs. 47.7 Bn due to higher income.
- Capital buffers remained healthy, but six LFCs did not meet the minimum requirements as specified by the capital adequacy rules.
- Liquidity surplus increased compared to 2022, exceeding regulatory requirements.

**Total Assets** 

While the LFCs sector experienced overall asset growth of 5.1% in 2023, reaching Rs. 1,692.0 Bn, this represented a slowdown compared to the 10.9% growth recorded in 2022. This moderation was primarily driven by a shift in focus towards investments in government securities, which expanded the sector's investment portfolio.

#### **Loans and Advances Portfolio**

The LFCs sector recorded a declining loan portfolio in 2023. The loans and advances comprising of almost two-thirds of the sector's assets, contracted by 3.2% to reach Rs. 1,160.4 Bn in 2023. This is in contrast to the significant 7.7% growth achieved in 2022.

The composition of the loan portfolio remained stable. Finance leases continued to be the dominant type of loan, accounting for 41.5% of the total portfolio. Secured loans, including vehicle loans, slightly decreased their share, falling from 33.8% to 32.5%. Additionally, loans against gold and deposits contracted by 4.7% and 3.2%, respectively.

This decline in lending activity might be linked to the challenging economic climate. Interestingly, other assets in the LFCs sector grew by 3.2% in 2023, although at a much slower pace compared to the 23.2% growth achieved in 2022. This shift in focus from loans to other assets suggests a more cautious approach from LFCs in the face of economic uncertainty.

#### **LFCs Profitability and Capital**

The LFCs sector recorded increasing profitability in 2023. Profit After Tax (PAT) increased by 11.3% to Rs. 47.7 Bn, driven by higher net interest income and non-interest income earnings. This improvement was reflected in a higher Return on Assets (ROA) of 4.3% compared to 3.7% in 2022. However, the sector's Return on Equity (ROE) decreased slightly to 12.4% in 2023 from 12.7% in 2022, due to a larger increase in equity capital. The cost-to-income ratio increased marginally to 81.1% in 2023 from 79.9% in 2022.

The capital base of the LFCs sector improved marginally by 3.9% to Rs. 329.0 Bn by year-end 2023. The sector's core capital and total capital ratios also increased, reaching 21.1% and 22.3%, respectively.

#### **LFCs Liquidity**

The LFCs sector maintained strong liquidity throughout 2023, exceeding the minimum regulatory requirements. The overall regulatory liquid assets available amounted to Rs. 254.9 Bn, significantly higher than the mandated minimum of Rs. 103.4 Bn. This resulted in a liquidity surplus of Rs. 151.5 Bn at year-end 2023, compared to Rs. 86.9 Bn in 2022.

#### **LFCs Asset Quality**

A concerning trend in the LFCs sector was the deterioration of asset quality. The Gross Stage 3 Loans Ratio, which indicates the percentage of nonperforming loans, increased to 17.8% at the end of 2023, compared to 17.4% in 2022. This increase reflects a heightened risk of defaults. It is important to note that the classification criteria for Stage 3 loans were tightened in April 2023, changing the threshold from 120 days past due date to 90 days. Despite this change, the sector reported an impairment coverage ratio of 32.5% for Stage 3 loans by the year-end, resulting in a slight improvement in the Net Stage 3 Loans Ratio to 12.0% from 12.3% in 2022.

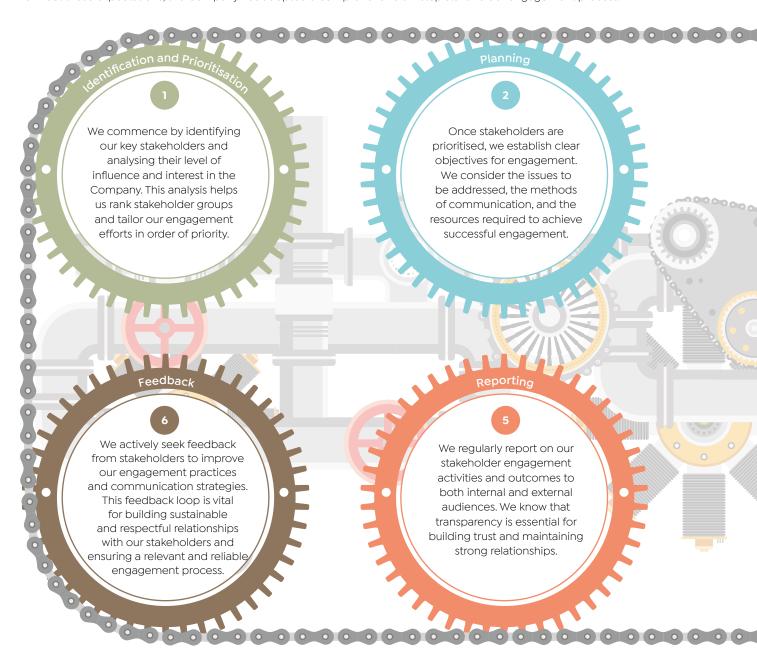
#### **Customer Deposits and Borrowings**

Customer deposits continued to be the primary funding source for the LFCs sector, accounting for 55.3% of its liabilities. Deposits grew by 8.2% to reach Rs. 935.3 Bn in 2023. In contrast, borrowings declined by 17.9% to Rs. 264.6 Bn during the year. This decrease in reliance on borrowed funds and the strong deposit growth indicate a positive trend for the LFCs sector's financial stability.

## Our Stakeholder Engagement Strategy

Vallibel Finance recognises that understanding and addressing stakeholder interests and expectations is the key. Through collaborative partnerships, we believe we can create shared value and achieve long-term sustainability. That is why proactive and continuous stakeholder engagement is ingrained in our business operations. We view this engagement not just as a risk-mitigation strategy, but as a powerful tool to generate shared value for society while fulfilling the needs of our key stakeholders.

To meet these expectations, the Company has adopted a comprehensive six-step stakeholder engagement process.



## Using a variety of communication channels, we engage with our stakeholders. This may involve listening to their concerns, collaborating on solutions, or keeping them informed about important Company or industry developments. Nonitoring and Review We continuously monitor and assess the effectiveness of our engagement strategies. This allows us to identify areas for improvement and ensure we are meeting stakeholder needs.

#### **Stakeholder Engagement Matrix**

Keep Satisfied

Highly Engaged

Keep Informed

Minimal Effort



Government Institutions & Regulators:

Maintaining positive relationships with these stakeholders is critical for ensuring compliance and navigating the regulatory landscape. Engagement methods may include periodic reporting, briefings, and updates on relevant industry developments.



Shareholders are a top-priority stakeholder group. We engage with them through regular communication, including annual reports, financial statements, and investor presentations. We also hold shareholder meetings to answer questions and address concerns.



Understanding customer needs and expectations is essential for our success. We engage with customers through surveys, focus groups, and social media to gather feedback and inform product and service development.



Our employees are our most valuable asset. We foster a culture of open communication through employee surveys, town hall meetings, and internal communication channels.



We believe in giving back to the communities we serve. We engage with community stakeholders through social responsibility initiatives, sponsorships, and volunteer programs.

Building strong relationships with business partners is mutually beneficial. We collaborate with partners through joint ventures, information sharing, and ongoing communication.



Community



**Business Partners** 

**Suppliers** 



While suppliers may have limited influence, they are an important part of our value chain. We maintain open communication channels with suppliers to ensure the smooth flow of goods and services

The intricate interconnectedness of air, water, land, and living things sustains us all. Climate change, pollution, and unsustainable practices threaten this delicate balance. But through collective action, we strive to protect our planet and ensure a healthy future for generations to come.

#### Our Stakeholder **Engagement Strategy**

#### **Overview of Our Stakeholder Engagement 2023/24**





#### **Employees**



#### Customers

## **Engagement Channels**

## **Key Topics Discussed**

## The VFIN Advantage

- Capitals Impacted

- Annual General Meeting and Annual Report
- Interim Financial Statements
- Corporate Website
- Press Releases
- Announcements to CSE
- Open Door Policy
- Performance Appraisals
- o Grievance Handling
- Multi-Level Staff Meetings
- Social Media

- Social Media
- Call Centre
- Corporate Website
- Advertisements
- o One-on-one communication in person, via telephone, SMSs, and emails

- Financial performance
- Outlook of interest rates
- Non-performance credit of loan portfolio
- Business expansion plans and key strategies
- o Risk Management Framework and Corporate Governance
- Training and Development
- Career Growth
- Work-Life Balance
- Stability of the Company
- Retirement benefit plans
- Convenience and Accessibility
- Sustainable business growth and stability
- High quality of service
- o Corporate reputation and brand
- Customer security and privacy
- Grievance handling mechanism

We prioritise maintaining optimal liquidity and practising prudent capital management. This ensures we have the resources needed to invest in growth opportunities while remaining financially secure.

**Social & Relationship Capital** 

We recognise the importance of a talented and motivated workforce. We offer competitive remuneration, a commitment, equal opportunity employment, and opportunities for skill development and career progression.

We offer attractive terms and rates that comply with government regulations, ensuring transparency and fairness. Additionally, we provide exceptional customer service and maintain a convenient nationwide network of 64 touch points. This allows convenient access to all our products and services.

#### **Financial Capital**

**Intellectual Capital** 



#### **Human Capital**



#### Social & Relationship Capital



#### Social & Relationship Capital

- Return of Equity
- Price-to-Earnings Ratio
- Employee Turnover
- Employee Retention
- Quality of Work
- Employee Satisfaction
- Brand Value
- Customer Complaints
- Repeat Customers
- Length of Customer Relationship



#### **Business Partners**



#### Suppliers



#### Community/Society

- Direct Communication
- Social Media
- Industry Events
- One-on-One Meetings
- Direct Communication
- Social Media

- o Social Media
- Press Releases
- Word-of-Mouth
- o Advertising and Marketing

- Opportunities for Economic Development
- Sustainable and Profitable Business Relationships
- Professionalism
- o Competitive Advantage
- Timely settlement of dues
- Profitable and continuous business opportunities
- On-time payments and settlement of dues
- Ethical Conduct

- Give back to the community/society
- Support community development
- Employment opportunities

We foster long-term collaborations built on mutual trust and clear communication. We keep our partners informed about our policies and procedures, fostering a collaborative and transparent environment.

We believe in fostering trust with our suppliers. We ensure timely payments and provide the necessary support to create a win-win situation. Additionally, a dedicated team is in place to collaborate and exchange services effectively, promoting a smooth and efficient partnership.

Hiring local talent from across the country and fostering a diverse and inclusive workforce is a key consideration for the Company. Additionally, we actively participate in Corporate Social Responsibility (CSR) initiatives, demonstrating our commitment to the communities we serve



#### Social & Relationship Capital



#### Manufactured Capital



#### Social & Relationship Capital



#### Manufactured Capital



#### Social & Relationship Capital

- Lifetime Value
- Return on Investment
- Return on Spend
- Service Offerings

- Service Levels
- Lead Times Defect Rates
- Complaints
- Community Support

## Our Material Topics Explained

Vallibel Finance PLC conducts materiality analysis following GRI Standards and Integrated Reporting principles to pinpoint and rank sustainability concerns that hold the greatest relevance for the Company and its stakeholders. This analytical process aids in continuously enhancing our comprehension of sustainability practices within our operational framework and meeting stakeholder expectations.

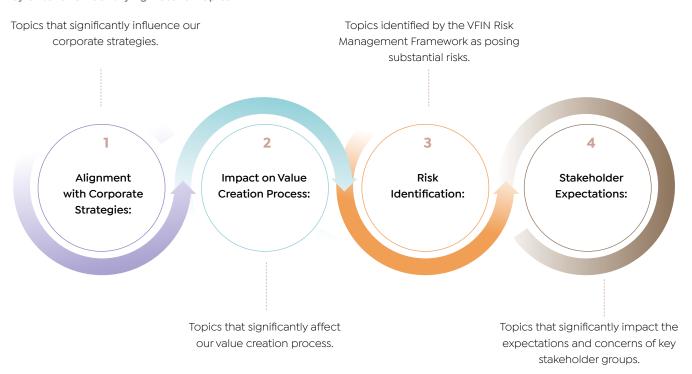
#### **Material Topics Assessment Process**

Identifying material topics is critical for informed decision-making by both the Company and our stakeholders. This understanding of inherent risks and opportunities steers all concerned stakeholders towards a sustainable future. Furthermore, material topics ensure the Company's strategy aligns with the diverse interests of our stakeholders.

Accordingly, during the year under review, Vallibel Finance proactively identified critical issues through our materiality process. This foresight empowered us to build resilience and navigate a complex landscape. Our focus remained on ensuring uninterrupted business operations while creating shared value for both the Company and our stakeholders. Throughout this journey, we held fast to our core values, which include providing inclusive financial services to everyone in the country, regardless of background.

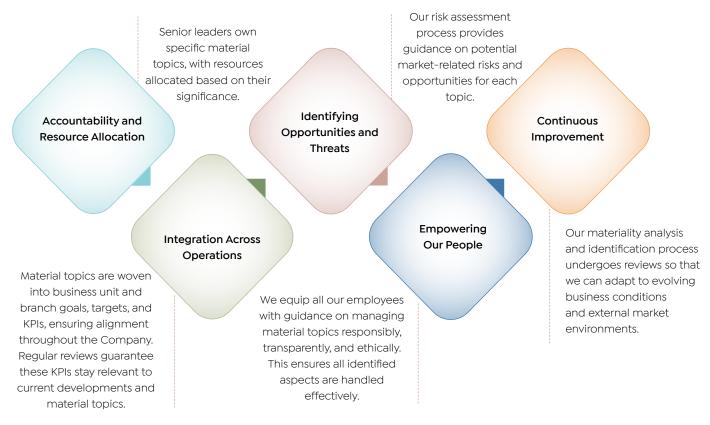


#### Key Criteria for Identifying Material Topics



#### A Stakeholder-Centric Approach to Materiality Analysis

The Company's approach to material analysis and the identification of material topics, balances addressing stakeholder expectations with generating shared value. We accomplish this through a strategic planning process with several key features.



#### **Material Topics Identified for Financial Year 2023/24**

The Company identified 12 material topics with notable implications for our business and stakeholders for the year ended 31st March 2022. These topics remain relevant for the financial year ending 31st March 2024. However, 'Economic Uncertainty' has been replaced with 'Macroeconomic Development and Policy Trends', providing a broader perspective on developments in the economic landscape.

	Material Topics	Why is it Material?	Related Capital	Related GRI Standard	Employees	Shareholders	Customers	Suppliers	Society	Regulators/ Government
1	Climate and Policy Dynamics	Such trends impact various aspects of business operations and stakeholder interests.  Fluctuations in macroeconomic indicators such as GDP growth, inflation rates, and employment levels can directly influence the Company's financial performance, market dynamics, and strategic decision-making.	Financial Capital, Social & Relationship Capital, Human Capital	GRI 201: Economic Performance	V	V	V	V	Ø	V
		Moreover, changes in government policies and regulations, particularly in areas as taxation, trade, and monetary policy, may possibly affect business operations, market conditions, and overall industry dynamics.								

## Our Material Topics Explained

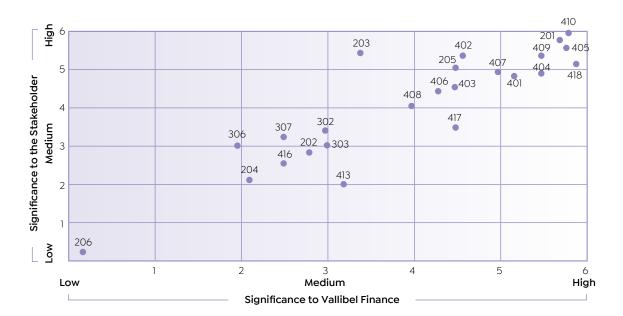
	Material Topics	Why is it Material?	Related Capital	Related GRI Standard	Employees	Shareholders	Customers	Suppliers	Society	Regulators/ Government
2	Growth of revival, emphasising the Company's I	Plays a pivotal role in fostering business revival, emphasising the Company's long-term financial viability.	Financial Capital	GRI 201: Economic Performance	V	V	<b>V</b>			<b>V</b>
				GRI 202: Market presence	V	<b>V</b>	<b>V</b>			
				GRI 203: Indirect Economic Impacts GRI 204:	<u> </u>		<b>√</b>	<u> </u>	<b>√</b>	
				Procurement Practices						
3	Customer Satisfaction	By elevating customer experience, the Company aims to enrich interactions and foster satisfaction, ultimately enhancing	Social & Relationship Capital	GRI 416: Customer Health and Safety	V		<b>V</b>			
		overall customer satisfaction and driving future business growth.		GRI 417: Marketing and Labelling	$\overline{\checkmark}$		V			
4	Managing Employees are the people who drive Human business strategies and ensure the delivery of the Company's products/services to customers. Thus, prioritising employee well-being and talent management involves focusing on nurturing employee welfare and fostering talent attraction, development, and retention.		Human Capital	GRI 401: Employment	V					
			GRI 402: Labour/ management relations	V						
			GRI 403: Occupational health and safety	<b>V</b>						
			GRI 404: Training and education	V						
			GRI 405: Diversity and equal opportunity	V						
			GRI 406: Non- discrimination	V						
				GRI 407: Freedom of association and collective bargaining	<b>V</b>					
5	Company Brand and Reputation	To set the Company apart from competitors and build a brand in the local market that attracts both new customers and employees, ensuring the Company's sustainability in a fiercely competitive industry landscape.	Intellectual Capital	GRI 206: Anti- Competitive Behaviour	<b>V</b>				V	

	Material Topics	Why is it Material?	Related Capital	Related GRI Standard	Employees	Shareholders	Customers	Suppliers	Society	Regulators/ Government
6	Ethics, Compliance		GRI 205: Anti- Corruption	<b>V</b>						
	and Good Governance	understanding the complexities of regulatory adherence while promoting ethical conduct.	Manufacturing	GRI 307: Environmental Compliance					$\overline{\checkmark}$	
		This will enable the Company to maintain Capital, Natural high levels of good governance practices and comply with local laws and regulations.		GRI 408: Child Labour	<b>V</b>				<u> </u>	
				GRI 409: Forced or compulsory labour	<b>√</b>			V	V	
			GRI 418: Customer privacy GRI 419:	<b>V</b>			<b>V</b>	<b>√</b>		
				Socioeconomic Compliance						
7	Technology- driven innovation	nnovation requires substantial capital investment, characterised by limited lifecycles,	Social & Relationship Capital	GRI 418: Customer Privacy			V			V
		underscoring the need for strategic decision-making to optimise return on investment.		GRI 404:Training and Education	$ \overline{\checkmark} $					
8	Community Upliftment	As a responsible corporate citizen, the Company is committed to continuously supporting the surrounding communities and society through our business operations, both directly and indirectly.	Social & Relationship Capital	GRI 413: Local Communities					V	
9	Commitment to the environment		Natural Capital	GRI 302: Energy	V			V	$\checkmark$	V
	ti le environi nent	future generations is a fundamental civic responsibility of the Company.		GRI 303: Water and Effluents	<u> </u>			<u> </u>	<u> </u>	<u> </u>
10	Inclusive Finance	Efforts to uplift the underserved by	2 Icioo2	GRI 306: Effluents and Waste GRI 201:	<u> </u>			<u> </u>	<ul><li>✓</li></ul>	<b>√</b>
10	inclusive Finance	enhancing their economic opportunities, boosting income, and fostering asset		Economic Performance					[V]	
		accumulation through financial inclusion and poverty reduction initiatives have always been a fundamental goal of the Company in		GRI 203: Indirect Economic Impacts					V	
		our quest to give back to the community we operate within.		GRI 413: Local Communities					<b>√</b>	
11	Complaint Management	Handling complaints and grievances from stakeholders, including employees and customers, is a routine aspect of business operations. Promptly addressing these issues is crucial to minimising their negative impact on the business's reputation and brand.	Social & Relationship Capital	GRI 418: Customer Privacy			<b>√</b>			V
12	Employee Health & Safety	Workplaces with higher possibility of accidents and illnesses pose a material risk to both the Company's financial health and the well-being of our employees, potentially resulting in financial burdens and emotional distress.	Human Capital	GRI 403: Occupational Health and Safety	V		$\checkmark$			

## Our Material Topics Explained

#### **Materiality Matrix**

The materiality matrix is a powerful tool that helps the Company rank material topics based on their significance to both the Company and our stakeholders. Topics with the highest combined impact - financially and on business activities - receive the most focus. The matrix provides a clear visual representation for easy reference.



## More Mastery

We pivot our focus towards the assets that generate value, and work to amplify our capital, elevate our worth and facilitate the broadening of horizons. With an acute awareness of our position within the country, we nurture, extend and energise our value proposition.



## **Human Capital**



Vallibel Finance prioritises human capital as a critical driver of our success. We align our human resource strategies with global and local best practices, and the Company's values to focus on creating, enhancing, and preserving value for our employees.

#### **FOCUS AREAS 2023/24**

#### Retaining Top Talent by Investing in the Best

The Company concentrated on attracting and retaining high performers by offering competitive compensation, growth opportunities, and a work environment to foster their talent.

#### **Developing and Training Employees**

We constantly provide opportunities to enhance the skills of our workforce.

We achieve this through a combination of training initiatives and mentorship programs, thereby equipping our employees with the necessary competencies to remain at the forefront of their respective fields.

#### Fostering Employee Motivation and Satisfaction

We continued and enhanced our initiatives to empower employees with meaningful work, provide recognition, and create a culture where they feel valued and motivated.

#### Ensuring Employee Well-Being and Mental Health

By investing in our employees' well-being, we support them in attaining appropriate work-life balance initiatives and fostering a healthy workplace culture.

#### Enhancing Awareness as an Equal Opportunity Employer

We maintain our position to build a diverse and inclusive workforce by attracting talent from all backgrounds and fostering a culture of respect for everyone.

#### Performance for FY 2023/24



Staff Strength



**New Recruits** 



**Employee Retention** 



Increase in Monetary Benefits to Employees

1.502 2023/24



709 2023/24



**79.67** % 2023/24

**77.97** %



**25.46** % 2023/24

**10.55** %

2022/23



1,220



**Investment in Training** 

and Development



**Employee Turnover** 



2022/23

Female Representation of the Total Workforce

**2.880** hours

**2,882** hours

2023/24

2022/23



**31.37** % 2023/24



558 (37%)

2023/24



28.58 % 2022/23

**421** (35%) 2022/23





#### **Employees**

- o Opportunities for learning and development equip employees with skills and enhance their career prospects
- o A positive work environment, recognition, and work-life balance contribute to greater employee satisfaction.
- o Competitive salary, benefits packages, and well-being programs ensure employees feel valued and secure.
- A diverse and inclusive workplace fosters a sense of community and belonging for employees.



#### Company

- A skilled and well-trained workforce fosters a culture of innovation, leading to better products and services for customers
- Engaged and motivated employees are more productive, contributing to higher profitability for the Company.
- Retaining top talent and minimising turnover and leads to cost savings in recruitment and training.
- A reputation for attracting and developing top talent enhances the Company's brand image and attracts even better candidates.



#### Customers

- A highly skilled and motivated workforce translates into better customer service experiences.
- o A culture of innovation leads to the development of new and improved products and services that meet customer needs and attract new customers.
- As a Company known for valuing its employees, we foster a positive brand image, leading to increased customer trust.
- A productive and well-trained workforce translates to more efficient operations and a reliable service for customers

#### **CHALLENGES FACED IN 2023/24**

In today's competitive job market, attracting and retaining top talent can be difficult. We face competition from other employers offering attractive compensation packages and diversified work environments.

The pace of technological advancements and evolving business needs can create skill gaps within the workforce. We must be faster in identifying these gaps and providing training opportunities to keep employees' skills up-to-date.

Balancing work demands with personal lives can be a struggle for employees. We need to offer more flexible work arrangements and well-being programs to support employee health and prevent burnout.

Demonstrating the return on investment (ROI) of HR initiatives can be difficult and requires more indepth research on how best to develop robust metrics to track how HR practices contribute to business objectives.

**Implementing** effective HR programs requires resources, and in today's high inflation environment, the Company must find the right balance between investing in our workforce and managing costs.

Today's workforce often comprises individuals from multiple generations, each with different work styles and expectations. The Company needs to strengthen its ways of catering to these diverse needs and creating a cohesive work environment.

57

#### Our Focus for 2024/25



#### **Enhancing Employee Engagement and Motivation**

We will continue to address the challenge of enhancing employee engagement by recognising and building upon the continuous evolution of our positive work culture. Our ongoing efforts will include maintaining and enhancing recognition and reward schemes, promoting open communication through regular meetings and feedback sessions, and fostering a stronger community spirit through team-building activities and social events.

#### Strengthening Employer Branding and Talent Acquisition

 Facing stiff competition in the non-banking financial services sector for top talent, we will promote a distinct employer branding, utilise online platforms for diverse talent outreach, collaborate with institutions for promising recruits, and actively engage in industry events to showcase our culture and career prospects.

#### Investing in Continuous Learning and Development

• We will continue to identify employee training needs and offer training programs to coach a variety of subjects and soft skills to advance learning amongst our employees.

#### **Associated Stakeholders**

#### Creating Human Capital Value



#### Link to Material Aspects

- Ethics, Compliance and Good Governance
- Managing Human Resources
- Company Brand and Reputation
- Employee Health & Safety

#### **Management Approach**

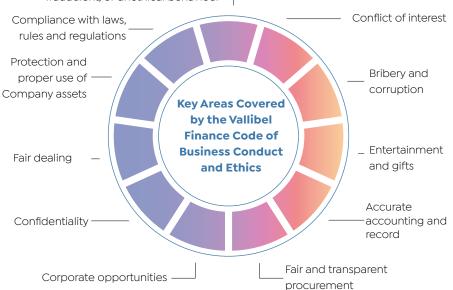
At Vallibel Finance, we acknowledge the pivotal contribution of our employees to our accomplishments. Their combined expertise, abilities, background, and optimistic outlook form the cornerstone of our triumphs. We align our HR strategies, policies, and practices with our overarching vision, mission, and corporate values to empower this invaluable workforce. This alignment cultivates an environment of transparent communication and knowledge exchange, enabling every individual to feel engaged and capable of making meaningful contributions.

#### **Identified Risks**

- Reputation Risk
- Human Resource Risk

Moreover, the Company prioritises regular updates on developments and changes within the Company, empowering employees to adapt and thrive in a dynamic work environment. Additionally, we ensure easy access to HR policies, employee handbooks, and HR information systems, enabling everyone to perform effectively. Furthermore, our Code of Business Conduct and Ethics delineates expected behaviours for ethical conduct across all levels. By nurturing a culture grounded in transparency, accessibility to knowledge, and ethical behaviour, Vallibel Finance establishes a robust framework for generating human capital value.

Encourage reporting of any illegal, fraudulent, or unethical behaviour



#### **Building a Valued Workforce**

At Vallibel Finance, we believe in a human-centric approach to human resource management, fostering a work environment built on the following pillars.

#### Diversity, Equity, and Inclusion

We create a peoplecentric culture by embracing equal opportunities for all. This includes upholding human rights, ensuring fair and equal treatment for every employee, and complying with all applicable employment laws.

#### Talent Acquisition and Development

We attract top talent through effective recruitment and onboarding policies. We invest in our employees' professional growth and career advancement and offer them comprehensive learning and development initiatives, as well as competitive compensation and benefits packages.

#### Employee Well-Being and Engagement

The health and safety of our employees is an important factor. We prioritise positive employee-management relationships and create open channels for addressing grievances and concerns. These initiatives foster a motivated and engaged workforce.

#### Learning and Development for Success

Our commitment to continuous learning and development goes beyond skills training. We invest in succession planning, not only to support the career progression of our employees but also to enhance their sense of self-worth and long-term value to the Company.

#### Knowledge Sharing and Development

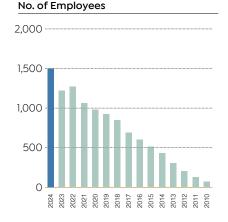
We believe that an engaged workforce is a knowledgeable workforce. We integrate HR policies with our vision, mission, and corporate objectives to create a culture that thrives on open communications and knowledge sharing. Employees are provided with access to HR policies, employee handbooks, and HR information systems to ensure they have all pertinent information to effectively perform their roles and contribute to the Company's success.

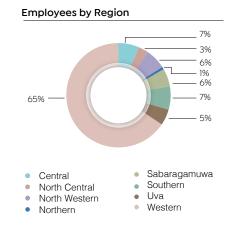
#### **A Team Built for Success**

The Company is proud of our diverse and dedicated workforce. Our team of 1,502 full-time employees, spread across all our branches nationwide, represents the cornerstone of our achievements. Each individual plays a vital role in driving us towards achieving both individual targets and our overall corporate objectives.

We foster a strong local leadership presence, with our Senior Management team comprised entirely of Sri Lankan professionals. This commitment to local expertise allows us to leverage a deep understanding of the Sri Lankan market and its intricacies. Combined with the diverse perspectives of our nationwide workforce, we are well-equipped to deliver exceptional service to our customers and navigate the ever-evolving financial landscape.

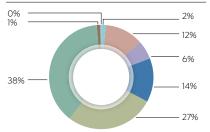
This nationwide network of talented individuals brings a wealth of experience and local knowledge to the Company's knowledge repositories creating untold intellectual capital value. Their dedication and commitment are the foundation of the Company's success, and we constantly strive to create a work environment that fosters their growth and empowerment.





#### Human **Capital**

#### **Employees by Employee Category**



- Senior Management
- Middle Management
- Senior Executive
- Executive
- Junior Executive
- Operational Staff
- Clerical Staff
- In-plant Trainee

#### **Employees Years of Service**



- 0 to 1 Year
- 1 to 3 Years 3 to 5 Years
- 10+ Years
- **Advancing Gender Diversity**

The Company is committed to fostering a more inclusive and gender-diverse workplace. We are encouraged by the progress made to date in increasing female representation in our workforce. During the year under review, 37% of the workforce were female compared to 35% in the previous year. This is a positive step towards achieving a more balanced gender ratio within the Company.

However, we recognise that there is always room for further improvement. We are actively exploring and implementing strategies to create a work environment that attracts, retains, and empowers female talent.

#### **Trade Unions and Collective Bargaining Agreements**

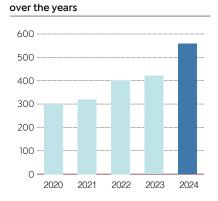


Vallibel Finance currently does not have collective bargaining agreements with its employees. Nevertheless, the Company upholds the rights of each employee to join unions and negotiate their employment terms as they see fit. Vallibel Finance guarantees this freedom for all employees, while also ensuring their compensation aligns with prevailing market and industry standards.

#### Total Workforce by Gender



Male Female

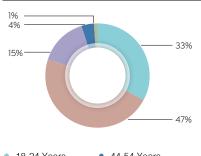


Composition of Female Employees

#### **Diversity and Inclusion**

Vallibel Finance embraces diversity and inclusion as core values. We strive to create a work environment free from discrimination or harassment, where all employees feel valued and respected regardless of caste, ethnicity, gender, religion, age, political beliefs, or disability. We believe that a diverse workforce fosters innovation, creativity, and a strong sense of community.

#### Age Demographics



- 18-24 Years 24-34 Years 34-44 Years
- 44-54 Years Over 54 Years
- **Employees by Demographic Categorisation**



- Generation X (age 42 and above)
- Millennials (age 26-41)
- Generation Z (below 25)

#### **Compliance with Legal** Requirements

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

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

#### **Respecting Human Rights**

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

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

#### **Recruitment and Onboarding**

Vallibel Finance prioritises the creation of a strong talent pipeline through strategic recruitment and onboarding practices, recognising the critical role that talent plays in our success. In today's dynamic industry, attracting and retaining top talent is vital to maintaining a competitive edge. Our recruitment strategy focuses on seeking skilled professionals to contribute to our long-term success.

We understand the value of fresh ideas and innovative thinking. We actively seek out young and ambitious individuals who bring new perspectives to the Company. These prospective employees have the opportunity to join our branches across the nation, gaining experience while building strong relationships within the communities we serve. This approach not only fosters a connection with local markets but also allows recruits to gain firsthand experience of our Company culture and values.

Once on board, new employees are empowered through comprehensive training and mentorship programs. These programs equip them with the skills and knowledge needed to excel in their roles and contribute meaningfully to Vallibel Finance's continued success. By investing in our people, we create a win-win situation. Our employees benefit from career development opportunities, and the Company builds a strong, future-proof talent pool, ensuring industry leadership and long-term sustainable growth.

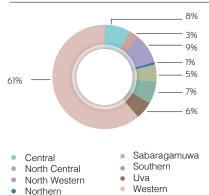
Demonstrating our commitment to diversity and inclusion, the Company recruited 709 new employees during the year under review. These individuals represent a variety of regions, ethnicities, age groups, and genders, fostering a richer talent pool and contributing to the Company's progress and the economic development of the country.

#### Learning and Development Initiatives

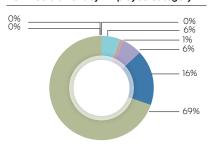
The Company is committed to fostering the career growth of our employees through continuous learning initiatives. We recognise that investing in our people is an investment in the future of our Company. These initiatives include training programs, mentoring opportunities, and access to professional development resources. These initiatives are designed to not only enhance the performance and career progression of our employees but also to nurture their individual success. Furthermore, the Company's recruitment, training, performance management, and reward procedures are geared towards creating value for our employees while attracting and retaining highly qualified and competent personnel.

During the year under review, the Company invested Rs. 0.82 Mn, facilitating 33 training programs for 1,078 employees, with 10 conducted virtually and 23 in a classroom setting.

#### New Recruitment by Region



#### New Recruitment by Employee Category



- Senior Management
- Middle Management
- Senior ExecutiveExecutive
- Junior Executive
- Operational Staff
- Clerical
- In-plant Trainee

#### **Employee Turnover**

The Company accepts that employee transitions are a natural part of the workforce landscape. In the year under review, we experienced a workforce shift of 427 employees. While some departures were due to retirement, a significant portion pursued new career paths, higher education opportunities overseas, or personal relocation.

We remain committed to fostering a positive work environment that empowers our employees to grow and achieve their goals. We believe this focus on employee well-being and development not only attracts top talent but also positions us to retain a highly skilled and engaged workforce.

#### Human Capital

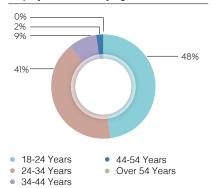
We understand the value of fresh ideas and innovative thinking. We actively seek out young and ambitious individuals who bring new perspectives to the Company. These prospective employees have the opportunity to ioin our branches across the nation. gaining experience while building strong relationships within the communities we serve. This approach not only fosters a connection with local markets but also allows recruits to gain firsthand experience of our company culture and values.



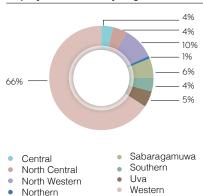


MaleFemale

#### Employee Turnover by Age



#### **Employee Turnover by Region**



## Competitive Compensation and Comprehensive Benefits

The Company offers competitive compensation and benefits packages designed to be fair, equitable, and unbiased, ensuring employees are adequately supported in meeting their livelihood needs.

#### **Market-Driven Compensation**

Our compensation structure ensures fairness and equity by considering three key factors: job role, level of responsibility, and individual skills and experience. We understand the importance of remaining competitive in the marketplace. Therefore, we actively keep abreast of industry trends and labour market changes within our sector. This allows us to benchmark our compensation packages and ensure we offer competitive rates to attract and retain top talent.

#### **Comprehensive Benefits**

At Vallibel Finance, we are committed to fostering a positive and supportive work environment for all employees. This commitment extends to supporting work-life balance. We are proud to be one of the few Sri Lankan companies to offer paternity leave in addition to statutory maternity leave.

In the year under review, 22 employees took parental leave, with 16 taking maternity leave and 6 taking paternity leave. The overall return-to-work rate for maternity leave was 81.25% while 100% of male employees also returned after paternity leave.

For a comprehensive overview of the various benefits offered to all employees, refer to the table below.

Monetary Benefits	As at 31.03.2024 (Rs. Mn)	As at 31.03.2023 (Rs. Mn)
Wages and Bonus	1,601	1,313
Retirement Benefit Costs	32	29
EPF Payments	118	101
ETF Payments	29	25
Staff Welfare Expenses	167	85
Total	1,948	1,553

#### **Non-Monetary Benefits**

The Company goes beyond financial compensation to offer a robust package of non-monetary benefits including paid leave that supports our employees' well-being as well as both personal and professional growth.

- O Comprehensive Medical Insurance:
  We provide medical insurance
  (OPD and hospital stay cover)
  for employees and their families,
  tailored to different employee
  categories. This ensures our
  employees, and their loved ones
  have access to quality healthcare.
- Supporting Learning Aspirations: We understand the value of continuous learning. Study leave allows employees to attend lectures and examinations, empowering them to enhance their skills and knowledge.
- Work-Life Balance Initiatives: We are committed to fostering a healthy work-life balance. This includes:
  - Paternity Leave: Male employees receive three days of paternity leave to support their families during this important time.
  - Marriage Leave: With senior management approval, employees can take up to eight days of leave for their wedding.
  - Leave for Athletes: Balancing passion with work is important. Employees who are part-time athletes are eligible for leave to attend practices and matches.
  - Extended Sick Leave: We recognise that unexpected illness can occur. Extended sick leave is available for employees suffering from severe or major illnesses.

#### A Culture of Engagement

We believe in promoting a culture of engagement to increase the sense of community and belonging amongst our workforce. Employee engagement goes beyond coming to work every day; it is about dedication, connection, and a shared passion for our collective success. As part of our efforts, we organise various events throughout the year to connect our employees.

#### **Annual Employee Get-Together**

This annual event brings together all employees for a day of celebration and recognition. For the year under review, the event, themed "Fire and Ice," featured music, dance, and a raffle draw with exciting prizes. This was held on 13th May 2023 at Monarch Imperial.











#### Human Capital

#### **Sports Fest**

In January 2024, all branches collaborated to organise an inter-branch sports tournament at the Mercantile Cricket Association. Employees competed in cricket, netball, running, and other fun physical activities. Winners received awards and the event culminated with DJ music, dancing, and fireworks.











#### **Blood Donation Campaign**

The Company's Head Office organised a blood donation campaign on 12th August 2023, during which the collected blood was donated to the national blood bank. A Substantial number of blood pints were gathered from employees and other generous donors.







#### **Employee Health and Well-Being**

Vallibel Finance highlights employee well-being in all aspects of our business. As a financial institution, our employees are fortunate to be in a low-risk environment for work-related injuries or illnesses. Nevertheless, we maintain rigorous health and safety protocols even beyond the pandemic, ensuring a safe work environment. There were no significant incidents reported during the year under review.

Beyond physical health, we understand the importance of mental health. The current economic climate, with high inflation and living costs, can significantly impact employee well-being and stress levels. Thus, we avoided pay cuts and ensured full salaries, bonuses, and annual increments for all employees. Those promoted were awarded complete corresponding benefits.

#### **Grievance Handling**

Vallibel Finance adopts a culture of open communication and provides safe spaces for employees to raise concerns. Our grievance-handling procedure ensures that employee concerns are addressed promptly and fairly. Additionally, our Whistleblower Policy protects employees who disclose any suspected wrongdoing by anyone in the Company from retaliation or unfair treatment. The Whistleblower Policy covers matters such as illegal conduct, fraud, bribery, financial irregularities, breach of legal or regulatory requirements, and danger to the public or financial system.

#### **Looking Ahead**

As the financial services industry continues to evolve dynamically, the Company realises the imperative of maintaining a continuously adapting HR strategy in the years ahead. Our focus will be on cultivating a top-tier workforce through several key initiatives. This involves augmenting our learning and development programs with substantial investments in comprehensive training schemes aimed at equipping our employees with cutting-edge skills and knowledge.

Moreover, we anticipate the need for a workforce driven by rapid innovation, fostering a culture that champions creativity and harnesses the collective talent pool through innovative idea-sharing platforms. We are also committed to strengthening diversity and inclusion efforts by actively seeking talent from varied backgrounds and encouraging the creation of a work environment where every individual feels valued and empowered.

Through these concerted efforts, Vallibel Finance is poised to build a resilient and future-ready workforce that supports innovation, propels growth, and positions the Company for sustained success in the dynamic landscape of the financial services industry in the long term.





Vallibel Finance is committed to creating financial capital value, aligning with all relevant regulatory requirements and the International Integrated Reporting Framework. We demonstrate this commitment through responsible financial management practices that prioritise long-term sustainability and consistent value creation for our shareholders.

#### **FOCUS AREAS 2023/24**

#### **Ensuring Steady Returns**

- The Company implements long-term financial strategies aimed at generating consistent and reliable returns for shareholders.
- Prudent financial practices are implemented to drive year-on-year earnings growth while maintaining financial stability.
- The Company uses tried and tested methodologies to optimise financial performance and to identify opportunities for generating returns.

#### Sustainable Business Growth

- Efficient financial resource management ensures the availability of funds for core business activities and facilitates expansion opportunities.
- Adaptability in managing key financial components allows us to capitalise on new market opportunities and respond to changing economic conditions.
- Our focus on cost management and operational efficiency fuels sustainable business growth without compromising long-term financial health.

#### Safeguarding Assets and Portfolio Quality

- Compliance with all relevant financial regulations ensures the security and integrity of our financial assets.
- Transparent and ethical business practices mitigate financial risks while maintaining investor confidence
- A focus on responsible financial asset management protects the quality of our portfolio and safeguards shareholder value.



Rs. 12.97 Bn 2023/24



Rs. 11.09 Bn 2022/23





2022/23



**Lending Portfolio** 

Total Assets

Rs. 68.24 Bn 2023/24



Rs. 61.37 Bn 2022/23





**17.80** %

2023/24

NPL

Return on Equity

5.88 % 2023/24



\*Classification change made by CBSL

Deposit Base

Rs. 58.64 Bn 2023/24



Rs. 49.66 Bn

Rs. 82.32 Bn 2022/23

2023/24

Rs. 93.17 Bn



#### **Employees**

• Prudent financial management ensures consistent returns on shareholder funds. This predictability allows for investments in employee development and long-term career prospects.



#### Company

• Achieving financial excellence and consistently enhancing key financial indicators strengthens our financial foundation and ensures long-term sustainability. This allows for reinvestments in innovation, employee development, and improved customer service.



#### Customers

- Strong financial health allows the Company to offer a diverse range of financial services, catering to a wider customer base.
- We leverage our financial strength to deliver value-for-money financial services, ensuring our customers get the most out of their investments.
- Understanding financial challenges, the Company will focus on offering flexible repayment terms such as delayed loan payments and moratoriums in case of unforeseen circumstances.

#### **CHALLENGES FACED IN 2023/24**

Higher inflation levels which prevailed in the first half of the financial year continued to impact the value of returns on investments and increased operational costs. This put pressure on maintaining profit margins.

The high interest rates during the first half of the financial year raised concerns regarding the potential risk of loan defaults, which could affect portfolio quality and result in bad debts.

Market uncertainties complicated financial planning and risk management strategies.

The financial services sector witnessed heightened competition, making it challenging to expand the client base and secure new loan opportunities, thereby limiting growth potential.

This is an ongoing challenge for the Company, requiring careful consideration for investments in continuous growth and expansion while maintaining a balance with operational efficiency.

The first half of the financial year presented a challenging landscape. Prevailing economic conditions dampened business activity and loan demand, restricting opportunities for loan disbursement – a key driver of our revenue. However, a welcome turnaround in economic growth emerged towards the latter half of the year, offering a more positive outlook and improving market conditions.

## Financial Capital

#### Our Focus for 2024/25



#### **Profitability Protection**

 We will prioritise effective management of interest costs and operational expenses to safeguard healthy profit margins in a potentially challenging economic climate.

#### Maintaining Business Momentum

 Effective strategies will be implemented to maintain business volumes, ensuring a steady stream of revenue and supporting our growth objectives.

#### Operational Efficiency Drive

 We are committed to continuous improvement, focusing on enhancing operational efficiencies through process enhancements. This will streamline operations and optimise resource allocation.

#### **Strengthened Collections**

• To improve cash flow and mitigate risks, we will enhance the collection monitoring process and implement improved recovery efforts for outstanding loans.

#### Liquidity Management

 Further strengthening our liquidity management processes will ensure we have readily available funds to meet financial obligations and support business activities.

#### **Funding Diversification**

• We will explore strategies to further diversify our funding sources, reducing reliance on any single source and mitigating potential risks.

#### **Prudent Lending Practices**

Maintaining a cautious approach to lending and strict adherence to established processes will ensure responsible credit risk management.

#### **Enhanced Credit Evaluation**

 We will continuously strengthen our credit evaluation and client investigation processes to make informed lending decisions and mitigate potential defaults.

#### Economic Vigilance

2 Careful monitoring of prevailing and emerging economic conditions will allow us to proactively adapt our strategies and navigate potential challenges.

#### **Associated Stakeholders**

Creating Financial Capital Value

Government Institutions and Regulators

Shareholders

Business Partners Customers

#### Link to Material Aspects

- Sustainable Growth of Earnings
- Economic Instability

#### Identified Risks

- Credit Risk
- Interest Rate Risk
- Liquidity Risk

#### **Management Approach**

Vallibel Finance prioritises a longterm perspective in our financial strategies. This approach emphasises both efficiency and growth. We ensure that financial resources are managed effectively to support core business activities and maintain smooth operations. Simultaneously, we invest in strategies aimed at generating consistent and reliable returns for shareholders over the long term. This commitment to balanced financial practices allows the Company to strive towards year-onyear earnings growth while maintaining overall financial stability. Ultimately, this fosters sustainable value creation for the Company and all our stakeholders.

The Company adheres to all relevant financial regulations including 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 Corporate Governance Direction issued by the

Central Bank of Sri Lanka (CBSL), This ensures transparency, accountability, and investor confidence, while enabling the Company to remain up-to-date with evolving accounting policies and industry regulations.

Additionally, the Company possesses the flexibility to adjust key financial capital components as necessary. This allows us to adapt to evolving market conditions and capitalise on new opportunities. While managing finances, the Company upholds the highest standards of transparency, ethics, and sustainability in all business practices.

#### **Financial Performance**

The financial year under review presented a complex landscape for Sri Lanka's financial services sector. While the industry was slowly recovering from the 2022 macroeconomic crisis, lingering effects continued to pose challenges. Import restrictions on motor vehicles remained in place, and the Sri Lankan rupee, though stabilising, maintained a higher exchange rate against the US dollar. Additionally, the Central Bank of Sri Lanka (CBSL) adopted less rigid policies compared to the previous year, but some aspects of the financial environment remained challenging.

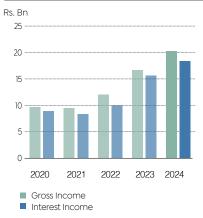
Despite these headwinds. Vallibel Finance successfully navigated this complex environment. Our data-driven approach, continuous process improvement initiatives, and a Company-wide culture of cost consciousness proved to be valuable assets. By implementing effective cost control strategies, the Company achieved sustainable growth and improved the value created for our shareholders and other stakeholders in the face of these ongoing challenges.

#### **Total Income**

Despite the challenges prevailing in the operating environment, the Company's total income increased by 19.9% during the financial year under review. The total income as of 31st March 2024 was Rs. 20.03 Bn compared to Rs. 16.70 Bn

earned in the previous financial year. This was mainly due to the revenue generated by loans and advances. The total interest income derived from the loans and advances portfolio saw an increase of 15.39% to Rs. 13.06 Bn compared to the previous financial year's earnings of Rs. 11.31 Bn. Additionally, interest income from other investments observed a substantial increase of 71%, amounting to Rs. 2,952 Mn during the year under review, compared to the previous financial year's earnings of Rs. 1,726 Mn. The total noninterest income earned during the financial vear under review recorded a 61.17% increase to Rs. 1.66Bn, compared to Rs. 1.03 Bn earned in the previous financial year.

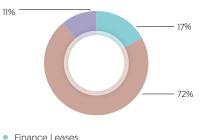
#### Composition of Revenue



#### **Interest Income**

The Company recorded an interest income growth of 17.20% to Rs. 18.37 Bn during the financial year under review compared to Rs. 15.68 Bn recorded in the previous financial year. This is attributed mainly to growth in investment income and other loans and advances.

#### Composition of Interest Income - 2023



- Finance Leases
- Other Loans & Advances
- From Other Investments

#### Composition of Interest Income - 2024



- Finance Leases
- Other Loans & Advances
- From Other Investments

Finance leases maintained their downward trend, recording a decline of Rs. 0.27 Bn during the year ending 31st March 2024. As a result, its contribution to the total interest income was reduced to 13%. Accordingly, the interest income generated from finance leases decreased by 10.30% to Rs. 2.36 Bn during the year under review, compared to Rs. 2.63 Bn recorded in the previous financial year. The decline in the lease component's share is mainly due to ongoing economic and financial uncertainties, high interest rates, low liquidity levels, and restrictions on vehicle imports designed to manage foreign exchange reserves and limit foreign currency outflows from Sri Lanka.

The interest income derived from other loans and advances continued to record a higher contribution of 71% during the year under review, as opposed to the 72% recorded in the previous financial year. Notably, the total interest income from other loans and advances experienced a substantial increase of 15.39% to reach Rs. 13.06 Bn during the year under review, compared to the previous financial year's earnings of Rs. 11.31 Bn. Vehicle loans, gold loans, auto drafts, and fixed deposit loans were the key contributors to interest income growth from other loans and advances.

Other interest income, which includes interest earned on placements with banks and other finance companies, as well as interest income from investments in government securities such as Treasury Bills and Treasury Bonds, reached Rs. 2,952 Mn during the financial year under review. This represents an increase of 71.01% compared to the previous financial year.

### Financial Capital

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

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

The Company will continue to closely monitor external market dynamics while strongly emphasising safeguarding the loans and advances portfolio to achieve the targeted interest income. Concurrently, the Company will continuously assess and enhance the efficiency of our risk management and optimisation strategies for loans and leasing operations, ensuring they align with any evolving economic circumstances.

#### **Interest Expense**

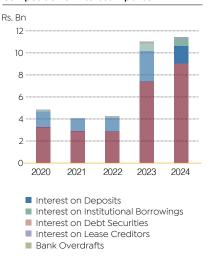
Total interest expenses, including interest payable to customers and banks, debt issued, and other borrowed funds, increased by 3.2% during the year under review, in contrast to the 160.1% increase observed in the previous financial year. The primary reason is attributed to the prevailing high-interest environment during the financial year under review. Thus, the total interest expenses for the financial year ending on 31st March 2024, amounted to Rs. 11.37 Bn, compared to the previous financial year's expenses of Rs. 11.01Bn.

Interest expenses incurred on deposits represent 79.4% of the total interest

expenses. In the year under review, interest expenses on deposits increased significantly by 22.28% to Rs. 9.02 Bn. In contrast, interest expenses increased by 158.79% to Rs. 7.38 Bn in the previous financial year.

Interest expenses related to institutional borrowings, including bank overdrafts, bank term loan facilities, and securitised borrowings, recorded a decrease of 45.32% to Rs. 1.53Bn during the financial year under review, compared to the previous financial year's expenses of Rs. 2.79 Bn. The Company obtained new loan facilities worth Rs. 4,300 Mn and repaid Rs. 8.94 Bn in loans during the year under review. As a result, the total institutional borrowings decreased by 22.3% to Rs. 10.79 Bn for the year under review, compared to Rs. 13.89 Bn recorded during the previous financial year. Furthermore, interest expenses on commercial papers amounted to Rs. 11.22 Mn, while interest expenses on the subordinated term loan totalled Rs. 643.05 Mn.

#### Composition of Interest Expense



#### **Net Interest Income**

The net interest income increased by 50.30%, amounting to Rs. 7.01 Bn during the year under review compared to Rs. 4.66 Bn earned in the previous financial year. This is mainly attributed to the reduced interest expenses and increase in interest income recorded during the year under review. The Company deployed several strategies to manage net interest income growth, including product re-pricing aligned with market fluctuations and adjusting the funding structure to secure funds at favourable rates amidst the high-interest rate regime which prevailed in the country.

	2020	2021	2022	2023	2024
Total Interest Income (Rs. Mn)	8,912	8,331	9,930	15,676	18,372
Total Interest Expense (Rs. Mn)	4,855	4,068	4,235	11,014	11,365
Net Interest Income (Rs. Mn)	4,058	4,264	5,696	4,662	7,007

#### **Other Operating Income**

The Company recorded a growth of 61.17% in other operating income, also referred to as non-interest income, amounting to Rs. 1,658 Mn during the year under review. In comparison, the previous financial year recorded an income of Rs. 1,029 Mn. Non-interest income encompasses various sources such as fee and commission income, early termination income, gains or losses from property, plant, and equipment disposals, as well as gains or losses from financial investments and other income.

Among these sources, the largest contribution to the operating income was derived from fee and commission income and early termination income, accounting for a combined share of 80.85% of the total other operating income.

#### **Total Operating Income**

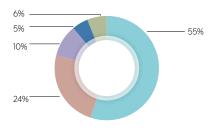
The components of operating income include net interest income and other income. The Company achieved a total operating income of Rs. 8.66 Bn for the financial year ending on 31st March 2024, in contrast to the earnings of Rs. 5.69 Bn in the previous financial year. The earnings from other income constituted 8.28% of the Company's gross income.

#### **Operating Expenses**

The Company recorded a 26.57% increase in total operating expenses to Rs. 3.58 Bn during the financial year under review, compared to Rs. 2.83 Bn incurred in the previous financial year. Premises, equipment, and establishment expenses comprised 10% of the total operating expenses, amounting to Rs. 359 Mn. This increase is attributed to the Company's branch expansion.

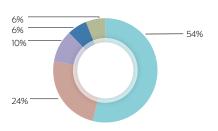
Personnel expenses recorded a 25.46% increase to Rs. 1.95 Bn, primarily driven by new recruitments and rising employment benefits amidst a high-inflation operating environment. Additionally, advertising and business promotional expenses accounted for 5.66% of the total operating expenses, amounting to Rs. 202.6 Mn for the year under review.

#### Composition of Operating Expenses - 2023



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

#### Composition of Operating Expenses - 2024



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

#### **Cost-to-Income Ratio**

The cost-to-income ratio serves as a valuable indicator of the Company's efforts in managing costs and enhancing operational efficiency. In the financial vear under review, the cost-to-income ratio recorded a decrease of 16.9%. reaching 41.34%, in comparison to the previous year's ratio of 49.74%. This decrease is primarily attributed to the increase in income despite rising costs of operations driven by rising prices of goods and services due to the high inflation level which prevailed during the reviewed year. The Company's focus on cost control and management measures supported the management of this ratio at lower levels than anticipated highlighting the management's commitment to continually improving operational efficiencies.

#### **Impairment Charges**

Impairment charges recorded a significant 348.7% increase to Rs. 437.8 Mn during the year under review,

compared to Rs. 97.6 Mn recorded in the previous financial year. This noteworthy achievement is attributed to the effective management of gross non-performing loans even amidst the economic crisis. Despite the challenges posed by the adverse external operating environment, the Company's efforts in mitigating risks and maintaining asset quality have played a crucial role in achieving this considerable decrease in the impairment charge.

#### **Taxation**

The Company's tax charges encompass various types of taxes, including direct and indirect taxes such as corporate income tax, financial service taxes, Value-Added Taxation (VAT), and withholding tax. For the financial year ending 31st March 2024, the effective tax rate was 53.89%, representing an increase from the 51.51% rate applicable for the financial year ending 31st March 2023.

The Company's total tax liability increased by Rs. 1,080 Mn, amounting to Rs. 2,503 Mn during the financial year under review. This increase in tax liability is mainly attributed to the Company's reduced taxable income, which is attributed to higher levels of operating expenses incurred in the prevailing high inflation environment during the year under review. The total corporate income tax expenses amounted to Rs. 1,314 Mn, compared to the Rs. 725.91 Mn in the previous financial year. Additionally, the tax on financial services amounted to Rs 1,189.39 Mn for the financial year under review, in contrast to the Rs. 697.12 Mn incurred in the previous financial year.

Taxation Charges for the year ended 31st March	2020	2021	2022	2023	2024
Income Tax (Rs. Mn)	609	662	1,082	726	1,314
Value-Added Tax on Financial Services (Rs. Mn)	579	469	784	697	1,189
Total (Rs. Mn)	1,189	1,131	1,866	1,423	2,503

#### **Profitability**

The Company experienced a significant increase in profitability during the year under review attributed to the improving macroeconomic and financial services sector operating environment. The total net profit increased by 59.87% to Rs. 2.14 Bn,

# Financial Capital

contrasting with the double-digit net profit decrease of 54% to Rs. 1.34 Bn recorded in the previous financial year. The Company's profit before taxation increased by 68.12% to Rs. 4.6 Bn for the financial year under review.

The Company's return on average assets (ROA) calculated on profit after tax increased by 45.77% to recorded 2.44% as of 31st March 2024 compared to 1.67% as of 31st March 2023. The return on average equity (ROE) increased by 44.48% to record a growth of 17.80% as of 31st March 2024.

	2020	2021	2022	2023	2024
Profit Before Taxation (Rs. Mn)	2,442	2,859	4,778	2,763	4,645
Taxation (Rs. Mn)	1,188	1,130	1,866	1,423	2,503
Net Profit (Rs. Mn)	1,253	1,728	2,912	1,340	2,142

#### **Financial Position**

Vallibel Finance's growth and success stem from a collaborative effort. We develop sustainable financial strategies that challenge conventional thinking and drive efficient, effective growth. Our unwavering commitment to established goals is evident in our ability to enhance credit quality and expand the deposit portfolio, even amidst a challenging macroeconomic environment. Despite diminished money market liquidity and a climate that discourages consumer spending, we persevered. This accomplishment is a testament to the unwavering determination of our leadership, management, and employees to overcome obstacles and propel the Company towards sustainable success.

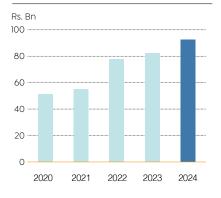
#### **Total Assets**

During the year under review, the Company's total assets recorded a 13.2% increase to Rs. 93.17 Bn as of 31st March 2024. This is in contrast to the 5.96% increase to Rs. 82.32 Bn recorded as of 31st March 2023 attributed to the constrained operating conditions and financial liquidity in the market during the previous financial year.

The Company's commitment to implementing strong strategies for expanding the loans and advances portfolio, coupled with our ability to navigate emerging challenges, continue to support the growth of total assets.

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

#### **Total Assets**



#### **Liquidity Position**

As of 31st March 2024, the Company's total liquid assets, including cash, short-term funds, government securities (treasury bills and treasury bonds), and placement with commercial banks, increased to Rs. 13.66 Bn, compared to Rs. 13.61 Bn recorded as of 31st March 2023. The ratio of liquid assets to total deposits reached 22.60%, surpassing the required 10% set by the CBSL.

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

#### **Lending Assets**

During the year under review, the Company's net lending portfolio experienced an increase of 11.20%, totalling Rs. 68.24 Bn, compared to Rs. 61.37 Bn recorded in the previous financial year. However, the total finance lease net portfolio declined by 4.10% to Rs. 10.35 Bn as of 31st March 2024, compared to Rs. 10.79 Bn recorded as of 31st March 2023. Net hire purchase receivables continued to be a nil figure in both years.

Among the lending portfolio components, other loans and advances remained the largest contributor, accounting for 84.84% of the portfolio, while both lease rentals and hire purchase receivables constituted 15.16% of the portfolio. This mix in the lending portfolio has been consistent over the past five years.

	2020	2021	2022	2023	2024
Gold Loans (Rs. Mn)	3,534	5,408	8,634	15,343	15,677
Loans Against Fixed Deposits	500	652	1,132	968	1,185
(Rs. Mn)					
Other Loans & Advances (Rs. Mn)	24,400	28,745	42,528	36,107	43,333
Total other Loans & Receivables	28,434	34,805	52,294	52,418	60,195

The gross other loans and advances category encompasses various types of loans and receivables, including auto drafts, vehicle loans, gold loans, mortgage loans, personal loans, fixed deposit loans, group personal loans, business loans, and microfinance.

During the financial year ending 31st March 2024, gross loans and receivables to other customers recorded an increase of 14.84%. The net portfolio of other loans and receivables marginally declined by 14.46% to Rs. 57.90 Bn as of 31st March 2024, compared to the Rs. 50.58 Bn recorded as of 31st March 2023. Notably, the significant growth of the gold loan portfolio and the fixed deposit loans portfolio played a fundamental role in mitigating the decline of the gross other loans and advances to a relatively low level.

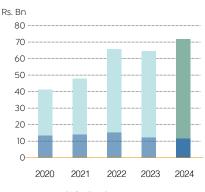
#### **Credit Quality**

The maintenance of a high-quality credit portfolio is a crucial factor for the growth and success of LFCs. One key indicator of credit quality is the Non-Performing Loans (NPL) ratio, which measures the proportion of loans that have not been recovered from the total loan portfolio. In the year under review, Vallibel Finance demonstrated excellent credit quality and further improved its performance. The slight decrease in the NPL ratio by 4.5% to 5.88%, compared to the 6.16%ratio in the previous financial year, was primarily due to improved collection and recovery efforts. It is important to note that Vallibel Finance has consistently maintained a lower NPL ratio compared to the industry average over the past two years. As of 31st March 2024, the industry's gross NPL ratio stood at 14.7% (Source: CBSL).

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

As we look ahead to the coming financial year, the current economic conditions are expected to improve, however, any deviations from the path being followed could present challenges resulting in loan defaults. However, it is important to note that if loan applications

#### Lending Portfolio Distribution for Last Five Years



- Lease and Hire PurchaseOther Loans and Advances
- continue to decline due to prevailing high interest rates, the NPL ratio may artificially improve. Nevertheless, this could still indicate a decline in the overall performance of the Company and the LFCs sector.

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

#### **Total Liabilities**

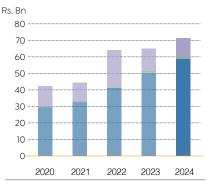
The Company's total liabilities encompass the deposit base, bank overdraft facilities, term loan facilities from banks, securitised borrowings, debt securities, and other liabilities. Total liabilities recorded an 12.6% increase to reach Rs. 80.19 Bn as of 31st March 2024 compared to Rs. 71.24 Bn recorded as of 31st March 2023. Public deposits, constituting 69.71% of the total liabilities as of March 31, 2023, witnessed a significant growth of 18.1%, up from 21.06% in the previous financial year. Retail deposits drove this increase in public deposits.

The Company secured loan facilities from leading banks in Sri Lanka by Rs. 4,300 Mn to manage operations during the year under review. However, Rs. 8.94 Bn in borrowings was also settled during the year under review. Thus, the Company's bank borrowings, including term loans, bank overdrafts, and securitised borrowings, decreased by 22.34% to Rs. 10.79 Bn as of 31st March 2024, in contrast

to the Rs. 13.89 Bn recorded as of 31st March 2023. Therefore, as of 31st March 2024, bank borrowings accounted for 13.45% of the total liabilities, compared to the 19.50% recorded as of 31st March 2023.

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. 1 Bn.

### Deposit Base, Overdraft, & Interest Bearing Borrowings



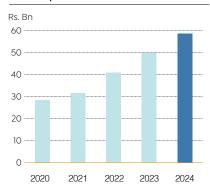
- Deposits
- Bank OverdraftInterest Bearing Borrowings

### **Total Fixed Deposits**

The Company achieved a notable increase of 18.09% in its public deposits, reaching Rs. 58.64 Bn as of 31st March 2024, compared to Rs. 49.66 Bn as of 31st March 2023. This achievement is mainly due to the high interest rates that prevailed during the first half of the financial. The growth in public deposits serves as an endorsement of the Company's position within the financial services community and highlights our reputation as a leading and ethical financial institution. It is a testament to the trust placed by the public in the Vallibel Finance brand.

# Financial Capital

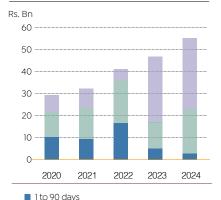
#### **Fixed Deposits**



#### **Deposits by Maturity**

The Company's deposit base consists of 78.62% of deposits with a maturity of less than one year, while the remaining 21.38% deposits have longer-term maturities. We maintain this deliberate mix to prioritise obtaining medium and long-term funding, thereby minimising potential mismatches between interest-bearing assets and liabilities. This approach supports the Company's goal of enhancing customer service levels and contributes to overall system efficiency by providing competitive rates.

#### Analysis of Deposits by Maturity Date



# ■ 91 to 365 days ■ More than 365 days Capital Adequacy

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

In the LFCs sector, organisations with an asset base below Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 8.50% and a total capital ratio of 12.50% under the capital adequacy framework and organisations with an asset base above Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 10.00% and a total capital ratio of 14.00%. So the Company has to maintain this requirement when assets exceed Rs. 100 Bn in the next financial year. A subordinated term loan of Rs. 3 Bn has been issued to strengthen Tier 2 Capital. This enabled the Company to meet the new adequacy ratio requirements which became effective during the year under review.

As of 31st March 2024, Vallibel Finance maintained a Tier I capital ratio of 17.06% and a total risk-weighted capital ratio of 19.80%. As of 31st March 2023, the Company's core capital ratio was 17.02% and the total risk-weighted capital ratio was 22.26%. The core capital and capital funds of the Company as at end of the financial year under review amount to Rs. 12.47 Bn and Rs. 14.47 Bn, respectively, comfortably exceeding the regulatory requirements set by the CBSL.

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

#### Shareholders' Fund

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

At the end of the financial year under review, the Company's retained earnings grew by 22.49% to Rs. 9.6 Bn, compared to Rs. 7.83 Bn in the previous financial year. This contributed to a 17.02% growth in the total shareholders' fund, which amounted to Rs. 12.97 Bn as of 31st March 2024, compared to Rs. 11.09 Bn as of 31st March 2023.

The return on average shareholders' funds increased to 17.80% as of 31st March 2024, compared to 12.32% recorded as of 31st March 2023. This was due to the increase in profit after tax.

During the financial year under review, the Company's revaluation reserve increased by 12.17%, amounting to Rs. 0.19 Bn.

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

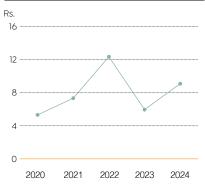
### Review of Key Ordinary Share Indicators

The Company's ordinary shareholding was 235,453,400 as of 31st March 2024, which is the same as 31st March 2023.

#### **Earnings Per Share**

The Company experienced a significant 59.9% increase in Earnings Per Share (EPS) during the 12 months ending on 31st March 2024 to Rs. 9.10 compared to Rs. 5.69 recorded during the 12 months ending on 31st March 2023.

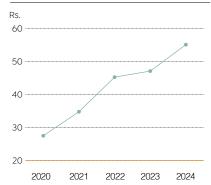
#### Earnings per Share



#### **Net Asset Value Per Share**

The Company's consistent efforts to enhance the financial capital value and generate value for shareholders are evident in the increasing net assets value per share. The net asset value per share recorded a growth of 17% to reach Rs. 55.10 as of 31st March 2024, compared to Rs. 47.09 reported on 31st March 2023.

#### Net Asset Value per Share



#### Price Earnings (P/E) Ratio

The Company's P/E ratio declined by 25.9% to 4.3 times as of 31st March 2024, compared to 5.8 times reported for the financial year ended 31st March 2023. This decline is attributed to the increase in EPS for the year under review.

#### **Price to Book Value Ratio**

The price-to-book value ratio witnessed an increase of 1.30% to reach 0.71 times as of 31st March 2024, compared to the 14.77% decrease recorded in the previous financial year.

### **Economic Value-Added and Distributed to Stakeholders**

The value-added statement gives insight into the financial value generated for all stakeholders of the Company. During the financial year ending 31st March 2024, the Company witnessed a significant increase of 19.91% in the total value created across all stakeholder groups. Consequently, there was an increase in the value distributed to shareholders, business partners, customers, and employees.

The information about the non-financial value creation for the Company's stakeholders is presented in the Capital Review Reports from pages 56 to 78 of this annual report.

#### **Looking Ahead**

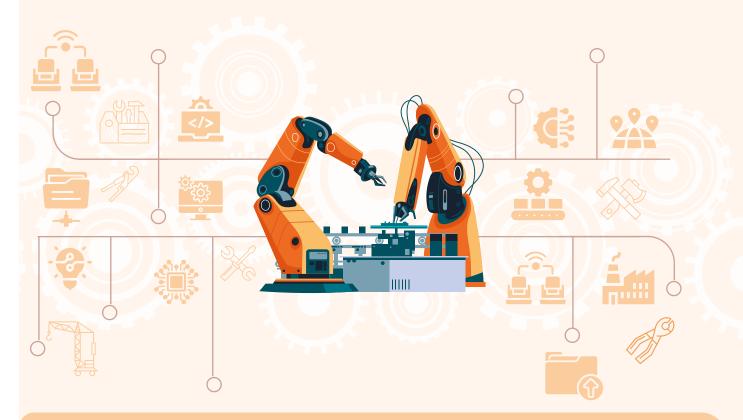
Vallibel Finance understands the need to optimise financial capital for long-term sustainability and value creation. This will require an integrated, cohesive approach. We will focus on maintaining a healthy balance sheet through effective cost

control and diversification of funding sources. Leveraging technology to streamline processes and enhance operational efficiency will maximise returns on investments. Adopting a data-driven approach to risk management is becoming more critical for navigating economic uncertainties and safeguarding our lending portfolio. Additionally, fostering a culture of innovation will help the Company identify new financial products and services that meet evolving customer needs and market trends. By prioritising these areas, the Company is confident in our ability to overcome future challenges and lead Sri Lanka's financial services sector.

#### **Value Created to Stakeholders**

For the year ended 31st March	2024		2023	
	Rs.	%	Rs.	%
Direct Economic Value Generated				
Interest Income	18,371,636,183	91.72%	15,675,717,444	93.84%
Fee Commission Income	714,346,044	3.57%	511,805,140	3.06%
Net Gain/(loss) From Trading	92,250,073	0.46%	124,887,604	0.75%
Other Operating Income	851,407,011	4.25%	392,038,236	2.35%
Total Economic Value Generated	20,029,639,311	100.00%	16,704,448,424	100.00%
Economic Value Distributed		<u> </u>		
To Employees		<u> </u>		
Employees Salaries & Benefits	1,947,395,876	•·····•	1,552,279,947	•
	1,947,395,876	9.72%	1,552,279,947	9.29%
To Depositors and Lenders				
Interest Expenses	10,721,969,617	•	10,417,334,259	•
	10,721,969,617	53.53%	10,417,334,259	62.36%
Payments to Providers of Capital				
Dividend to Shareholders	235,453,400	•	470,906,800	•
Interest to Debt Holders	643,054,095	•••••••••••••••••••••••••••••••••••••••	596,619,670	•
	878,507,495	4.39%	1,067,526,470	6.39%
Payment to Government				
Income Tax Expenses	1,313,646,503		725,907,981	
VAT on Financial Services	1,189,389,196		697,119,801	
Crop Insurance Levy	22,414,705		13,100,000	
	2,525,450,404	12.61%	1,436,127,782	8.60%
To Community				
Social Responsibility Projects	1,395,880		966,430	
Donations	29,370		30,300	
	1,425,250	0.01%	996,730	0.01%
Operating Costs				
Depreciation & Amortisation Set				
Aside	201,058,472		174,772,941	
Impairment Charge for Loans and				
Other Losses	437,781,236		97,575,003	
Training Cost	819,200		541,750	
Other Operating Expenses	1,409,132,102		1,088,086,441	
	2,048,791,010	10.23%	1,360,976,135	8.15%
Economic Value Retained	1,906,099,659	9.52%	869,207,101	5.20%
Total Economic Value Distributed	20,029,639,311	100.00%	16,704,448,424	100.00%

# **Manufactured Capital**



Vallibel Finance
prioritises strategic
investments in
manufactured capita
to strengthen our
foundation for
sustainable growth.
This focus translates
to expanding our
branch network,
digitally
transforming
operations, and
fostering a positive
work environment
through modern
facilities which
create sustainable
value across our
stakeholder groups.

#### FOCUS AREAS 2023/24

#### **Enhanced Financial Accessibility**

We are committed to delivering financial services accessible to all. By strategically expanding our branch network and offering our products and services simple and easy to use we are focused on bridging the gap and ensuring more people can participate in the financial ecosystem in line with our corporate values.

#### Digitalisation for Increased Efficiencies

We are leveraging the power of digitalisation to streamline operations and unlock new levels of efficiency. This translates to faster service delivery, reduced costs, and a more agile organisation prepared for future challenges.

#### Improving Customer Convenience

We are constantly innovating to make interacting with the Company easier and faster by ensuring our branches are conveniently located and well-equipped.

#### Strengthening Data Security

We understand the importance of safeguarding financial information. We continue investing in robust data security measures to protect customer privacy and build trust with our customers.

#### Performance for FV 2023/24



Investment in IT Infrastructure

Rs. **83.61** Mn 2023/24

Rs. **31.45** Mn 2022/23



Investment in property, plant, and equipment

Rs. **359.72** Mn 2023/24

Rs. **181.37** Mn 2022/23



New Branches

**6** 2023/24

**4** 2022/23

Value Created by Manufactured Capital Management at Vallibel Finance



#### **Employees**

- Modern facilities such as the new corporate office provide a comfortable, well-equipped workspace that fosters collaboration and innovation.
- Investments in technology and infrastructure create opportunities for employees to develop new skills while our expanding branch network support the advancement of their careers.



#### Company

- Investments in IT infrastructure and digitalisation streamline operations, reducing costs and improving a fastpaced service.
- New branches attract new customers and solidify Vallibel Finance's position in the market.



#### Customers

- Increased branch access offer customers more options to access financial services and conduct transactions at their own pace.
- Vallibel Finance continuously expands its service offerings and branch network to cater to a wider range of customer needs.

#### Our Focus for 2024/25

#### Redefining Branch Network Efficiency:

• By streamlining processes and leveraging technology, we aim to deliver faster, more efficient services, ensuring each visit is a positive and productive experience.

#### Optimising Efficiency for Future Growth:

Embracing automation and continuous process improvement at branches and the head office to streamline operations, reduce costs, and free up valuable resources for innovation.

#### Strengthening Core IT infrastructure:

 Continuously investing in robust IT infrastructure to ensure a reliable foundation for future growth and innovation in the digital landscape.

#### **Connecting with Customers:**

• Reaching customers via our branch expansion strategy for greater accessibility, while fostering a seamless customer experience across all touchpoints.

#### **Building a Stronger Presence:**

• Strategically expanding our reach, ensuring our branches are not only conveniently located but also reflect our commitment to modern, efficient service.

#### **CHALLENGES FACED IN 2023/24**

Managing Innovation

Striking a balance between maximising cost-efficiency and staying at the forefront of the rapid evolution of cutting-edge technology. Adapting to Uncertainty:

Economic and political instability demands adaptable strategies to minimise disruption and capitalise on future opportunities.

Responding to a Dynamic Market:

Implementing a flexible planning approach to promptly respond to external market forces and evolving customer needs.

Maintaining a Competitive Edge:

Maintaining a continued focus on innovation, operational excellence, and customer experience, despite other challenges and escalating costs.

#### **Associated Stakeholders**

#### **Creating Manufactured Capital Value**



#### **Link to Material Aspects**

- Inclusive Finance
- Technology-driven innovation

#### Identified Risks

- Operational Risk
- Technological Risks

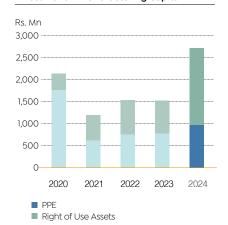
# commitments to employees and customers. Consequently, these endeavours fortify our value proposition to stakeholders, furnishing us with a competitive advantage in the market.

#### **Management Approach**

In adherence to the integrated reporting framework, Vallibel Finance employs a deliberate strategy to invest in initiatives and assets that amplify our manufactured capital value, thereby bolstering our operations and fostering sustainable long-term growth. Our focus on expanding our geographic footprint through the establishment of new branches and leveraging information technology (IT) to streamline internal and external processes, enhancing operational efficiency. Furthermore, we prioritise improving customer accessibility and extending the reach of our services across diverse customer segments.

This methodical approach ensures that every investment in manufactured capital assets yields manifold benefits across various stakeholder groups, facilitating synergistic value creation that capitalises on existing and emerging opportunities while honouring our

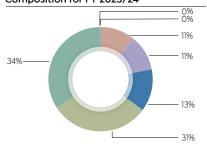
#### Investment in Manufacturing Capital



#### **Expanding Geographic Reach**

The Company operates through a network of 64 strategically positioned branches nationwide, supported by a marketing team comprising 470 individuals. Throughout the financial year under review, the Company diligently augmented its branch network, investing in both physical and digital infrastructure to enhance customer access to financial services and equip employees to deliver superior customer experiences.

#### Property, Plant and Equipment Composition for FY 2023/24



- Building on Leasehold Land
- Motor Vehicle
- Building Freehold
- Computer Equipment
- Office Equipment
- Land Freehold
- Furniture Fittings Equipment

#### Property, Plant and Equipment Composition for FY 2022/23

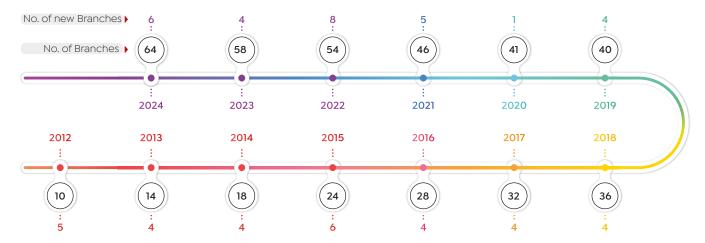


- Building on Leasehold Land
- Motor Vehicle
- Building Freehold
- Computer EquipmentOffice Equipment
- Land Freehold
- Furniture Fittings Equipment

#### **New Branch Openings**

Despite macroeconomic uncertainties and political instability the Company expanded its operations by establishing six new branches in Colombo 03 (Corporate Office), Wariyapola, Matale, Mahiyanganaya, Weligama and Boralesgamuwa. These expansions will enable the Company to fulfil the escalating demands for financial services in these areas while ensuring enhanced financial security for the population. The total cost of new branch openings amounted to Rs. 293.06 Mn.

#### **Expanding Branch Network**





Matale Branch Opening



Wariyapola Branch Opening



Boralesgamuwa Branch Opening



Weligama Branch Opening



Mahiyanganaya Branch Opening



Kandy Branch Relocating

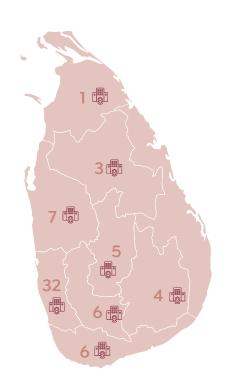
#### **Branch Relocations**

The Company continues with its strategic investments of relocating branches to more convenient locales and upgrading branch infrastructure with advanced technology. Accordingly, our Kandy branch was relocated at an investment of Rs. 45.53 Mn with the official opening taking place in December 2023.



### **Manufactured CapitaL**

Province-wise B	ranch /	Acces	s"
North Central Province			
Anuradhapura	30	2	4
Polonnaruwa	16	1	
North Western Province			
Puttalam	22	2	- {
Kurunegala	77	5	
Western Province			
Gampaha	146	7	1
Colombo	757	20	
Kalutara	77	5	
Sabaragamuwa Province			
Kegalle	45	3	
Ratnapura	58	3	
Northern Province			- 0
Vavuniya	14	1	
Central Province			
Kandy	57	2	
Matale	29	2	
Nuwara Eliya	14	1	
Uva Province			
Badulla	41	3	
Moneragala	14	1	1
Southern Province			
Galle	59	3	
Matara	33	2	
Hambanthota	13	1	



to facilitate efficient operations through digitalisation. Oversight and maintenance of this complex is entrusted to Vallibel Properties Limited our subsidiary. **Digital Infrastructure** 

electronic systems the building is ready

Acknowledging the pivotal role of digital channels, particularly in the postpandemic landscape, Vallibel Finance maintains a steadfast commitment to enhancing our digital infrastructure. With a focus on system resilience, the Company has implemented robust IT protocols to ensure optimal efficiency and effectiveness. Initiatives launched during the financial year under review are aimed at fortifying network support systems and digital infrastructure, thereby minimising disruptions to workflow systems and preventing system downtime.







Branches





#### **New Corporate Office**

The construction of the new 16-story corporate office in Colombo which commenced in the financial year 2019/20 amidst the pandemic, underscores our commitment to providing employees with modern workspaces and customers with comprehensive financial services under one roof within a state-of-the-art facility.

Designed with sustainable architectural concepts the new complex aligns with our environmental stewardship goals. As such the Vallibel Finance corporate office is poised to make significant strides towards reducing our carbon footprint in the long term. Leveraging state-ofthe-art information technology and







#### **Looking Ahead**

Vallibel Finance is well-positioned to navigate the evolving market landscape. Our strategic vision entails further expansion of our branch network into areas where access to financial services is limited, and small towns with a growing economic footprint. This expansion aims to equalise access to financial services catering to individuals from diverse backgrounds.

Moreover in an era dominated by digital innovation our commitment to digital transformation remains unwavering. We are committed to harnessing the potential of emerging technologies to unlock innovative opportunities and generate sustained long-term value for all stakeholders.

#### Milestone Achieved: Vallibel Finance Opens New Corporate Office

We're excited to announce the grand opening of our new corporate office on June 1st, 2023. This isn't just a building; it is a symbol of a benchmark building with the "Power to Do More" at Vallibel Finance.

The world-class building signifies our commitment to excellence and provides the resources to elevate our operations. This office will serve our customers as an additional branch in Colombo, while key divisions such as IT, Insurance and the Call Centre have already transitioned to the new space, creating a more efficient and collaborative work environment.

This move not only enhances employee well-being but also empowers us to serve our customers better. We look forward to leveraging this new space to its full potential and reaching new heights as a Company.





Vallibel Finance
prioritises
intellectual capital
as the cornerstone
of our long-term
success. We
integrate
intellectual capital
elements – human
capital, customer
capital, and
structural capital –
throughout our
business culture to
deliver stakeholder
value.

#### **FOCUS AREAS 2023/24**

#### Investing in Brand Building Activities

Implementing strategic marketing initiatives such as targeted campaigns, social media engagement, and exploring innovative channels to connect with our audience and build brand awareness.

#### **Building a Strong Brand Reputation**

We focused on delivering exceptional customer experiences, upholding our core values, and actively managing our presence to solidify a respected brand image.

#### Transparency and Open Communication

We prioritised clear and consistent communication across all stakeholder groups through various channels, addressing concerns promptly and proactively.

#### Fostering a Culture of Continuous Improvement

We worked toward strengthening a culture where innovation and learning are encouraged by investing in employee training, implementing process improvement initiatives, and encouraging feedback to ensure we constantly evolve and optimise our operations.

#### **Prioritising Responsible Business Conduct**

We focused on minimising our environmental impact, upholding ethical sourcing and labour practices, and actively contributing to our communities to ensure responsible and sustainable business growth.



Credit Rating

BBB+ 2023/24



Rs. 58.13 Mn 2023/24

Rs. 35.58 Mn

**Enrichment** 

Rs. **0.82** Mn 2023/24



Rs. **0.54** Mn 2022/23

BBB+ 2022/23



#### **Employees**

- Continuous learning opportunities through training and knowledge-sharing programs equip employees with skills, promote innovation, and enhance career development.
- Fostering open communication and encouraging employee feedback creates a sense of ownership and engagement, leading to higher morale and productivity.
- Our commitment to responsible business practices aligns with employee values, creating a sense of purpose and pride in their work.



#### Company

Investments in Process

improvements and Maintenance

- By actively building brand trust and awareness, we attract new customers, secure premium pricing, and foster longterm brand loyalty, leading to sustainable growth.
- Streamlined systems and processes reduce costs, improve resource allocation, and allow us to respond faster to emerging opportunities.
- Robust information security safeguards our data and assets, minimising risks and ensuring business continuity.



#### Customers

Tacit Knowledge

- A brand that reflects social inclusivity fosters trust and connection with a wider audience, providing a more welcoming and accessible customer experience.
- Streamlined processes improve service efficiency and response times, leading to faster resolutions and a more seamless customer journey.
- Open communication and clear information sharing build trust and confidence in our products and services, fostering long-term customer relationships.

#### Our Focus for 2024/25

#### Brand Positioning for Social Inclusivity:

Refining our brand image to reflect a more inclusive approach, catering to diverse demographics and fostering a sense of belonging for all stakeholders.



Committing to strengthening our information security systems to meet global benchmarks. This will involve continuous investment in technology, employee training, and robust security protocols.



Cultivating a culture of continuous learning and knowledge-sharing is a priority. This entails implementing programs and initiatives that encourage employee development, knowledge exchange, and innovation.

#### Process Optimisation for Efficiency:

Streamlining our systems and processes to enhance operational efficiency, reduce redundancies, and ultimately drive productivity levels.

#### **CHALLENGES FACED IN 2023/24**

### Intangibility and

Intellectual capital is intangible as opposed to physical assets. Measuring its value and impact on the Company can be difficult. Traditional financial reporting often struggles to capture the true worth of human capital, brand reputation, and other intellectual assets.

Encouraging knowledge sharing within a competitive environment is a challenge. Employees might be hesitant to share their expertise for fear of losing their competitive edge. Additionally, ensuring smooth knowledge transfer between experienced employees and new hires requires a structured approach.

### Fostering a Culture of

Creating an environment that encourages creativity and risktaking is not always straightforward. Balancing innovation with established processes and risk management protocols can be a challenge. Additionally, fostering a culture of continuous learning is essential for intellectual capital growth, but it requires a consistent commitment from leadership and employees.

Skilled and knowledgeable employees are the backbone of intellectual capital. Attracting and retaining top talent requires competitive compensation packages, a positive work environment, and opportunities for professional development. In today's competitive job market, this can be a significant challenge.

# Intellectual Capital

#### **Associated Stakeholders**

#### Creating Intellectual Capital Value



#### Link to Material Aspects

- Customer Satisfaction
- Company Brand and Reputation
- Technology Driven Innovation
- Inclusive Finance

#### **Management Approach**

Vallibel Finance, a leading non-bank finance company, recognises that intellectual capital is the cornerstone of our success. We go beyond financial resources, fostering a culture that integrates expertise, knowledge, and ethical practices into everything we do.

We prioritise strong governance, risk management, and ethical practices as this transparent approach builds trust with stakeholders and allows for continuous improvement, ensuring our intellectual capital is built on a solid foundation.

Our expertise and knowledge are woven into our strategic processes and operations. We leverage digitalisation to facilitate knowledge application, ultimately delivering value to all stakeholders.

Despite economic and operational challenges, significant investments were made during the year under review. We focused on brand building using targeted strategies to enhance our brand reputation. This strengthens customer relationships and builds trust, contributing significantly to intellectual capital value.

Our focus on process efficiency revolved around the continuous improvement of processes ensuring smooth operations and timely reporting. System upgrades further enhanced these efficiencies, maximising the value derived from our intellectual capital.

#### **Identified Risks**

- Reputation Risk
- Technology Risks

Employee development initiatives were also another focus as we believe empowering our workforce with the latest knowledge and skills fosters a culture of learning and innovation, which resultantly strengthens our intellectual capital base.

Vallibel Finance is firmly committed to upholding ethical standards by following the rules of fair competition and adhering to anti-corruption laws. Our dedication to ethical conduct guarantees that our intellectual capital is built on trust and transparency.

By strategically investing in these areas, Vallibel Finance fosters a culture of intellectual capital. We strongly believe this approach creates a sustainable competitive advantage and provides value for all stakeholders.

The Company's total investment in intellectual capital for the year ended March 31, 2024, amounted to Rs. 58.13 Mn. This significant investment underscores our commitment to knowledge as a key driver of success.

#### **Tacit Knowledge**

Our impressive retention ratio signifies a skilled and experienced workforce. We don't just retain talent; we nurture it. Through continuous learning initiatives, we equip our employees with the latest industry knowledge and foster a vibrant culture of knowledge sharing. This collaborative environment ensures that the vast tacit knowledge accumulated

through years of experience isn't confined to individuals but ingrained within our organisational fabric.

### Earning Trust and Sharing Value through Brand Equity

We understand the power of a strong brand. Through strategic investments in brand-building activities, we cultivate a positive brand image. This focus goes beyond advertising; it is about building trust with our customers through our core values of simplicity, integrity, trust, and flexibility. These values permeate every customer interaction, fostering long-term relationships and building brand loyalty. We believe that a strong brand reputation doesn't just attract new customers; it encourages them to become brand advocates, spreading positive word-ofmouth and further strengthening our intellectual capital by strengthening our brand value.

During the year under review, the Company upheld its commitment to investing in endeavours aimed at enhancing our brand visibility in the market through the following strategies.

- Broadcasting advertisements during prime time on prominent television and radio channels.
- Publishing product advertisements in both English and Sinhala in weekend newspapers.
- Sharing promotional details of Gold Loans, Fixed Deposits, and Auto Draft facilities on various social media platforms.
- Advertising vehicle auctions and sales through both social media and print media channels.
- Regularly releasing quarterly performance reports on both social and print media platforms to update stakeholders on the brand's performance and attract potential new customers.

#### **Enhancing Operational Excellence**

A strong foundation built on robust processes and systems is essential for sustainable growth. We maintain a comprehensive framework of policies, procedures, and IT systems, to ensure smooth operations, timely reporting, and

#### **Our Corporate Values**

Vallibel Finance recognises that a strong corporate culture is a background for creating intellectual capital value. How our core values contribute to successful intellectual value creation is explained below.



#### Simplicity: Streamlining Knowledge Sharing

Our commitment to simplicity extends beyond processes. We believe clear communication and readily accessible knowledge are essential for intellectual capital growth. We actively encourage knowledge sharing across teams, fostering collaboration and ensuring best practices are readily available. This empowers all employees to contribute their unique perspectives and ideas, enriching the Company's intellectual capital base.



#### rust: Empowering Innovation

A culture of trust empowers employees to take ownership and drive positive change. We encourage open communication and actively solicit feedback on existing processes and potential innovations. By trusting our employees with the freedom to explore and experiment, we unlock a wellspring of creativity and foster an environment where intellectual capital can flourish.



#### ntegrity: Building Trustworthy Solutions

Integrity is at the heart of everything we do. We are committed to upholding ethical practices and responsible decision-making. This focus on integrity builds trust not only with external stakeholders but also fosters trust within our workforce. When employees feel valued and heard, they are more likely to share their knowledge, ideas, and concerns, further enriching our intellectual capital.



#### Flexibility:

#### Adapting to a Changing Landscape

Our commitment to flexibility allows us to adapt and thrive in a dynamic environment. By embracing new technologies, customer needs, and market trends, we ensure our intellectual capital remains relevant and future-proof. Flexibility also encourages employees to embrace continuous learning and skill development, ensuring our knowledge base keeps pace with evolving market demands.

By weaving Simplicity, Integrity, Trust, and Flexibility into the fabric of our corporate culture, Vallibel Finance fosters a vibrant environment where intellectual capital can flourish. This translates to a competitive advantage, sustainable growth, and the ability to deliver exceptional value to all our stakeholders.

informed decision-making. Proactive upgrades during the year demonstrate our commitment to continuous improvement. These systems and processes are more than operational tools; they act as repositories of best practices and intellectual capital. By documenting processes, standardising procedures, and utilising knowledge management platforms, we ensure that intellectual capital is readily accessible, shared across departments, and continuously optimised for the betterment of all stakeholders.

#### **Compliance and Risk Management**

Our commitment to good governance extends beyond merely adhering to regulations. We believe that strong internal controls and a risk-aware culture are essential for safeguarding our assets and upholding our reputation. This proactive approach fosters trust with all stakeholders, further strengthening the value of our intellectual capital.

#### **Credit Rating**

The Company's credit rating reflects the acceptance of our brand in the marketplace and the financial strength cultivated over 17 years of growth and success. Despite challenging economic conditions, Vallibel Finance maintains a credit rating of BBB+ from the Lanka Rating Agency (LRA), underscoring our ability to navigate unpredictable macroeconomic conditions while upholding regulatory mandates and asset quality. We also take this positive recognition as a testament to the impact of our intellectual capital strategy.

#### **Looking Ahead**

Vallibel Finance recognises that intellectual capital isn't just about acquiring knowledge; it's about strategically investing in, spreading, and leveraging that knowledge to create a competitive advantage.

Our future roadmap focuses on four key areas. The first is to focus on refining our brand image for social inclusivity to cater to diverse demographics and fostering a sense of belonging. This aligns with our core values and strengthens stakeholder relationships. Secondly, we are committed to fortifying cybersecurity through investments in technology, employee training, and robust protocols. Empowering lifelong learning through employee development programs, knowledge-sharing initiatives, and fostering a culture of innovation is the third aspect. The final aspect is to optimise processes for efficiency by regularly reviewing workflows, leveraging data analytics, and strategically implementing automation. By investing in these areas. Vallibel Finance is dedicated to building a sustainable intellectual capital advantage, ensuring our knowledge, expertise, and innovation continue to drive long-term value for all stakeholders.



## **Social & Relationship Capital**



**Vallibel Finance** recognises the importance of strong relationships with our stakeholders. Accordingly, we employ a unified approach to create social and relationship capital value, centred on meeting the needs and expectations of our key external stakeholders.

#### Focus Areas 2023/24

#### **Enhancing Customer Satisfaction**

We focused on understanding and meeting the evolving needs of our diverse customer base, ensuring transparent communication, and providing faster solutions. Through proactive engagement and responsive service, we aim to exceed customer expectations, fostering long-term loyalty and trust.

#### **Fostering Community Growth**

Community growth is integral to our corporate ethos at Vallibel Finance. We actively engaged in initiatives that contributed to the well-being and development of the communities we serve. Through strategic partnerships and impactful CSR projects, we addressed societal needs and promoted sustainable growth, creating lasting positive impacts for both individuals and communities.

#### Maintaining Beneficial Relations with Key Stakeholders

Building and nurturing relationships with key stakeholders is fundamental to our success.

As such, we prioritise open communication, transparency, and mutual respect in our interactions with stakeholders. By understanding their perspectives and collaborating effectively, we ensure alignment of interests and mutual value creation. Our commitment to maintaining strong relationships underpins our sustainable growth and responsible business practices.

#### Performance for FY 2023/24



Paid to the Government as Taxes

Rs. **2.50** Bn 2023/24

Rs. **1.42** Bn 2022/23



**85,224** 2023/24

Total Lending

Customers

**88,412** 2022/23



Rs. **58.64** Bn

2023/24

**Deposit Base** 

Rs. **49.66** Bn 2022/23



**16,576** 2023/24

Total Deposit

Customers

16,367 2022/23





Interest paid to Deposit Customers

Rs. **9.02** Bn 2023/24

Rs. **7.38** Bn 2022/23



Rs. **1.53** Bn 2023/24

Rs. **2.79** Bn 2022/23



Interest Paid to Financial

Service Providers

Rs. **1.12** Bn 2023/24

Rs. **0.75** Bn 2022/23



Payments to Business

Partners

1.4 Mn 2023/24

**0.97** Mn 2022/23



Investments in CSR

Proiects

Building strong social and relationship capital is fundamental to Vallibel Finance's success. By fostering trust with communities, empowering individuals, and collaborating effectively with partners, we create a ripple effect of positive impact. This not only strengthens our brand reputation but also unlocks new opportunities, fosters customer loyalty, and ultimately contributes to the Company's long-term sustainability.

#### Challenges Faced in 2023/24

Measurement:

Demonstrating the measurable impact of CSR programs and community partnerships can be difficult due long-term economic fluctuations and individual circumstances. Developing a more robust impact measurement framework will be crucial for gauging the true success of these programs.

Sustainability of Social Projects:

Targeted CSR initiatives aimed at infrastructure development or educational programs require ongoing support to ensure long-term sustainability. Finding creative solutions for project financing and community ownership will be essential for maximising the long term impact of these efforts.

Building
Trust and
Collaboration:

Fostering strong connections with local organisations and community leaders requires continuous effort. Overcoming potential communication barriers and ensuring transparency in program design and implementation is the key to building trust and a sense of shared ownership within the communities we serve.

#### Value Created by Social and Relationship Capital Management at Vallibel Finance



#### **Employees**

- Training programs
   focused on customer
   service and enhance
   employee skills foster a
   sense of accomplishment
   in delivering positive
   customer experiences.
- The Company's
   commitment to social
   responsibility aligns with
   employee values, creating
   a workplace enriched with
   purposeful engagement.
- A focus on customer satisfaction opens doors for innovation and expansion within the company, creating potential for new roles and career advancement opportunities for employees.



#### Company

- Prioritising customer satisfaction through segmentation and service training fosters trust, leading to increased customer loyalty and a stronger customer base.
- A satisfied customer base translates to increased loan disbursements and a more robust deposit base, driving sustainable financial growth for the Company.
- Maintaining good relations with regulators, business partners, and government entities ensures a supportive regulatory environment and access to vital resources



#### Customers

- Deep customer insights allow Vallibel Finance to develop personalised financial products and services that cater to individual needs and aspirations.
- Transparency in communication empowers customers with information, enabling them to make informed financial decisions.
- Our focus on financial inclusion ensures broader access to financial services, particularly in regions with limited access to financial services. This empowers customers to save, invest, and achieve their financial goals.



#### Community

- CSR programs and community partnerships equip individuals with the knowledge and resources to achieve financial independence and improve their livelihoods.
- Targeted CSR initiatives address specific community needs, such as infrastructure development or educational programs. These efforts contribute to lasting positive change.
- By collaborating with local organisations and community leaders, we ensure our CSR programs are relevant and impactful. This fosters a sense of shared ownership and strengthens our social fabric.

#### Our Focus for 2024/25

#### Strengthening Partnerships:

Moving beyond transactions, we will cultivate deeper, more collaborative relationships with our business partners to unlock mutual value and achieve shared goals.

#### **Elevating Customer Service:**

we are committed to exceeding customer expectations by implementing improved service levels, fostering a culture of empathy, and ensuring seamless interactions across all touchpoints.



#### Customer-centric Engagement:

Through active listening and datadriven insights, we will engage with our customers in a meaningful and informed way, ensuring their needs are understood and addressed effectively.

#### **Expanding Community Outreach:**

We plan to continue addressing societal needs and supporting local economies, aiming to create a lasting impact and fostering a greater sense of shared prosperity.

#### Impactful Marketing and Targeted Awareness:

Our marketing strategies will
 prioritise responsible practices while
 employing targeted campaigns
 to create product awareness and
 resonate with our target audience.

#### **Associated Stakeholders**

Creating Social and Relationship Capital Value



#### **Link to Material Aspects**

- Company Brand and Reputation
- Customer Satisfaction
- Community Upliftment
- Complaint Management

#### **Identified Risks**

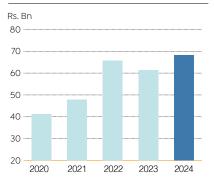
- Reputation Risk
- Operational Risk

#### **Management Approach**

Central to our approach is the meticulous identification of relevant stakeholders. We recognise that each stakeholder group holds distinct interests and concerns, necessitating a tailored approach to engagement and fulfilment. Through stakeholder mapping, we gain insights into their specific requirements, enabling us to align our strategies and initiatives accordingly.

Moreover, the Company's emphasis on remaining up to date with evolving market dynamics and shifting trends enables us to proactively respond and adapt, thereby maximising the effectiveness of our social and relationship capital inputs. By integrating stakeholder engagement and our market understanding into our operations, we strive to create value that is mutually beneficial for both Vallibel Finance and our stakeholders. Our commitment to understanding and addressing the needs of our stakeholders underscores our dedication to fostering enduring relationships built on trust, transparency, and shared value creation.

#### **Lending Portfolio**

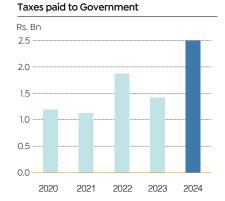


requirements,

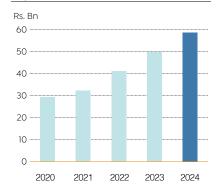
enabling us to align

initiatives accordingly.

our strategies and



#### Deposit Base



### each stakeholder group holds distinct interests and concerns, necessitating a tailored approach to engagement and fulfilment. Through stakeholder mapping, we gain insights into their specific

We recognise that

# Social & Relationship Capital

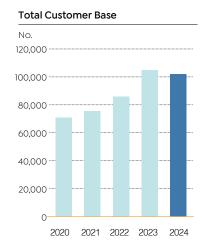
#### Creating Stakeholder Value through Social and Relationship Capital

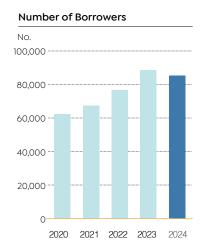
	value tillough social and relationship capital	
Stakeholder Group	Activities	Value Created
Shareholders	performance and social responsibility	<ul> <li>Increased investor confidence and long-term investment.</li> <li>Enhanced brand reputation associated with ethical practices.</li> </ul>
Shareholders	<ul> <li>Engaging with shareholder concerns and promoting responsible investment practices.</li> </ul>	
	<ul> <li>geographical expansion.</li> <li>Building communities around shared interests through marketing and social media engagement.</li> </ul>	<ul> <li>Increased trust and loyalty.</li> <li>Sense of belonging and shared values.</li> <li>Easier and more convenient access to financial services through branch network expansion.</li> <li>Higher levels of customer retention.</li> </ul>
Customers	<ul> <li>Proactive customer service and complaint</li> </ul>	<ul> <li>Improved customer satisfaction due to improving service levels.</li> </ul>
Business Partners & Suppliers	<ul><li>initiatives.</li><li>Establishing communication channels and</li><li>ioint performance evaluations</li></ul>	<ul> <li>Stronger supplier relationships.</li> <li>Enhanced supply chain efficiency and innovation.</li> <li>Reduced risk of disruptions and legal issues.</li> </ul>
Government Institutions & Regulators	reporting.	<ul> <li>Reduced risk of fines and sanctions.</li> <li>Smoother regulatory processes and approvals.</li> <li>Improved industry standards and best practices.</li> </ul>
Community/ Society	sponsorships.  Collaboration with local organisations on social and on departmental issues.	<ul> <li>Positive community perception and improved brand reputation.</li> <li>Increased social license to operate.</li> <li>Improved access to local talent and resources.</li> </ul>

#### **Creating Value for Customers**

Our customers are our driving force. Their feedback and loyalty inspire us to constantly innovate and develop enhanced product and service offerings. We're committed to exceeding expectations and evolving alongside their needs, ensuring they have the most effective solutions at their fingertips.

Vallibel Finance is dedicated to serving a diverse customer base across Sri Lanka, including individuals and corporate entities. Central to our commitment is the understanding of their unique needs and aspirations, collaborating closely to realise their objectives. Our operations are within regulatory frameworks governing the Non-Banking Financial Institution (NBFI) sector.





#### **Customer Communication**

Vallibel Finance has in place a communications policy to facilitate meaningful interactions with our customer base and facilitate clear and transparent communications.

The Company utilises diverse communication channels to engage with existing and potential customers, ensuring effective message delivery.





#### Improved Customer Engagement Through The Vallibel Ranwarama Campaign

During the Financial year Vallibel Finance introduced an engaging initiative to further enhance customer engagement and appreciation. We implemented a raffle draw exclusively tailored for our active Gold Loan customers. Designed to add excitement and value to their experience with the Company, this raffle draw offered participants a chance to win a coveted prize – a Gold Coin.

All active Gold Loan customers were included in the raffle draw. The selection process was conducted entirely at random, ensuring fairness and impartiality. At the culmination of the draw, one fortunate winner was chosen to receive the prestigious prize of a Gold Coin.

This raffle draw serves not only as a gesture of gratitude towards our valued customers but also as a means of

fostering a sense of excitement and anticipation within our customer community. By providing an opportunity for customers to be rewarded for their loyalty and patronage, we aimed to strengthen the bond between Vallibel Finance and our esteemed customer base.





#### **Compliance with Regulations**

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

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

#### **Managing Customer Grievances**

Customer grievances are an inherent part of business operations, often involving feedback or concerns regarding products, services, or interactions. At Vallibel Finance, we recognise the significance of promptly addressing and resolving these issues. Our customer service teams manage complaints diligently, viewing them as opportunities for improvement and enhancing satisfaction. With a systematic process in place, branch managers handle complaints locally, escalating them to higher management when necessary. We value customer feedback, using it to continuously refine our offerings and ensure a positive customer experience.

# Social & Relationship Capital

No customer privacy breaches or data losses were reported during the financial year ended year 2023/24.



Our products and services have not resulted in any health or safety concerns for customers.



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

#### **Creating Value for Suppliers**

The Company is committed to building strong, collaborative relationships with our suppliers. We prioritise supporting local vendors whenever possible, fostering partnerships for long term prosperity and business growth. These collaborations are built on a foundation of mutual respect and open communication. By ensuring timely and reliable settlements for services rendered, we establish the foundation for sustained partnerships, fostering a mutually beneficial situation for both Vallibel Finance and our local suppliers.

#### **Customer Grievance Handling Process**



#### **Receive Complaint**

Through any of the methods mentioned below:

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

#### **Creating Value for Business Partners**

Vallibel Finance understands the power of collaboration. Accordingly, we cultivate strong relationships with a diverse network of business partners, including banks, software solutions providers, fintech companies, payment portals, and other financial institutions and this collaborative approach allows us to work together, sharing knowledge and expertise to achieve shared goals. Ultimately, this fosters a win-win scenario, transcending transactional interactions for holistic value creation.



#### Process Complaint

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

processing.

#### 3<sup>rd</sup> Customer Communication

- Initiate direct customer communications to provide status updates.
- Resolve the complaint to the satisfaction of both

STEP

Resolution

Once the matter
 is addressed and
 resolved, the
 Branch Manager will
 provide feedback
 of the action taken
 for record-keeping
 purposes

the Company and

the customer.

#### Procurement Process

Our procurement process emphasises ethical practices, obtaining competitive prices, and quality products while minimising waste.

We prioritise suppliers who share our values and promote positive environmental and social practices.

At Vallibel Finance, our procurement process is rooted in supply chain management principles, emphasising waste reduction, competitive pricing, and quality of product while fostering ethical business practices amongst our partners and suppliers. Our procurement guidelines ensure equal opportunities and fair treatment for all suppliers, without any form of discrimination or favouritism.

The Company partners with vendors aligned with our values and are committed to exceeding minimum supply chain standards. By nurturing strong relationships with our suppliers and partners, we actively advocate for positive changes in their practices, aiming to contribute to environmental and societal well-being.

#### **Empowering Communities, Creating Value**

As a responsible corporate citizen, Vallibel Finance is involved in community development initiatives, addressing societal needs through various corporate social responsibility (CSR) projects. The various CSR initiatives undertaken by the Company during the financial year under review are listed below.

Date	Description
06 June 2023	Contribute to a Poson dansala in Gampaha, offering weary travellers a delicious meal and fostering community spirit during this important festival.
24 August 2023	Was a sponsor for the 24th convocation and awards ceremony of the Sri Lanka Institute of Credit Management, celebrating the achievements of future financial leaders.
05 September 2023	Was a sponsor of the St. Joseph's College rugby tournament, encouraging teamwork, sportsmanship, and the pursuit of victory on the field.
31 October 2023	Supported the University of Colombo's "Swa Jeewa" project through a sponsorship, empowering individuals and communities towards a brighter future.
07 November 2023	Was a sponsor of the accountancy and finance research symposium at Wayamba University, fostering collaboration and innovation in the financial sector.
07 December 2023	Sponsored the development of rugby football at St. Sylvester's College in Kandy, helping young athletes reach their full potential.
30 January 2024	Become a sponsor for the Kandy Businessman's forum, fostering collaboration and growth within the local business community.
08 February 2024	Donated to the Lady Ridgeway Hospital's "Little Hearts" project, providing vital care and hope for children with heart conditions.
16 February 2024	Sponsored the "Sackoba Ball 2023" at St. Anthony's College Kandy, supporting this unique Sri Lankan tradition.
21 March 2024	Sponsored a beautiful Vesak pandol, illuminating the streets and celebrating the birth, enlightenment, and parinibbana of Lord Buddha.
29 March 2024	Become a sponsor for "Imminent 24" organised by the NSBM Logistics Circle, supporting future leaders in the logistics industry.

#### Creating Value for Government Institutions and Regulators

The Company upholds strict adherence to country laws and industry regulations, contributing significantly to the national economy through taxes and compliance measures.

During the year under review, the Company promptly settled Rs. 2.50 Bn in taxes to the Government.

#### **Creating Value for Shareholders**

Our commitment to ethical practices, good governance, customer relationships, and risk management translates into enhanced shareholder value, underpinning our growth and success. Refer to the Financial Capital section for comprehensive details on shareholder value creation.



Donated a television to the paediatric unit Sri J'pura General Hospital (28 December 2023)

#### **Looking Ahead**

Vallibel Finance is committed to continuous improvement and exceeding customer expectations in the medium to long terms. We will prioritise strengthening customer relationship management (CRM) initiatives by leveraging technology and data insights to personalise our offerings and streamline processes. Ultimately, these efforts will lead to improved customer retention and a more loyal customer base.

The Company also plans to expand branding initiatives to raise awareness of the Company's values and service offerings. We will leverage strategic communication channels to not only showcase our products and services but also to illuminate the values that drive our business. This approach will create a stronger brand identity and resonate with customers who share our values.

Our corporate social responsibility (CSR) efforts will be a cornerstone of how we build relationships with surrounding communities and society at large. We are committed to sustaining and scaling up our corporate social responsibility (CSR) endeavours. This includes expanding our reach across a wider community to create a more significant social impact. By actively engaging with local communities, we can identify and address their needs while simultaneously strengthening our brand image as a responsible corporate citizen.

By focusing on these key areas, Vallibel Finance is well-positioned for sustainable growth and creating shared value for all stakeholders.





**Vallibel Finance** recognises the importance of natural capital and employs a twopronged strategy to create value in this area. This approach combines direct actions to reduce our environmental footprint with indirect efforts that support environmentally conscious practices by our customers and other stakeholders.

#### Focus Areas 2023/24

#### Paper Reduction

Implementing digital workflows and promoting double-sided printing to minimise paper usage.

#### **Energy Efficiency**

Continued use of energy-efficient appliances and processes.

#### Water Conservation

Encouraging sustainable water practices and prompt repairs to minimise wastage.

#### Clean Compliance

Achieved full compliance with Sri Lankan environmental regulations.

#### Performance for FY 2023/24



Paper Recycled

**7,154** Kg 2023/24







Electricity Consumption at Head Office

342,404 kWh 2023/24

252,550 kWh 2022/23



Paper Usage at Head Office

**2,219** packs 2023/24

**1,223** packs 2022/23



Water Consumption
Per Employee

**13.06** (m3) 2023/24

**12.19** (m3) 2022/23



#### Value Created by Natural Capital Management at Vallibel Finance



#### **Employees**

- Fostered a culture of environmental awareness and sustainability.
- Improved working environment through energy-efficient practices.
- Potential for employee engagement and satisfaction through participation in green initiatives.



#### Company

- Reduced operational costs through resource conservation (paper, energy, water).
- Enhanced brand reputation through environmental responsibility.
- Mitigated potential risks associated with future environmental regulations.



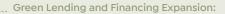
#### Customers

- Offered access to green financing solutions for sustainable projects.
- Provided lending options for environmentally friendly vehicles.
- Empowered customers to make environmentally conscious choices.

#### Our Focus for 2024/25

#### Paper Reduction Reinforcements:

 Refining strategies to address this year's paper consumption and achieve long-term reduction.



• Empowering customers through expanded green lending and financing, prioritising renewable energy projects.

#### Renewable Energy Exploration:

• Actively investigating renewable energy options to lessen our environmental footprint.

#### **Enhanced CSR Focus:**

• Expanding Corporate Social Responsibility initiatives with a strong emphasis on environmental sustainability and natural capital conservation.

#### Challenges Faced in 2023/24

Optimising Energy and Resources:

Minimising our environmental footprint through reduced energy consumption and efficient resource utilisation of water, paper, and fuel.

Responsible
Waste
Management:

Implementing responsible practices to minimise waste generation and ensure proper disposal

and Paperless:

Embracing digital solutions and automation to significantly reduce paper consumption within our operations.

#### **Associated Stakeholders**



Identified Risks

- Operational Risk
- Reputational Risk

prioritises the "reduce, reuse, recycle" methodology to minimise the use of non-renewable resources such as water, electricity, paper, and fuel.

The Company

#### Link to Material Aspects

Commitment to the Environment

#### **Management Approach**

Vallibel Finance embraces a dual strategy to foster natural capital value, employing both direct and indirect methodologies. Our direct approach centres on targeted measures to curtail the consumption of non-renewable natural resources such as fuel, water, electricity, and paper. We adhere to the proven "reduce, reuse, and recycle" framework, which has yielded a decrease in our consumption of non-renewable and scarce resources over time. Moreover, we prioritise educating our workforce on the importance of conservation efforts in resource utilisation.

Complementing our direct efforts, our indirect approach seamlessly integrates natural capital value creation into our core business operations. We extend green lending facilities to customers, thereby amplifying our community outreach while aiding environmentally conscious individuals in managing their ecological footprint. Furthermore, our transition towards digitalisation and technological integration not only enhances operational efficiency but also indirectly contributes to carbon footprint reduction, minimises fuel usage, and mitigates pollution.

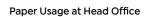
#### **Direct Approach: Reducing Our Environmental Footprint**

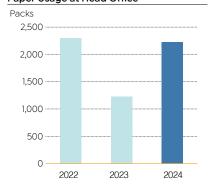
#### **Resource Consumption**

The Company prioritises the "reduce, reuse, recycle" methodology to minimise the use of non-renewable resources such as water, electricity, paper, and fuel. We actively promote paperless workflows, utilise energy-efficient appliances, and monitor resource consumption to track progress.

#### **Paper Usage**

While paper remains integral to our business operations, particularly in customer engagement processes, the Company remains committed to promoting a paperless environment through several initiatives.





### Maintaining Environmental Compliance

Vallibel Finance takes pride in its commitment to environmental responsibility. We are pleased to report that during the financial year under review, the Company achieved full compliance with all Sri Lankan environmental laws and regulations. This reflects our dedication to operating in an environmentally responsible manner.



The primary means of paper reduction is measured in the use of A4, A5, and legal-sized paper packs by the Head Office. Efforts to monitor paper usage effectiveness revealed a 81.44% increase in paper consumption during the year under review, indicating areas for further improvement and optimisation. The Company plans to continue to refine our paper reduction strategies in the forthcoming financial year.



Encouraging digital communication channels such as emails and video conferencing for internal and external communications.



Leveraging digital platforms and SMS services for client interactions



Reducing paper size and implementing double-sided printing.

#### **Water Usage**

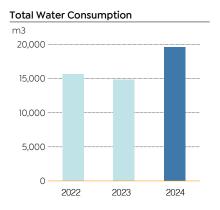
Given the nature of our operations, water consumption is relatively moderate. However, we actively promote sustainable practices across all our business locations, advocating for water conservation. Significant reductions in water consumption have not been achieved over the last few years, highlighting areas for continued focus and improvement.

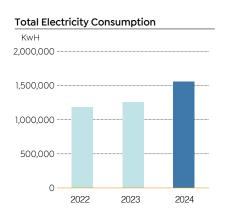


#### 2024 Total Consumption\*\* 19,612 (m3)

2023 Total Consumption\*\* 14,875 (m3)

- \*\*Consumption varies between months due to the addition of six 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.
- The total consumption per employee is calculated based on the number of employees as of 31st March 2024.
- 2. There were 270 working days from 01st April 2023 to 31st March 2024. Hence, the total consumption was divided by 270. It is calculated as 24 working days per month (including ½ day on Saturday).





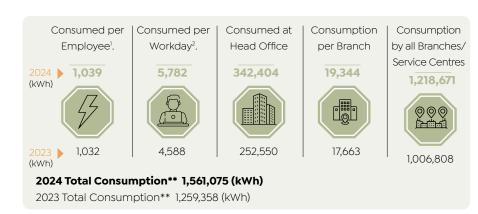
To minimise our environmental footprint, Vallibel Finance prioritises energy efficiency. We source electricity from the National Grid and throughout our operations, we leverage energy-saving technologies such as inverter air conditioners, LED lighting, and energyefficient office equipment such as photocopiers, printers, laptops, and computers.

#### **Energy Efficiency and Consumption**

To minimise our environmental footprint, Vallibel Finance prioritises energy efficiency. We source electricity from the National Grid and throughout our operations, we leverage energy-saving technologies such as inverter air conditioners, LED lighting, and energy-efficient office equipment such as photocopiers, printers, laptops, and computers.

Despite our commitment to energy-saving measures, increasing operational presence and the addition to our branch network resulted in a 23.96% increase in electricity consumption during the year under review. Similarly, our fuel consumption for business travel and commuting witnessed an increase. We remain committed to exploring additional energy-saving measures in the coming year

## Natural Capital



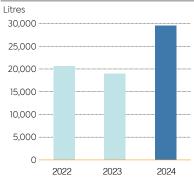
\*\*Consumption varies between months due to the addition of three branches as well as changes in the employee base at the head office and branches. Thus, consumption is calculated as an average for the financial year.

- The total consumption per employee is calculated based on the number of employees as of 31st March 2024.
- 2. There were 270 working days from 01st April 2023 to 31st March 2024. Hence, the total consumption was divided by 270. It is calculated as 24 working days per month (including ½ day on Saturday).

#### **Fuel Consumption**

Vallibel Finance uses fuel for business travel, employee commuting, and backup generators. In the year under review, our total fuel consumption increased by 49.34% for diesel and 84.5% for petrol, totalling 23,031 litres of diesel and 6,520 litres of petrol. This increase is primarily due to increased business volumes and an aggressive expansion of our branch network compared to the previous financial year. We continue to remain committed to exploring ways to reduce our fuel consumption in the future.

#### **Fuel Consumption**



#### **Environmental Compliance**

Vallibel Finance maintained a clean record with no environmental fines or non-monetary penalties incurred during the financial year ended 2023/24.



### **Indirect Approach: Supporting Green Practices**

#### **Green Financing and Lending**

Aligned with our green lending initiative and our belief in the critical role financial institutions play in supporting a sustainable future, Vallibel Finance continues to offer facilities for hybrid and electrical vehicles, contributing to reduced emissions within our customer base. The year under review recorded an

Aligned with our green lending initiative and our belief in the critical role financial institutions play in supporting a sustainable future, Vallibel Finance continues to offer facilities for hybrid and electrical vehicles, contributing to reduced emissions within our customer base.

increase in new green financing facilities, reflecting our dedication to promoting eco-friendly practices in the financial services industry.

#### **Looking Ahead**

Vallibel Finance remains steadfast in our commitment to continuous improvement in natural capital management. We will focus on refining paper reduction strategies to address this year's consumption increase. Additionally, we're actively exploring renewable energy options to lessen our environmental footprint. We are also committed to expanding our Corporate Social Responsibility (CSR) initiatives with a strong focus on environmental sustainability and natural capital conservation.

Furthermore, we plan to expand our green lending and financing initiatives, empowering customers to make environmentally conscious choices. Our focus will be on prioritising lending for renewable energy projects. These ongoing efforts solidify our commitment to building a more sustainable future for Vallibel Finance and the communities we serve.

### **Performance of Business Segments**

Vallibel Finance remains confident in our customers' loyalty and continued support of our business operations. We are committed to diligently monitoring economic and market trends, proactively adjusting our strategies, and ensuring the continued viability of our business. Our goal is to effectively cater to the evolving financial needs of our customers while maintaining transparency and fairness in all dealings. Our unwavering commitment to supporting customers remains a priority, regardless of short-term impacts. Our proven track record of success, even in challenging times, fuels our optimism for future growth. By prioritising these principles, Vallibel Finance is well-positioned to take advantage of future opportunities and deliver exceptional value to our customers.



#### **Key Achievements**

Deposit Growth: Deposits grew by 18.09%, demonstrating customer trust and the Company's ability to adjust to a dynamic environment.

Gold Loan Portfolio Expansion: The gold loan portfolio achieved a 2.20% YoY increase, capitalising on rising gold prices and strategic customer acquisition.



#### Strategic Responses to Challenges

#### Streamlined Operations: The

Company implemented cost controls and improved efficiency measures to navigate a difficult economic climate.

#### Interest Rate Adjustments: The

Company adapted interest rates on deposits to comply with regulations and maximise benefits for customers.

#### Selective Lending Practices: The

Company adopted a cautious approach to loan applications, focusing on risk mitigation and customer needs



#### Portfolio Growth Highlights

**Gold Loans** 

Rs. **15.68** Bn

Grew by 2.20% in FY 2023/24, compared to Rs. 15.34 Bn in FY 2022/23

**Fixed Deposits** 

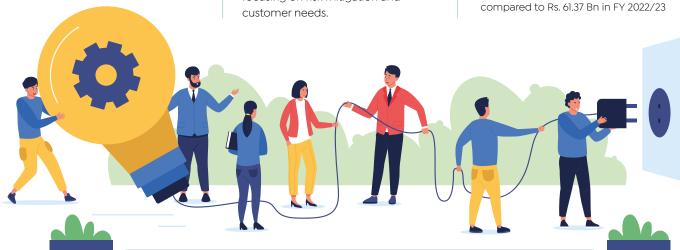
Rs. **58.64** Bn

A growth of 18.09% in FY 2023/24, compared to Rs. 49.66 Bn in FY 2022/23

**Total Loans** 

Rs. 68.24 Bn

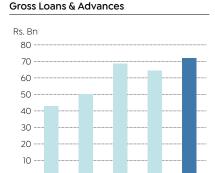
A growth of 11.20% in FY 2023/24,



# Performance of Business Segments

#### Overview of the Deposits and Lending Portfolios

Sri Lanka's economic recovery in 2023 from the economic and financial crisis experienced in 2022, resulted in enhancing the Company's deposits and lending portfolios. The higher inflation rates continued to support deposit growth and the stricter Central Bank policies aimed at curbing inflation significantly improved our ability to expand the lending portfolio.



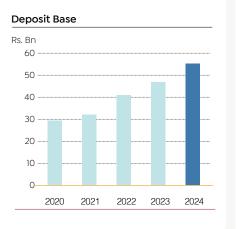
2022

2023

2024

2020

2021



#### Gold Loan Portfolio

The gold loan portfolio experienced stagnant growth during the year under review, with a year-on-year increase of only 2.20%. Despite the intense competition from Non-Banking Financial Institutions (NBFIs), the Company remains committed to promoting gold loans and expanding its market presence.

#### **Performance Highlights**

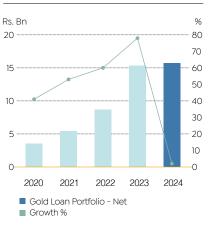
Gold loans now represent 22.69% of the Company's lending portfolio.

The total gross gold loan portfolio reached Rs. 15.68 Bn as of 31st March 2024, compared to Rs. 15.34 Bn in the previous year.

Interest income from gold loans grew by 8.49% to Rs. 4.23 Bn.

Six additional branches began offering gold loans in the year under review, bringing the total to 62 branches.

### Growth in Gold Loan Portfolio



#### **Looking Ahead**

The Company continues to view gold loans as a key growth product within our portfolio. Accordingly, gold loans will be offered at all new branch locations to support this growth and expand customer access. The Company will also continue to develop the gold loan products and actively promote them, ensuring transparent processes to strengthen customer confidence. Additionally, the Company will identify and capitalise on untapped market segments for gold loans, further expanding our reach and customer base.

#### **Deposits Portfolio**

Despite significant economic headwinds, the Company achieved a commendable growth in our deposit base during the financial year under review. This accomplishment reflects our customers' strong trust in the Vallibel Finance brand and our commitment to navigating a dynamic financial landscape.

The Company proactively adjusted interest rates to comply with CBSL guidelines, ensuring maximum benefit for our depositors. While this resulted in a 22.28% increase in interest expenses which amounted to Rs. 9.02 Bn during the year under review compared to Rs. 7.37 Bn recorded in the previous financial year, it also positioned us to attract new deposits.

#### **Performance Highlights**

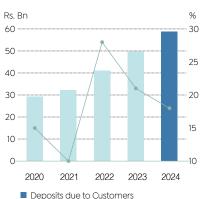
Total deposits reached Rs. 58.64 Bn, a substantial increase from Rs. 49.66 Bn the previous year.

An impressive 18.1% growth rate was achieved amidst challenging market conditions.

#### **Looking Ahead**

The upcoming financial year presents a more positive outlook. We anticipate further stabilisation of key economic indicators, improved inflation rates, and the appreciation of the Sri Lankan rupee. These factors are expected to lead to increased customer liquidity and accelerated deposit growth.

#### Growth in Deposit Base



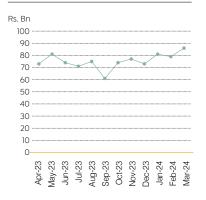
Year-on-Year Growth %

However, the current high-interest rate regime may result in continued rises in interest expenses. Despite this, ongoing debt restructuring efforts are expected to contribute to lower interest rates in the future

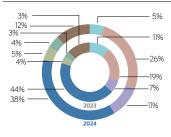
#### **Fixed Deposits**

Despite the prevailing challenges in the economy, with fluctuating inflation levels, the Company successfully maintained a high renewal ratio for fixed deposits during the financial year under review. Adjusting interest rates in line with market conditions played a significant role in encouraging customers to renew their fixed deposits. Additionally, the Company prioritised retention by focusing on cultivating both small and long-term deposits, thereby fostering customer loyalty in this segment.

#### Fixed Deposit Renewal Ratio



#### Tenure-wise Fixed Deposits Base as at 31st March 2024



- 1 month and less than 3 months 3 months and less than 6 months
- 6 months and less than 01 year
- 1 year and less than 2 years 2 years and less than 3 years
- 3 years and less than 5 years

#### **Performance Highlights**

The Company achieved an average fixed deposits renewal ratio of 75%.

Above Rs. 10 Mn fixed deposits represent 38% of the total deposits portfolio.

Fixed deposits ranging from Rs. 1 Mn to Rs. 10 Mn equals 51% of the deposits portfolio.

#### **Looking Ahead**

The Company remains committed to attracting and retaining fixed deposit customers through competitive rates, a focus on customer service, and a diversified deposit portfolio strategy. This approach will ensure the continued growth & stability of our deposit base in the coming years.

### Performance of **Business Segments**

#### **Lending Portfolio**

The prevailing economic and financial operating environment together with stricter CBSL regulations regarding liquidity, capital adequacy, and provisioning, impacted the growth of the Company's lending portfolio. However, the Company's proactive measures supported the growth in lending during the financial year under review in contrast to the decline recorded in the previous financial year.

#### **Performance Highlights**

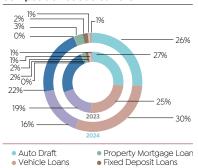
The total lending portfolio recorded a growth of 11.2% to Rs. 68.24 Bn for the year under review, compared to Rs. 61.37 Bn achieved in the previous financial year.

Growth was primarily driven by loan products like auto drafts, vehicle loans, and gold loans.

#### **Growth in Lending Portfolio**



#### **Lending Portfolio** Composition as at 31st March



- Fixed Deposit LoansOther Advances
- Finance Lease Gold Loans
- Personal Loans
- Mortgage Loans

#### **Looking Ahead**

While challenges persist as the economic environment continues to improve and key economic indicators stabilise, the Company maintains a positive outlook for the coming financial year. The potential for the CBSL to reduce interest rates in the near future creates an opportunity to further expand our lending portfolio and attract new customers.

Moving forward, the Company will maintain a cautious approach when formulating strategies and setting goals to expand our lending portfolio. We will implement a rigorous loan application assessment process, optimise business operations for efficiency, and enforce cost-control measures to ensure financial stability. Additionally, the Company will remain focused on meeting the evolving needs of its target customers.

#### **Leasing Portfolio**

The Company offers leasing solutions for both high-value assets under its general leasing category and low-investment vehicles such as three-wheelers and motorbikes under the micro leasing category with competitive rates and flexible payment options.

The year under review recorded a slight decline in the leasing portfolio mainly due to rising vehicle prices, import restrictions on vehicles, and the uncertainties prevailing in the economy impacting customer demand. To navigate this environment, the Company maintained a cautious approach towards rapid portfolio expansion and focused on cost efficiency to maximise profitability.

#### **Performance Highlights**

The leasing portfolio experienced a 3.47% decline to Rs. 11.53 Bn during the year under review compared to Rs. 11.95 Bn recorded in the previous year.

The leasing portfolio's share of the total lending portfolio decreased from 17.58% to 15.16%.

#### **Looking Ahead**

The Company anticipates a more positive outlook for the financial year 2024/25 due to expected improvements in macroeconomic conditions, increased stability in the financial sector, and the potential for lower interest rates. Despite these positive indicators, we remain focused on several strategic priorities. The Company will uphold a selective lending strategy to manage risk and minimise potential defaults. We will closely monitor market developments to make informed decisions and identify promising customer segments for strategic growth opportunities. Additionally, the Company will continuously improve cost efficiency to ensure long-term financial stability.

#### Vehicle Loan Portfolio

The vehicle loans portfolio experienced a significant expansion during the year under review, mainly driven by market trends arising from import restrictions on vehicles. However, as the economic landscape

continues to evolve, the Company is strategically positioned to navigate the changing environment and ensure the long-term health of this portfolio.

#### **Performance Highlights**

The vehicle loan portfolio achieved a remarkable 34.70% growth during the year under review to reach Rs. 21.36 Bn as of March 31, 2024.

#### **Looking Ahead**

The Company expects the prevailing import restrictions to continue, and the ongoing economic stabilisation efforts and rupee-dollar exchange rate are expected to impact future vehicle pricing. A complete return to pre-crisis vehicle prices, particularly for high-value assets is unlikely. As such, the Company recognises the potential constraints on future growth in the vehicle loan portfolio. Accordingly, our focus will shift towards implementing timely interventions and renegotiating terms with existing customers to maintain portfolio health. We will adopt a cautious approach to customer acquisition by maintaining rigorous credit assessments and thorough customer screening for new loans. Additionally, the Company will uphold strong procedures and processes supported by effective monitoring mechanisms to manage risk.

#### Mortgage Loan Portfolio

Vallibel Finance acknowledges the significant decline in its mortgage loan portfolio during the year under review. This decrease reflects a shift in consumer preferences towards quicker and more accessible financial products, further amplified by the prevailing challenges in the economy. As a result, the Company is

reassessing its mortgage loan strategy for the upcoming financial year.

This reassessment aims to address the challenges posed by the current economic environment and to align the mortgage loan offerings with the evolving needs and preferences of consumers.

#### **Performance Highlights**

The mortgage loan portfolio recorded a 88.50% decrease to Rs. 0.1 Bn during the year under review, compared to the 62.02% decline recorded in the previous financial year.

#### **Looking Ahead**

In light of these prevailing market realities, the Company continues to strategically reduce its focus on the mortgage loan portfolio. The possibility of discontinuing this portfolio altogether is being evaluated.

Despite these adjustments, Vallibel Finance remains committed to managing its existing mortgage loan portfolio sustainably and prioritises the prevention of defaults on repayments as a key focus in the medium term.

# Performance of Business Segments

#### Property Mortgage Loan Portfolio

The property mortgage loan portfolio of the Company experienced positive growth during the financial year under review, suggesting a potential rise in demand for property investment.

While Vallibel Finance recognises this growth and intends to continue expanding the property mortgage loan portfolio, the Company acknowledges the potential headwinds of the current economic landscape. Specifically, the prevailing high interest rates could pose a challenge to maintaining the same growth momentum in the upcoming financial year.

#### **Performance Highlights**

The property mortgage loan portfolio grew by 30.30% to reach Rs. 1.87 Bn during the financial year 2023/24, compared to the decline of 11.06% to Rs. 1.4 Bn recorded in the previous financial year.

#### **Looking Ahead**

Despite these challenges, the Company is committed to several key objectives. We will focus on developing strategies to navigate the high interest rate environment and attract new customers. Additionally, we will continue to adapt our products and services to meet the evolving needs of property investors. Moreover, the Company is dedicated to maintaining responsible lending practices to ensure the sustainability of its portfolio.

#### Vallibel Auto Draft Portfolio

Vallibel Auto Draft provides a flexible financing option, allowing customers to make monthly interest payments with the principal due at the end of the loan term. This cost-effective alternative to traditional bank overdrafts requires collateral, such as a motor vehicle or a guarantor.

The Company recorded a growth in our Auto Draft portfolio during the year under review. This increase can be attributed to the prevailing economic climate, where individuals sought alternative financing solutions.

#### **Performance Highlights**

The Auto Draft portfolio achieved a commendable 9.94% growth in the financial year 2023/24, reaching Rs. 18.95 Bn.

#### **Looking Ahead**

While the Company anticipates continued demand for Auto Drafts, several factors may influence growth in the upcoming year. Ongoing restrictions on vehicle imports could limit the availability of suitable collateral, while the financial strain caused by high living expenses and interest rates might impact the borrowing capacity of the target market.

In response to these challenges, the Company has made a strategic decision to temporarily slow down the issuance of Auto Drafts for three-wheelers and two-wheelers. This approach allows the Company to focus on maintaining a sustainable growth rate in the short to medium term and mitigate potential risks associated with a wider pool of collateral during challenging economic times.

#### Vallibel Wheel Draft Portfolio

The Vallibel Wheel Draft caters specifically to owners of both registered and unregistered three-wheelers, offering a financing option. Compared to the previous financial year, this portfolio recorded a slight growth which is attributed to the

prevailing economic difficulties, particularly high leasing costs and vehicle import restrictions. However, the Company expects higher portfolio growth in the forthcoming financial year as the economy further stabilises.

#### **Performance Highlights**

The Wheel Draft portfolio saw a modest increase of 1.34%, reaching Rs. 0.34 Bn from Rs. 0.34 Bn the previous year.

#### **Looking Ahead**

The Company will continue to closely monitor economic developments to identify conditions favourable to this product. However, sustainability concerns arise due to high interest rates and rising three-wheeler costs, making the product less sustainable for the business in the short to medium term. Despite its popularity as an extension of Auto Draft loans, the Company will remain vigilant and might reassess its focus on the Wheel Draft in the latter part of the next financial year if market conditions become more favourable.

This measured approach enables Vallibel Finance to allocate resources towards products with a stronger market fit in the current economic landscape while remaining responsive to market shifts and changing customer needs.

#### Personal Loan Portfolio

The personal loan product is designed to offer customers financial assistance for a wide range of personal needs, such as home improvements, medical expenses, education costs, or other individual

financial requirements. However, the Company recorded declining growth during the year under review, reflecting the impact of high interest rates on consumer borrowing behaviour.

#### **Performance Highlights**

The personal loan portfolio experienced a decrease of 7.11% during the financial year 2023/24, reaching Rs. 0.65 Bn.

#### **Looking Ahead**

While the Company remains committed to serving customer needs, we are adapting our approach to the current market environment. Our strategic focus will prioritise promoting alternative lending products that may better suit customer needs and current economic realities. Additionally, we will continue to offer personal loans upon request, ensuring our customers have access to the necessary financial resources. We will closely monitor market conditions, particularly interest rates, to assess future demand for personal loans.

# Performance of Business Segments

#### Loans against Fixed Deposits Portfolio

Vallibel Finance offers a unique valueadded service: "Loans against Fixed Deposits." This allows existing fixed deposit customers to access credit while maintaining their deposit and earning interest. Although constituting only a small 1.65% portion of the overall lending portfolio, loans against fixed deposits experienced notable growth during the year under review, compared to the decline recorded in the previous financial year.

#### **Performance Highlights**

Loans against fixed deposits grew by a significant 22.42% in the financial year 2023/24.

#### **Looking Ahead**

Anticipating the challenging economic climate to persist, the Company expects a rise in demand for this product in the coming year. Customers may seek to leverage their fixed deposits for short-term needs while maintaining their long-term financial goals.

# More Efficacy

We turn to our trusted leaders as they recall the triumphs, trials and turning tides of the year in review, and the united front of conviction, collaboration, flexibility and creativity displayed at all times, leading to



#### **GOVERNANCE**

Corporate Governance108
Risk Management Report164
Annual Report of the Board of Directors on the Affairs of the Company180
Human Resource and Remuneration  Committee Report184
Audit Committee Report185
Related Party Transactions Review Committee Report 187
Integrated Risk Management Committee Report 188

Vallibel Finance PLC recognises that robust corporate governance is fundamental to our success. We integrate a comprehensive framework that adheres to best practices and regulatory requirements, fostering trust and creating value for all stakeholders.

### Aligning Corporate Governance with Stakeholder Needs

The Vallibel Finance corporate governance is founded on the pillars of accountability, transparency, and ethical conduct. We exceed the mandatory requirements by incorporating voluntary best practices in accordance with the Global Reporting Initiative (GRI) Standards and integrated reporting principles. This commitment ensures long-term sustainability and value creation for all stakeholder groups.

## Governance Structure and Responsibilities

The Board of Directors (BOD) holds ultimate oversight of corporate governance. They establish policies, delegate responsibilities to subcommittees and the Management Committee, and ensure clear reporting lines throughout the Company. This structure facilitates effective implementation, monitoring, and control of governance systems.

### A Framework for Integrated Value Creation

Our corporate governance framework integrates governance principles into our business strategies and day-to-day operations. This ensures that ethical practices and stakeholder needs are considered in all decision-making. Accordingly, our approach strives to deliver a trifecta of benefits that strengthen our foundation for long-term success. Firstly, our robust framework fosters trust and confidence among stakeholders, leading to an enhanced reputation and a valuable brand image. Secondly, it acts as a guiding force for management and employees,

encouraging responsible practices that contribute to sustainable business success. Finally, we prioritise stakeholder value creation by focusing on generating both financial and non-financial benefits for all parties involved. This integrated approach ensures that strong governance is not just a box to tick, but a cornerstone for achieving shared prosperity.

### Continuous Improvement and Stakeholder Trust

We understand the need for continual improvement. We actively monitor internal and external developments, adapt our corporate governance framework accordingly, and remain committed to upholding the trust of our shareholders and other stakeholders. As a financial services institution, a robust governance system is essential for building long-term trust with those who entrust us with their deposits and rely on us for their financial success.

### A Dynamic Framework for the

We understand that continuous improvement in implementing corporate governance structures, systems, and processes must remain relevant and sustainable. Accordingly, the Company regularly reviews and updates these practices to ensure alignment with evolving regulations and emerging best practices. Furthermore, as a public company listed on the Colombo Stock Exchange, we continue enhancing our corporate governance framework to retain the trust of our shareholders and other stakeholders. This dynamic approach provides a relevant and practical governance framework that fulfils our accountability mandate to all stakeholders.

#### **External Regulatory Framework**

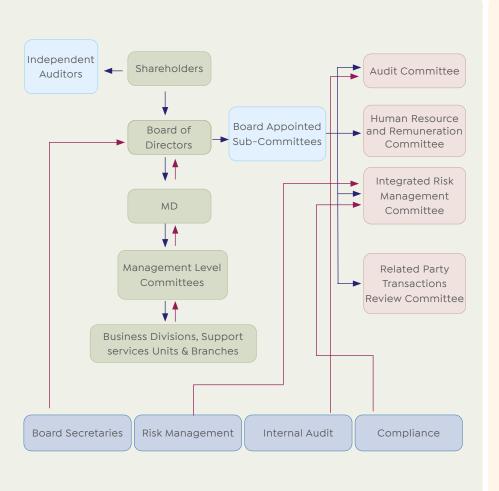
- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Finance Business Act (Corporate Governance) Direction No.05 of 2021 issued by Monetary Board of the Central Bank of Sri Lanka (subject to transitional provisions mentioned therein)
- Code of Best Practice on Corporate Governance 2023 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. 19 of 2021 (as amended)
- Acts, Circulars and Gazettes issued by the Taxation Authorities
- Shop and Office Employees Act
   No.19 of 1954 and amendments
- Requirements under Sri Lanka Accounting and Auditing Standards Monitoring Board.

Worki

## Application of Corporate Governance Practices at Vallibel Finance

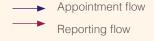
Vallibel Finance adheres to a comprehensive corporate governance framework that aligns with the latest directions from the Central Bank of Sri Lanka (CBSL), the Code of Best Practice on Corporate Governance, 2023 as developed and updated by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the rules and regulations as set out by the Colombo Stock Exchange (CSE) under Section 09.

#### **CORPORATE GOVERNANCE FRAMEWORK**



## Internal Control and Monitoring Mechanisms

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



#### ng within the concepts of Accountability, Transparency and Ethical Business Practices

The following section details the application of these corporate governance practices within Vallibel Finance for the financial year ending March 31st, 2024.

#### **Board of Directors**

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

### Fit and Proper Assessment of Directors

Declarations were obtained from the Directors confirming that they have continuously satisfied the Fit and Proper Assessment Criteria in line with Rule 9.7.4 of the Listing Rules and the Finance Business Act Direction No.05 of 2021, during the financial year under review and as at the date of such declarations.

#### **Composition and Independence**

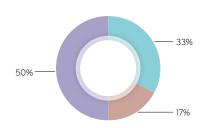
The Board comprises Six (06) members, four (04) of whom including, the Chairman, are Non-Executive Directors with a balance of skills and experience appropriate for the business carried out by the Company.

No.	Name of Director	Status	Date of Appointment to the Board
01	Mr. K D A Perera	Chairman - Non-Executive Director	12.08.2014
			Re-appointed as Chairman w.e.f. 06.09.2023*
02	Mr. S B Rangamuwa	Managing Director	14.03.2007
03	Mr. S S Weerabahu	Executive Director	20.04.2018
			Appointed as an Executive Director w.e.f. 19.12.2019
04	Mr. J Kumarasinghe	Independent Non-Executive Director	01.02.2019
			Appointed as the Senior Independent Director w.e.f 23.09.2023
05	Mrs. C P Malalgoda	Independent Non-Executive Director	01.12.2021
06	Mr. M A K B Dodamgoda	Independent Non-Executive Director	05.09.2023

<sup>\*</sup>Mr. K D A Perera, who was a Non-Executive Director/ Chairman completed his term of nine years of service as a Director of the Company on 12th August 2023 and ceased to be a Director. After having obtained relevant regulatory approval under section 3.4 of the Finance Business Act Direction No. 05 of 2021, Mr. K D A Perera was re-appointed as a Non-Executive Director and the Chairman with effect from 06th September 2023.

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

#### **Board Composition**



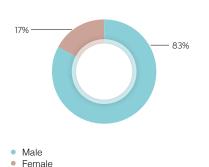
- Executive Directors
- Non Executive/Non Independent Directors
- Non Executive/Independent Directors

#### Board Composition by Age



- 46-55 years
- 56-65 years
- 66-70 years

#### **Board Composition by Gender**



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

#### **Chairman and Managing Director**

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

### Tenure, Retirement and Re-election of Directors

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

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

#### **Material Business relationships**

None of the Directors or close family members have any material business relationships with other Directors of the Company.

#### Other directorships held by the Directors

Other directorships held by Directors are disclosed on page 29.

#### **Board Meetings**

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

During the year ended 31st March 2024, twelve (12) meetings of the Board were held. The attendance at the meetings was:

Name of the Director	Executive/Non-Executive/Independent Non-Executive	ve Meeting Attendance
Mr. K D A Perera	Non-Executive	11/12
Mr. S B Rangamuwa	Executive	12/12
Mr. S S Weerabahu	Executive	12/12
Mr. T Murakami*	Non-Executive	4/4
Mr. A Dadigama**	Senior Independent Non-Executive	6/6
Mr. J Kumarasinghe	Senior Independent Non-Executive	12/12
Mrs. C P Malalgoda	Independent Non-Executive	12/12
Mr. M A K B Dodamgoda***	Independent Non-Executive	7/7
Mr. H Ota*	Non-Executive	4/4
(Alternate Director to Mr. T Murakami)		

<sup>\*</sup>Ceased w.e.f. 16th July 2023 | \*\* Ceased w.e.f. 15th September 2023 | \*\*\*Appointed to the Board w.e.f. 05th September 2023

#### **Audit Committee**

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

Name of the member	Position	Meeting Attendance
Mr. A Dadigama*	Senior Independent Non-Executive Director	3/3
Mr. M A K B Dodamgoda**	Independent Non-Executive Director	3/3
Mr. J Kumarasinghe	Senior Independent Non-Executive Director	6/6
Mrs. C P Malalgoda	Independent Non-Executive Director	6/6

<sup>\*</sup>Ceased w.e.f. 15th September 2023 | \*\*Appointed to the Committee w.e.f. 16th September 2023

The Report of the Audit Committee is given on pages 185 and 186.

#### **Human Resource and Remuneration Committee**

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

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

<sup>\*</sup>Ceased w.e.f. 15th September 2023

The Report of the Human Resource and Remuneration Committee is given on page 184.

#### **Related Party Transactions Review Committee**

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

Name of the member	Position	Meeting Attendance
Mr. A Dadigama*	Senior Independent Non-Executive Director	2/2
Mr. M A K B Dodamgoda**	Independent Non-Executive Director	3/3
Mr. J Kumarasinghe	Senior Independent Non-Executive Director	5/5
Mrs. C P Malalgoda	Independent Non-Executive Director	5/5

<sup>\*</sup>Ceased w.e.f. 15th September 2023 | \*\*Appointed to the Committee w.e.f. 16th September 2023

The Report of the Related Party Transactions Review Committee is given on page 187.

#### **Integrated Risk Management Committee**

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

Name of the member	Position	Meeting Attendance
Mr. J Kumarasinghe	Senior Independent Non-Executive Director	4/4
Mrs. C P Malalgoda	Independent Non-Executive Director	4/4
Mr. A Dadigama*	Senior Independent Non-Executive Director	2/2
Mr. M A K B Dodamgoda**	Independent Non-Executive Director	2/2
Mr. S B Rangamuwa	Managing Director	4/4
Mr. S S Weerabahu	Executive Director	4/4
Mr. Niroshan Perera	Senior Deputy General Manager – Credit	4/4
Mr. K D Menaka Sameera	Senior Deputy General Manager - Finance & Administration	4/4
Mr. T U Amaraweera	Deputy General Manager - Asset Management	4/4

<sup>\*</sup>Ceased w.e.f. 15th September 2023 | \*\*Appointed to the Committee w.e.f. 16th September 2023

The Report of the Integrated Risk Management Committee is given on page 188.

#### **Compliance Officer**

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

#### The Management

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

### Financial Disclosures and Transparency

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

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

#### **Ethical Standards**

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

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

#### **Statutory Payments**

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

#### **Compliance Statement**

We confirm that throughout the year ended 31st March 2024 and as at the date of this Annual Report, the Company was compliant with the Listing Rules of the Colombo Stock Exchange, the Finance Companies Direction No. 03 of 2008 on Corporate Governance and amendments thereto and the subsequent Finance Business Act Direction No. 05 of 2021 which came into effect on 1st July 2022 (subject to the transitional provisions mentioned therein).

In addition, tables set out in pages 138 to 152 depict the extent of adherence with the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Charted Accountants of Sri Lanka (CA Sri Lanka). Further, the Company has complied with the provisions of the Companies Act No. 07 of 2007 and other statutes as applicable to the Company.

#### **Accountability and Disclosure**

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

By Order of the Board

VALLIBEL FINANCE PLC

Lakmini Kottegoda

Company Secretary

3rd June 2024

#### **Section one**

The Finance Business Act Direction No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies:

The disclosures below reflect the Company's compliance and the extent of its compliance with the above Direction which comprises of sixteen subsections, namely:

1. Board's Overall Responsibilities

governance framework

Framework periodically

Assessing the effectiveness of the Governance

- 2. Governance Framework
- 3. Composition of the Board
- 4. Assessment of Fitness and Propriety Criteria
- 5. Appointment and Resignation of Directors and Senior Management

- 6. The Chairperson and the CEO
- 7. Meetings of the Board
- 8. Company Secretary
- 9. Delegation of Functions by the Board
- 10. Board Sub Committees
- 11. Internal Controls
- 12. Related Party Transactions
- 13. Group Governance
- 14. Corporate Culture
- 15. Conflicts of Interest
- 16. Disclosure

regulatory requirements.

Complied with.

Transitional provisions remain applicable to Sections 3.2, 8.1 (b), 10 and 12.1 (a) till 01st July 2024.

#### **Directions Extent of Compliance** 1. BOARD'S OVERALL RESPONSIBILITIES Assume overall responsibility and accountability Complied with. for the operations of the Company, by setting up The Board has the overall responsibility and accountability for the the strategic direction, governance framework, operations of the Company and carrying out functions listed in 1.2 to establishing corporate culture and ensuring 1.7 of the Direction. compliance with regulatory requirements 1.2 Business Strategy and Governance Framework Approving and overseeing the implementation Complied with. of the Company's overall business strategy with A Board approved strategic plan is in place addressing the measurable goals for next three years and update Company's overall business strategy. The Board provides direction in it annually in view of the developments in business the development of short, medium and long term strategies of the environment Company. The Board approves and monitors the annual budget with updates on execution of the agreed strategies. Approving and implementing the Company's Complied with.

# the changes in operating environment to ensure that it remains appropriate to the conditions and the complexities of the Company's operations.

The Governance Framework is reviewed periodically according to

Board approved Governance Framework is in place commensurate

with the Company's size, complexity, business strategy and

Directions		Extent of Compliance
(d)	Appointing and defining the roles and responsibilities	Complied with.
	of the Chairperson and the Chief Executive Officer (CEO)	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.
		Roles and responsibilities of the Chairman and the MD/CEO have been defined and approved by the Board.
1.3	Corporate Culture and Values	
(a)	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behaviour	Complied with.
		Vallibel Finance strives to build a sound corporate culture which reinforces ethical, prudent and professional behaviour.
(b)	Playing a lead role in establishing the Company's	Complied with.
	corporate culture and values including developing a code of conduct and managing conflicts of interest	Corporate values are incorporated in the Board approved strategic plan and these have been communicated to the staff.
		The Company has developed a Code of Conduct and Ethics which applies to all employees and Directors and this is posted on the internal web portal and is accessible by all employees. A policy on management of conflicts of interest is in place.
(C)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies	Complied with.
		The Company has continued to take progressive action to manage our direct and indirect environmental, social and governance impact. A Sustainable Finance Policy is in place in this regard.
(d)	Approving the policy of communication with all	Complied with.
	stakeholders in the view of projecting a balanced view of the company's performance, position and prospects in public and regulators	The Board approved Communication Policy is in place which covers all stakeholders including depositors, shareholders, borrowers and other creditors.
1.4 F	risk Appetites, Risk Management and Internal Controls	
(a)	Establishing and reviewing the Risk Appetite	Complied with.
	Statement (RAS) in line with Company's business strategy and governance framework	A Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.
(b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently	Complied with.
		Identifying major risks, establishing governance structures and systems to measure, monitor and manage those key risks are carried out mainly through the Integrated Risk Management Committee.
		Risk Reports are submitted to the Committee by the Management on a quarterly basis. The decisions and action taken to mitigate possible risks are submitted for Board's information where necessary
		Please refer Risk Management report on pages 164 to 179 and Integrated Risk Management Committee report on page 188 for further details.

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

Dire	ections	Extent of Compliance	
1.6 (	Oversight of Senior Management		
(a)	Identifying and designating senior management who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management	Complied with.  The Board has identified and designated the Senior Management, as defined in the Section 17 of the Finance Business Act Directions No.05 of 2021 on Corporate Governance.	
(b)	Defining the areas of authority and key responsibilities for the senior management	Complied with.  The key responsibilities of the senior management are defined in the job descriptions of each member and have been approved by the Board.	
(C)	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the Company's strategic objectives	Complied with.  Members of the Senior Management possess experience, qualifications, adequate skills, and knowledge in the relevant fields.	
(d)	Ensuring there is appropriate oversight of the affairs of the Company by senior management	Complied with.  The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the Managing Director/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 management committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.	
(e)	Ensuring the Company has an appropriate succession plan for senior management	Complied with.  A succession plan for senior management personnel is in place.	
(f)	Meeting regularly with the Senior Management	Complied with.  The members of the senior management regularly make presentation and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.	
1.7 A	dherence to the Existing Legal Framework		
(a)	Ensuring that the Company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders	Complied with.  The Company operates within the Board approved Governance Framework and the Company is committed not to act in a manner detrimental to the interests of, and its obligations towards depositors, shareholders and other stakeholders.	

Directions		Extent of Compliance
(b)	Adhere to the regulatory environment and ensure	Complied with.
	compliance with relevant laws, regulations, directions and ethical standards	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. A Code of Business Conduct and Ethics is also in place for all employees and Directors.
(C)	Acting with due care and prudence, and with	Complied with.
	integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	Fitness and Proprietary of the Board of Directors is assessed annually and new appointment of the Board and Senior Management (as defined in Corporate Governance Direction No. 05 of 2021) is made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
2. G	OVERNANCE FRAMEWORK	
2.1	Develop and implement a governance framework in line with the Finance Business Act Direction No.05 of 2021 on Corporate Governance	Complied with.  A Board approved Governance Framework is in place.
3. C	OMPOSITION OF THE BOARD	
3.1	A balance of skills and experience as may be	Complied with.
	deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company	The Board possesses adequate skills and experience in the relevant fields.
		Please refer page 29 for the Profiles of the Directors.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13 subject to	The Board comprised of six Directors as 31st March 2024.
	transitional provision of effective date of 01.07.2024.	Transitional period until 01.07.2024 is applicable for the requirement of number of Directors to be not less than seven (7) and not more than thirteen (13).

Dire	ctions	Extent of Compliance
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	Complied with.  Mr. T Murakami, Non-Executive Director and his alternate Mr. Hiroyuki Ota ceased office on 16th July 2023 on completion of term of nine years of service as a Director of the Company.
3.4	Non-Executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non- Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (1/4) of the total number of directors on the Board.	Mr. K D A Perera, who was a Non-Executive Director/ Chairman completed his term of nine years of service as a Director of the Company on 12th August 2023 and ceased to be a Director.  After having obtained relevant regulatory approval under the Section 3.4 of the Finance Business Act Direction No. 05 of 2021, Mr. K D A Perera was re-appointed as a Non-Executive Director and the Chairman with effect from 06th September 2023.  Mr. A Dadigama, the Senior Independent Non-Executive Director ceased to be a Director with effect from 15th September 2023 on completion of term of nine years of service as a Director of the Company.  Consequently Mr. J Kumarasinghe, Independent Non-Executive Director was re-designated as the Senior Independent Non-Executive Director with effect from 16th September 2023.  The total period of service of all Non-Executive Directors as 31st March 2024, except Mr. K D A Perera who also serves as the Chairman is less than 9 years as at date.
3.5 E	Executive Directors	
(a)	Appointment, election or nomination of an employee as a Director.	Complied with.  The Board consists of six members of whom two are Executive Directors. Accordingly, the number of Executive Directors does not exceed one-third of Directors of the Board.  Transitional period until Olst July 2024 has been granted to comply with the requirement under Section 3.5 (a) to limit the number of Executive Directors to 1/3rd of the Board.
(b)	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management.	No such situations have arisen.
(c)	CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	Complied with.  Mr. S B Rangamuwa holds the positions of Managing Director/CEO.
(d)	Executive Directors shall have a functional reporting line in the organisation structure of the Company.	Complied with.  Mr. S S Weerabahu, Executive Director has a functional reporting line
(e)	The Executive Directors are required to report to the Board through the CEO.	and is reporting to the Managing Director/CEO.

Directions		Extent of Compliance	
(f)	Executive Directors shall refrain from holding executive directorships or senior management positions in any other entity.	Complied with.  Mr. S B Rangamuwa and Mr. S S Weerabahu do not hold any executive directorships or senior management positions in any other Company.	
3.6 N	Non-Executive Directors (NEDs)		
(a)	NEDs shall possess credible track records and necessary skills, competency and experience to bring an independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	Complied with.  The Non-Executive Directors of the Board are eminent personnel and they possess extensive knowledge, expertise and experience in different business fields. Their detailed profiles are given in page 29.	
(p)	A non-executive director cannot be appointed or	Complied with.	
	function as the CEO/executive director.	None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.	
3.7 lı	ndependent Directors		
(a)	The number of Independent Directors of the Board	Complied with.	
	shall be at least three or one-third of the total number of directors, whichever is higher.	The Board comprises of three Independent Non-Executive Directors. Accordingly, the number of Independent Non-Executive Directors exceeds one-third of the total number of Directors on the Board.	
(b)	Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records, and sufficient experience.	Complied with.	
		All Independent Non-Executive Directors of the Company are of the highest calibre with professional qualifications, a proven track record, and sufficient experience in the given fields.	
(c) - (e)	Criteria of non-executive director for independence	Complied with.	
		Based on declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors, namely Mr. J Kumarasinghe, Mrs. C P Malalagoda and Mr. M A K B Dodamgoda are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No.05 of 2021 on Corporate Governance.	
		During the year there were no changes to the independence status of Directors.	
3.8	Alternate Directors	There were no Alternate Director appointments.	
3.9	Cooling off Periods	No such appointments have been made during the period under review.	
3.10	Common Directorships		
	Director or senior management of a Finance	Complied with.	
	Company shall not be nominated, elected, or appointed as a director of another Finance Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned Company subject to conditions stipulated in Direction 3.5(f).	No Directors or Senior Managers held positions in other Finance Companies during the year 2023/2024.	

Directions		Extent of Compliance
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the Finance Company.	Complied with.  No Director holds directorships in excess of 20 companies/ societies/ bodies/institutions.
4. A	SSESSMENT OF FITNESS AND PROPRIETY CRITERIA	
4.1	No person shall be nominated, elected or appointed as a director or continue as a director unless that person is a fit and proper person to hold office as a director in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied with.  The appointments, resignations or continuation of the Directors are made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.
4.2	The age of a Director shall not exceed 70 years.	Complied with.  All Directors are below the age of 70 years as at 31st March 2024.
4.3	Criteria to hold office as a director, exceeding 70 years of age up to maximum of 75 years of age.	No such situations have arisen.

#### 5 APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT

5.1 The appointments, resignations or removals of Directors or Senior Management shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.

#### Complied with.

The appointments, resignations or removals of Directors or Senior Management are in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.

#### 6 THE CHAIRPERSON AND THE CEO

6.1 There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.

#### Complied with.

The positions of the Chairman and the Managing Director / Chief Executive Officer are separate and performed by two different individuals and responsibilities of the Chairman and the MD/CEO have been defined and approved by the Board.

Directions		Extent of Compliance	
6.2	The chairperson shall be an independent director, subject to 6.3 below.	Complied with.  Mr. J Kumarasinghe serves as the Senior Independent Non-Executive	
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	Director since the Chairman is Non Independent Non-Executive Director. The Terms of Reference of the Senior Independent Director are documented.  Non-Executive Directors including Senior Director annually assess the Chairperson's performance.	
6.4	Responsibilities of the Chairperson	Complied with.	
		The Chairman is responsible to lead, direct and manage the Board to ensure that the Board works effectively and discharges its responsibilities. Chairman's key responsibilities and duties have been approved by the Board.	
		There is a constructive relationship among all Directors and they work together in the best interest of the Company.	
		The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretary circulates formal agenda prior to the Board Meeting.	
		The Chairman does not engage in direct supervision of senior management or any other day to day operational activities.	
		Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.	
6.5	Responsibilities of the CEO	Complied with.	
		The Managing Director/Chief Executive Officer functions as the apex Executive-In-Charge of the day-to-day management of the Company's operations and business.	
		The Board approved responsibilities of the Managing Director/Chief Executive Officer/are in place.	
7. MI	EETINGS OF THE BOARD		
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals.  Obtaining the Board's consent through the	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	
	circulation of papers to be avoided as much as possible.	to the Board. Circulation of resolutions/papers to obtain Board's consent is minimised and resorted only when absolutely necessary.	

Dire	ections	Extent of Compliance	
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Complied with.  Annual calendar of Board meetings is issued at the beginning of the each calendar year enabling them to include matters and proposals in this regard.	
		Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.	
7.3	A notice of at least 3 days shall be given for a	Complied with.	
	scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	Notice of Meeting is circulated to the Directors at least 3 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.	
7.4	A director shall devote sufficient time to prepare and	Complied with.	
	attend Board meetings and actively contribute by providing views and suggestions.	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 from Key Management Personnel. The views of the Board of Directors on issues under consideration are ascertained and records of such deliberations are reflected in the minutes.	
7.5	A meeting of the Board shall not be duly constituted,	Complied with.	
	although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	At all Board meetings held during the year 2023/2024, more than one fourth of the numbers of Directors were independent Non-Executive Directors.	
7.6	The Chairperson shall hold meetings with the Non-	Complied with.	
	Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	Meetings are held only with the participation of the Non-Executive Directors, without the Executive Directors being present.	
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with.	
		Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.	
7.8	A director, who has not attended at least two-	Complied with.	
	thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director.	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 2023/2024.	
	Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.		

D!==	Directions Extent of Compliance		
Dire	ctions	Extent of Compliance	
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings  For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Complied with  For the scheduled meetings the Company encourages physical participation of all Directors. Virtual meetings are held as and when required for ad hoc meetings.	
8. C	OMPANY SECRETARY		
8.1	(a) The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with.  P W Corporate Secretarial (Pvt) Ltd functioned as the Secretary to the Board till 21st April 2024.  Mrs. K G L D Kottegoda was appointed as the in-house Company Secretary, considered as a Key Responsible Person (KRP) with	
	(b) The Board shall appoint its Company Secretary, subject to the transitional provision, a person who possesses such qualifications as may be prescribed for a secretary of a Company under Section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	effect from 22nd April 2024 and P W Corporate Secretarial (Pvt) Ltd, resigned as the Company Secretaries with effect from 21st April 2024.  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.	
8.2	All directors shall have access to advice and services	Complied with.	
	of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.	
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Complied with.	
		The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.	
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied with.  Minutes of Board Meetings are maintained by the Company	
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.	Secretary. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.	
8.6	Minutes of the Board meetings shall be recorded in	Complied with.	
	sufficient detail, as specified in the Direction, so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties.	Detailed minutes are maintained by the Company Secretary covering all requirements of this direction.	
8.7	The minutes shall be open for inspection at any	Complied with.	
	reasonable time, on reasonable notice by any director.	Minutes are open for inspection by any Director.	

Directions		Extent of Compliance
9. DI	ELEGATION OF FUNCTIONS BY THE BOARD	
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.	Complied with.  The Board approved delegation authority limits is in place.
9.2	In the absence of any of the sub-committees, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Not applicable as Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied with.  Assets and Liabilities Management Committee, Credit Committee and IT Steering Committee are in place.
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with.  The Board is empowered by the Articles of Association to delegate any of their powers other than those exercisable exclusively by the Directors.
		The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the Managing Director/CEO and Senior Management. All delegations are made in a manner that would not hinder the Board's ability to discharge its functions.
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	Complied with.  The delegation process is periodically reviewed by the Board based on business requirements.

#### Directions Extent of Compliance

**10. BOARD SUB COMMITTEE** (Transitional provision is applicable till 01st July 2024. This section is in line with Sections 8 of the Finance Companies (Corporate Governance) Direction No. 03 of 2008).

#### 10.1 Requirements on Board sub-committees (Asset base more than Rs. 20 Billion)

10.1 The company shall establish a Board Audit
 Committee (BAC), Board Integrated Risk
 (a) Management Committee (BIRMC), Nomination
 Committee, Human Resource and Remuneration
 Committee and Related Party Transactions Review
 Committee.

Further, meetings of those committees shall be held at least once in two months for BAC and BIRMC.

Other committees shall meet at least annually.

The following Sub - Committees have been appointed by the Board;

- 1). Human Resource and Remuneration Committee
- 2). Audit Committee
- 3). Integrated Risk Management Committee
- 4). Related Party Transactions Review Committee

These committees meet on required intervals as per Sections 8 of the Finance Companies (Corporate Governance)
Direction No. 03 of 2008) and as per the respective TOR of the Sub-Committee.

Nomination Committee is to be formed.

Directions		Extent of Compliance
(b)	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	Written Term of References specifying the authority and duties are in place for each Sub-Committee.
(c)	The Board shall present a report on the performance of duties and functions of each Board Sub-Committee, at the Annual General Meeting of the Company.	The Reports of the Human Resource and Remuneration Committee, Audit Committee, Integrated Risk Management Committee and Related Party Transactions Review Committee are given on pages 164 to 188 of this Annual Report.
(d)	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretary functions as the Secretary to these Committees.
(e)	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	Each Committee comprises at least three Board members who possess skills, knowledge and experience relevant to the responsibilities of the Committees. Compositions of the Committees are disclosed in the pages 164 to 188 of the annual report.
(f)	The Board may consider the occasional rotation of members and of the Chairperson of Board subcommittees to avoid undue concentration of power and promote new perspectives.	Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required.
10.2 Board	Audit Committee (BAC)	
(a)	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	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 29 of the Annual Report.
(b)	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	All three members of the Board Audit Committee are Independent Non- Executive Directors.
(C)	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA).	The Company Secretary acts as the Secretary to the Board Audit Committee as at the reporting date.
(d)	External Audit Function	
	i. Appointment of the External Auditor	In accordance with the Terms of Reference, the Committee makes recommendations on the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes.
	ii. Service period of the External Audit Firm and Audit Partner	Engagement period of current audit partner is 4 years.  Messers KPMG will cease to be the 'External Auditors' of the Company after completing the audit of financial year 2023/2024, having completed its service for ten consecutive years.

Directions		Extent of Compliance	
	iii. The External Audit Partner	Audit Partner is not a shareholder, director or employee and does not hold any Senior Management position of other Finance Company.	
	iv. Independence and objectivity of External Auditor and effectiveness of the audit process	The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes. The Audit Committee reviews the nature and scope of the external audit taking into account of the regulations and guidelines.	
	v. Provision of non-audit services by the External Auditor	The Committee assists the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensures that engagement in non-audit services does not impair the external auditors' independence and objectivity. Policy on engagement of the external auditor to provide non-audit services is in place.	
	vi. Determine the nature and scope of the audit	The Committee has discussed and finalised the nature and the scope of audit, with the External Auditors before the audit commences.	
	vii. Review the financial information of the Company	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.	
	viii. Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor	The Audit Committee discusses issues, problems, and reservations arising from the interim and final audits with the External Auditors.	
	ix. Review of the external auditor's management letter and the management's response	The Committee has reviewed the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 31st March 2023.	
(e)	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	The Audit Committee through Internal Audit Department reviews the effectiveness of the Internal control system of the Company.	
		Both regular and ad-hoc reviews of internal control systems and management information systems are carried out by the Internal Audit Department and the results of which are reported to the Audit Committee. The Committee assesses 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)	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company.	The Committee monitors this through regular reporting from the Internal Audit Department.	

Directions		Extent of Compliance
(g)	Internal Audit function	
	i. The Committee shall establish an Independent Internal Audit function that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes.	The Company has established an own in-house Internal Audit Department and moreover, an outsourced service provider provides assistance in carrying out branch and specialised audit assignments through a co-souring arrangement.
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the company to carry out their assignments effectively and objectively.	The Internal Audit function is an independent function which directly reports to the Board Audit Committee. There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Audit Department.
	iii. The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and ensure the department has the necessary authority to carry out its work.	Board Audit Committee reviews the adequacy of the scope, functions, and resources of the Internal Audit Department.
		The Internal Audit plan is reviewed and approved by the Audit Committee at the beginning of each financial year.
	recommendations of the internal audit.	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.
		Annual Report of the Company contains Statement of Directors' Responsibility and Directors' Statement on Internal Control Over Financial Reporting along with Auditors' Assurance Report on the Directors' Statement on Internal Control and Independent Auditors' Report.
	(iii) Assess the performance of the head and senior staff members of the Internal Audit Department.	Performance of Internal Auditors is reviewed by the Audit Committee.
	(iv) Ensure that the Internal Audit Function is independent and activities are performed with impartiality, proficiency, and due professional care.	The Internal Audit function is an independent function and the audits are performed with impartiality and due professional care. The Internal Audit Department staff reports directly to the Deputy General Manager – Internal Audit, who in turn reports directly to the Audit Committee.
	(v) Ensure the Internal Audit Function carry out a periodic review of the Compliance Function and regulatory reporting to regulatory bodies.	Periodic reviews are conducted by the Internal Audit Department on the Compliance Function and regulatory reporting as per the Annual Audit plan.
	(vi) Examine the major findings of internal investigations and management's responses thereto.	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.
(h)	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	The BAC and IRMC reviews and monitors the progress on implementation of the recommendations made in the Statutory Examination Report of the Central Bank of Sri Lanka (CBSL) through follow up reports submitted to the Committee meetings.

Direct	ions	Extent of Compliance	
(i)	Meetings of the Committee		
	<ul> <li>The committee shall meet as specified in direction 10.1 (a) above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</li> </ul>	The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings are maintained by the Company Secretary.	
	ii. Other Board members, senior management, or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Other Board members, Managing Director/CEO, Chief Operation Officer, Senior Deputy General Manager - Finance & Administration, Compliance Officer, or any other members of the corporate management or any employee are invited to attend the meeting where it is deemed necessary.	
	iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present.	During the year under review the Committee met with the External Auditors, without the presence of Executive Directors.	
10.3	Board Integrated Risk Management Committee (BIRMC)		
(a)	The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non- Executive Directors with knowledge and experience in banking, finance, risk management issues	The Chairman of the Committee is an Independent Non-Executive Director.  The Committee consists of three Independent Non	
	and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	-Executive Directors, two Executive Directors, including Managing Director / CEO, Senior Deputy General Manager - Credit, Senior Deputy General Manager - Finance & Administration and Deputy General Manager - Asset Management, who supervises major risk categories.	
		Compliance Officer and other Senior Management personnel are attended by invitation.	
(b)	The secretary to the committee may preferably be the CRO.	The Company Secretary acts as the Secretary to the Integrated Risk Management Committee as at the reporting date.	
(C)	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology, to the Company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	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. This will be changed to bi-monthly basis with effect from 01.07.2024.	
(d)	Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a Finance Company will accept, or avoid, in order to achieve its strategic business objectives.	Board approved RAS is in place which identifies the risk tolerance limits of the Company.	
(e)	The BIRMC shall review the Company's risk policies including RAS, at least annually.	All risk policies including the RAS are reviewed by the IRMC periodically.	

Directions			Extent of Compliance	
(f)	of s spe qua	BIRMC shall review the adequacy and effectiveness enior management level committees to address cific risks and to manage those risks within intitative and qualitative risk limits as specified by the nmittee.	Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.  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.	
(g)	ma	committee shall assess all aspects of risk nagement including updated business continuity and aster recovery plans.	Board-approved Business Continuity and Disaster Recovery Plan (BCP) are in place and are reviewed periodically.	
(h)		MC shall annually assess the performance of the npliance officer and the CRO.	The Committee assesses the performance of the Compliance Officer. CRO position is to be recruited.	
(i)	Cor	npliance function		
	i.	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	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 respective areas of business operations.	
	ii.	For a Company with an asset base of more than Rs. 20 Bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly.	A Compliance Officer has been appointed.	
	iii.	For FCs with an asset base of less than Rs. 20 bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not applicable.	
	iv.	The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following:		
		<ul> <li>Develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements;</li> </ul>	Board approved policies and procedures are in place commensurate with the size, complexity and risk profile of the Company.	
		ii) Ensure compliance policies and procedures are clearly communicated to all levels of the Company to enhance the compliance culture;	Board approved Compliance policy is in place and available on the intranet which is accessible by all employees of the Company.	
		iii) Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.	
		(iv) Understand and apply all new legal and regulatory developments relevant to the business of the Company;	All new legal and regulatory developments are applied as applicable.	

Direct	ions		Extent of Compliance
	v)	Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards	Board approved new product policy is available to streamline the process of designing a new product in the Company.
	∨i)	Highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time, and,	Compliance reviews are carried out periodically and actions are taken to work with the management to rectify if deviations are noted.
	vii)	Maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity	Regular contact and a good working relationship with regulators is maintained.
(j)	Risk ma	nagement function	
	i - BIRMC shall establish an independent risk management function responsible for managing risk- taking activities across the FC.		Independent risk management function will be established
	ii vi. For FCs with an asset base of more than Rs. 20 Bn, it is expected to have a separate risk management department and a dedicated CRO, considered to be senior management, shall carry out the risk management function and responsibilities as specified in the Direction and report to the BIRMC periodically.		and a dedicated CRO will be appointed subject to the transitional provisions.
	the upo	BIRMC shall submit a risk assessment report for coming Board meeting seeking the Board's views, rence and/or specific directions.	The minutes of the meetings are submitted to the subsequent Board meeting together with risk reports seeking Board's views and directions.
10.4	Nomina	ation Committee	Transitional period until 01.07.2024 has been granted to comply with this provision and the Company is in the process of meeting the requirements.
10.5	Human	Resources and Remuneration Committee	
(a)	Directo	nmittee shall be chaired by a Non-Executive r and the majority of the members shall consist of ecutive Directors.	The Committee comprises of three Non-Executive Directors and the Chairman is an Independent Non-Executive Director.
(b)		retary to the Human Resource and Remuneration ttee may preferably be the Company Secretary.	The Company Secretary functions as the secretary to the Committee.
(c)	(salaries relating of the C	mmittee shall determine the remuneration policy s, allowances, and other financial payments) to Executive Directors and senior management company and fees and allowances structure for ecutive Directors.	The Human Resource and 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.
			Fees and allowances of Non-Executive Directors are decided by the Board of Directors as a whole.

Directions		Extent of Compliance	
(d)	There shall be a formal and transparent procedure in developing the remuneration policy.	The remuneration policy has been developed to achieve fair and equitable benefits and ensure that the remuneration packages offered by the Company are on par with the industry/market while ensuring alignment of rewards with strategic and short-term objectives of the Company.	
(e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the Company. The policy shall be subject to periodic review by the Board, including when material changes are made.	The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries, allowances and other financial incentives for employees of the Company.	
(f)	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take an excessive risk or to act in self- interest.	The remuneration structure offered by the Company is linked to the corporate and individual performances and is aligned with the market/industry rates.	
(g)	The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	The performance of the Senior Management (excluding CIA, Compliance Officer and Chief Risk Officer) against the set targets and goals will be reviewed by the Committee subject to transitional provisions.	
(h)	The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed.	Respective Senior Management Personnel is abstained from attending meetings, when matters related to them are discussed.	

Direct	ions	Extent of Compliance
11.	INTERNAL CONTROLS	
11.1	The Company shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied with.  The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the
11.2	<ul> <li>A proper internal control system shall,</li> <li>a) Promote effective and efficient operations</li> <li>b) Provide reliable financial information</li> <li>c) Safeguard assets;</li> <li>d) Minimise the operating risk of losses from irregularities, fraud and errors;</li> <li>e) Ensure effective risk management systems;</li> </ul>	Company. The Committee is assisted in this function by Internal Audit Department.  Further, the External Auditors were engaged in providing assurance on the "Directors Responsibility Statement on Internal Controls over Financial Reporting" and it is given on page 191.  Internal Controls have been embedded to the day to
	f) Ensure compliance with relevant laws, regulations, directions and internal policies.	day operations of all employees and all employees are accountable are responsible for protecting the Company and achieve its objectives.
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12.	RELATED PARTY TRANSACTIONS	
12.1	The Board shall establish a policy and procedures for related party transactions, which covers the following.	
(a)	Shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	Complied with.  The Board has established a Board Related Party  Transactions Review Committee, and it is comprised of
(b)	All related party transactions shall be prior reviewed and recommended by the RPTRC.	three Independent Non- Executive Directors.
(C)	The business transactions with a related party that is covered in this Direction.	- The Board approved policy is in place for governing the Related Party Transactions.
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the categories of persons defined in the Direction who shall be considered as "related parties". In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.	The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favourable treatment" as defined in this Direction.  The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the
12.3	The Committee shall ensure that the Company does not engage in business transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Company.	of interest that may arise from any transaction of the Company with its related parties.  Information relating to related party transactions, is disclosed in Note 52 on "Related Party Disclosures" in the Financial Statements and Section 272 of this report.

Directions		Extent of Compliance
13.	GROUP GOVERNANCE	
13.1	Responsibilities of the Company as a Holding Company	The Company's only subsidiary, Vallibel Properties Ltd is engaged in the administration of construction, development and maintenance of the corporate office building for Vallibel Finance PLC.
		The Company exercises adequate oversight over Vallibel Properties Ltd while complying with the independent legal, regulatory and governance responsibilities apply to them.
13.2	Responsibilities as a Subsidiary	The Company is not a direct Subsidiary of any Group Company.
14.	CORPORATE CULTURE	
14.1	A Finance Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Complied with.  The Company has developed a Code of Business Conduct and Ethics for all employees covering the areas of conflict of interest, bribery and corruption, accurate accounting and record keeping, confidentiality, fair dealing, protecting and proper use of the Company's assets, compliance with laws and regulations and encouraging the reporting of any illegal or unethical behaviour, etc.
14.2	The Company shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied with.  Any lapse or a breach of the provisions stipulated in Code of Business Conduct and Ethics by any employee of the Company would constitute a ground for disciplinary action.
14.3	A Finance Company shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with.  A Board approved Whistle Blowing Policy is in place.  This Whistle Blowing Policy encourages all personnel to raise concerns, expose irregularities, help uncover financial malpractices and prevent frauds without any fear of revenge or adverse consequences.
15.	CONFLICTS OF INTEREST	
15.1	(a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with.  The Directors make declarations of their interests at appointment, annually and whenever there is a change in same.  Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at

the Board Meeting.

#### **Directions Extent of Compliance** (b) The Board shall have a formal written policy and an Complied with. objective compliance process for implementing the policy to A Policy on managing conflicts of interest is in place. address potential conflicts of interest with related parties. 16. **DISCLOSURES** The Board shall ensure that: (a) annual audited financial Complied with. 16.1 statements and periodical financial statements are prepared The Financial Statements are prepared in accordance and published in accordance with the formats prescribed with the Sri Lanka Accounting Standards (LKAS/ by the regulatory and supervisory authorities and applicable SLFRS) and the formats prescribed by the Supervisory accounting standards, and that (b) such statements are Regulatory Authorities and that such statements are published in the newspapers in Sinhala, Tamil and English. published in the newspapers in all three languages. Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the website of CSE. The Board shall ensure that at least following disclosures are made in the Annual Report of the Company. (i) Financial statements Complied with. In addition to the set of financial statements as per LKAS 1 or Relevant disclosures are included in page 192 of applicable standard annual report shall include, the Annual Report under "Statement of Directors Responsibilities" and page 180 of the "Annual Report A statement to the effect that the annual audited of the Board of Directors on the state of affairs of the financial statements have been prepared in line with Company". applicable accounting standards and regulatory requirements, inclusive of specific disclosures. A statement of responsibility of the Board in preparation and presentation of financial statements. (ii) Chairperson, CEO and Board related disclosures Complied with. Name, qualification and a brief profile. Relevant disclosures are included in page 29 of "Profiles of Directors" and page 108 to 112 of the "Corporate Whether executive, non-executive and/or independent Governance Report" director. Details of the director who is serving as the senior director, if any. The nature of expertise in relevant functional areas. Relatives and/or any business transaction relationships with other directors of the Company. Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity. Number/percentage of board meetings of the Company attended during the year; and Names of board committees in which the director serves as the Chairperson or a member.

#### Directions

#### **Extent of Compliance**

#### (iii) Appraisal of Board performance

#### An overview of how the performance evaluations of the Board and its committees have been conducted.

#### Complied with.

The Company has adopted a scheme of self-assessment, to be undertaken by each Director, annually. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the Board as a whole and that of its Committees and the records of such assessments are maintained by the Company Secretary.

#### (iv) Remuneration

- A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)
- The aggregate values of remuneration paid by the Company to its directors and senior management.

#### Complied with.

The achievement of the set targets is a prerequisite for performance based remuneration. Performance targets are established in accordance with the Annual Strategic Plan and Budget. Annual promotions, increments and bonus of all employees are directly in relation with the performance, contribution, commitment, work ethics and behaviour of the employee.

The remuneration structure of the staff, Senior Management and Executive Directors are in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivise employees to take excessive risk or act in self-interest

Aggregate values of remuneration paid for Directors and Senior Management for the Year 2023/2024 - Rs. 253.56 Mn.

#### (v) Related party transactions

- The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.
- Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital.
- The aggregate values of the transactions of the FC with its senior management during the financial year set out by broad categories such as accommodation granted, and deposits or investments made in the Finance Company.

#### Complied with.

The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the CEO. No relationships prevail among the other members of the Board.

There were no accommodations outstanding in respect of related parties.

The aggregate values of the transactions of the Company with its senior management during the year under review are given below.

	Rs. Mn
Accommodation granted	-
Deposits held	25.60

Direct	ions		Extent of Compliance	
(vi)	Воа	ard appointed committees	Complied with.	
	•	The details of the chairperson and members of the board committees and attendance at such meetings.	Relevant disclosures are included in pages 108 to 112 of the "Corporate Governance Report" and pages 180 to 183 of the "Annual Report of the Board of Directors on the state of affairs of the Company".	
(vii)	Gro	oup Structure	Complied with.	
	•	The group structure of the FC within which it operates	Disclosed in the page 206 of the Notes to the Financial	
	•	The group governance framework	Statements.	
(viii)	Directors' report		Complied with.	
		eport, which shall contain the following declarations by the ard:	Disclosed in the pages 180 to 183 of the 'Annual Report of the Board of Directors on the Affairs of the Company'	
	•	The Company has not engaged in any activity, which contravenes laws and regulations.		
	•	The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested.		
	<ul> <li>The Company has made all endeavours to ensure the fair treatment for all stakeholders, in particular the depositors.</li> </ul>			
	•	The business is a going concern with supporting assumptions; and,		
	•	The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.		
(ix)	Sta	tement on Internal Control	Complied with.	
	_	A report by the Deard on the Company's internal central	Directors' Statement on Internal Central System Over	

- A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.
- The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.
- A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any noncompliances.
- A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or noncompliance with the Act, and rules and directions.

Directors' Statement on Internal Control System Over Financial Reporting" is given on page 191.

The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting.

There were no regulatory and supervisory concerns in the Company's risk management, or non-compliance with the Finance Business Act, No. 42 of 2011, rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions. However, the Financial Intelligence Unit of the Central Bank of Sri Lanka, imposed a penalty due to a shortcoming in relation to Section 6 of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA) by not reporting a transaction exceeding one million rupees.

#### **Directions Extent of Compliance** (x) **Corporate Governance Report** Complied with. Shall disclose the manner and extent to which the The Corporate Governance Report is given on pages 108 company has complied with Corporate Governance to 137 of the Annual Report. Direction and the external auditor's assurance statement of the compliance with the Corporate Governance The factual findings report has been issued by the External Auditors on the level of compliance with Direction. the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above. (xi) Code of Conduct Complied with. The Company's code of business conduct and ethics for The Company has developed a Code of Business directors, senior management and employees. Conduct and Ethics for all employees. The Chairperson shall certify that the company has no The Board is not aware of any material violations of any violations of any of the provisions of this code. of the provisions of the Code of Business Conduct and Ethics by the Company. Refer the Chairman's Statement in the Annual Report for details. (xii) Complied with. Management Report Industry structure and developments Please refer 'Management Discussion and Analysis' on pages 38 to 106. Opportunities and threats Risks and concerns Sustainable finance activities carried out by the company Prospects for the future (xiii) Communication with shareholders Complied with. The policy and methodology for communication with The Board approved Communication Policy is in place shareholders. which covers all stakeholders including Depositors, Shareholders, borrowers and other creditors. The contact person for such communication. The Company Secretary communicates with the shareholders through the Annual Report, Quarterly Reports, and by notices issued to the shareholders.

#### **Section Two**

Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);

For several years, the Company has voluntarily followed the 2017 Best Practice on Corporate Governance set by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). In December 2023, CA Sri Lanka released an updated Code, the 2023 Code of Best Practices on Corporate Governance, which builds on the 2017 version. The Company is in the process of implementing the new requirements outlined in the 2023 Code.

The disclosures below reflect the Company's compliance and the extent of the above Code of Best Practice which comprises of nine 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) Sustainability: ESG Risk and Opportunities
- I) Special Considerations for Listed Entities

Code Ref.	Principle	Extent of Compliance	
A. Directors	A. Directors		
A.1 The Boar	d		
A.1	Effective Board, which should direct, lead and control the Company	Complied with.	
		As at the end of the year under review, the Board comprised of two Executive and four Non-Executive Directors who are eminent professionals with extensive experience in the different business sectors.	
		Mr. S B Rangamuwa is the Managing Director/ Chief Executive Officer to whom the day-to-day management of the Company's operations and business has been delegated. The Board has appointed Sub-Committees to assist in discharging its responsibilities and also approve policies, governance structures and the delegation of authority to provide a conducive business environment for effective performance of the Company.	
A.1.1	Board meetings	Complied with.	
		Regular Board meetings are held at monthly intervals and the Board met 12 times during the year under review.	
		See 'Board Meetings' on pages 111 and 112.	

Code Ref.	Principle	Extent of Compliance
A.1.2	The role and responsibilities of the Board	
	Formulation and implementation of a sound business strategy;	Complied with.
		The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings.
		Please refer response to requirement 1.2 a) of Section One, the Finance Business Act Directions No.05 of 2021 on Corporate Governance on page 113 for details.
	Appointing the chair and the senior independent directors if relevant;	Mr. K D A Perera, Non-Executive Director serves as the Chairman of the Company and Mr. J Kumarasinghe, Independent Non-Executive Director serves as the Senior Independent Director of the Company as the Chairman is not an Independent Non-Executive Director.
	Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;	The Board has put in place a Corporate Management team led by the MD/CEO who possesses required skills, experience and knowledge necessary to implement the strategy.
	The adoption of an effective CEO and Key Management Personnel succession strategy;	A succession plan for key management personnel is in place.
	Approving budgets and major capital expenditure;	Budgets and major capital expenditure are reviewed and approved by the Board.
	Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation;	The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority.
		The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the CEO and other key management personnel.
	An effective system to secure integrity of information, internal controls, business continuity and risk management;	The Board reviews effectiveness of internal control and risk management system on a continuous basis through the Audit Committee and Integrated Risk Management Committee. Please refer 'Director's Statement on Internal Control Over Financial Reporting', 'Audit Committee Report' and 'Integrated Risk Management Committee Report' on pages 191, 185, 186 and 188 for details.
	Availability of information communication technology (ICT) roadmap in line with business strategy	IT strategy developed in line with the business strategy is in place.
	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.

Code Ref.	Principle	Extent of Compliance
	Sustainable business development and 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	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.
	with financial regulations;	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.
	A process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks;	Regular meetings are held by the Managing Director with the corporate management team and other key officers to monitor progress on strategy implementation, budgets, plans and related risks.
	A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and	Financial reports are prepared on monthly basis and circulated to the Board for their review and necessary actions. Further quarterly financial statements, bi-annual and annual financial statements are prepared and published in line with CSE and CBSL regulations.
	Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.	The Board is committed to fulfilling such other functions that are required according to the business environment.
A.1.3	Compliance with laws and seeking	Complied with.
	independent professional advice	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	Complied with.
	the Company Secretary	All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.
		Minutes of Board Meetings are maintained by the Company Secretary.  The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.
		The Company Secretary serves only in the capacity of Company Secretary, not holding simultaneous employment in another capacity.
		The removal of the Company Secretary is a matter to be considered by the Board as a whole.

Code Ref.	Principle	Extent of Compliance
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	Complied with.
	effort by the Board	Directors devote adequate time for Board meetings as well as Board Sub- committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.
A.1.7	Call for resolution	Complied with.
		Such situation did not arise during the year.
A.1.8	Training for Directors	Complied with.
		A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company.
		In accepting the appointment consideration is given by a Director to the responsibilities of the role, ability to commit time, any existing or potential conflicts of interest and possessing required competencies of the role.
A.2 Chairma	an & 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.

Code Ref.	Principle	Extent of Compliance	
A.3 Chairma	A.3 Chairman's Role		
A.3.1	Role of the Chairman	Complied with.	
		The Chairman provides leadership to the Board and encourages an active contribution of both Executive and Non-Executive Directors to the Board's affairs and maintains balance of power between Executive and Non-Executive Directors.	
		The Chairman ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner.	
		The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretary circulate formal agenda prior to the Board Meeting.	
		Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting.	
		All Directors are encouraged to actively participate in Board's affairs.	
		There is a constructive relationship among all Directors and they work together in the best interest of the Company.	
		Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.	
A.4 Financia	l 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 29 for the Profiles of the Directors.	
A.5 Board Ba	alance		
A.5.1	Have a balance of Executive & Non-	Complied with.	
	Executive Directors	Board maintains the required balance of Executive and Non-Executive Directors on the Board. The Board consists of two Executive Directors and four 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 &	Independence of Non-Executive	Complied with.	
A.5.3	Directors	Three Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	

Code Ref.	Principle	Extent of Compliance
A.5.4	Signed declaration of independence by the Non-Executive Directors and confirm at the end of each quarter whether the declared status on independence continues	Each Non-Executive Director provides a signed declaration of his/ her independence or non- Independence annually as at the reporting date.
A.5.5	Determination of the Independence	Complied with.
	and Non-Independence of each Non-Executive Director annually	The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No.05 of 2021 on Corporate Governance.
A.5.6	Appointment of Alternate	Complied with.
	Director	No Alternate Directors have been appointed to represent Independent Non-Executive Directors.
A.5.7	Appointment of Senior Independent	Complied with.
	Non-Executive Director	Mr. J Kumarasinghe who is an Independent Non-Executive Director serves as the Senior Independent Director of the Company.
	Providing guidance to the Chairman on matters of governance of the Company	The roles of the Chairman and the CEO being held by two different individuals. Independent Non-Executive Director, Mr. J Kumarasinghe serves as the Senior Independent Director since Chairman of the Board is a Non-Independent Non-Executive Director. Board approved TOR is in place for the Senior Independent Director.
A.5.8	Make Senior Independent Director available for confidential discussion with other Directors and Include a report from the Senior Independent Director in the annual report	The Senior Independent Director is available to have confidential discussions with fellow Directors who feel that important concerns they have raised have not been properly reviewed by the Board and are related to significant issues that may harm the Company.
		A report from the Senior Independent Director will be included in future Annual Reports.
A.5.9	Meetings only with Non-Executive Directors	Complied with.
		Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	Complied with.
		The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board.
A.6 Supply	of Information	
A.6.1	Obligation of the Management to	Complied with.
	provide appropriate and timely information to the Board	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.

## Corporate Governance

Code Ref.	Principle	Extent of Compliance
A.6.2	Adequate Notice for Board Meetings	Complied with.  Annual calendar of Board meetings is issued at the beginning of the each calendar year enabling them to include matters and proposals in this regard.
		Notice of Meeting is circulated to the Directors prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.
A.7 Appointr	nents to the Board; Nomination Comr	nittee
A.7.1- A.7.3 A.7.5 & A.7.6	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.7.4	Disclosure of information to	Complied with.
	shareholders upon appointment of new Directors.	Details of new Directors are disclosed to the shareholders through an announcement made to the Colombo Stock Exchange (CSE) at the time of
	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.	their appointment.
A.8 Re-elect	ion	
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 Appraisa	l of Board performance	
A.9.1 - A.9.4	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	Complied with.  The Company has adopted a scheme of self-assessment to be undertaken by each Director annually and filed with the Company Secretary.

Code Ref.	Principle	Extent of Compliance	
A.10 Disclosu	A.10 Disclosure of Information in respect of Directors		
A.10.1	Disclosure of information on	Complied with.	
	Directors in the Annual Report	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 page 29.	
		2) Related party transactions are given in Note 52 to the Financial Statements on pages 272 to 277.	
		3) Membership of Sub-Committees and attendance at Board Meetings on pages 111 and 112.	
A.11 Appraisa	al of Chief Executive Officer		
A.11.1 &	Requirement for Board to at least	Complied with.	
<b>A.11.2</b> annually assess the performand the CEO		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		
B.1	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 Directors should be involved in deciding his/her own remuneration.	Complied with.	
		The remuneration policy aims to provide fair benefits and keep the compensation packages in line with industry standards, while also aligning rewards with the Company's strategic and short-term goals. No Director is involved in deciding his/her own remuneration.	

# Corporate Governance

Code Ref.	Principle	Extent of Compliance
B.2	Remuneration Committee	The Board has established a Human Resource and Remuneration Committee and 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) Mrs. C. P. Malagoda - Independent Non-Executive Director
		The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/industry rates.
		The Human Resource and 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.
		Fees and allowances of Non-Executive Directors are decided by the Board of Directors as a whole.
		No share options schemes have been offered to the Executive Directors.
		This Section will be further reinforced based on the new requirement outlined in the code.
B.3	Disclosure of Remuneration	Human Resource and Remuneration Committee report is given on page 184 of the Annual Report.
		The remuneration paid to the Board of Directors is disclosed in aggregate in Note No 52 to the Financial Statements on page 232.
		The Compensation to KMP on page 272.
C. Relations	s with Shareholders	
C.1 Constru	active use of Annual General Meeting (A	GM) and Conduct of General Meetings
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	Complied with.
	substantially separate issue	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.

Code Ref.	Principle	Extent of Compliance
C.1.3	Properly recording and counting of proxy votes	Complied with.  All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.
C.1.4	Board subcommittee Chairman's available at AGM	Complied with.  Chairpersons of the other Board Sub-committees are present at the AGM to answer all queries that may be raised. In the absence of the Chairman of the respective Committee, a co-member is attended 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 Commu	nication with Shareholders	
C.2.1 - C.2.7	The Board should implement effective communication with shareholders.	Complied with.  The main communication method with the shareholders is the Annual Report and AGM. Information is provided to the shareholders prior to the AGM, enabling them to raise / submit their views, suggestions and observations relating to the Company.
		A person to contact in relation to shareholders is the Company Secretary.  The Company Secretary shall maintain a record of all correspondence received and will convey such correspondence to the Board.
C.3 Major an	d Material transactions	
C.3.1 & C.3.2	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 as defined by Section 185 of the Companies Act No. 7 of 2007.	There were no major transactions necessitating disclosure of this nature.
C.3.3	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 materialised during the year under review.
D. Accounta	bility 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.

Code Ref.	Principle	Extent of Compliance
D.1.1	Present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	Complied with.  The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.
D.1.2	Present interim and other price sensitive public reports and mandated reports to regulators by statute	Complied with.  The Board's responsibility over financial reporting is stated in the 'Statement of Directors' Responsibilities' on page 191.
		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 180 to 183.
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	Complied with.
	and Analysis	Please refer 'Management Discussion and Analysis' on page 38 to 106.
D.1.7	Remedial action at an Extraordinary General Meeting if net assets fall below 50% of value of shareholders' funds	This situation has not arisen.

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 272 to 277 .
		Please refer responses to requirements of Section 12 of the Finance Business Act Directions No.05 of 2021 on Corporate Governance on page 132 for further details.
D.2 Risk ma	nagement and internal control	
D.2	Process of risk management and a	Complied with.
	sound system of internal control to safeguard shareholders' investments and the company's assets	The Board is responsible for determining the risk appetite for achieving the strategic objectives and formulates and implements appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company.
		The Integrated Risk Management Committee (IRMC) supports the Board in carrying out its responsibilities for risk management, while the Audit Committee supports the Board in carrying out its responsibilities for internal control, which is backed by the Internal Audit Department. Their duties are outlined in the Committee Reports and are formulated taking into account the Code requirements, Corporate Governance Direction, and the Company's business priorities.
		The risk management report given on pages 164 to 179 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 188.
D.3	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.
		The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.
		The Audit Committee monitors and reviews the scope, results and effectiveness of the audit and the independence and objectivity of the External Auditors.
		Please refer responses to requirements of section 10 (2) of the Finance Business Act Directions No.05 of 2021 on Corporate Governance on pages 124 to 128 for further details.
		Please refer 'Audit Committee Report' on pages 185 to 186 of this Annual Report.

# Corporate Governance

Code Ref.	Principle	Extent of Compliance
D.4	Risk Committee	The IRMC established to assist the Board in overseeing the risk management framework of the Bank.
		The Integrated Risk Management Committee assists the Board in discharge of its duties with regard to risk management. The Committee consists of three Independent Non-Executive Directors, two Executive Director including Managing Director, Senior Deputy General Manager - Credit, Senior Deputy General Manager - Finance & Administration and Deputy General Manager - Asset Management who supervises broad risk categories. Any other key management personnel and staff are invited as and when the Committee needs their presence.
		The Integrated Risk Management Committee meetings are held at quarterly intervals.
		The 'Integrated Risk Management Committee Report' is given on page 188.
D.5	Related Party Transactions Review Committee	Related party transactions are defined in accordance with the LKAS 24, CBSL and CSE regulations.
		The Related Party Transactions Review Committee has been established in line with the Listing Rules of the Colombo Stock Exchange. The Related Party Transactions Committee operates under Terms of Reference and a Board approved Related Party Transactions Policy.
		Report on Related Party Transactions Review Committee is given on page 187.
D.6	Code of Business Conduct and Ethics	The Company has developed a Code of Business Conduct and Ethics for all employees.
		Material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
		All the share dealings of the Directors are disclosed to the CSE promptly as per the CSE Listing Rules.
		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.

Code Ref.	Principle	Extent of Compliance	
D.7 Corpora	D.7 Corporate Governance Disclosures		
D.7.1	Disclosure of Corporate Governance	Complied with.	
		This requirement is met through the presentation of this report.	
E. Institutio	nal Investors		
E.1 Shareho	lder Voting		
E.1.1	Regular dialogue to be maintained	Complied with.	
	with shareholders and Chairman to communicate shareholders' views to the Board.	The Annual General Meeting is the forum utilised by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).	
E.2 Evaluati	on of Governance Disclosures		
E.2	Encourage Institutional investors	Complied with.	
	to give due weight to relevant governance arrangements	Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.	
F. Other Inv	estors		
F.1 Investing	g/Divesting Decision		
F.1	Adequate analysis or seek	Complied with.	
	independent advice	Individual shareholders investing directly in the Company are encouraged to carry out adequate analysis in investing or divesting decisions.	
F.2 Shareho	older 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	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 Senior 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 179 on disclosure of details relating to cyber security risks.	

Code Ref.	Principle	Extent of Compliance
H. Sustainab	oility: ESG Risk and Opportunities	
H.1 H.5	ESG Reporting	ESG principles are embedded in business operations and considered in formulating our business strategy. This Annual Report has been prepared in accordance with the IIRC Framework and the GRI Guidelines. All efforts are taken to ensure that the Annual Report includes sufficient information in order to assess how ESG risks and opportunities are recognised, managed, measured and reported.
		Information required by the Code is given in the following sections of the Annual Report:
		1) Management Discussion and Analysis on pages 38 to 106
		2) Corporate Governance on pages 108 to 163
		3) Risk Management on pages 164 to 179
I. Special Co	nsiderations for Listed Entities	
1.1	Establishment and maintenance of policies	The Company is in the process of renewing existing policies and establishing new policies where necessary, in line with the timelines in specified Corporate
1.2	Policy on matters relating to the board of Directors	Governance in Section 9 specified by the Colombo Stock Exchange.

#### **Section Three**

Requirements on the Content of the Annual Report in Rule 7.6 and Requirements on Corporate Governance under the Section 09 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 under the 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	Complied with.
	during the financial year	Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 180.
7.6 (ii)	Principal activities of the Entity and its subsidiaries	Complied with.
	during the year and any changes therein	Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 180 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	Complied with.
	largest holders of voting and non-voting shares and the percentage of such shares held	Please refer 'Information on Ordinary Shares' on page 314 and 315. The Company has not issued any non-voting shares.
7.6 (iv)	The float adjusted market capitalisation, public	Complied with.
shareholder	olding percentage (%), number of public nareholders and under which option the Entity omplies with the Minimum Public Holding oquirement	Please refer 'Information on Ordinary Shares' on page 314.
7.6 (v)	The statement of each Directors' holding and Chief Executive Officer's holding in shares of the Entity denominated in LKR and in Foreign Currency (as applicable)	Complied with.
		Please refer page 181 of 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (vi)	Information pertaining to material foreseeable risk	Complied with.
	factors of the Entity	Please refer 'Risk Management' report on page 164 to 179.
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 256 of the 'Annual Report.
7.6 (ix)	Number of shares representing the Entity's stated	Complied with.
	capital	Please refer Note 48 on 'Stated Capital' in the Financial Statements on page 269.
7.6 (x)	A distribution schedule of the number of holders in	Complied with.
	each class of equity securities, and the percentage of their total holdings	Please refer 'Information on Ordinary Shares' on page 314.

## Corporate Governance

Rule Reference	Requirement	Extent of Compliance
7.6 (xi)	Ratios and market price information on Equity and Debt	Complied with.  Please refer 'Financial Highlights' on page 12, 'Information on Ordinary Shares' on page 314.
7.6 (xii)	Significant changes in the Entity's or 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 pages 256 to 260 of the 'Annual Report.
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 Section 9 of the Rules	Complied with.  Please refer 'Corporate Governance' report on pages 154 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 on page 276.

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance under the Section 09 of the Listing Rules of the Colombo Stock Exchange:

Section	Requirement		Extent of Compliance
9.1.3	Statement confirmed the Corporate Go	ming the extent of compliance with overnance Rules	The extent of compliance with Corporate Governance Section 09 of the listing rules issued by CSE is summarised below.
9.2	Policies		
9.2.1	following policies such policies tog	all establish and maintain the and disclose the fact of existence of ether with the details relating to the of such policies by the Company on	Will be complied in line with the effective date of 1st October 2024.
	(a) Policy on the Directors	matters relating to the Board of	
	(b) Policy on Boa	ard Committees	
	(c) Policy on Co and Re-elect	rporate Governance, Nominations ion	
	(d) Policy on Rer	muneration	
	Ethics for all	ernal Code of Business conduct and Directors and employees, including ading in the Entity's listed securities	
	(f) Policy on Risl	k management and Internal controls	
	(g) Policy on Rel Investors	ations with Shareholders and	

Section	Requirement	Extent of Compliance
	(h) Policy on Environmental, Social and Governance Sustainability	Will be complied in line with the effective date of 1st October 2024.
	(i) Policy on Control and Management of Company Assets and Shareholder Investments	
	(j) Policy on Corporate Disclosures	
	(k) Policy on Whistle-blowing	
	(I) Policy on Anti-Bribery and Corruption	
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	None.
9.2.3	The Company shall disclose in its Annual Report:  (i) List of policies in place as per Section 9.2.1, with	Will be complied in line with the effective date of 1st October 2024.
	reference to website  (ii) Any changes to policies adopted in compliance with Rule 9.2 above.	
9.2.4	The Company shall make available all such policies to shareholders upon a written request being made for any such Policy.	-
9.3	Board Committees	
9.3.1	The Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include;  (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	The following Sub - Committees have been appointed by the Board;  1) Human Resource and Remuneration Committee  2) Audit Committee  3) Integrated Risk Management Committee  4) Related Party Transactions Review Committee  Nomination Committee is to be formed subject to transitional period applicable till 01st July 2024 according the Finance Business Act Direction No.05 of 2021 on
		Corporate Governance issued by CBSL.
9.3.2	The Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	
	Refer Sections 9.11, 9.12, 9.13 & 9.14 below.	
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	The Chairperson of the Board is not the Chairperson of the Board Committees.

Section	Requirement	Extent of Compliance	
9.4	Principles of democracy in shareholder dealings		
9.4.1	The Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC.	The Company maintains records of all resolutions which are being considered at the Annual General Meeting.	
	<ul> <li>(a) The number of shares in respect of which proxy appointments have been validly made;</li> </ul>		
	(b) The number of votes in favour of the resolution;		
	(c) The number of votes against the resolution; and		
	(d) The number of shares in respect of which the vote was directed to be abstained.		
9.4.2	Communication and relations with shareholders and investors	There is a Communication Policy approved by the Board. The Communication Policy will undergo evaluation to include the guidelines of the updated CSE listing rules for	
	(a) The Company shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Company.	communication and interactions with shareholders and investors.	
	(b) The Company shall disclose the contact person for such communication.		
	(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed in the Annual Report and the website of the Company.		
	(d) The Company that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.		
9.5	Policy on matters relating to the Board of Directors		
9.5.1	The Company shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy covering the requirements specified in 9.5.1.	The Company has Board policies that pertain to the matters relating to the Board of Directors. Further criteria will be met by the 1st of October 2024 in accordance with section 9.1.4.	
9.5.2	The Company shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.		

Section	Requirement	Extent of Compliance
9.6	Chairperson and CEO	
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairperson is a Non-Executive Directors and the position of Chairperson and Managing Director are not held by the same individual.
9.6.2	Disclosure of Non-Compliances to requirement 9.6.1	Not applicable
9.6.3	The requirement of Senior Independent Director (SID)  If Chairperson and CEO are the same person; or if the Chairperson and CEO are close family members or related parties, the Company shall appoint a Senior Independent Director (SID).	A Non-Executive Director has been designated as a Senior Independent Director in terms of Direction 6(3) of the Finance Business Act Direction No.05 of 2021 on Corporate Governance issued by the CBSL which was duly notified to shareholders through Colombo Stock Exchange ("CSE") Disclosure.  However, since the Chairperson and CEO are not the
		same person, or not Close Family Members, or not related parties, the need for a Senior Independent Director under the listing Rule is not applicable.
9.7	Fitness of Directors and CEOs	
9.7.1-9.7.4	The Company shall take necessary steps to ensure that the Directors and CEO are at all times, fit and proper persons as per the criteria in 9.7.3 and obtain declarations from all directors and CEO on an annual basis confirming their fitness and propriety.	The appointments, resignations or removals of Directors or Senior Management are in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021. The criteria outlined in the CSE listing rules are also considered for such appointments.  All appointments are duly notified to CSE. All Directors appointed to the Board are subjected to re-election by shareholders at the first Annual General Meeting after their appointment.
9.7.5	The Company shall include the following disclosures/reports in the Annual Report;  (a) A statement that the Directors and CEO of the Company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.  (b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such non-compliance/s.	An annual declaration of fit and proper is obtained from Directors, including MD/CEO in accordance with the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.  No such situations have arisen.
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board comprised of six Directors as 31st March 2024.
9.8.2	Minimum Number of Independent Directors:  Minimum number of Independent Directors shall be 2 or 1/3rd of the total number of Directors (whichever is higher). Any change to be rectified within 90 days.	The Board is comprised of three Independent Non-Executive Directors, representing more than one-third of all Directors.

Section	Requirement	Extent of Compliance
9.8.3	Criteria for determining independence	The Company takes into consideration the CSE listing rules when evaluating the independence of a Director.
9.8.5	<ul> <li>The Board of Directors of the Company shall require:</li> <li>(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein.</li> </ul>	Based on declarations submitted by the Non-Executive Directors, the Board has determined that three Non-Executive Directors, namely Mr. J Kumarasinghe, Mrs. C P Malalagoda and Mr. M A K B Dodamgoda are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No.05 of 2021 on Corporate Governance.
	(b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.	
	(c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	No such instances recorded during the year under review.
9.9	Alternate Directors	No Alternate Directors were appointed to represent Non- Executive Directors.
9.10	Disclosures relating to Directors	
9.10.1	The Company shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	Will be complied in line with the effective date of 1st October 2024.
9.10.2	The Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the brief resume of such Director, his/her capacity of directorship; and, Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company.	The Company makes the required announcements as and when necessary.
9.10.3	The Company shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	
9.10.4	Details relating to Directors in the Annual Report as specified in the rule.	Board of Directors and profiles are given on pages 29. Composition of the Board and attendance are given on pages 110 to 111. Board subcommittee reports are given on pages 184 to 188.

Section	Red	quirement	Extent of Compliance
9.11	No	minations and Governance Committee	Nomination Committee is to be formed subject to transitional period applicable till 01st July 2024 according the Finance Business Act Direction No.05 of 2021 on Corporate Governance issued by CBSL.
9.12	Rei	muneration Committee	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received		
9.12.2	tha	e Company shall have a Remuneration Committee t conforms to the requirements set out in Rule 9.12 these Rules.	A Human Resource and Remuneration Committee has been established by the Board.
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.		The Human Resource and 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.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.		Fees and allowances of Non-Executive Directors are decided by the Board of Directors as a whole.
9.12.5	refe	muneration Committee shall have a written term of erence clearly defining its scope, authority, duties d matters pertaining to the quorum of meetings.	The Committee has adopted a Terms of Reference which define the scope, authority and duties.
9.12.6	Со	mposition	The committee members are;
	(1)	The members of the Remuneration Committee shall;	1) Mr. J Kumarasinghe - Independent Non-Executive Director (Chairman)
		(a) comprise of a minimum of three (03)	2) Mr. K D A Perera - Non-Executive Director
		Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity.	3) Mrs. C P Malalgoda - Independent Non-Executive Director
		(b) not comprise of Executive Directors of the Listed Entity	
	(2)	In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.	
	(3)	An Independent Director shall be appointed as	

Section	Requirement	Extent of Compliance
9.12.7	Functions (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Human Resource and 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.
	(2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	
9.12.8	Disclosure in Annual Report	Human Resource and Remuneration Committee report is given on page 184 of the Annual Report.  The remuneration paid to the Board of Directors is disclosed in aggregate in Note 19 to the Financial
		Statements on page 232.
9.13	Audit Committee	
9.13.1	Where The Company do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules	The Company has established separate Committees to perform the Audit and Risk Functions.
9.13.2	The Audit Committee shall have a written term of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place.
9.13.3	Composition (1). A Minimum of three (3) Directors, out of which a minimum of two (2) or a majority of the members, whichever higher, shall be Independent Directors and not comprise of Executive Directors	The Board Audit Committee consists of three Independent Non-Executive Directors.
	(2). The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors	All three members of the Board Audit Committee are Independent Non- Executive Directors.
	(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market	The Committee convened on six occasions throughout the year. The Committee reviewed the financial statements for both quarterly and annual periods and recommended the Board of Directors before they were made public.
	(4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit	Not applicable.
	Committee of the subsidiary	

Section	Requirement	Extent of Compliance
	(6) The CEO and the CFO shall attend the Audit	The MD/CEO, Senior DGM - Finance & Admin., DGM -
	Committee meetings by invitation	Internal Audit, and a representative of the External Audito
		usually receive invitations to participate in meetings.
		Additional Board members and staff may be present at
		meetings if they are invited.
	(7) The Chairperson of the Audit Committee shall be a	The Chairman of the Board Audit Committee, is a
	Member of a recognised professional accounting	Chartered Institute of Management Accountants (CIMA-
	body	UK).
9.13.3 - 9.13.4	Functions and Disclosures in the Annual Report	Please see the "Audit Committee Report" on pages 185
	relating to the Audit Committee	to 186 for the functions and disclosures of the Audit
		Committee.
		Transitional pariod until 0110 2024 is applicable to fully
		Transitional period until 01.10.2024 is applicable to fully comply with this rule.
014		Comply with this rule.
9.14	Related Party Transactions Review Committee	
9.14.1	The Company shall have a Related Party Transactions	Related Party Transactions Review Committee has been
	Review Committee that conforms to the	established by the Board.
	requirements set out in Rule 9.14.	
9.14.2	Composition	The Committee consists of three Independent Non-
		Executive Directors and an Independent Non-Executive
	The Related Party Transactions Review Committee	Director serves as the Chairperson of the Committee.
	shall comprise of a minimum of three (03) Directors,	
	out of which two (02) members shall be Independent	
	Directors of the Company. It may also include	
	Executive Directors, at the option of the Company.	
	An Independent Director shall be appointed as the	
	Chairperson of the Committee.	
9.14.3	Functions of the Related Party Transactions Review	Refer the Report of the Related Party Transactions Review
	Committee as set out in Section 9.14.3.	Committee on page 187.

Section	Requirement	Extent of Compliance
9.14.4	General Requirements  (1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter and ensure that the minutes of all	The Committee meetings are held at quarterly intervals.  The minutes of the meetings are submitted to the subsequent Board for Board's information and/or action (if deemed necessary).
	meetings are properly documented and communicated to the Board of Directors.  (2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.  (3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.  (4) If a Director of the Company has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party	The Related Party Transactions Review Committee members have sufficient knowledge or expertise, or access to it, to evaluate all aspects of potential Related Party Transactions and should seek advice from a qualified professional if needed.  If needed, the Committee will seek for the Board of Directors' approval for the Related Party Transactions which are under review by the Committee.  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 Meeting.
	Transaction as required in Rule 9.14.4(3), such Director shall not:  (a) be present while the matter is being considered at the meeting; and,	
	(b) vote on the matter	
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Proposed Related Party Transactions are reviewed by the Committee, except those exempted under Rule 9.14.10.
9.14.6	Shareholder approval	There were no such transactions occurred during the year under review.
9.14.7 - 9.14.8	Immediate disclosures and disclosures in the Annual Report	There were no Related Party Transactions during the year which required immediate Market Announcement as set out in Section 9.14.7.
		Information relating to Related Party Transactions, is disclosed in Note 52 on "Related Party Disclosures" in the Financial Statements on pages 272 to 277 of this report.
		Related Party Transactions Review Committee Report is given on page 187.

Section	Red	quirement	Extent of Compliance
9.14.7			During the year under review, there were no acquisition/disposal of substantial assets from/to Related Parties.
9.16	Ad	ditional disclosures	
		ditional disclosures by Board of Directors claration on following;	Relevant disclosures are included in the "Corporate Governance Report" on pages 108 to 112 and the "Annual Report of the Board of Directors on the state of affairs of
	(i)	All material interests in contracts involving in the Company and have refrained from voting on matters in which they were materially interested	the Company" on pages 180 to 183.  Directors' Statement on Internal Control System Over
(ii)	(ii)	Review of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Financial Reporting" is given on page 191.
	(iii)	Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	
	(iv)	Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	

## Risk Management Report

Vallibel Finance PLC acknowledges the inherent presence of risk and is committed to its mitigation and reduction. We achieve this through a robust risk management framework approved by the Board of Directors, demonstrating unwavering commitment to upholding Central Bank of Sri Lanka (CBSL) regulations. This report details our risk management activities during the year under review, highlighting our achievements in maintaining customer satisfaction, depositor protection, and shareholder value.

#### **Risk Management Framework**

Vallibel Finance operates within a well-defined risk framework that emphasises responsible growth. This framework is continuously assessed and updated to ensure navigating evolving economic and market dynamics. The Company adopts this proactive approach by focusing on:

- Monitoring, mitigating, and controlling existing risks.
- Identifying and addressing emerging risks.
- Maintaining a heightened state of awareness regarding market dynamics.
- Upholding operational excellence across all business functions.

#### **Objectives of Risk Management**

Our risk governance framework and risk management function aim to achieve the following key objectives:

- Establish a clear organisational structure for risk management and oversight.
- Define risk appetite and tolerance levels
- Foster a risk-aware culture to drive informed risk-mitigating decisions.
- Evaluate risk profiles against established risk appetite.
- Guide functional responsibility for risk treatments.
- Understand potential downside risks associated with plausible risk exposures.

 Manage liquidity and ensure adequate buffers to meet stressed and uncertain conditions.

## Key Challenges Faced During the Financial Year 2023-24

Despite national recovery efforts, the Company remained vigilant of existing and emerging risks. The Company successfully navigated a challenging year by proactively managing various risks. Our robust risk management framework, coupled with a risk-aware culture, enabled us to maintain financial stability and achieve sustainable growth while safeguarding customer interests and shareholder value.

The challenges the Company faced are explained below.

Challenge	Strategy Adopted by the Company
NPL Classification Reduced to 91 Days	Responding to the revised Central Bank of Sri Lanka (CBSL) Non-Performing Assets (NPA) classification guidelines, we proactively realigned internal processes and strengthened follow-up procedures. We achieved an NPA ratio of 5.88%, outperforming the industry average of 14.70%.
Domestic Debt Restructuring	The restructuring of domestic debt impacted both banks and financial institutions. To mitigate liquidity risk, the Company adopted the Statement of Alternative Treatment (SoAT) on debt reclassification, ensuring investment security.
Import Ban on Vehicles	The import ban and foreign currency shortages resulted in inflated vehicle prices and decreased demand. Our team's expertise in forecasting market trends enabled us to acquire vehicles at competitive prices, mitigating the combined risks.
Low Credit Demand	High interest rates initially dampened public credit demand despite economic progress. The Company strategically focused on promoting short-term loans, specifically gold and auto loans, gradually transitioning to longer-term advances. Overall, we achieved a lending growth of 11.20%.
Increasing Credit Risk	Rising living costs impacted borrower repayment capacity. Our proactive recoveries department analysed customer segments to identify vulnerable groups and prioritised debt collection efforts.

Challenge	Strategy Adopted by the Company
Managing Interest Rate Risk	The Company's business model is sensitive to interest rate fluctuations. We addressed this challenge by convening regular Asset and Liability Committee (ALCO) meetings, ensuring favourable repricing strategies for both interest income and expense.
Cyber Security Risk	Increased automation for operational excellence introduces cyber security vulnerabilities. The Company continues to invest significantly in IT infrastructure developments and security measures towards minimising these risks and moving towards zero cyber security incidents. The Company invested Rs. 72.47 Mn on IT infrastructure developments during the year under review.
Compliance Risk	CBSL implemented various regulatory changes throughout the year. As a regulated entity, Vallibel Finance strictly adheres to all compliance requirements, mitigating potential risks.

#### **Risk Management Process**

#### **RISK UNIVERSE**

RECORDANS

RECORDANS e iskuniverse at Vallibel Finance encompasses an potential risks that could import the operate effectively.

Operate effectively.

Operate effectively.

Operate effectively.

#### Internal Risk

- Credit Risk
- Liquidity Risk
- Operational Risk
- Capital Management Risk
- Reputational Risk
- IT and Security Risk
- Human Resource Risk
- Strategic Risk

## External Risk

- Market Risk
- Legal Risk
- Compliance Risk
- o Forex Crisis
- o Brain drain

#### Emerging Risk

- Geopolitical Instability
- o Interest rate risk
- Social unrest
- Country sovereignty

#### IDENTIFY| ASSESS | MITIGATE

#### MONITORING & REPORTING

## Risk Management Report

#### The four-step process for risk management is explained below.

#### Step 1 Risk Identification and Categorisation

Risk identification aims to uncover the potential impact of risk events on Vallibel Finance's operational capabilities by answering questions regarding what, where, when, why, and how these events may occur. The categorisation of risk events follows a systematic approach, classifying

them into internal, external, and emerging risks. Furthermore, these risks were further divided into primary and secondary risks. Primary risks encompassed those inherent to the nature of our business, while secondary risks arose due to undertaking primary risks. For instance, if external factors

affected interest rates, it would impact both liquidity and credit risk for Vallibel Finance.

Although risk events frequently pose dilemmas, the Company's practices ensured that identifying and categorising risks remained manageable.

#### Step 2 Risk Assessment

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

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

#### Step 3 Risk Treatment

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

Risk Assessment	Risk Treatment
Low Priority	These risks could be tolerated due to the low level of impact on the Company.
Minor Priority	These risks must be treated after addressing the more significant risks.
Moderate Priority	These risks must be addressed after reviewing the controls in place.
Higher Priority	These risks must be addressed soon after addressing the above risk category.
Top Priority	These risks must be addressed immediately due to the higher significance of impact on the Company.
Unfathomable	These risk events represent situations where the awareness of their existence and potential impacts are
Uncertainty	unknown.
Untapped Knowledge	Other institutions have previously encountered these risk events, yet Vallibel Finance still needs to be made
	aware of their existence or relevance.

#### Step 4 Risk Monitoring and Reporting

Vallibel Finance maintains a continuous risk monitoring and reporting system. This involves actively surveillance and communicating risks. We regularly assess identified risks, track their progress, and impact, and promptly report findings to relevant stakeholders. This close monitoring informs us about emerging threats and changes that could affect our business goals.

Transparent and accountable risk reporting is crucial. We communicate risk information to key stakeholders through reports

providing an overview of our current risk profile, significant risk events, mitigation actions, and recommended steps. Effective risk monitoring and reporting enable informed decision-making, timely risk mitigation, and regulatory compliance. It also fosters a culture of risk awareness and responsiveness within the Company.

Vallibel Finance's Enterprise Risk Management (ERM) framework and our risk-aware culture form the backbone of our risk management process. This framework empowers both management and employees to take ownership of internal controls. It also facilitates lateral communication, generating valuable feedback that supports proactive risk management. The Integrated Risk Management Committee (IRMC), Audit Committee (AC), and Board of Directors (BOD) all play a vital role by diligently monitoring and reporting on all significant company risks.



#### **First Line of Defence**

## **Business and Corporate Functions**

Day-to-day management of risks based on acceptable risk appetite and risk management policies

- MD/CFO
- Management Level
   Committees
- Heads of Business
   Units



#### **Second Line of Defence**

#### **Risk Control Function**

Ensure the efficiency of risk management practices supported by a strong understanding of potential risks, maintaining a robust risk management framework, and providing regular updates to both the Management and Board sub-committees.

- Compliance Division
- Risk Management Function



#### **Third Line of Defence**

#### **Risk Assurance Function**

Facilitates the maintenance of high standards of governance and control, providing independent assurance to the Board of Directors over the First and Second Lines of Defence

- External Audit
- Internal Audit
- Audit Committee

#### Risk Management Committees and their Responsibilities

# Board of Directors (BOD) The Board of Directors (BOD) has the ultimate responsibility for the establishment and oversight of the risk management process of Vallibel Finance. Accordingly, the Board has established several sub-committees Board to assist the BOD in discharging its risk management-related responsibilities. The Statement of Director's Responsibilities for the financial year ended 31st March 2024 is available on page 192 of the Annual Report. on page 192 of the Annual Report.

#### Board Sub-Committees | Role and Responsibility

## Audit Committee (AC) Assists

Assists the BOD in fulfilling its oversight responsibilities for the integrity of the financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's independence, the performance of the Company's internal audit function, and the soundness of the internal controls and practices.

Responsible for monitoring and reviewing risk management policies and procedures and evaluating the suitability of the risk management process adopted to manage the risks faced by the Company.

The AC meets regularly.

The AC is assisted in these functions by the Internal Audit team.

### Assurance of Governance

The Statement of the Audit Committee for the financial year ended 31st March 2024 is available on pages 185 and 186 of the Annual Report.

# Risk Management Report

<b>Board Sub-Committees</b>	Role and Responsibility	Assurance of Governance		
Integrated Risk Management Committee (IRMC)	Responsible for developing and monitoring the risk management policies and procedures, as well as the risk profiles and risk appetite of the Company's specified risk categories.	The Statement of IRMC for the financial year ended 31st March 2024 is available on page 188 of the Annual Report.		
	The IRMC 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 promptly and with accountability.			
Management Committees	Role and Responsibility	Assurance of Governance		
Assets and Liabilities Management Committee (ALCO)	Assists the BOD in supervising and monitoring the Company's assets and liabilities, and related management policies and procedures to ensure effective management of on- and off-Balance Sheet risks of the Company.	The ALCO consists of members from the senior management team who oversee significant risk categories. The ALCO is chaired by the Managing Director/CEO. All action taken by the ALCO is reported to the IMRC.		
	Primarily responsible for the management of interest rate risk, market risk, liquidity risk, capital risk, and other risks which the IRMC may specify.			
	The ALCO meet monthly to review progress and developments.			
Credit Committee (CC)	Responsible for formulating credit policies of the Company in consultation with business lines.  Responsible for setting the risk exposure concentration limits for counter parties, geographies, industries, asset classes, and market liquidity.	The Credit Committee is comprised of the Managing Director/CEO, Executive Director, Chief Operating Officer , Senior DGM - Credit, Senior DGM - Collections, DGM - Credit, DGM - Branch Operations and Channel Management and the Senior Manager - Credit Administration.		
	In considering credit policy formulation, the CC must review customer collateral requirements and credit assessments, risk grading and reporting, documentation and legal procedures, and compliance with regulatory and statutory requirements.			
	In addition, the CC must establish the authorisation structure for the approval and renewal of credit facilities.			
	The CC meets monthly, or more frequently depending on business requirements.			
IT Steering Committee (ITSC)	The committee is responsible for evaluating the Company's IT strategies and the financial, tactical and strategic benefits of proposed major IT-related projects and technology architecture alternatives.	The ITSC is comprised of Managing Director/ CEO, Executive Director, Senior Deputy General Manager, Deputy General Manager, Manager IT & Assistant Manager IT		
	ITSC meets periodically to review its functions. The committee is evaluated by IRMC.			

#### **Management of Key Risks**

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

#### Vallibel Finance's Risk Appetite

Risk Criteria	Appetite	Regulatory Limit	31st March 2024
Credit Risk			
Loans and Advances			
Non-performing loans ratio - Gross	<12%	NA	5.88%
Non-performing loans ratio - Net	<10%	NA	0.88%
Exposure to 10 largest customers	<5% of lending portfolio	NA	2.10%
Maximum exposure to single borrower - secured - Individual	15% of capital funds	15% of capital funds	1.52%
Maximum exposure to single borrower - unsecured - Individual	1% of core capital 1% of core capital		0%
Liquidity Risk			
Liquid assets ratio	10% of deposit liabilities and unsecured borrowings	'	
Deposit renewal ratio	Average 3 months renewal ratio more than 70%	NA	78.57%
Maximum single depositor/group exposure	<25% of capital funds	NA	17.25%
Maximum exposure to large deposits (Over Rs 50Mn)	<55% of total deposits	NA	21.24%
Compliance- Capital Adequacy			
Core capital ratio	8.50%	8.50%	17.06%
Total risk weighted capital ratio	12.50%	12.50%	19.80%
Capital funds to deposits ratio	10.00%	10.00%	25.01%
Market Risk			
% Impact on Net Interest Income from 100 bps shock	5.00%	NA	1.53%
% Impact on Net Interest Income from 200 bps shock	10.00%	NA	3.07%
% Impact on Net Interest Income from 300 bps shock	15.00%	NA	4.60%
% Impact on Net Interest Income from 400 bps shock	20.00%	NA	6.14%

#### Management of Key Risks (Internal and External) Categories for FY 2023/24

Risk Category	Sub Risk	Update
Credit Risk		
Credit risk is the potential loss arising from the borrower or a counterparty failing to meet obligations in accordance with agreed terms.  Based on the operating environment, Vallibel	Default Risk & Settlement Risk	High - Well Managed  The Central Bank of Sri Lanka (CBSL) had a strategic plan to reclassify the NPL from 6 months to 3 months. As per the roadmap, during the FY 2022/23, the NPL classification of the Company was reduced to 4 months and for the year under review, this was further reduced to 3 months.  As the 3-month NPA classification applied to the industry during FY 2023/24, this created pressure on the industry compelling finance companies to strengthen their collection and disbursement processes.
Finance categorises credit risk into three parts - default risk, settlement risk, and concentration risk.		Despite the macroeconomic challenges, the Company considered this a positive reform. Vallibel Finance, however, was in a favourable position as the Company's credit operation has a comprehensive due diligence and customer screening procedure integrated within the credit evaluation process. This acted as the first line of defence.
The Credit Committee is responsible for overseeing the credit risk together with the Credit and Recoveries Division. Credit		Still, with these evolving changes, the BOD took the initiative to redesign the process in line with the direction given by the CBSL. Accordingly, the Company's internal processes were re-engineered, and the below steps were implemented.  • Upgraded the Credit Policy and Recoveries Processes.
risk is managed within the risk appetite of the Company.		<ul> <li>Opgraded the cledit Policy and Recoveries Processes.</li> <li>Close monitoring of collections to ensure they are receipted according to the agreed-upon timeframes.</li> <li>Upgrade of information technology (IT) to track performance.</li> </ul>
		In addition, the Company's employees responsible for recoveries played a pivotal role in incorporating empathy into the process, demonstrating the Company's commitment to prioritise people's needs and experiences, further solidifying Vallibel Finance's reputation as a people-centric organisation.
		The efforts enabled the Company to record a NPA of 5.88% for the year 2023/24 which was a benchmarked NPL of the industry. The yearly NPL performance cannot be directly measured due to the inconsistencies in the re-classification of the duration. The industry reported 14.70% as of 31st March 2024 based on CBSL records.
	Concentration	Remained Low
	Risk	This was managed within limits set for individuals, groups, counterparties, related parties, asset types, industries, and geographies. Credit concentrations are reported to IRMC and the CC. The control to manage this risk was the Credit Policy, which is the foundation for prudent lending practices at Vallibel Finance.
		During the FY 2023/24 the following steps were taken to manage concentration risk.
		<ul> <li>Setting clear authorisation and approval processes based on exposure levels.</li> <li>Periodic review of delegated authority levels.</li> </ul>
		<ul> <li>Limiting exposure levels to counterparties, geographies, and industries, and established risk scores.</li> </ul>
		Ensured compliance with regulatory directions.
		Monitoring and reporting of high-concentration lending by the CC to the IRMC.
		IRMC measured exposure against risk appetite as a second level of defence.

Risk Category	Sub Risk	Update
Liquidity Risk  Liquidity Risk may arise due to the inability of the Company to meet "on" or "off" balance sheet contractual and contingent financial obligations as they fall due. This risk is more likely to occur due to mismatches in assets and liabilities. Therefore, the primary objective of liquidity risk management is to assess and ensure the availability of funds to meet any such obligations.  Vallibel Finance understands liquidity risk is monitored by the CBSL based on standard reporting. However, as a socially responsible entity, the Company has stringent controls on liquidity and the Treasury Department plays a pivotal role in managing liquidity risk.	Market Liquidity Risk  Funding Liquidity Risk	Moderate - Well Managed  Market liquidity is mainly dependent on the Central Bank's liquidity position. During FY 2023/24, started from a negative market liquidity of Rs. 224.20 Bn and ended up in a positive liquidity position of Rs 85.83Bn.  We noted that the CBSL concentrated on increasing private credit growth and continuously decreased policy rates throughout the year.  Remained Low  During the year funding risk remained low and there were no new loan facilities obtained. However, the Company managed to increase the fixed deposit base and attract new customers.  The IRMC took the key initiatives below during the financial year under review to manage funding liquidity risk.  o The Treasury Division closely liaised with banks and other financial agencies to maintain relationships and be updated on changes.  o Revise budgets based on macroeconomic conditions.  o Regular cash flow forecasts and stress testing.  o Scenario analysis and planning.  o Maturity mismatch analysis based on tested scenarios.  o Regular ALCO meetings were held to monitor and manage liquidity levels.  o Upgraded the Contingency Funding Plan (CFP) to meet any contingent situations that could arise.
Market Risk  Vallibel Finance faces the risk that its financial position may be adversely impacted by changes in financial market conditions including changes in interest rates, exchange rates, commodity prices, and equity prices.  The objective is to manage and control market risks within acceptable parameters	Interest Rate Risk	High - Well Managed  During FY 2023/24, the recovery pathway clearly shows signs of interest reduction in the short to medium term.  The Company focused on making interest cost optimisation to reduce interest cost as a strategy. More emphasis was given to increase long-term disbursements such as leasing and vehicle loans.
	Commodity Risk	Moderate – Well Managed Gold serves as the primary commodity influencing the Company's operations. Throughout FY 2023/24, Vallibel Finance observed an upward trajectory in the gold market, driven by global market conditions and the appreciation of the LKR against the USD.  Nevertheless, this situation allowed banks and NBFIs to mitigate the escalating interest costs through gold loans. Vallibel Finance also capitalised on this opportunity by concentrating on the Company's gold loan portfolio.
while optimising the return on risk.  The overall authority of market risk is vested with the IRMC, while the Treasury Department is entrusted with managing the day-to-day market risks.	Foreign Exchange Rate Risk	Low - Well Managed The Company does not have direct exposure to foreign exchange (FOREX) risk, the exchange rate fluctuations indirectly affected gold prices and interest rates, thus impacting the Company's business operations during FY 2023/24.

## Risk Management Report

Risk Category	Sub Risk	Update			
	Equity Price	Remained Low			
		There are two dimensions to consider:			
		As a listed entity on the Colombo Stock Exchange (CSE):			
		The Company's share price remained unaffected by any financial or other impacts throughout the year.			
		Equity investments made by Vallibel Finance:			
		The Company has solely invested in its fully-owned subsidiary, Vallibel Properties Ltd.			
		A minor equity investment is made in Central Credit Information Bauer (CRIB) and Singer Finance PLC (Refer to page 251). There were no equity investments made for the FY 2023-24.			

#### **Risk Category**

#### Operational Risk

Operational Risk refers to the possibility of incurring losses due to insufficient or failed internal processes, people, and systems; or from external events such as natural disasters, social unrest, or political events.

#### Update

#### Remained Low

Operational risks were effectively mitigated by implementing the following control measures within business operations.

- Implemented the AML system by KPMG to combat money laundering and terrorist financing.
- Upgrading the risk management policy.
- Updating Internal Policies and Standard Operating Procedures (SOPs)
- Enhancing internal controls.
- Enhancing external stakeholder engagement through Service Level Agreements (SLA) and Non-Disclosure Agreements.

#### Information Technology and Security Risk

Information Technology (IT) and Security Risk are associated with the use, ownership, operation, involvement, influence, and adoption of IT within the Company and its operations. This risk comprises governance aspects, critical system availability, and access control.

Threat management, physical and environmental security, and disaster recovery/ business continuity planning are some of the methodologies used to manage and mitigate these risks.

#### Remained Low

IT and security risks have become a significant concern for the Company due to the increased adoption of a digital environment in recent years. The main categories of IT risks identified by Vallibel Finance for the FY 2023/24 are listed below.

#### External Risks

- Cyber security breaches and malicious software attacks.
- Data hacking and phishing attacks.
- Over-dependence risk.

#### Internal Risks

- o Inadequate bandwidth.
- System downtime.
- Insufficient or outdated IT infrastructure.
- Mal-Practices.
- Human errors.

Vallibel Finance adopted the following measures to mitigate and manage these risks.

- Upgraded the IT policy.
- Use of up-to-date malware protection.
- Internal communications to employees on the proper use of IT hardware and software, as well as best practices.
- Continuous Professional Development (CPD) and Training for employees in the IT Department.

#### **Risk Category**

#### Capital Management Risk

Capital Management Risk is the ability of the Company to absorb unexpected shocks and maintain sufficient capital in terms of regulatory requirements (capital adequacy).

This is essential to maintain fiscal stability and is embedded in the way the business operates.

The IRMC monitors the capital adequacy and capital management activities undertaken by the Company.

#### Strategic Risk

Strategic risk refers to the potential threats and uncertainties that can impact Vallibel Finance's ability to achieve its strategic objectives, mainly caused by changing market dynamics. These risks arise from the decisions and actions taken by the Company, which, if not managed effectively, can lead to adverse consequences, or hinder long-term success.

#### Update

#### Remained Low

The Capital Adequacy Ratio serves as the primary metric for assessing this risk. While it falls under the compliance risk category, Vallibel Finance treats it as a separate risk due to its significance to sustainable business operations. The Capital Adequacy Ratio measures the Company's ability to meet the minimum regulatory capital requirements established by the CBSL.

During the FY 2023/24, the Company consistently fulfilled this requirement with a significant capital cushion.

#### Remained Low - Well Managed

During FY 2023/24, Vallibel Finance faced a multitude of uncertainties and challenges while striving to achieve its business objectives. In such a demanding environment, the Company relied on its ERM framework as the primary defensive strategy. The first line of defence was responsible for implementing business objectives, while the second line of defence closely monitored potential risks.

- Key controls implemented to manage strategic risks include:
- Careful establishment of business objectives.
- Internal and external analysis using SWOT.
- Evaluation of alternative options and contingency plans.
- Implementation of monitoring mechanisms, including:
  - Robust budgeting process,
  - Variance analysis,
  - Scenario analysis and Stress testing.

These controls played a critical role in navigating the uncertainties and challenges faced by Vallibel Finance during the year under review.

#### Compliance Risk

Compliance risk arises due to the potential threats to the Company that result from non-conformance with laws, regulations, rules, directions, prescribed practices, and ethical business practices.

As the main regulatory authority, CBSL establishes well-defined guidelines and standards that Non-Bank Financial Institutions (NBFI) are required to follow. The NBFI sector, which Vallibel Finance is a part of, is obligated to comply with these established parameters and maintain adherence to the prescribed standards.

#### Remained Low

The Integrated Risk Management Committee (IRMC) has established a compliance function to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls, and other prescribed practices.

A separate Compliance Officer has been appointed to carry out the compliance function independently. Regular reviews are carried out to assess the Company's compliance with regulatory and statutory requirements.

## Risk Management Report

#### **Risk Category**

#### Legal and Regulatory Risk

Legal and Regulatory Risk refers to the potential risks arising due to Vallibel Finance's non-compliance with applicable rules, laws, and code of conduct that could result in financial and reputational damage.

#### Update

#### Remained Low

Vallibel Finance consistently adheres to all relevant laws and regulations as a responsible corporate citizen. Business ethics holds significant importance within the Company's core values, reflecting our commitment to ethical conduct and responsible business practices.

Legal risk management commences from prior analysis, and a thorough understanding of, and adherence to, related legislation by employees. Necessary precautions are taken at the designing stage of transactions to minimise legal risk exposure. In the event of a legal risk factor, the Legal Division of the Company takes immediate action to address and mitigate these risks.

The Company's Legal Division also ensures that all business activities are carried out in a manner which complies with the laws and regulations applicable in the country. The Division holds various responsibilities, including providing legal counsel to senior management, conducting reviews of contracts and agreements, scrutinising collateral documentation, and representing the Company in legal proceedings, when required.

#### **Human Resource Risk**

Human resource risk refers to the potential threats and uncertainties associated with managing the workforce such as the loss of skilled and experienced people leaving the Company, cultural imbalances, low employee morale, ineffective leadership, legal and regulatory compliance issues, and workforce diversity challenges.

#### Remained Low

During FY 2023/24, the country continued to witness migration of skilled professionals led by political instability and social unrest.

Vallibel Finance recognises the critical role of employees in achieving success. The Company's rapid expansion and resilience instilled confidence in its employees regarding future prospects. The HR Division focused on enhancing employee well-being and promoting work-life balance. These initiatives played a vital role in retaining employees and further expanding the workforce.

#### Reputational Risk

Reputational Risk is the risk of an adverse impact on earnings, assets and liabilities, brand value, and goodwill arising from negative stakeholder perception.

#### Remained Low

Preserving the Company's good standing is a paramount concern for Vallibel Finance. Our vision, mission, and values are centred around prioritising people and understanding their needs enabling us to create a people-centric culture enabling us to manage and closely develop relationships with key stakeholders including employees, customers, and the community.

The Company's communication policy supports transparent and regular communications with all stakeholders for information sharing. A team operates a call centre to address customer enquiries and other concerns. The Company's mass and social media platforms are ideal for sharing information with the wider society.

Regular training sessions are conducted to instil core values, ethics, and professionalism within employees. These training sessions aim to equip employees with the necessary skills and mindset to effectively engage with external stakeholders while upholding the Company's principles. These sessions also feature industry experts who contribute to employee development and provide guidance on effectively managing customer enquiries, interactions, and customer satisfaction.

While reputational risk can arise from various risk events, the Company did not encounter any reputation-related issues during FY 2023/24.

#### **Key Risk Indicators**

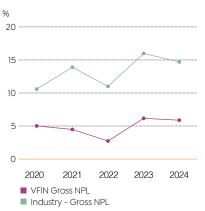
#### **Risk Category**

#### Sub Risk

#### Credit Risk

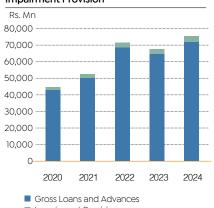
Default and Settlement Risk

#### Non-Performing Loans (NPL) ratio



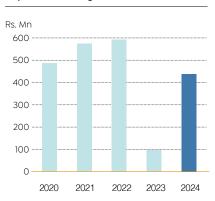
Based on the CBSL strategic road map of bringing down the NPA classification from 120 days to 91 days the industry was pressured to maintain NPL at acceptable level. However the Company was proactive with this change and took strategic actions to ensure the NPL is tolaratable within accepted limits. As a result the Company was able to reduce the NPL compared to 2022/23 and record a benchmarked NPL.

#### Gross Loans & Advances and Impairment Provision



Impairment Provision

#### Impairment Charge



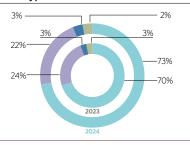
#### **Risk Category**

#### Credit Risk

#### Sub Risk

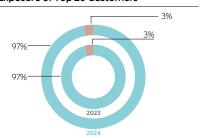
#### **Concentration Risk**

#### Main Types of Collateral



- Vehicles Gold Loans
- Guarantees Lands & Buildings
- The increased portfolio resulted mainly from loans and advances. However the gold loan exposure remained as it is although the contribution deteriorated from 24% to 22% due to the increase of vehicle loan portfolio. The guarantees and lands and building remained the same compared to 2022/23.

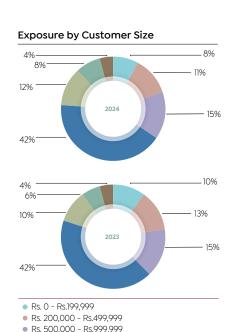
#### Exposure of Top 20 Customers



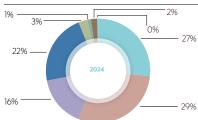
- Exposure of Other Customers
- Exposure of Top 20 Customers

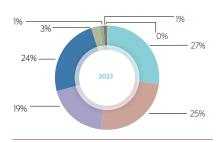
Exposures of the Top 20 customers have contributed to only 3% of the portfolio and the balance customers have contributed to 97% of the portfolio. The exposure remained the same compared to FY 2022/23

## Risk Management Report



**Product Concentration** 

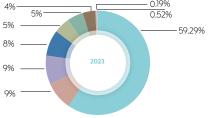




- Auto Draft
- Vehicle Loans
- Lease
- Gold Loan Mortgage Loans
- Other Loans & Advances Loans against Fixed Deposits

#### **Geographical Concentration**





- Western
- North Western Southern
- Uva Eastern Northern
- Sabaragamuwa
- Central
- North Central

Above Rs. 25.000.000

• Rs. 1,000,000 - Rs.4,999,999

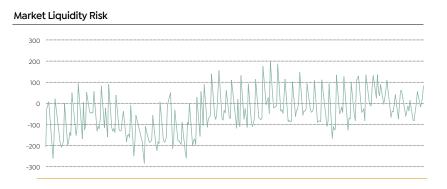
• Rs. 5,000,000 - Rs.9,999,999

Rs. 10,000,000 - Rs.24,999,999

#### The maturity analysis of loans and advances

Rs. Mn	Up to 3 Months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
Total Loans and Advances (Net)	22,612	27,308	17,053	4,821	41	71,835

**Risk Category** Liquidity Risk Market Liquidity Risk



The year under review started with a negative liquidity of Rs. 224 Bn and with CBSL's intention to bring up the market liquidity the statutory interest rates were periodically decreased. This helped to bring down the large liquidity deficit and gradually moved to a positive direction.

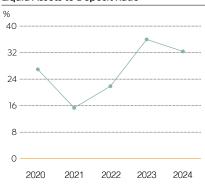
#### Risk Category

#### Sub Risk

#### **Liquidity Risk**

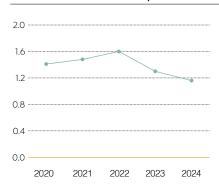
**Funding Liquidity Risk** 

#### Liquid Assets to Deposit Ratio



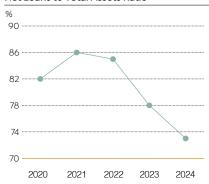
The liquid assets to deposits ratio has been slightly decreased compared to the last year. This was mainly due to rapid growth of the deposit base. The ratio amounted to 32.36% during FY 2023/24.

#### Movement in Advances to Deposits Ratio



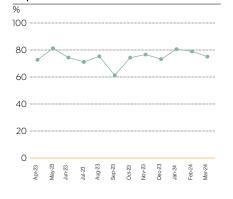
The movement in the advances to deposit ratio has decreased to 1.16 times as of 31st March 2024 compared to the 1.24 times. This was mainly due to rapid growth of deposits given high interest rates.

#### Net Loans to Total Assets Ratio

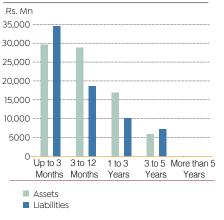


The net loans to total assets ratio was 73% as at 31st March 2024, a 5% decline compared to the previous financial year.

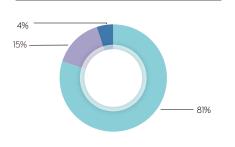
#### Deposit Renewal Ratio



### Maturity Analysis of Interest Bearing Assets and Liabilities as at 31st March 2024



#### Interest - Bearing Liabilities Mix 2024



- Deposits Due to Customers
- Interest Bearing Borrowings
- Subordinated Term Debts

The average deposit renewal ratio for the financial year under review was 75.08% as of 31st March 2024, the main reason to this is decreased interest rates resulted in high withdrawals to reactivate businesses

The core stone of liquidity management is the maturity mismatch. VF's Treasury Department together with ALCO ensured the maturity mismatch was minimised.

The liabilities have surpassed assets up to 3 months and, the Company will be focusing on retaining deposits as a strategy. However the maturity mismatch is within VF's risk appetite.

Of the interest-bearing liabilities of the Company, deposits from customers contributed 81% to the total interest-bearing liabilities in the financial year under review, a 6.10% increase compared to the previous financial year. Interest-bearing borrowings from other institutions accounted for the balance 19% of these liabilities.

## Risk Management Report

#### Composition of Funding - 2024



- Equity
- Deposits
- Borrowings

As of 31st March 2024, the Company's funding position comprised 68% from deposits from customers (a 7% increase from the previous FY), 17% from borrowings (a 9% decrease compared to the previous FY), and the balance 15% from equity funds (a 2% decline from the previous FY).

#### **Capital Adequacy**

	2024	2023
Tier I Capital	12,471	10,711
Tier II Capital	1,999	3,292
Total Capital	14,470	14,003
Risk Weighted Amount for Credit Risk	64,211	55,440
Risk Weighted Amount for Operational Risk	8,882	7,473
Total Risk Weighted Amount	73,093	62,912
Regulatory Minimum Tier I Capital Ratio %	8.50%	8.50%
Tier I Capital Ratio %	17.06%	17.02%
Regulatory Minimum Total Capital Ratio %	12.50%	12.50%
Total Capital Ratio %	19.80%	22.26%

#### **Tier 1 Capital**

According to CBSL liquid asset directive companies with an asset base below Rs 100Bn should maintain a capital adequacy level of 8.5%. In this case the Company has maintained 17.06%

#### **Total Capital**

Accordingly CBSL requires to maintain a minimum total capital ratio of 12.50% where the Company maintain 19.80% for the financial year under review.

A breakdown of the capital adequacy ratio computation is available in the Notes to the Financial Statements from pages 295 to 298 of this Annual Report.

Risk (	Cat	ego	ry			Su	b R	isk			
Market Risk						Eq	uity	/ Pr	ice	Ris	k
Equit	y Pr	ice									
Rs.											
40											
35		/	,							.,	
30	<u></u>	,/									
25											
20											
15											
10											
5											
0 62/08/	5/31/23	/30/23	1/23	8/31/23	9/30/23	10/31/23	1/30/23	2/31/23	1/31/24	2/29/24	1/24

Risk Category	Sub Risk					
Market Risk Commodity Risk						
Gold Price (LKR/T.oz)						
800,000						
700,000	· · · · · · · · · · · · · · · · · · ·					
600,000						
500,000						
400,000						
300,000 —						

	Sub Risk
Market Risk	FOREX Risk

### Foreign Exchange Rate Risk (USD)





#### Floating and Fixed Interest Rates 2024



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

#### Future Outlook for Risk Management at Vallibel Finance

Vallibel Finance has in place a robust risk management framework to proactively address emerging challenges within a dynamic business environment.

This framework prioritises maintaining unwavering regulatory compliance while adapting to address evolving dynamics in IT security, credit risk management, and other critical areas. The Company will also need to focus on evaluating emerging risks through methods such as scenario planning and stress testing to ensure robust risk management and preparedness for potential future challenges.

Compliance with CBSL regulations is likely to remain a top priority for Vallibel Finance in the coming year and beyond, especially as the regulatory landscape continues to evolve. The Company's commitment to maintaining a separate Compliance Officer and conducting regular reviews will continue to be an advantage.

As Vallibel Finance embraces a more digital environment, cyber security and IT risks will likely become even more prominent. Continued investment in IT infrastructure security, employee training, and robust disaster recovery plans will be crucial for operating in the modern technology-driven world.

The recent CBSL NPA classification changes underscore the dynamic nature of credit risk. While Vallibel Finance's existing focus on credit worthiness through due diligence and customer screening procedures remains valuable, it should be continuously reviewed and potentially enhanced to stay relevant in this evolving operating environment. Nevertheless, staying updated on regulatory changes and adapting credit policies accordingly will remain paramount.

Vallibel Finance's emphasis on employee well-being and stakeholder engagement has contributed to low human resource and reputational risk. Maintaining this focus and fostering a culture of open communication will be vital in the future.

The Company's use of scenario planning and stress testing demonstrates a proactive approach to risk management. Expanding on these practices and incorporating emerging risks like climate change or economic disruptions as relevant to business operations and the operating environment will further strengthen our risk preparedness.

Furthermore, aligning risk management activities even more closely with strategic objectives will ensure that the Company continues to proactively identify and mitigate risks that could impede longterm success.

By continuously monitoring, evaluating, and improving the risk management framework, Vallibel Finance can maintain adaptability and resilience in the face of evolving market conditions and new risk scenarios

By focusing on these key areas, Vallibel Finance fosters a stronger culture of risk awareness, positioning itself to effectively navigate the uncertainties of the financial landscape.

# 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 2024 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. PB 526 PQ.

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

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

The entity rating of Vallibel Finance PLC has been reaffirmed by Lanka Rating Agency Limited as BBB+ with an improved "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 facilities, mortgage loans, vehicle loans, personal loans, gold loans, micro finance and other credit facilities.

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

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

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

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

#### **Financial Statements**

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

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 03rd June 2024.

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 198 to 298, 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 228.

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. S S Weerabahu - Executive Director

#### **Non-Executive Directors**

Mr. K D A Perera - Director

Mr. J Kumarasinghe\* - Director

Mrs. C P Malalgoda\* - Director

Mr. M A K B Dodamgoda\* - Director

\* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Business Act (Corporate Governance) Direction No. 05 of 2021. Mr. J Kumarasinghe was appointed a Senior Independent Non-Executive Director on 16.09.2023.

Mrs. C P Malalgoda retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Based on the declarations made by the Independent Non-Executive Directors, the Board determined that Messrs J Kumarasinghe, M A K B Dodamgoda and Mrs. C P Malalgoda were independent as against the criteria for defining

"independence" set out in the Listing Rules and the Finance Business Act (Corporate Governance) Direction No. 05 of 2021.

Mr. T Murakami, Non-Executive Director, along with his alternate Mr. Hiroyuki Ota and Mr. A Dadigama, the Senior Independent Non-Executive Director, ceased to hold office on 16th July 2023 and 15th September 2023 respectively, on completion of term of nine years of service as Directors of the Company.

Mr. K D A Perera, who was a Non-Executive Director/ Chairman completed his term of nine years of service as a Director of the Company on 12th August 2023 and ceased to be a Director. After having obtained relevant regulatory approval under Section 3.4 of the Finance Business Act Direction No. 05 of 2021, Mr. K D A Perera was re-appointed as a Non-Executive Director and the Chairman with effect from 06th September 2023.

#### **Directors of the Subsidiary Company**

Mr. S B Rangamuwa - Director

Mr. S S Weerabahu - Director

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

#### **Interests Register**

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

The relevant interests of Directors in the shares of the Company as at 31st March 2024 as recorded in the interests register are given in this report under Directors' shareholding.

## Related Parties' Transactions with the Company

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

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

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

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2024.

#### **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 272.

#### **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 2024 was Rs. 1,325,918,000/-represented by 235,453,400 ordinary shares.

There were no changes in the Stated Capital of the Company during the year.

#### **Directors' shareholding**

The relevant interests of Directors in the shares of the Company as at 31st March 2024 are as follows:

	Shareholding as at 31/03/2024	Shareholding as at 31/03/2023
Mr. K D A Perera*	8,532,960	8,532,960
Mr. S B Rangamuwa	Nil	Nil
Seylan Bank PLC / Mr. S B Rangamuwa	5,250,000	5,250,000
Mr. S S Weerabahu	Nil	Nil
Mr. J Kumarasinghe	Nil	Nil
Mrs. C P Malalgoda	Nil	Nil
Mr. M A K B Dodamgoda	Nil	Nil

<sup>\*</sup> Mr. K D A Perera serves as a Director of Vallibel Investments (Private) Limited which holds 121,108,000 shares constituting 51.44% of the issued shares of the Company.

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

### Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, the 20 largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 314 and 315 Earnings, Net Assets per Share, appear on page 12.

#### **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.

Messers KPMG also served as the Auditors of the subsidiary company, Vallibel Properties Ltd.

A total amount of Rs. 3,617,067/- is payable by the Company to the Auditors for the year under review comprising Rs. 2,270,250/- as Audit Fees and audit related services, and Rs. 1,346,817/- as for non-audit services.

A fee of Rs. 680,625/- (Audit Fees) is payable to the Auditors of the subsidiary company as audit fees.

The Board adopted a policy of rotation of Auditors in keeping with the principles of good Corporate Governance and to ensure compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance (Direction No. 10.2 d) (ii)).

Following a comprehensive evaluation process by the Board Audit Committee, Messrs. Ernst and Young, Chartered Accountants were recommended for appointment as Company's Auditors.

#### **Donations**

During the year under review the Company made donations amounting to Rs. 29,370/- and there were no donations made by the subsidiary company.

#### Property, Plant and Equipment And Significant Changes in the Company's Fixed Assets / Market Value of Land

The details of property plant and equipment are given in Note 36 of the financial statements. The land and buildings owned by the company are recorded at revalued amount and details of those properties and their market values as at 31st March 2024 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 258.

The details of investment Property are given in Note 35 of the financial statements on page 253 and it is recorded at revalued amount as at 31st March 2024.

#### **Material Foreseeable Risk Factors**

The section on Risk Management on pages 164 to 179 sets out the processes currently practiced by the Company to identify and manage the risks.

The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness.

#### **Going Concern**

The Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks and cash flows are satisfied that the Company has adequate resources to continue operations into the foreseeable future. Accordingly, the going concern basis is adopted in preparing the financial statements of the Company.

#### **Statutory Payments**

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all

other known statutory dues as were due and payable by the Company as at the Reporting date, have been paid or, where relevant, provided for.

## Awareness on applicable laws, rules and regulations

The Directors are aware of the laws, rules and regulations applicable to the Company and are continuously updated on any change on the governing laws including the Directions under Finance Business Act, Listing Rules and capital market provisions as applicable.

#### **Corporate Governance**

The Board of Directors confirm that the Company has complied with Section 9 of the Listing Rules of the CSE on Corporate Governance, the Finance Business Act (Corporate Governance) Direction No. 05 of 2021 (subject to the transitional provisions mentioned therein) and the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 06 of 2021.

The Corporate Governance Statement on page 108 to 163 explains the practices within the Company in this respect.

An Audit Committee, Human Resource and Remuneration Committee, and Related Party Transactions Review Committee function as Board Sub Committees, with Directors who possess the requisite qualifications and experience.

Additionally the Board has formed an Integrated Risk Management Committee in terms of the Finance Companies (Corporate Governance) Direction No. 03 of 2008

The composition of the said Committees is as follows:

#### **Audit Committee**

Mr. M A K B Dodamgoda - ChairmanMr. J Kumarasinghe - MemberMrs. C P Malalgoda - Member

The Report of the Audit Committee appears on page 185 and 186.

## Human Resource and Remuneration Committee

Mr. J Kumarasinghe - Chairman
Mr. K D A Perera - Member
Mrs. C P Malalgoda - Member

The Human Resource and Remuneration Committee recommends the remuneration payable to the Managing Director, Executive Directors and other key management personnel. The Board makes the final determination after considering such recommendations. The remuneration packages offered by the Company are linked to the individual performances and are aligned with the Company's business.

The Report of the Human Resource and Remuneration Committee appears on page 164.

## Related Party Transactions Review Committee

Mr. M A K B Dodamgoda - Chairman
Mr. J Kumarasinghe - Member
Mrs. C P Malalgoda - Member

The Report of the Related Party Transactions Review Committee appears on page 187.

#### **Integrated Risk Management Committee**

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

Mr. M A K B Dodamgoda - Independent Non-Executive Director

Mrs. C P Malalgoda - Independent Non-Executive Director

Mr. S B Rangamuwa - Managing Director

Mr. S S Weerabahu - Executive Director

Mr.Niroshan Perera - Senior Deputy General Manager - Credit

Mr. K D Menaka Sameera - Senior Deputy General Manager - Finance & Administration

Mr. T U Amaraweera - Deputy General Manager - Asset Management

The report of the Integrated Risk Management Committee appears on page 188.

#### **Equitable treatment of Stakeholders**

The Company has at all times ensured that all shareholders treated equitably.

#### Statement by the Board

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

#### **Annual General Meeting**

The Annual General Meeting will be held on 28th June 2024 at 10.00 a.m at the Auditorium of Corporate Office, No. 480, Galle Road, Colombo 03.

The notice of the Annual General Meeting appears on page 322.

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

K D A Perera

Chairman

S B Rangamuwa

Managing Director

Lakmini Kottegoda

Company Secretary

03rd June 2024

Colombo

# Human Resource and Remuneration Committee Report

#### **Composition of the Committee**

The Board-appointed Human Resource and Remuneration Committee consists of mainly Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The composition of the committee is as follows:

#### Mr. J Kumarasinghe (Chairman)

Senior Independent Non-Executive Director

#### Mr. K D A Perera

Non-Executive Director

#### Mrs. C P Malalgoda

Independent Non-Executive Director

Brief profiles of the Members are given on page 29 of the Annual Report.

The Company Secretary functions as the Secretary to the Committee.

## Terms of Reference of the Committee

The Human Resource and Remuneration Committee functions according to approved guidelines set by the Board and supports the Board of Directors in establishing a remuneration structure at Vallibel Finance PLC that links rewards to both company-wide and individual achievements. The Committee has the authority to investigate issues within its purview and provide recommendations to the Board, enabling them to make informed decisions in those areas.

#### **Role of the Committee**

The main responsibilities of the Committee include the following:

- To recommend the remuneration policy of the company and amendments thereto, if any, to the policy as required.
- To review the Managing Director's and the Executive Directors' remuneration, which should be aligned with their responsibilities and contributions, including scope of service agreements, terms of employment or contract of employment/service, benefits. pension or incentive scheme entitlement, bonuses, fees and expenses and any compensation payable on termination of employment/service contract by the Company and to review changes thereto, as necessary, and recommend the same to the Board for approval.
- To establish and maintain an effective remuneration framework for senior management and other employees which is structured to ensure that rewards are measurably linked to an individual's performance, skills, experience, and level of responsibilities.
- To oversee any major changes in employee remuneration and benefit structures throughout the Company.
- To carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

#### **Company remuneration policy**

The Company's remuneration policy aims to recruit, retain, and motivate high-calibre personnel at the Board and Executive levels who possess the appropriate professional, managerial, and operational expertise required to achieve the Company's short-term and long-term objectives. The Company attempts to guarantee that the total remuneration package is sufficiently competitive to attract the best spirit for the Company.

#### **Meetings**

The Committee formally met twice during the year under review.

Recommendations made by the Committee were submitted to the Board of Directors for decision



J Kumarasinghe

Chairman

Human Resource and Remuneration Committee

03rd June 2024

## **Audit Committee Report**

### Composition of the Audit Committee

The Board Audit Committee consists of three Independent Non-Executive Directors.

The composition of the committee is as follows:

#### Mr. M A K B Dodamgoda\*

Independent Non-Executive Director (Chairman)

#### Mr. J Kumarasinghe

Senior Independent Non-Executive Director

#### Mrs. C P Malalgoda

Independent Non-Executive Director

\* Mr. M A K B Dodamgoda was appointed as an Independent Non-Executive Director of the Company with effect from 05th September 2023 and as the Chairman of the Audit Committee with effect from 16th September 2023, consequent to the cessation of the office of Mr. Aravinda Dadigama, Independent Non Executive Director - Chairman of the Audit Committee

The Chairman, Mr. M A K B Dodamgoda, is a Fellow Member of the Institute of Certified Management Accountants, Australia (ICMA-ANZ), and the Chartered Institute of Management Accountants (CIMA-UK) and holds a Master's Degree in Economics from the University of Colombo. He also holds memberships with the Chartered Institute for Securities and Investments (CISI-UK), the Chartered Institute of Marketing (CIM-UK), the Sri Lanka Institute of Marketing, and the Institute of Engineers (Sri Lanka), and counts over 30 years of experience in different entities.

## Terms of Reference of the Committee

The Audit Committee assists the Board in fulfilling its responsibilities of ensuring the integrity of financial reporting, the

adequacy of the system of internal control, and the assessment of the Company's compliance with legal and regulatory requirements. The Audit Committee charter defines the duties and obligations of the Audit Committee.

#### **Role of the Committee**

The Audit Committee assumes a critical oversight role, assisting the Board of Directors in 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:

The Company Secretary functions as the Secretary to the Committee.

The Managing Director, the Senior

Deputy General Manager - Finance &

Administration, and other members of senior management were present at the meetings upon invitation. The minutes of the Audit Committee were tabled at the monthly Board meetings.

#### **Summary of 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 its own in-house Internal Audit Department and an outsourced service provider also provides assistance in carrying out branch and specialised audit assignments. During the year under review, the Committee reviewed the Internal Audit Reports together with the management responses. A risk-based audit approach was adopted with a view to rationalising 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

Name of the Director	Executive/Non-Executive Independent/Non-Independent	Attendance
Mr. A Dadigama*	Senior Independent Non-Executive	3/3
Mr. M A K B Dodamgoda**	Independent Non-Executive	3/3
Mr. J Kumarasinghe	Senior Independent Non-Executive	6/6
Mrs. C P Malalgoda	Independent Non-Executive	6/6

<sup>\*</sup>Ceased w.e.f. 15.09.2023

<sup>\*\*</sup>Appointed to the Committee w.e.f. 16.09.2023

## Audit Committee Report

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 Ernst and Young, Chartered Accountants, be appointed as the Auditors of the Company for the financial year ending 31st March 2025, subject to Shareholders' approval at the next Annual General Meeting and any required regulatory approvals.

Based on the declaration provided by External Auditors 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.

#### **Internal Controls**

The Committee, with the assistance of the Internal Auditors, evaluates the adequacy and effectiveness of the Company's internal controls. The Committee reviewed the observations and recommendations of the Auditors and the management responses thereto.

The External Auditors were engaged in providing assurance on the "Directors Responsibility Statement on Internal Controls over Financial Reporting," which is given on page 191.

#### **Regulatory compliance**

The Committee assessed the Company's compliance with financial reporting requirements and information requirements under the Companies Act No. 7 of 2007, Finance Business Act No. 42 of 2011, Listing Rules issued by the Colombo Stock Exchange (CSE), and other relevant financial reporting regulations/frameworks, such as LKASs/SLFRSs.

#### **Whistleblowing Policy**

The Company's Whistleblowing Policy was put in place. This Whistleblowing Policy encourages all personnel to raise concerns, expose irregularities, help uncover financial malpractices, and prevent fraud without any fear of revenge or advance consequences. All appropriate procedures have been established to conduct independent investigations into incidents reported through this process or if identified through other means. This process is monitored by the Board Audit Committee.

Recognising the importance of ethical conduct and transparency, the Company implemented a Whistleblowing Policy under the oversight of the Audit Committee. This policy encourages employees to report instances of misconduct, fraud, or unethical behaviour without fear of reprisal, thereby fostering a culture of accountability and integrity within the organisation.

#### 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.

M A K B Dodamgoda

Chairman

Audit Committee 03rd June 2024

# Related Party Transactions Review Committee Report

## Composition of the Related Party Transaction Review Committee

The Related Party Transactions
Review Committee consists of three
Independent Non-Executive Directors.
The composition of the committee is as
follows:

#### Mr. M A K B Dodamgoda\*

Independent Non-Executive Director (Chairman)

#### Mr. J Kumarasinghe

Senior Independent Non-Executive Director

#### Mrs. C P Malalgoda

Independent Non-Executive Director

\* Mr. M A K B Dodamgoda was appointed as an Independent Non-Executive Director of the Company with effect from 05th September 2023, and as the Chairman of the Related Party Transaction Review Committee with effect from 16th September 2023, consequent to the cessation of the office of Mr. Aravinda Dadigama, Independent Non-Executive Director and Chairman of the Related Party Transaction Review Committee.

A brief profile of each member of the Committee is given on page 29.

The Company Secretary functions as the Secretary to the Committee.
The Managing Director/ CEO, Senior
Deputy General Manager - Finance and
Administration, and the Compliance
Officer attend meetings upon invitation.

### Terms of Reference of the Committee

The Related Party Transaction Review Committee Charter ("RPT Charter"), adopted in line with the rules and regulations pertaining to Related Party Transactions, sets out the functions of the Committee.

#### **Role of the Committee**

The Related Party Transaction Review Committee is charged with the duty to ensure that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interests of stakeholders and to uphold transparency and good governance. The primary objective 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.
- Monitor the Related Party Transactions, if any, to ensure that they are conducted in a manner that will prevent or mitigate the impact of any conflicts of interest between the Company and its Related Parties.

#### **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 the Colombo Stock Exchange and the Central Bank of Sri Lanka.

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders; adequate transparency is maintained and is in compliance with the Listing Rules. The Committee reviewed related party transactions during the year and communicated its observations to the Roard

#### **Meetings**

The Committee held five meetings during the year to review the Related Party Transactions of the Company. The minutes of the meetings were tabled at Board meetings for the 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 9.14.6 and 9.14.8 (2) of the Listing Rules of the CSE. All transactions entered into by the Company that fall under Section 9.14.8 (1) of the Listing Rules have been disclosed in Note 52.7 to the Financial Statements on page 276. Details of other Related Party Transactions are given in Note No. 52 to the Financial Statements on pages 272 to 277

M A K B Dodamgoda

Chairman

Related Party Transaction Review Committee

03rd June 2024

# Integrated Risk Management Committee Report

### Composition of the Integrated Risk Management Committee (IRMC)

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

The composition of the committee is as follows:

#### Mr. J Kumarasinghe (Chairman)

Senior Independent Non-Executive Director

#### Mrs. C P Malalgoda

Independent Non-Executive Director

#### Mr. M A K B Dodamgoda\*

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 to the Committee w.e.f. 16.09.2023

The Company Secretary functions as the Secretary to the Committee. The Compliance Officer and other Key Management Personnel attend meetings upon invitation.

### Terms of Reference of the Committee

The Integrated Risk Management Committee functions within the Terms of Reference, which sets out the objectives and responsibilities of the Integrated Risk Management Committee.

## Role and Responsibilities of the Committee

The IRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the numerous risks faced by the Company in its business operations. The Corporate Management is responsible for identifying relevant risks and notifying the IRMC. The duties of the BIRMC include determining the adequacy and effectiveness of such measures and ensuring that the actual overall risk profile of the Company Conforms to the desirable risk appetite of the company, as approved by the Board.

## The key responsibilities of the Committee are:

- Develop the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept or avoid in order to achieve the strategic business objectives.
- Assess the impact of all material risks, including credit, market, liquidity, operational and strategic risk on the Company through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- Monitor and approve, as required, the Company's material strategies, frameworks, policies, processes, models and limits in place to govern risk-taking that are consistent with the risk management strategy and the established risk appetite of the Company.
- Review and approve, at least annually, the Company's risk management policy and procedure.
- Review the adequacy and effectiveness of management-level committees to address specific risks and to manage those risks within

- quantitative and qualitative risk limits as specified by the Committee.
- Receive reports from management concerning capital adequacy, asset quality, credit, market, liquidity, operational, new and emerging risks, etc. in order to oversee these risks and assess their effect on capital levels
- Evaluate the adequacy and effectiveness of the risk management systems and internal controls.
- Take prompt corrective action to mitigate the effects of specific risks in the event that such risks are at levels beyond prudent levels, as decided by the Board on the basis of the Company's policies and regulatory and supervisory requirements.

During the year, the Committee assessed and reviewed material risks associated with the conduct of the business and also ensured strategies were in place to manage those risks to prudent levels. The Risk Management process that 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 at quarterly intervals during the year under review. The minutes of the IRMC meetings were tabled at subsequent Board meetings.

#### Conclusion

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

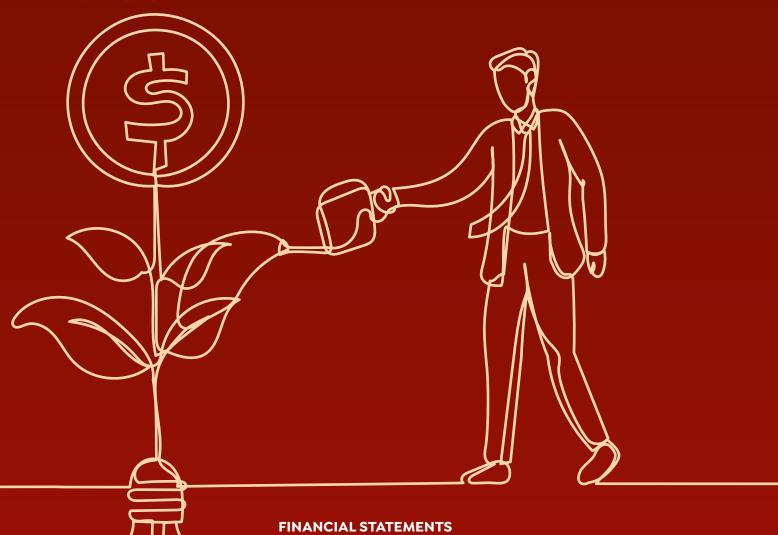
Chairman

Integrated Risk Management Committee

03rd June 2024

## More Transparency

With the enhancement of the prospects of the people of the nation at the core of our operations, we have witnessed the completion of a fiscal year marked with prosperity, propriety and persistence. As we examine our financial value, we remember that our true value stems from our dedicated service.



Titiaticiai Calcituai	170
Director's Statement on Internal Control	
Over Financial Reporting	191
Statement of Director's Responsibilities	192
Key Highlights	193
Independent Auditor's Report	194
Statement of Profit or Loss and Other	
Comprehensive Income	198
Statement of Financial Position	200
Statement of Changes in Equity - Company	202
Statement of Changes in Equity - Group	203
Cash Flow Statement	204
Notes to the Financial Chatemants	204

## Financial Calendar

	2023/2024	2024/2025
Annual Report and Accounts for the year signed/to be signed	03rd June 2024	In June 2025
Annual General Meeting to be held	28th June 2024	In June 2025
NTERIM FINANCIAL STATEMENTS CALENDAR - SUBMISSION	TO THE COLOMBO STOCK EXCH	ANGE (CSE)
	2023/2024 Submitted on	2024/2025 To be Submitted on or before
For the three months ended / ending 30th June	11th August 2023	15th August 2024
For the six months ended / ending 30th September	13th November 2023	15th November 2024
For the nine months ended / ending 31st December	12th February 2024	15th February 2025
For the year ended / ending 31st March	30th May 2024	31st May 2025
SIX MONTHS FINANCIAL STATEMENTS		
Six months ended /ending 30th September	2023/24 Published on	2024/25 To be published on or before
English	23rd November 2023	30th November 2024
Sinhala	23rd November 2023	30th November 2024
Tamil	23rd November 2023	30th November 2024
ANNUAL FINANCIAL STATEMENTS		
Year ended/ ending 31st March	2022/2023 Published on	2023/24 To be published on or before
English	23rd June 2023	30th June 2024
Sinhala	23rd June 2023	30th June 2024

## Director's Statement on Internal Control Over Financial Reporting

Responsibility in line with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Vallibel Finance PLC ("the Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the policies and procedures on risk and control, by identifying and assessing the risks faced, and in design, operation and monitoring of suitable internal controls over financial reporting to mitigate and control these risks. Internal controls over financial reporting are checked by the Internal Auditors of the Company for suitability of design and effectiveness on an ongoing basis.

#### Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

#### **External Auditors Certification**

The External Auditors have submitted a certification on the process adapted by the Directors on the system of internal controls over financial reporting.

By order of the Board

S B Rangamuwa

Managing Director

M A K B Dodamgoda

Chairman

**Audit Committee** 

03rd June 2024

## 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 requirement which applies 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 2024/25, 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

Lakmini Kottegoda

Company Secretary 03rd June 2024

## **Key Highlights**

#### **Total Income**

#### Net Interest Income

#### Profit for the Year

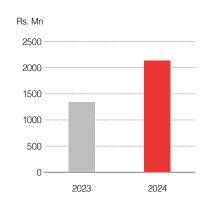












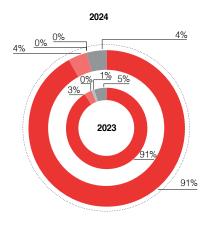
#### **Gross Income Composition**

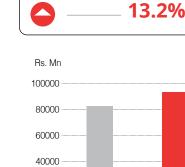
**Total Assets** 

#### **Deposits due to Customers**

18.1%

2024

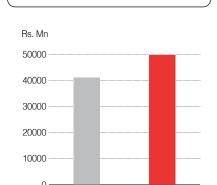




2023

2024

20000



2023

- Interest Income
- Fee and Commission Income
- Net Gain / (Loss) from Trading
  Net Gain / (Loss) from FVTPL
  Other Operating Income

## Independent Auditor's Report



KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. 0. Box 186, Colombo 00300, Sri Lanka. Tel +94 - 11 542 6426 Fax +94 - 11 244 5872 +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 2024, and the statement of profit and 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 material accounting policies and other explanatory information as set out on pages 198 to 298 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as of March 31, 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **Basis for Opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities

in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

#### 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**

As at 31 March 2024, 73% of its total assets of the Company consisted of loan and receivables, lease and hire purchase receivables totalling to Rs 68.2 Bn, net of impairment allowance of Rs 3.6 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 Response:

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;

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA Ms. S. Joseph FCA R.M.D.B. Rajapakse FCA M.N.M. Shameel FCA Ms. P.M.K. Sumanasekara FCA

T. J. S. Rajakarier FCA W. K. D. C. Abeyrathne FCA Ms. B.K.D.T.N. Rodrigo FCA Ms. C.T.K.N. Perera ACA R.W.M.O.W.D.B. Rathnadiwakara FCA W. W. J. C. Perera FCA G. A. U. Karunaratne FCA R. H. Rajan FCA A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S.Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT K. Somasundaram ACMA(UK)



#### **Risk Description**

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 models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required.

The prevailing uncertain and volatile macro-economic environment 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.

#### **Our Response:**

- 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.
- Working with our internal FRM specialists in order to assess the management computation of ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, and assumptions 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.

In preparing the financial statements, management is responsible for assessing 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### Independent Auditor's Report



## 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 scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.

 Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse



consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

KPMG

Colombo, Sri Lanka 03rd June 2024

Kmm

# Statement of Profit or Loss and Other Comprehensive Income

			Com	Gr	Group			
For the Year Ended 31st March	Page No.	Note		2023	Change	2024	2023	U
			Rs.	Rs.	40.0	Rs.	Rs.	%
Gross Income		11	20,029,639,311	16,704,448,424	19.9	20,281,299,842	16,688,865,786	21.5
Interest Income		12.1	18,371,636,183	15,675,717,444	17.2	18,371,636,183	15,675,717,444	17.2
Interest Expense	230		(11,365,023,712)		3.2	(11,419,214,036)		3.7
Net Interest Income	229	12	7,006,612,471	4,661,763,515	50.3	6,952,422,147	4,661,763,515	49.1
Fee and Commission Income	230	13	714,346,044	511,805,140	39.6	697,029,377	505,805,140	37.8
Net Fee and Commission Income			714,346,044	511,805,140	39.6	697,029,377	505,805,140	37.8
Net Gain / (Loss) from Trading	230	14	239,187	(125,888)	290.0	239,187	(125,888)	290.0
Net Gain / (Loss) from other Financial Instruments at FVTPL	230	15	92,010,886	125,013,492	(26.4)	106,360,511	125,013,492	(14.9)
Other Operating Income	231	16	851,407,011	392,038,236	117.2	1,106,034,584	382,455,598	189.2
Total Operating Income			8,664,615,599	5,690,494,495	52.3	8,862,085,806	5,674,911,857	56.2
Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets	231	17	(437,781,236)	(97,575,003)	348.7	(437,781,236)	(97,575,003)	348.7
Net Operating Income			8,226,834,363	5,592,919,492	47.1	8,424,304,570	5,577,336,854	51.0
Expenses								
Personnel Expenses	232	18	(1,948,215,076)	(1,552,821,697)	25.5	(1,949,075,023)	(1,552,828,907)	25.5
Premises Equipment and Establishment Expenses			(359,223,347)	(291,600,035)	23.2	(332,266,473)	(291,600,035)	13.9
Other Operating Expenses			(1,274,807,182)	(985,897,827)	29.3	(1,341,009,198)	(988,916,877)	35.6
Operating Profit Before Taxes on Financial Services	232	19	4,644,588,758	2,762,599,933	68.1	4,801,953,876	2,743,991,035	75.0
Taxes on Financial Services	232	20	(1,189,389,196)	(697,119,801)	70.6	(1,190,768,334)	(697,119,801)	70.8
Profit Before Income Tax			3,455,199,562	2,065,480,132	67.3	3,611,185,542	2,046,871,234	76.4
Income Tax Expense	233	21	(1,313,646,503)	(725,907,981)	81.0	(1,556,251,107)	(719,457,930)	116.3
Profit for the Year			2,141,553,059	1,339,572,151	59.9	2,054,934,435	1,327,413,304	54.8
Profit attributable to:								
Equity holders of the Company			2,141,553,059	1,339,572,151	59.9	2,054,934,435	1,327,413,304	54.8
Non - Controlling Interest			-	-	-	-	-	-
Profit for the Year			2,141,553,059	1,339,572,151	59.9	2,054,934,435	1,327,413,304	54.8
Earnings Per Share	235	22						
Basic Earnings Per Share		22.1	9.10	5.69	59.9	8.73	5.64	54.8
Diluted Earnings Per Share		22.2	9.10	5.69	59.9	8.73	5.64	54.8

The notes appearing on pages 206 to 298 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

		Com	pany	Group				
For the Year Ended 31st March	Page Note	2024	2023	Change	2024	2023	Change	
	No.	Rs.	Rs.	%	Rs.	Rs.	%	
Profit for the Year		2,141,553,059	1,339,572,151	59.9	2,054,934,435	1,327,413,304	54.8	
Other Comprehensive Income, Net of Tax								
Items that will never be reclassified to Profit or Loss								
Gains / (Losses) on remeasurement of Defined Benefit Liability	267 47.3	(57,665,014)	10,848,897	(631.5)	(57,665,014)	10,848,897	(631.5)	
Deferred Tax ( Charge ) / Reversal on Actuarial Gains / (Losses)		17,299,504	4,625,210	274.0	17,299,504	4,625,210	274.0	
Net Actuarial Gains / (Losses) on Defined Benefit Liability		(40,365,510)	15,474,107	(360.9)	(40,365,510)	15,474,107	(360.9)	
Revaluation of Land & Buildings		27,355,010	=	100.0	603,634,817	=	100.0	
Deferred Tax ( Charge ) / Reversal on Revaluation of Land & Buildings	271 50.1	(8,206,503)	-	(100.0)	(181,090,445)	-	(100.0)	
Deferred Tax Effect on Revaluation Surplus due to Change in Tax Rate	271 50.1	-	(13,490,252)	100.0	-	(18,260,252)	100.0	
Net Change in Revaluation of Land & Buildings		19,148,507	(13,490,252)	241.9	422,544,372	(18,260,252)	2,414.0	
Items that will be reclassified to Profit or Loss								
Deferred Tax (Charge) /Reversal on Fair Value Gains / (Losses)	271 50.2	-	226,310,672	(100.0)	-	226,310,672	(100.0)	
Net Gains / (Losses) on Investment in Financial Assets at Fair Value through Other Comprehensive Income		1+	226,310,672	(100.0)	-	226,310,672	(100.0)	
Other Comprehensive Income for the Year, Net of Tax		(21,217,003)	228,294,527	(109.3)	382,178,862	223,524,527	71.0	
Total Comprehensive Income for the Year		2,120,336,056	1,567,866,678	35.2	2,437,113,297	1,550,937,831	57.1	
Attributable to:								
Equity holders of the Company		2,120,336,056	1,567,866,678	35.2	2,437,113,297	1,550,937,831	57.1	
Non - Controlling Interest		-	-	-	-	-	-	
Total Comprehensive Income for the Year		2,120,336,056	1,567,866,678	35.2	2,437,113,297	1,550,937,831	57.1	

The notes appearing on pages 206 to 298 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Statement of Financial Position

			Com	pany		Group			
As at 31st March	_	Note	2024	2023	Change	2024	2023	Change	
	No.		Rs.	Rs.	%	Rs.	Rs.	%	
Assets									
Cash and Cash Equivalents	244	26.1	1,952,377,006	2,332,724,111	(16.3)	1,958,980,732	2,339,453,098	(16.3)	
Placements with Banks and Other Finance Companies	244	27	8,322,519,888	9,860,926,513	(15.6)	8,322,519,888	9,860,926,513	(15.6)	
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	244	28	3,652,151,999	1,498,552,923	143.7	4,181,479,931	1,501,875,305	178.4	
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	246	29	57,895,030,197	50,581,535,164	14.5	57,895,030,197	50,581,535,164	14.5	
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	248	30	10,346,936,570	10,789,860,137	(4.1)	10,346,936,570	10,789,860,137	(4.1)	
Financial Investments Measured at Fair Value Through Other Comprehensive Income	251	31	203,800	203,800	-	203,800	203,800	-	
Financial Assets at Amortised Cost - Debt and other Financial Instruments	252	32	5,048,103,209	4,169,488,788	21.1	5,048,103,209	4,169,488,788	21.1	
Financial Assets at Amortised Cost - Other Financial Assets	252	33	34,318,758	28,698,236	19.6	34,318,758	28,698,236	19.6	
Investment in a Subsidiary	253	34	20	20	-	-	-	-	
Investment Property	253	35	1,178,000,000	1,179,500,000	(0.1)	1,100,225,000	-	-	
Property, Plant and Equipment	256	36	968,055,891	772,845,990	25.3	4,477,237,217	3,974,429,790	12.7	
Right-of-use Lease Assets	261	37	1,746,894,661	748,848,409	133.3	744,153,575	748,848,409	(0.6)	
Intangible Assets	261	38	20,325,110	18,458,354	10.1	21,450,110	18,458,354	16.2	
Deferred Tax Assets	266	45.4	644,011,716	107,519,914	499.0	373,281,789	110,488,657	237.8	
Other Assets	262	39	1,358,620,425	234,912,249	478.4	307,260,400	227,906,193	34.8	
Total Assets			93,167,549,250	82,324,074,608	13.2	94,811,181,176	84,352,172,444	12.4	
Liabilities									
Bank Overdrafts	244	26.2	1,913,963,888	1,561,119,013	22.6	1,913,963,888	1,561,119,013	22.6	
Rental Received in Advance			197,788,433	176,943,085	11.8	216,238,433	176,943,085	22.2	
Financial Liabilities at Amortised Cost - Deposits due to Customers	262	40	58,643,446,021	49,659,457,138	18.1	58,643,446,021	49,659,457,138	18.1	
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	263	41	10,786,680,538	13,888,909,088	(22.3)	12,747,146,583	15,954,588,101	(20.1)	
Subordinated Term Debt	264	42	3,331,609,018	3,163,398,140	5.3	3,331,609,018	3,163,398,140	5.3	
Lease Liabilities	265	43	1,989,370,134	912,495,354	118.0	967,091,730	912,495,354	6.0	
Current Tax Liabilities	265	44	642,304,471	547,185,073	17.4	642,304,471	547,185,073	17.4	
Deferred Tax Liabilities	266	45.3	739,933,605	284,918,764	159.7	881,723,481	284,918,764	209.5	
Other Liabilities	267	46	1,791,324,976	955,904,529	87.4	2,048,995,557	947,566,765	116.2	
Retirement Benefit Obligations	267	47.1	157,335,587	86,818,197	81.2	157,335,587	86,818,197	81.2	
Total Liabilities			80,193,756,671	71,237,148,381	12.6	81,549,854,769	73,294,489,630	11.3	

		Com	pany	Gre			
As at 31st March	Page Note	2024	2023	Change	2024	2023	Change %
	No.	Rs.	Rs.	%	Rs.	Rs.	
Equity							
Stated Capital	269 48	1,325,918,000	1,325,918,000	-	1,325,918,000	1,325,918,000	-
Statutory Reserve Fund	270 49	1,873,850,686	1,766,773,033	6.1	1,873,850,686	1,766,773,033	6.1
Other Reserves	270 50	184,034,787	164,886,280	11.6	643,080,652	220,536,280	191.6
Retained Earnings	272 51	9,589,989,106	7,829,348,914	22.5	9,418,477,069	7,744,455,501	21.6
Total Equity attributable to Equity holders of the Company		12,973,792,579	11,086,926,227	17.0	13,261,326,407	11,057,682,814	19.9
Non - Controlling Interest		-	-	-	-	-	-
Total Equity		12,973,792,579	11,086,926,227	17.0	13,261,326,407	11,057,682,814	19.9
Total Liabilities and Equity		93,167,549,250	82,324,074,608	13.2	94,811,181,176	84,352,172,444	12.4
Net Assets Value Per Share (Rs.)		55.10	47.09	17.0	56.32	46.96	19.9

The notes appearing on pages 206 to 298 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.

witin

K.D. Menaka Sameera

Senior DGM - Finance & Administration

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements. Approved and signed for and on behalf of the Board ;

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

Abrumant ...

03rd June 2024 Colombo.

# Statement of Changes in Equity - Company

Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve		General Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2022	1,325,918,000	1,699,794,425	170,876,532	(226,310,672)	7,500,000	7,677,371,584	10,655,149,869
Adjustment for Surcharge Tax levied under the 21.4 Surcharge Tax Act No.14 of 2022	=	=	=	=	=	(665,183,520)	(665,183,520)
Adjusted Balance as at 01st April 2022	1,325,918,000	1,699,794,425	170,876,532	(226,310,672)	7,500,000	7,012,188,064	9,989,966,349
Total Comprehensive Income for the Year	•	•	•	•••••••••••••••••••••••••••••••••••••••	•	•	
Profit for the Year	-	-	-	=	-	1,339,572,151	1,339,572,151
Other Comprehensive Income, net of Tax				•			
Transfer of fair value losses o/a reclassification 50.2 of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	-	-	-	226,310,672	-	-	226,310,672
Net Actuarial Gains / (Losses) on Defined Benefit Liability, net of tax	-	-	=	-	-	15,474,107	15,474,107
Net Change in Revaluation of Land & Buildings, 50.1 net of tax	-	-	(13,490,252)	-	-	-	(13,490,252)
Total Comprehensive Income for the Year	=	=	(13,490,252)	226,310,672	-	1,355,046,258	1,567,866,678
Transactions with owners of the Company							
Contributions and distributions							
Dividends to equity holders							
Dividend Paid Share for the Financial Year 2021/22	-	-	-	-	-	(470,906,800)	(470,906,800)
Unclaimed Dividend Adjustments	-	-	-	-	-	-	-
Statutory Reserve Transfer 49.1		66,978,608	-	<u>-</u> -	-	(66,978,608)	-
Total Transactions with Equity Holders		66,978,608	-	-	-	(537,885,408)	(470,906,800)
Balance as at 31st March 2023	1,325,918,000	1,766,773,033	157,386,280	-	7,500,000	7,829,348,914	11,086,926,227
Total Comprehensive Income for the Year			······································	<u>.</u>			
Profit for the Year	=	=	=		=	2,141,553,059	2,141,553,059
Other Comprehensive Income, net of Tax							
Transfer of fair value losses o/a reclassification 50.2 of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	-	-	-	-	-	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability, net of tax	-	-	-	-	-	(40,365,510)	(40,365,510)
Net Change in Revaluation of Land & Buildings, 50.1 net of tax	=	-	19,148,507	=	-	-	19,148,507
Total Comprehensive Income for the Year	-	=	19,148,507	-	=	2,101,187,549	2,120,336,056
Transactions with owners of the Company							
Contributions and distributions							
Dividends to equity holders		•			•		
Dividend Paid Share for the Financial Year 2022/23	-	-	-	-	-	(235,453,400)	(235,453,400)
Unclaimed Dividend Adjustments	-	-	-	-	-	1,479,647	1,479,647
Deferred Tax impact on Right of Use Asset 45.2			•	•	•	504,049	504,049
Statutory Reserve Transfer 49.1	-	107,077,653	-	-	-	(107,077,653)	-
Total Transactions with Equity Holders	-	107,077,653	-	-	-	(340,547,357)	(233,469,704)
		<u>.</u>					

The notes appearing on pages 206 to 298 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Statement of Changes in Equity - Group

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31st March 2022		1,325,918,000	1,699,794,425	231,296,532	(226,310,672)	7,500,000	7,604,637,018	10,642,835,303
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No.14 of 2022	21.4	-	-	-	-	-	(665,183,520)	(665,183,520)
Adjusted Balance as at 01st April 2022		1,325,918,000	1,699,794,425	231,296,532	(226,310,672)	7,500,000	6,939,453,498	9,977,651,783
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-		-	1,327,413,304	1,327,413,304
Other Comprehensive Income, net of Tax								
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	50.2	-	-	=	226,310,672	-	-	226,310,672
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	-	-	-	-	15,474,107	15,474,107
Net Change in Revaluation of Land & Buildings	50.1	-	-	(18,260,252)	-		-	(18,260,252)
Total Comprehensive Income for the Year		-	-	(18,260,252)	226,310,672	-	1,342,887,411	1,550,937,831
Transactions with owners of the Company								
Contributions and distributions					-			
Dividends to equity holders					=			•
Dividend Paid Share for the Financial Year 2021/22		-	-	=	=	-	(470,906,800)	(470,906,800)
Unclaimed Dividend Adjustments		-	-	-	-	-	-	-
Statutory Reserve Transfer	49.1	=	66,978,608	=	-	=	(66,978,608)	=
Total Transactions with Equity Holders		-	66,978,608	-	-	-	(537,885,408)	(470,906,800)
Balance as at 31st March 2023		1,325,918,000	1,766,773,033	213,036,280	-	7,500,000	7,744,455,501	11,057,682,814
Total Comprehensive Income for the Year								
Profit for the Year		-	-	-	•	-	2,054,934,435	2,054,934,435
Other Comprehensive Income, net of Tax		•	•		•••••••••••••••••••••••••••••••••••••••		•	•
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost, net of tax	50.2	-	-	-	-	-	-	-
Net Actuarial Gains / (Losses) on Defined Benefit Liability		-	=	-	-	-	(40,365,510)	(40,365,510)
Net Change in Revaluation of Land & Buildings	50.1	-	-	422,544,372	-		-	422,544,372
Total Comprehensive Income for the Year		-	-	422,544,372	-	-	2,014,568,925	2,437,113,297
Transactions with owners of the Company								
Contributions and distributions		•	***************************************		-		•	•
Dividends to equity holders					-			•
Dividend Paid Share for the Financial Year 2022/23		•			······································		(235,453,400)	(235,453,400)
Unclaimed Dividend Adjustments		-		-		-	1,479,647	1,479,647
Differed Tax impact on Right of Use Asset						-	504,049	504,049
	49.1	•	107,077,653		•••••••••••••••••••••••••••••••••••••••		•••••	304,049
Statutory Reserve Transfer Total Transactions with Equity Holders	4J.I	-			-	-	(107,077,653)	(222 460 70 4
Total Transactions with Equity Holders		-	107,077,653	-	-	-	(340,547,357)	(233,469,704)

The notes appearing on pages 206 to 298 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Cash Flow Statement

	Comp	any	Group		
For the Year Ended 31st March Note	2024 2023		2024		
	Rs.	Rs.	Rs.	Rs.	
Cash Flow from Operating Activities					
Interest and Commission Receipts	19,032,527,645	15,972,949,920	19,018,181,242	15,972,949,920	
Interest Payments	(10,271,754,422)	(9,341,719,405)	(10,332,669,431)	(9,337,237,236	
Cash Receipts from Customers	747,102,239	369,749,269	750,520,827	351,197,975	
Cash Payments to Employees and Suppliers	(4,615,632,120)	(3,113,035,549)	(4,577,571,994)	(3,117,575,322	
Operating Profit Before Changes in Operating Assets and Liabilities (Note A)	4,892,243,342	3,887,944,235	4,858,460,644	3,869,335,337	
(Increase) / Decrease in Operating Assets					
Short Term Funds	(270,243,707)	(329,318,261)	788,464,293	(313,758,531	
Deposits held for Regulatory or Monetary Control Purposes	(878,614,421)	(2,033,676,253)	(878,614,421)	(2,023,527,877	
Financial assets at amortised cost – Loans and advances / Lease rental & Hire purchase receivables	(7,293,566,333)	4,127,349,644	(7,293,566,333)	4,127,349,644	
Other Short Term Negotiable Securities	(365,294,106)	(4,749,882,032)	(876,950,030)	(4,270,797,962	
Increase / ( Decrease ) in Operating Liabilities					
Financial liabilities at amortised cost – Due to depositors	8,307,438,079	7,353,910,814	8,307,438,079	7,353,910,814	
Financial liabilities at amortised cost – Certificate of Deposits	-	(257,455,201)	-	(257,455,201	
Deposits and Trade payables	-	-	19,370,046	=	
Net Cash Generated / (Used in) from Operating Activities before Income Tax	4,391,962,854	7,998,872,946	4,924,602,278	8,485,056,224	
Current Taxes Paid 44	(1,290,407,014)	(687,216,165)	(1,290,407,014)	(687,216,165	
Gratuity Paid 47.1	(19,588,564)	(12,199,739)	(19,588,564)	(12,199,739	
Surcharge Levy Paid	-	(665,183,520)	-	(665,183,520	
Net Cash Generated / (Used in) from Operating Activities	3,081,967,276	6,634,273,522	3,614,606,700	7,120,456,800	
Cash Flows from Investing Activities					
Dividends Received	180,966	191,910	180,966	191,910	
Investment in a Subsidiary	-	-	-	-	
Proceed from Sale of Property , Plant and Equipment	929,435	3,801,957	929,435	3,801,957	
Purchase of Property, Plant and Equipment	(359,724,525)	(181,366,554)	(759,530,689)	(944,166,762	
Purchase of Intangible Assets	(11,130,050)	-	(12,030,050)	-	
Net Cash (Used in) / Generated from Investing Activities	(369,744,174)	(177,372,687)	(770,450,338)	(940,172,895	
Cash Flows from Financing Activities					
Net Increase / (decrease) in Financial liabilities at amortised cost – Interest bearing Borrowings	(3,211,441,329)	(5,029,480,374)	(3,343,499,850)	(4,769,425,812	
Dividend Paid	(235,453,400)	(470,906,800)	(235,453,400)	(470,906,800	
Unclaimed Dividend Adjustments	1,479,647	-	1,479,647	=	
Net Cash (Used in) / Generated from Financing Activities	(3,445,415,082)	(5,500,387,174)	(3,577,473,603)	(5,240,332,612	
Net Increase / ( Decrease ) in Cash & Cash Equivalents	(733,191,980)	956,513,661	(733,317,241)	939,951,293	
Cash & Cash Equivalents at the Beginning of the Year	771,605,098	(184,908,563)	778,334,085	(161,617,208	
Cash & Cash Equivalents at end of the Year ( Note B )	38,413,118	771,605,098	45,016,844	778,334,085	

		Comp	oany	Gro	oup	
For the Year Ended 31st March	Note	2024	2023	2024	2023	
		Rs.	Rs.	Rs.	Rs.	
Note A						
Reconciliation of Operating Profit Before Changes in Operating Asset and Liabilities	ts					
Profit Before Income Tax		3,455,199,562	2,065,480,132	3,611,185,542	2,046,871,234	
Amortisation of Intangible Assets	38.1	9,263,294	10,213,176	9,638,294	10,213,176	
Accrual for Interest Expense / (Income)		(156,215,664)	(233,119,434)	(156,215,664)	(233,119,434)	
Accrual for Interest Income / (Expense)		953,974,468	1,576,434,873	980,820,022	1,576,434,873	
Accrual for Other Payable		59,689,636	306,385,651	62,872,947	306,385,651	
Retirement Benefit Cost	47.2	32,440,940	29,041,900	32,440,940	29,041,900	
Depreciation of Property, Plant and Equipment	36	191,795,178	164,559,765	243,209,660	164,559,765	
Impairment Charges and Other Credit Losses on Financial Assets	17	437,781,236	97,575,003	437,781,236	97,575,003	
Dividend Income		(180,966)	(191,910)	(180,966)	(191,910)	
Unrealised Fair Value (gains) / losses on Financial Instruments measured at FVTPL		(138,477)	226,598	(138,477)	226,598	
Unrealised Fair Value (gains) / losses on Other Financial Instruments measured at FVTPL	15	(92,010,886)	(125,013,492)	(106,360,511)	(125,013,492)	
Gain / (Loss) on Disposal of Property, Plant & Equipment		(854,979)	(3,648,027)	(854,979)	(3,648,027)	
Fair value change in Investment Property		1,500,000	-	(255,737,400)	-	
Impairment Loss on Property, Plant & Equipment		-	-	-	-	
		4,892,243,342	3,887,944,235	4,858,460,644	3,869,335,337	
Note B						
Cash & Cash Equivalents at the end of the Year						
Cash in Hand and at Banks		1,952,377,006	2,332,724,111	1,958,980,732	2,339,453,098	
Bank Overdrafts		(1,913,963,888)	(1,561,119,013)	(1,913,963,888)	(1,561,119,013)	
		38,413,118	771,605,098	45,016,844	778,334,085	

The notes appearing on pages 206 to 298 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	2024	2023
Company	1,502	1,220
Group	1,504	1,227

Corporate information is presented in the page 321 of this Annual Report.

#### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31stMarch 2024 comprise the Vallibel Finance PLC (Parent Company) and its subsidiary (together referred to as the "Group" and individually as "Group entities").

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited, which is incorporated in Sri Lanka.

#### 1.3 Principal Business Activities, Nature of Operations of the Group and ownership by the Company

**Group Structure** 



A Company under the name of "Vallibel Properties Ltd" was incorporated on 5th March 2020, as a fully owned subsidiary of Vallibel Finance PLC (Parent).

## Principal Business Activities, Nature of Operations of the Group

Entity	Principal Business Activities
Vallibel Finance PLC	Accepting deposits, granting finance leases, granting mortgage loans, granting vehicle loans, granting personal loans, gold loans, micro finance and other credit facilities
Subsidiary	
Vallibel Properties Limited	Engage in administration of construction, development and maintenance of the Corporate Office Complex for Vallibel Finance PLC. The company commenced its commercial operations on 09th November 2023.

#### 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:

• 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.

- Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- 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 Material 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 2024 (including comparatives for 2023) were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 03rd June2024.

#### 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 assets 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 recognised 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 Management have considered the impact of the current macro-economic conditions on the business operations of the Group. Furthermore, the Board is not aware of any material doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis. Furthermore, the Board is not aware of any material doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### 2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the Material Accounting Policies of the Group and the Company.

#### Notes to the Financial Statements

#### 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. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. 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

Material 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 recognised 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

#### 2.12.5 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 macroeconomic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The accuracy of the provision depends on the model assumptions and parameters used in determining the ECL calculations.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The key assumptions used in the Group's calculation of ECL have been revised to reflect the changes in the macro-economic conditions during the year. As at the reporting date, the expected impacts of the present macro-economic conditions have been captured via the modelled outcome as well as separate management overlays reflecting the considerable uncertainty still remaining in the modelled outcome.

Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions were revised in response to the current economic conditions, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

Further during 2023, the Group decided to increase the weightings assigned for worst case scenario while reducing the weightings assigned for best case scenario when

assessing the probability weighted forward looking macroeconomic indicators along with management overlays to qualitative indicators relating to forward looking macroeconomic environment with the objective of capturing the impact of economic 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 noncancellable 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.

#### Notes to the Financial Statements

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 utilised 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 fairvalue is measured or disclosed in the financial statements are categorised 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 2023. The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

#### 4.1.1 Amendments to LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors and how entities use measurement techniques and inputs to develop accounting estimates. Further it clarifies that a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. No material impact on the Financial Statements of the Group.

## 4.1.2 Amendments to LKAS 1 - Presentation of Financial Statements

The amendment replaces the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose 'material' accounting policies and provides guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Also, Specifies the requirements for classifying liabilities as current or non-current. Required disclosures have been made.

## 4.1.3 Amendments to Income Taxes - LKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented. Required adjustments have been made in the financial statements.

#### Notes to the Financial Statements

#### **Material Accounting Policy Information**

The Material Accounting Policy Information set out below have been applied consistently to all periods presented in the Financial Statements of the Group except if mentioned otherwise

#### 5. MATERIAL ACCOUNTING POLICIES - GENERAL

#### 5.1 Basis of consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10).

#### 5.1.1 Business combinations 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. MATERIAL ACCOUNTING POLICIES – RECOGNITION OF ASSETS AND LIABILITIES

# 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 SLERS 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

• 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 recognises 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 creditimpaired 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 recognises 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 90 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 90 days and above.

### 6.1.10.5 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

# 6.1.10.6 Grouping financial assets measured on collective basis

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped into homogeneous portfolios, based on product and underlying security characteristics.

### 6.1.10.7 Incorporating Forward Looking Information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using variety of external actual and forecasted information, the Group formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes. Such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic variables used by the Group based on the statistical significance include the followings:

Unemployment Rate	Base case scenario along
Interest Rate	with two other scenarios has been used (Best Case and
GDP growth Rate	worst Case)
Inflation Rate	

Additionally, Group has taken in to consideration the occurrence of events such as debt restructuring programs by the Government when determining credit risk and credit losses.

### 6.2 Write-off of Financial Assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

### 6.3 Property, Plant & Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets (including buildings under operating leases where the Group is the lessor) which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

### 6.3.1 Basis of Recognition

Property, Plant & Equipment is recognised 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 2024. 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	10
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).

### 6.3.7 Transfers

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised in profit or loss immediately. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

### 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 De-recognition 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 recognised in the Statement of Financial Position but are disclosed unless they are remote.

Pending legal claims against the Group form part of contingencies.

# 7. MATERIAL 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 capitalised 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 MATERIAL 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 2017and 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'.

### 8.1.1.1 Current Tax

Income Tax rate of 30% is applied on the taxable income of the Company for the financial year ended 31 March 2024.

### 8.1.2. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Temporary differences in relation to a right of use asset and a lease liability for leases are regarded as a net package (Right of use Leased asset) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

### 8.1.2.1 Deferred Tax

Deferred tax assets and liabilities as at ended 31 March 2024, will be assessed based on the income tax rate of 30%.

### 8.1.3 Tax Exposures

In determining the amount of current and deferred tax, the Group considers the favourable/adverse impact to the tax liability due to assessments, revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

### 8.2 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

# 8.3 Withholding Tax (WHT) on dividends distributed by the Company, subsidiaries and associates

### 8.3.1 WHT on dividends distributed by the Company

The prevailing WHT/AIT rate on dividends distributed by the Group to residents/ non-residents is 15%. Dividend paid by the Group will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Company from another resident company.

# 8.3.2 WHT on dividends distributed by the subsidiaries and associate

Dividend income received from subsidiaries and associate is liable to WHT at the rate of 15% which will be a final tax for the Company.

### 8.4 Value Added Tax on Financial Services (VAT FS)

The value addition attributable to the supply of financial services is calculated at the rate of 18% by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits. The amount of VAT FS charged in determining the profit or loss for the period is given in Note 20 on page 232.

### 8.5 Social Security Contribution Levy (SSCL)

The Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

### 8.6 Value Added Tax (VAT)

The VAT rate had been increased from 15% to 18% with effect from January 01, 2024. Further, goods and services which were previously exempt from VAT had been made liable at the rate of 18% effective January 01, 2024.

# 9 MATERIAL 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 2024 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Consolidated Financial Statements.

### 10.1 Classification of liabilities as current or noncurrent (Amendments to LKAS 1).

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants.

# 10.2 Lease liability in a sale and leased back (Amendment to SLFRS 16).

The amendments specifically affect seller lessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as 'lease payments' were excluded.

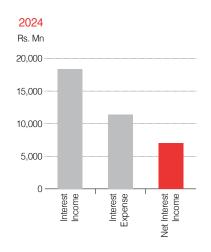
- 10.3 Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7). No material impact on the financial statement of Group.
- 10.4 Lack of Exchangeability (Amendments to LKAS 21). No material impact on the financial statement of Group.
- 10.5 SLFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information).
- 10.6 SLFRS S2 (Climate-related Disclosures).

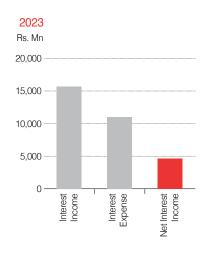
### 11 GROSS INCOME

	Con	npany	Group	
For the Year Ended 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Interest Income ( Note 12.1 )	18,371,636,183	15,675,717,444	18,371,636,183	15,675,717,444
Fee and Commission Income (Note 13)	714,346,044	511,805,140	697,029,377	505,805,140
Net Gain / (Loss) from Trading (Note 14)	239,187	(125,888)	239,187	(125,888)
Net Gain / (Loss) from other Financial Instruments at FVTPL (Note 15)	92,010,886	125,013,492	106,360,511	125,013,492
Other Operating Income ( Note 16)	851,407,011	392,038,236	1,106,034,584	382,455,598
	20,029,639,311	16,704,448,424	20,281,299,842	16,688,865,786

### 12 NET INTEREST INCOME

Interest Income ( Note 12.1)	18,371,636,183	15,675,717,444	18,371,636,183	15,675,717,444
Interest Expense ( Note 12.2)	(11,365,023,712)	(11,013,953,929)	(11,419,214,036)	(11,013,953,929)
	7,006,612,471	4,661,763,515	6,952,422,147	4,661,763,515





### 12.1 Interest Income

	Company		Company Group		oup
For the Year Ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Cash and Cash Equivalents	41,242,349	92,723,526	41,242,349	92,723,526	
Placements with Banks and Other Finance Companies	1,691,315,695	811,108,292	1,691,315,695	811,108,292	
Loans and Receivables to Other Customers ( Note 12.1.1)	13,055,975,098	11,314,547,464	13,055,975,098	11,314,547,464	
Lease Rental and Hire Purchase Receivables ( Note 12.1.2)	2,363,482,877	2,634,881,264	2,363,482,877	2,634,881,264	
Sri Lanka Government Securities	1,210,343,672	817,641,137	1,210,343,672	817,641,137	
Other Financial Assets	9,276,492	4,815,761	9,276,492	4,815,761	
	18,371,636,183	15,675,717,444	18,371,636,183	15,675,717,444	

### 12.1.1 Loans and Receivables to Other Customers

	Com	pany	Group	
For the Year Ended 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs
Loans and Advances	8,583,298,463	7,212,455,898	8,583,298,463	7,212,455,898
Loans against Fixed Deposits	238,221,175	199,094,695	238,221,175	199,094,69
Gold Loans	4,234,455,460	3,902,996,871	4,234,455,460	3,902,996,87
	13,055,975,098	11,314,547,464	13,055,975,098	11,314,547,46
2 Lease Rental and Hire Purchase Receivables				
Hire Purchase	153,644	10,713	153,644	10,71
Lease	2,363,329,233	2,634,870,551	2,363,329,233	2,634,870,55
	2,363,482,877	2,634,881,264	2,363,482,877	2,634,881,26
Interest Expense				
Financial Liabilities at Amortised Cost - Deposits due to Customers	9,021,899,087	7,377,852,417	9,021,899,087	7,377,852,41
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	1,526,646,030	2,792,165,060	1,585,482,071	2,792,165,06
Bank Overdrafts	22,906,022	77,128,413	22,914,022	77,128,41
Subordinated Term Debts	643,054,095	596,619,670	643,054,095	596,619,67
Commercial Papers	11,223,656	74,388,718	40,140,178	74,388,71
Interest Expense on Lease Liabilities (Note 43)	139,294,822	95,799,651	105,724,583	95,799,65
	11,365,023,712	11,013,953,929	11,419,214,036	11,013,953,92
FEE AND COMMISSION INCOME				
Loans and Receivables related services	714,346,044	511,676,889	697,029,377	505,676,88
Other Financial Services	-	128,251	-	128,25
	714,346,044	511,805,140	697,029,377	505,805,14
NET GAIN / (LOSS) FROM TRADING				
Equities				
Net mark- to- market Gain/ (Loss)	138,477	(226,598)	138,477	(226,59
Dividend Income	100,710	100,710	100,710	100,71
	239,187	(125,888)	239,187	(125,88
NET GAIN / (LOSS) FROM OTHER FINANCIAL IN	ISTRUMENTS AT	Γ FVTPL		
Unit Trusts				
Net mark- to- market Gain/ (Loss) (Note 28.1)	92,010,886	125,013,492	106,360,511	125,013,49
	92,010,886	125,013,492	106,360,511	125,013,49

### OTHER OPERATING INCOME 16

	Com	pany	Group		
For the Year Ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Dividend Income - Financial Investments Measured at					
Fair Value Through Other Comprehensive Income	80,256	91,200	80,256	91,200	
Redemption Income - Unit Trusts	104,963,037	21,426,050	107,933,301	21,426,050	
Early Termination Income	626,165,864	268,138,873	626,165,864	268,138,873	
Fair value change in Investment Property	(1,500,000)	-	257,237,400	-	
Gain / (Loss) on Disposal of Property, Plant & Equipment	854,979	3,648,027	854,979	3,648,027	
Service Charges Income	58,818,353	24,616,673	60,478,853	24,616,673	
Rent Income	6,354,507	6,354,507	9,011,128	-	
Other Income	55,670,015	67,762,906	44,272,803	64,534,775	
	851,407,011	392,038,236	1,106,034,584	382,455,598	

### **17** IMPAIRMENT CHARGES / (REVERSALS) AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS

Placements with Banks and Other Finance Companies (Note 27.1)	(1,533,319)	324,579	(1,533,319)	324,579
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Note 17.1)	425,613,215	188,716,130	425,613,215	188,716,130
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Note 17.2)	13,060,693	(91,529,390)	13,060,693	(91,529,390)
Financial Assets at Amortised Cost - Other Financial Assets (Note 33.2)	640,647	63,684	640,647	63,684
	437,781,236	97,575,003	437,781,236	97,575,003

### 17.1 Financial Assets at Amortised Cost - Loans and Receivables to Other Customers

Impairment Charges - Stage 1	28,895,958	(185,156,665)	28,895,958	(185,156,665)
Impairment Charges - Stage 2	158,654,238	39,237,580	158,654,238	39,237,580
Impairment Charges - Stage 3	238,063,019	334,635,215	238,063,019	334,635,215
	425,613,215	188,716,130	425,613,215	188,716,130

### 17.2 Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables

Impairment Charges - Stage 1	5,721,579	(186,181,131)	5,721,579	(186,181,131)
Impairment Charges - Stage 2	7,767,592	(10,560,140)	7,767,592	(10,560,140)
Impairment Charges - Stage 3	(428,478)	105,211,881	(428,478)	105,211,881
	13,060,693	(91,529,390)	13,060,693	(91,529,390)

### PERSONNEL EXPENSES 18

	Company		Group	
For the Year Ended 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Salary & Bonus	1,601,023,368	1,312,669,454	1,601,812,335	1,312,669,454
Retirement Benefit Costs (Note 47.2)	32,440,940	29,041,900	32,440,940	29,041,900
Employer's Contribution to Employee's Provident Fund	118,473,948	100,754,163	118,530,108	100,754,163
Employer's Contribution to Employee's Trust Fund	29,312,289	24,921,365	29,326,329	24,921,365
Staff Welfare Expenses	166,964,531	85,434,815	166,965,311	85,442,025
	1,948,215,076	1,552,821,697	1,949,075,023	1,552,828,907

### 19 **OPERATING PROFIT BEFORE TAXES ON FINANCIAL SERVICES**

Operating Profit Before Taxes on Financial Services is stated after charging all the expenses including the following: :						
Professional Fees	45,142,371	4,789,582	45,346,503	4,992,138		
Auditors Remuneration - Statutory Audit and Audit Related Services	2,270,250	2,018,000	2,950,875	2,623,000		
- Non Audit Services	1,346,817	1,110,000	1,346,817	1,110,000		
Directors Fees and Expenses	7,142,905	6,011,158	7,142,905	6,011,158		
Depreciation of Property, Plant and Equipment	191,795,178	164,559,765	243,209,660	164,559,765		
Amortisation of Intangible Assets	9,263,294	10,213,176	9,638,294	10,213,176		
Amortisation of Right to Use Asset	187,208,358	169,163,734	161,497,048	169,163,734		
Advertising & Related Expenses	141,614,368	108,100,001	141,813,883	108,100,001		
Business Promotion Expenses	60,998,242	35,954,882	60,998,242	35,954,882		
Donations	29,370	30,300	29,370	30,300		
Deposit Insurance Premium	72,941,982	56,151,874	72,941,982	56,151,874		
CROP Insurance Levy	22,414,705	13,100,000	22,414,705	13,100,000		
Personnel Expenses (Note 18)	1,948,215,076	1,552,821,697	1,949,075,023	1,552,828,907		

### TAXES ON FINANCIAL SERVICES

Value Added Tax on Financial Services	1,050,330,784	641,265,670	1,050,330,784	641,265,670
Social Security Contribution Levy	139,058,412	55,854,131	140,437,550	55,854,131
	1,189,389,196	697,119,801	1,190,768,334	697,119,801

### 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.

	Com	pany	Group		
For the Year Ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Current Income Tax Expense on Profits for the Year (					
Note 21.1)	1,387,146,920	629,269,797	1,387,146,920	629,269,797	
(Over)/under provision in respect of previous year	(1,620,506)	236,991	(1,620,506)	236,991	
	1,385,526,414	629,506,788	1,385,526,414	629,506,788	
Deferred Tax (Reversal ) / Charge for the Year ( Note 45.2 )	(71,879,911)	83,978,413	170,724,693	77,850,535	
Deferred Tax (Reversal ) / Charge relating to change in Tax rate ( Note 45.2 )	-	12,422,780	-	12,100,607	
	1,313,646,503	725,907,981	1,556,251,107	719,457,930	

### Reconciliation of Accounting Profit to Income Tax Expense

	Com	pany	Group		
For the Year Ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Profit Before Income Tax	3,455,199,562	2,065,480,132	3,611,185,542	2,046,871,234	
Add : Non deductible Expenses	2,417,465,820	1,674,587,006	2,530,809,722	1,690,169,644	
Less : Tax Deductible Expenses	(1,248,932,795)	(1,409,349,416)	(2,173,070,164)	(1,406,323,156)	
Less : Allowable Credits	-	-	-	-	
Assessable Income	4,623,732,587	2,330,717,722	3,968,925,100	2,330,717,722	
Less : Qualifying Payments	-	-	-	-	
Taxable Income	4,623,732,587	2,330,717,722	3,968,925,100	2,330,717,722	
Current Income Tax Expense @ 30% (2022/23- 24% & 30%)	1,387,119,775	629,241,970	1,387,119,775	629,241,970	
Current Income Tax Expense @ 15% (2022/23- 14% & 15%)	27,145	27,827	27,145	27,827	
	1,387,146,920	629,269,797	1,387,146,920	629,269,797	

### 21.2 Reconciliation of Effective Tax Rate

			Company				Group	
For the Year Ended 31st March		2024		2023		2024		2023
	%	Rs.	%	Rs.	%	Rs.	%	Rs.
Profit Before Income Tax		3,455,199,562		2,065,480,132		3,611,185,542		2,046,871,234
Taxable Income	30% & 15%	1,036,587,013	30% & 24% & 15% & 14%	557,655,647	30% & 15%	1,279,825,052	30% & 24% & 15% & 14 %	562,532,968
Non - Deductible Expenses	21%	725,239,746	22%	452,138,492	70%	759,242,917	22%	447,931,179
Tax Deductible Expenses	-11%	(374,679,839)	-18%	(380,524,342)	-60%	(651,921,049)	-18%	(381,194,350)
Allowable Credits	-	-	0%	-	-	-	0%	-
Effects on Qualifying Payments	-	-	0%	=	-	-	0%	=
Effects on Deferred Taxation	-2%	(71,879,911)	5%	96,401,193	5%	170,724,693	4%	89,951,142
Effects on (Over) / under provision	0%	(1,620,506)	0%	236,991	0%	(1,620,506)	0%	236,991
Total Income Tax Expense	38.0%	1,313,646,503	35%	725,907,981	43.1%	1,556,251,107	35%	719,457,930

### 21.3 Change in Income Tax Rate

### For the year ended 31st March 2023

The Group computed the income tax liability for first six months of the year of assessment 2022/2023 by applying the income tax rate of 24%. The revised income tax rate of 30% and other amendments in line with the Inland Revenue (Amendment) Act No.45 of 2022 were considered to calculate the income tax liability of the Group for second six months of the year of assessment 2022/2023. The deferred tax assets/ liabilities of the Company as at 31st March 2023 were computed using the revised income tax rate of 30%.

### For the year ended 31st March 2024

The Group applied the revised rate of 30% to calculate the income tax and deferred tax assets/ liabilities as at 31st March 2024.

### 21.4 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Company is liable for the surcharge tax of Rs. 665.18 million out of the adjusted taxable income of Rs. 2,660.7 million for the year of assessment 2020/21. The surcharge tax so calculated shall be deemed to be expenditure for the year ended 31st March 2021. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022. An adjustment to the retained earnings as at 01.04.2022 was made in the Statement of Changes in Equity.

<sup>\*</sup> Due to the change in rate of the income tax, the change in deferred tax to the Company for the year ended 31st March 2023 review was Rs.166,522/- and for the group was Rs. (155,651/-).

### **EARNINGS PER SHARE** 22

### 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.

	Com	npany	Group	
For the Year Ended 31st March	2024	2023	2024	2023
Amount used as the Numerator				
Profit for the Year attributable to Equity holders (Rs.)			2,054,934,435	
Number of Ordinary Shares used as the Denominator				
Weighted Average Number of Ordinary Shares (Note 22.1.1)	235,453,400	235,453,400	235,453,400	235,453,400
Basic Earnings Per Share (Rs.)	9.10	5.69	8.73	5.64

### 22.1.1 Weighted Average Number of Ordinary Shares

	Outstandir of Sh	ng Number nares	Weighted Average Number of Shares		
	2024	2023	2024	2023	
Number of shares in issue as at beginning of the year	235,453,400	235,453,400	235,453,400	235,453,400	
Ordinary shares issued in the year	-	-	-		
Number of shares in issue as at end of the year	235,453,400	235,453,400	235,453,400	235,453,400	

### 22.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

### 23 **DIVIDENDS ON ORDINARY SHARES**

	Com	ipany	Group		
For the Year Ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Dividend Paid Per Share					
Gross Dividend Paid for the Financial Year 2022/23 & 2021/22	,,	- / /	235,453,400	470,906,800	
First Interim					
Dividend Paid Per Share for the Financial Year 2022/23 & 2021/22	1.00	2.00	1.00	2.00	

### 24 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 24.1 Classification of Financial Assets and Financial Liabilities As at 31st March 2024 - Company

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	1,952,377,006	1,952,377,006
Placements with Banks and Other Finance Companies	-	-	8,322,519,888	8,322,519,888
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	-	-	3,652,151,999
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	57,895,030,197	57,895,030,197
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	10,346,936,570	10,346,936,570
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800		203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	_	-	5,048,103,209	5,048,103,209
Financial Assets at Amortised Cost - Other Financial Assets	-	-	34,318,758	34,318,758
Total Financial Assets	3,652,151,999	203,800	83,599,285,628	87,251,641,427
			Financial Liabilities at Amortised Cost (AC) Rs.	Total Carrying Amount Rs.
Financial Liabilities				
Bank Overdrafts			1,913,963,888	1,913,963,888
Rental Received in Advance			197,788,433	197,788,433
Financial Liabilities at Amortised Cost - Deposits due to 0	Customers		58,643,446,021	58,643,446,021
Financial Liabilities at Amortised Cost - Interest bearing E	Borrowings		10,786,680,538	10,786,680,538
Subordinated Term Debt			3,331,609,018	3,331,609,018
Lease Liabilities			1,989,370,134	1,989,370,134
Total Financial Liabilities			76,862,858,032	76,862,858,032

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 2024 - Group

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	1,958,980,732	1,958,980,732
Placements with Banks and Other Finance Companies	-	-	8,322,519,888	8,322,519,888
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	4,181,479,931	-		4,181,479,931
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers			57,895,030,197	57,895,030,197
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables			10,346,936,570	10,346,936,570
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	5,048,103,209	5,048,103,209
Financial Assets at Amortised Cost - Other Financial Assets	-	-	34,318,758	34,318,758
Total Financial Assets	4,181,479,931	203,800	83,605,889,354	87,787,573,085
			Financial Liabilities at Amortised Cost (AC) Rs.	Total Carrying Amount Rs.
Financial Liabilities				
Bank Overdrafts			1,913,963,888	1,913,963,888
Rental Received in Advance			216,238,433	216,238,433
Financial Liabilities at Amortised Cost - Deposits due to Customers			58,643,446,021	58,643,446,021
Financial Liabilities at Amortised Cost - Interest bearing Borrowings			12,747,146,583	12,747,146,583
Subordinated Term Debt			3,331,609,018	3,331,609,018
Lease Liabilities			967,091,730	967,091,730
Total Financial Liabilities			77,819,495,673	77,819,495,673

There were no reclassifications or transfers of Financial Assets during the year.

### 24.3 Classification of Financial Assets and Financial Liabilities As at 31st March 2023 - Company

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	2,332,724,111	2,332,724,111
Placements with Banks and Other Finance Companies	-	-	9,860,926,513	9,860,926,513
Reverse Repurchase Agreements	-			
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923	-	-	1,498,552,923
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,581,535,164	50,581,535,164
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables		-	10,789,860,137	10,789,860,137
Financial Investments Measured at Fair Value Through Other Comprehensive Income		203,800		203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	4,169,488,788	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	-	-	28,698,236	28,698,236
Total Financial Assets	1,498,552,923	203,800	77,763,232,949	79,261,989,672
			Financial Liabilities at Amortised Cost (AC)	Total Carrying Amount
			Rs.	Rs.
Financial Liabilities				
Bank Overdrafts			1,561,119,013	1,561,119,013
Rental Received in Advance			176,943,085	176,943,085
Financial Liabilities at Amortised Cost - Deposits due to Customers			49,659,457,138	49,659,457,138
Financial Liabilities at Amortised Cost - Interest bearing Borrowings			13,888,909,088	13,888,909,088
Subordinated Term Debt			3,163,398,140	3,163,398,140
Lease Liabilities			912,495,354	912,495,354

Other than disclosed in Note 32.1 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 2023 - Group

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Financial Assets recognised through Profit or Loss (FVTPL)	Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)	Financial Assets at Amortised Cost (AC)	Total Carrying Amount
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and Cash Equivalents	-	-	2,339,453,098	2,339,453,098
Placements with Banks and Other Finance Companies	-	-	9,860,926,513	9,860,926,513
Reverse Repurchase Agreements	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,501,875,305			1,501,875,305
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	-	-	50,581,535,164	50,581,535,164
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	-	-	10,789,860,137	10,789,860,137
Financial Investments Measured at Fair Value Through Other Comprehensive Income	-	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	-	-	4,169,488,788	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	-	-	28,698,236	28,698,236
Total Financial Assets	1,501,875,305	203,800	77,769,961,936	79,272,041,041
			Financial Liabilities at Amortised	Total Carrying Amount
			Cost (AC)	_
Financial Liabilities			Cost (AC) Rs.	Rs.
			Rs.	
Bank Overdrafts			Rs.	1,561,119,013
Bank Overdrafts Rental Received in Advance Financial Liabilities at Amortised Cost - Deposits due to			Rs. 1,561,119,013 176,943,085	1,561,119,013 176,943,085
Financial Liabilities  Bank Overdrafts  Rental Received in Advance  Financial Liabilities at Amortised Cost - Deposits due to Customers  Financial Liabilities at Amortised Cost - Interest bearing			Rs.  1,561,119,013  176,943,085  49,659,457,138	1,561,119,013 176,943,085 49,659,457,138
Bank Overdrafts  Rental Received in Advance  Financial Liabilities at Amortised Cost - Deposits due to  Customers  Financial Liabilities at Amortised Cost - Interest bearing  Borrowings			Rs.  1,561,119,013  176,943,085  49,659,457,138  15,954,588,101	1,561,119,013 176,943,085 49,659,457,138 15,954,588,101
Bank Overdrafts Rental Received in Advance Financial Liabilities at Amortised Cost - Deposits due to Customers			Rs.  1,561,119,013  176,943,085  49,659,457,138	1,561,119,013 176,943,085 49,659,457,138

There were no reclassifications or transfers of Financial Assets during the year.

### 25 FAIR VALUE OF ASSETS AND LIABILITIES

### 25.1 Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recoognised in the Statement of Financial Position.

		Con	npany			Gr	oup	
As at 31st March 2024	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-Financial Assets								
Property, Plant and Equipment								
Land & Buildings	-	-	411,500,000	411,500,000	-	-	3,866,275,000	3,866,275,000
Investment Properties	-	-	1,178,000,000	1,178,000,000	-	-	-	-
Total Non - Financial Assets at Fair Value	=	=	1,589,500,000	1,589,500,000	-	=	3,866,275,000	3,866,275,000
Financial Assets								
Financial Assets recognised through profit or loss - Measured at fair value								
Equity Shares - Quoted	1,548,423	-	-	1,548,423	1,548,423	-	-	1,548,423
Unit Trusts	-	3,650,603,576	-	3,650,603,576	-	4,179,931,508	-	4,179,931,508
Total Financial Assets at Fair Value	1,548,423	3,650,603,576	-	3,652,151,999	1,548,423	4,179,931,508	-	4,181,479,931
Total Assets at Fair Value	1,548,423	3,650,603,576	1,589,500,000	5,241,651,999	1,548,423	4,179,931,508	3,866,275,000	8,047,754,931

		Con	npany			Gr	oup	
As at 31st March 2023	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-Financial Assets								
Property, Plant and Equipment				_				
Land & Buildings	-	-	391,829,492	391,829,492	-	-	1,571,329,492	1,571,329,492
Investment Properties	-	-	1,179,500,000	1,179,500,000	-	-	-	-
Total Non - Financial Assets at Fair								
Value	_	-	1,571,329,492	1,571,329,492	-	-	1,571,329,492	1,571,329,492
Financial Assets	***************************************							
Financial Assets recognised through profit or loss - Measured at fair value								
Equity Shares - Quoted	1,409,946	-	-	1,409,946	1,409,946	-	-	1,409,946
Unit Trusts	-	1,497,142,977	-	1,497,142,977	-	1,500,465,359	-	1,500,465,359
Total Financial Assets at Fair Value	1,409,946	1,497,142,977	-	1,498,552,923	1,409,946	1,500,465,359	-	1,501,875,305
Total Assets at Fair Value	1,409,946	1,497,142,977	1,571,329,492	3,069,882,415	1,409,946	1,500,465,359	1,571,329,492	3,073,204,797

There were no transfer between levels in Fair Value Hierarchy during the year.

### 25.2 Level 3 Fair Value measurement

### Property, Plant and Equipment

Reconciliation from the beginning balance to the ending balance for the Land and Buildings in the Level 3 of the fair value hierarchy is given in Note 36 of the Financial Statements.

Reconciliation of Revaluation Reserve pertaining to the Land and Buildings in the Level 3 of the fair value hierarchy is given in Statement of Changes in Equity.

Note 36 provides information on significant unobservable inputs / valuation techniques and sensitivity for fair value measurement of Land and Buildings categorised as Level 3 in the fair value hierarchy.

### **Investment Properties**

Reconciliation from the beginning balance to the ending balance for the Investment Properties in the Level 3 of the fair value hierarchy is given in Note 35 of the Financial Statements.

Note 35 provides information on significant unobservable inputs / valuation techniques and sensitivity for fair value measurement of Investment Properties categorised as Level 3 in the fair value hierarchy.

### 25.3 Financial Instruments not measured at Fair Value and Fair Value Hierarchy

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

### Fixed rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (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.

			Company	ýر				5	Group	
As at 31st March 2024	Carrying		Fair Value	Je.		Carrying		Fair	Fair Value	
	Value	Level 1	Level 2	Level 3	Total	Value	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets										
Cash and Cash Equivalents	1,952,377,006	1	1	1	1,952,377,006	1,958,980,732	1	ı	1	1,958,980,732
Placements with Banks and Other Finance Companies	8,322,519,888		ο '	8,322,519,888	8,322,519,888	8,322,519,888		1	8,322,519,888	8,322,519,888
Reverse Repurchase Agreements	,		'	'	1	,	,	'	,	,
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	57,895,030,197	-	- 56	56,571,250,825	56,571,250,825	57,895,030,197	,	1	56,571,250,825	56,571,250,825
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,346,936,570		- 10	,087,144,275	10,087,144,275 10,346,936,570	10,346,936,570	'	'	10,087,144,275 10,087,144,275	0,087,144,275
Financial Assets at Amortised Cost - Debt and other Financial Instruments	5,048,103,209	0'5 -	5,048,103,209	'	5,048,103,209	5,048,103,209	'	5,048,103,209		5,048,103,209
Financial Assets at Amortised Cost - Other Financial Assets	34,318,758			34,318,758	34,318,758	34,318,758		'	34,318,758	34,318,758
	83,599,285,628	- 5,0	5,048,103,209 75,	75,015,233,746 8	82,015,713,961	83,605,889,354	1	5,048,103,209	75,015,233,746 8	82,022,317,687
Financial Liabilities										
Bank Overdrafts	1,913,963,888		1	1	1,913,963,888	1,913,963,888		,		1,913,963,888
Rental Received in Advance	197,788,433	1	1	197,788,433	197,788,433	216,238,433	1	,	216,238,433	216,238,433
Financial Liabilities at Amortised Cost - Deposits due to Customers	58,643,446,021	,	- 61,	61,637,698,603	61,637,698,603	58,643,446,021	'	'	61,637,698,603	61,637,698,603
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	10,786,680,538	'	- 10	888,805,886	10,888,805,886 10,888,805,886 12,747,146,583	12,747,146,583	'	1	12,791,430,396 12,791,430,396	2,791,430,396
Subordinated Term Debt	3,331,609,018	1	С	3,331,609,018	3,331,609,018	3,331,609,018	1	1	3,331,609,018	3,331,609,018
Lease Liabilities	1,989,370,134	ı	- 1,	1,989,370,134	1,989,370,134	967,091,730	ı	ı	967,091,730	967,091,730
	76.862.858.032	,	- 78	78 045 272 074	70 050 735 067	77 810 405 673			78 044 069 180	80 858 032 068

			Com	Company				Group	유	
As at 31st March 2023	Carrying		Fair \	Fair Value		Carrying		Fair Value	ılue	
	Value	Level 1	Level 2	Level 3	Total	Value	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets										
Cash and Cash Equivalents	2,332,724,111	'	1	'	2,332,724,111	2,339,453,098	'	,	1	2,339,453,098
Placements with Banks and Other Finance Companies	9,860,926,513	'	,	9,860,926,513	9,860,926,513	9,860,926,513	'	,	9,860,926,513	9,860,926,513
Reverse Repurchase Agreements	1	,	,	'	'	'		,	,	,
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	50,581,535,164	1		45,147,970,134	45,147,970,134 45,147,970,134 50,581,535,164	50,581,535,164	,	4 -	5,147,970,134	45,147,970,134 45,147,970,134
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,789,860,137	,	,	10,793,315,586	10,793,315,586 10,793,315,586	10,789,860,137		- 1	0,793,315,586	10,793,315,586 10,793,315,586
Financial Assets at Amortised Cost - Debt and other Financial Instruments	4,169,488,788	,	4,169,488,788	,	4,169,488,788	4,169,488,788	,	4,169,488,788	,	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	28,698,236			28,698,236	28,698,236	28,698,236	,		28,698,236	28,698,236
	77,763,232,949		4,169,488,788	65,830,910,469	72,333,123,368	77,769,961,936	,	4,169,488,788 6	65,830,910,469	72,339,852,355
Financial Liabilities										
Bank Overdrafts	1,561,119,013	,	,	,	1,561,119,013	1,561,119,013	,	,	,	1,561,119,013
Rental Received in Advance	176,943,085	,	,	176,943,085	176,943,085	176,943,085	,	,	176,943,085	176,943,085
Financial Liabilities at Amortised Cost - Deposits due to Customers	49,659,457,138	,	1	49,482,000,759	49,482,000,759 49,659,457,138	49,659,457,138	,	4 -	9,482,000,759	49,482,000,759 49,482,000,759
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	13,888,909,088			6,586,192,591	6,586,192,591	15,954,588,101			8,246,067,404	8,246,067,404
Subordinated Term Debt	3,163,398,140	,	•	3,163,398,140	3,163,398,140	3,163,398,140	,	•	3,163,398,140	3,163,398,140
Lease Liabilities	912,495,354	'	,	912,495,354	912,495,354	912,495,354			912,495,354	912,495,354
	69,362,321,818	,	,	60,321,029,929	61,882,148,942	71,428,000,831	,	9 -	61,980,904,743	63,542,023,756

### 26 **CASH AND CASH EQUIVALENTS**

	Com	pany	Gro	oup
As at 31st March	2024	2023	2024	202
	Rs.	Rs.	Rs.	R
Cash & Cash equivalents ( Note 26.1 )	1,952,377,006	2,332,724,111	1,958,980,732	2,339,453,09
Bank Overdrafts ( Note 26.2 )	(1,913,963,888)	(1,561,119,013)	(1,913,963,888)	(1,561,119,01
Net cash and Cash Equivalents	38,413,118	771,605,098	45,016,844	778,334,08
Cash at Bank	1,286,227,321	1,999,628,792	1,292,811,027	2,006,307,75
Cash in Hand	666,149,685	333,095,319	666,169,705	333,145,33
	1,952,377,006	2,332,724,111	1,958,980,732	2,339,453,09
Bank Overdrafts	(1,913,963,888)	(1,561,119,013)	(1,913,963,888)	(1,561,119,01
PLACEMENTS WITH BANKS AND OTHER FINAN Placements with Banks and Other Finance Companies	8,322,852,735	9,862,792,679	8,322,852,735	9,862,792,67
		9,862,792,679 (1,866,166)	8,322,852,735 (332,847)	9,862,792,67
Placements with Banks and Other Finance Companies	8,322,852,735			(1,866,16
Placements with Banks and Other Finance Companies	8,322,852,735 (332,847)	(1,866,166)	(332,847)	(1,866,16
Placements with Banks and Other Finance Companies Allowance for Impairment (Note : 27.1)	8,322,852,735 (332,847)	(1,866,166)	(332,847)	(1,866,16 9,860,926,5 <sup>2</sup>
Placements with Banks and Other Finance Companies Allowance for Impairment (Note : 27.1)  Movement in Stage 1 Impairment	8,322,852,735 (332,847) 8,322,519,888	(1,866,166) 9,860,926,513	(332,847) 8,322,519,888	

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) 28

	Com	pany	Gro	oup
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Quoted Equities (Note 28.1)	1,548,423	1,409,946	1,548,423	1,409,946
Unquoted Units in Unit Trusts (Note 28.2)	3,650,603,576	1,497,142,977	4,179,931,508	1,500,465,359
	3,652,151,999	1,498,552,923	4,181,479,931	1,501,875,305

### 28.1 Investments in Quoted Equities

Balance at the Beginning of the year	1,409,946	1,636,544	1,409,946	1,636,544
Gain / (Loss) from marked to market valuation	138,477	(226,598)	138,477	(226,598)
Balance at the End of the year	1,548,423	1,409,946	1,548,423	1,409,946

			Company	any					Group	dn		
As at 31st March	2024	4			2023			2024			2023	
	No of Ordinary shares	Cost Fair Value	Value	No of Ordinary shares	Cost	Fair Value	No of Ordinary shares	Cost	Fair Value	No of Ordinary shares	Cost	Fair Value
		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
Bank, Finance & Insurance												
Singer Finance ( Lanka ) PLC	125,888 2,261,651 1,548,423 125,888 2,261,651 1,409,946 125,888 2,261,651 1,548,423 125,888 2,261,651 1,409,946	551 1,548	3,423	125,888 2,	261,651	1,409,946	125,888 2	,261,651	1,548,423	125,888 2	,261,651	1,409,946
Total Quoted Equities	2,261,	2,261,651 1,548,423	3,423	2,	261,651	2,261,651 1,409,946	2	2,261,651 1,548,423	1,548,423	2	2,261,651 1,409,946	1,409,946

	Ų	2	
•	2	=======================================	
		2 = 2	
7			
	5		
	2	2	
(	`	7.07	
(	•	۷	

כ	company	5	dnois
2024	1 2023	2024	2023
Rs	Rs.	Rs.	Rs.
776,241,794,1	312,378,864	1,500,465,359	794,785,315
1,956,486,676	1,038,324,571	2,465,172,337	542,963,306
92,010,886	125,013,492	106,360,511	141,290,689
10		107,933,301	21,426,050
3,650,603,57	3,650,603,576 1,497,142,977 4,179,931,508	4,179,931,508	1,500,465,359
75,509,059,8	1,497,142,977		4,179,931,508

		Company	any					Group	٩		
As at 31st March		2024		2023		Š	2024			2023	
	No of Units	Cost Fair Value	No of Units	Cost Fai	Fair Value	No of Units	Cost	Fair Value	No of Units	Cost	Fair Value
		Rs. Rs.		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
Capital Alliance Income Fund	1		3,972,984	3,972,984 100,000,000 106,183,155	16,183,155	,	'	,	3,972,984	100,000,000	3,972,984 100,000,000 106,183,155
NDB Wealth Money Plus Fund	111,490,599 3,645	111,490,599 3,645,943,269 3,650,603,576	51,107,602	1,272,129,485 1,39	10,959,822	51,107,602 1,272,129,485 1,390,959,822 127,656,443 4,170,070,063 4,179,931,508	,070,063 4,	179,931,508	ч,	1,275,449,608	51,107,602 1,275,449,608 1,394,282,204
	3,645	3,645,943,269 3,650,603,576		1,372,129,485 1,497,142,977	17,142,977	4,170,	,070,063 4,	4,170,070,063 4,179,931,508		1,375,449,608	1,375,449,608 1,500,465,359

# FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES TO OTHER CUSTOMERS 29

	Company	pany	Group	dno
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Gross Loans and Receivables to Other Customers	60,195,057,710	60,195,057,710 52,418,101,718 60,195,057,710 52,418,101,718	60,195,057,710	52,418,101,718
Allowance for Impairment	(2,300,027,513)	2,300,027,513) (1,836,566,554) (2,300,027,513) (1,836,566,554)	(2,300,027,513)	(1,836,566,554)
Net Loans and Receivables to Other Customers (Note 29.1)	57,895,030,197	57,895,030,197 50,581,535,164 57,895,030,197 50,581,535,164	57,895,030,197	50,581,535,164

# 29.1 Loans and Receivables to Other Customers

			Con	ompany					ទ័	Group		
As at 31st March		2024			2023			2024			2023	
	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	Carrying Amount
	RS.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	.S	.S
Receivable on Loans and advances	43,327,556,644	43,327,556,644 (2,098,844,972) 4	11,228,711,672	41,228,711,672 36,101,277,155	(1,641,991,060) 34,459,286,095	34,459,286,095	43,327,556,644	- :	41,228,711,672	36,101,277,155	(2,098,844,972) 41,228,711,672 36,101,277,155 (1,641,991,060) 34,459,286,095	34,459,286,095
Receivable on Loans against fixed deposits	1,185,256,937	256,937	1,185,256,937	968,187,303	,	968,187,303	1,185,256,937	,	1,185,256,937	968,187,303	,	968,187,303
Receivable on Micro Finance Loans	5,432,991	(5,432,991)	1	5,467,359	(5,467,359)	,	5,432,991	(5,432,991)	1	5,467,359	(5,467,359)	
Receivable on Gold Loans	15,676,811,138	15,676,811,138 (195,749,550) 1	15,481,061,588	15,343,169,901	(189,108,135)	(189,108,135) 15,154,061,766 15,676,811,138	15,676,811,138	(195,749,550)	(195,749,550) 15,481,061,588 15,343,169,901	15,343,169,901	(189,108,135)	189,108,135) 15,154,061,766
	60,195,057,710	60,195,057,710 (2,300,027,513)	77,895,030,197	57,895,030,197 52,418,101,718	(1,836,566,554) 50,581,535,164	50,581,535,164	50,195,057,710	60,195,057,710 (2,300,027,513) 57,895,030,197 52,418,101,718 (1,836,566,554) 50,581,535,164	57,895,030,197	52,418,101,718	(1,836,566,554)	50,581,535,164

# 29.2 Movement in Provision for Impairment During the Year

	Company	Jally	dnois	d n
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
of the year	1,836,566,554	1,603,737,060	1,836,566,554	1,603,737,060
Net impairment charge /(reversal) for the year	463,460,959	232,829,494	463,460,959	232,829,494
Balance as at the end of the year	2,300,027,513	1,836,566,554	2,300,027,513 1,836,566,554 2,300,027,513 1,836,566,554	1,836,566,554

### 29.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

	-		_						
	Company								
As at 31st March		20	24		2023				
	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	418,557,449	298,511,521	1,119,497,584	1,836,566,554	603,714,114	259,273,941	740,749,005	1,603,737,060	
Changes due to loans and receivables recognised in opening balance that have:									
Transferred from 12 Month ECL	(42,139,010)	36,457,575	5,681,435	-	(62,596,249)	50,415,770	12,180,479	-	
Transferred from Lifetime ECL not- credit impaired	33,457,499	(55,699,128)	22,241,629	-	102,802,165	(141,172,361)	38,370,196	-	
Transferred from Lifetime ECL credit impaired	12,596,242	15,521,169	(28,117,411)	-	19,584,127	55,136,685	(74,720,812)	-	
Interest accrued / (reversals) on impaired loans and advances	-	-	37,847,744	37,847,744	-	-	44,113,364	44,113,364	
Net remeasurement of loss allowance	24,981,227	162,374,622	238,257,366	425,613,215	(244,946,708)	74,857,486	358,805,352	188,716,130	
Balance as at the end of the year	447,453,407	457,165,759	1,395,408,347	2,300,027,513	418,557,449	298,511,521	1,119,497,584	1,836,566,554	

	Group								
As at 31st March		20	)24			2023			
	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	418,557,449	298,511,521	1,119,497,584	1,836,566,554	603,714,114	259,273,941	740,749,005	1,603,737,060	
Changes due to loans and receivables recognised in opening balance that have:									
Transferred from 12 Month ECL	(42,139,010)	36,457,575	5,681,435	-	(62,596,249)	50,415,770	12,180,479	=	
Transferred from Lifetime ECL not- credit impaired	33,457,499	(55,699,128)	22,241,629	-	102,802,165	(141,172,361)	38,370,196	-	
Transferred from Lifetime ECL credit impaired	12,596,242	15,521,169	(28,117,411)	-	19,584,127	55,136,685	(74,720,812)	-	
Interest accrued / (reversals) on impaired loans and advances	-	-	37,847,744	37,847,744	-	-	44,113,364	44,113,364	
Net remeasurement of loss allowance	24,981,227	162,374,622	238,257,366	425,613,215	(244,946,708)	74,857,486	358,805,352	188,716,130	
Balance as at the end of the year	447,453,407	457,165,759	1,395,408,347	2,300,027,513	418,557,449	298,511,521	1,119,497,584	1,836,566,554	

### 30 FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTAL AND HIRE PURCHASE RECEIVABLES

		Com	pany	Gre	Group		
	As at 31st March	2024	2023	2024	2023		
		Rs.	Rs.	Rs.	Rs.		
30.1	Hire Purchase Receivable (Note 30.1.1)	-	-	-	-		
30.2	Lease Rental Receivable (Note 30.2.1)	10,346,936,570	10,789,860,137	10,346,936,570	10,789,860,137		
		10,346,936,570	10,789,860,137	10,346,936,570	10,789,860,137		

### 30.1.1 Hire Purchase Receivable

	Com	pany	Gro	Group		
As at 31st March	2024	2023	2024	2023		
	Rs.	Rs.	Rs.	Rs.		
Hire purchase receivables within one year	105,271,516	111,914,353	105,271,516	111,914,353		
Hire purchase receivables after one year but before five years	-	-	-	-		
Hire purchase receivables after five years	-	-	-	-		
Total Hire Purchase Receivable	105,271,516	111,914,353	105,271,516	111,914,353		
Unearned Income	-	-	-	-		
Gross Hire Purchase Receivable	105,271,516	111,914,353	105,271,516	111,914,353		
Allowance for Impairment	(105,271,516)	(111,914,353)	(105,271,516)	(111,914,353)		
Net Hire Purchase Receivable	-	-	-	-		

### 30.1.2 Movement in Provision for Impairment During the Year

Balance as at the beginning of the year	111,914,353	115,030,378	111,914,353	115,030,378
Net impairment charge /(reversal) for the year	(6,642,837)	(3,116,025)	(6,642,837)	(3,116,025)
Balance as at the end of the year	105,271,516	111,914,353	105,271,516	111,914,353

## 30.1.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

	Company									
As at 31st March		2	024		2023					
	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	-	-	111,914,353	111,914,353	-	-	115,030,378	115,030,378		
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	-	-	(87,773)	(87,773)	-	-	(46,819)	(46,819)		
Net remeasurment of loss allowance	-	-	(6,555,064)	(6,555,064)	-	-	(3,069,206)	(3,069,206)		
Balance as at the end of the year	-	-	105,271,516	105,271,516	-	-	111,914,353	111,914,353		

	Group							
As at 31st March		2	024			2	023	
	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 3: Lifetime ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	-	-	111,914,353	111,914,353	-	-	115,030,378	115,030,378
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	-	-	(87,773)	(87,773)	-	-	(46,819)	(46,819)
Net remeasurement of loss allowance	-	-	(6,555,064)	(6,555,064)	-	-	(3,069,206)	(3,069,206)
Balance as at the end of the year	-	=	105,271,516	105,271,516	-	=	111,914,353	111,914,353

### 30.2.1 Lease Rental Receivable

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Lease Rental receivable within one year	7,577,588,182	7,482,814,955	7,577,588,182	7,482,814,955	
Lease Rental receivable after one year but before five years	7,117,612,824	7,485,965,446	7,117,612,824	7,485,965,446	
Lease Rental receivable after five years	-	-	-	-	
Total Lease Rental receivable	14,695,201,006	14,968,780,401	14,695,201,006	14,968,780,401	
Unearned Income	(3,161,450,142)	(3,020,282,949)	(3,161,450,142)	(3,020,282,949)	
Gross Lease Rental receivable	11,533,750,864	11,948,497,452	11,533,750,864	11,948,497,452	
Allowance for Impairment	(1,186,814,294)	(1,158,637,315)	(1,186,814,294)	(1,158,637,315)	
Net Lease Rental receivable	10,346,936,570	10,789,860,137	10,346,936,570	10,789,860,137	

## 30.2.2 Movement in Provision for Impairment During the Year

Balance as at the beginning of the year	1,158,637,315	1,217,629,024	1,158,637,315	1,217,629,024
Net impairment charge /(reversal) for the year	28,176,979	(58,991,709)	28,176,979	(58,991,709)
Balance as at the end of the year	1,186,814,294	1,158,637,315	1,186,814,294	1,158,637,315

## 30.2.3 Movement in Allowance for Expected Credit Losses (Stage Transition)

	Company								
As at 31st March		2	024			20	23		
	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	108,694,166	222,864,891	827,078,256	1,158,637,315	294,875,297	233,425,031	689,328,694	1,217,629,024	
Changes due to Lease Rental Receivables recognised in opening balance that have:									
Transferred from 12 Month ECL	(40,155,190)	36,437,838	3,717,352	-	(67,637,913)	50,793,343	16,844,570	-	
Transferred from Lifetime ECL not-credit impaired	47,851,959	(78,155,877)	30,303,918	-	82,055,392	(120,587,956)	38,532,564	-	
Transferred from Lifetime ECL credit impaired	20,745,456	14,314,477	(35,059,934)	-	38,788,297	33,630,289	(72,418,586)	-	
Interest accrued / (reversals) on impaired loans and advances	-	-	8,561,223	8,561,223	-	-	29,468,475	29,468,475	
Net remeasurement of loss allowance	(22,720,646)	35,171,154	7,165,248	19,615,756	(239,386,907)	25,604,184	125,322,539	(88,460,184)	
Balance as at the end of the year	114,415,745	230,632,483	841,766,063	1,186,814,294	108,694,166	222,864,891	827,078,256	1,158,637,315	

	Group									
As at 31st March		20	024			20	)23			
	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	108,694,166	222,864,891	827,078,256	1,158,637,315	294,875,297	233,425,031	689,328,694	1,217,629,024		
Changes due to Lease Rental Receivables recognised in opening balance that have:										
Transferred from 12 Month ECL	(40,155,190)	36,437,838	3,717,352	-	(67,637,913)	50,793,343	16,844,570	-		
Transferred from Lifetime ECL not-credit impaired	47,851,959	(78,155,877)	30,303,918	-	82,055,392	(120,587,956)	38,532,564	-		
Transferred from Lifetime ECL credit impaired	20,745,456	14,314,477	(35,059,934)	-	38,788,297	33,630,289	(72,418,586)	-		
Interest accrued / (reversals) on impaired loans and advances	-	-	8,561,223	8,561,223	-	-	29,468,475	29,468,475		
Net remeasurement of loss allowance	(22,720,646)	35,171,154	7,165,248	19,615,756	(239,386,907)	25,604,184	125,322,539	(88,460,184)		
Balance as at the end of the year	114,415,745	230,632,483	841,766,063	1,186,814,294	108,694,166	222,864,891	827,078,256	1,158,637,315		

## 31 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Unquoted Equities - (Note 31.1)	203,800	203,800	203,800	203,800	
Government of Sri Lanka Treasury Bonds (Note 31.2 & Note 32.1)	-	-	-		
	203,800	203,800	203,800	203,800	

## 31.1 Unquoted Equities

			Com	ipany	Gre	oup
As at 31st March	No of	Cost of	Market Value	Market Value	Market Value	Market Value
	Ordinary	investment	as at	as at	as at	as at
	shares		31/03/2024	31/03/2023	31/03/2024	31/03/2023
		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

- **31.1.1** The Group designated the investments shown above as equity securities of FVOCI because these equity securities represent investments that Group intend to hold for the long term strategic purpose.
- **31.1.2** The fact that there was no strategic investment disposed during the year and there was no transfer of any cumulative gain/loss within equity relating to the investment classified as FVTOCI.

## 31.2 Government of Sri Lanka Treasury Bonds

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Balance at the beginning of the year		1,737,611,464		1,737,611,464	
Movement During the year	-	-		-	
Reversal or Gain/(Loss) on marked to market valuation	-	-	-	-	
Reclassification to profit or loss due to derecognition	-	297,777,200	-	297,777,200	
Reclassification of treasury bonds at FVOCI to amortised					
cost	-	(2,035,388,664)	-	(2,035,388,664)	
Balance at the End of the year	-	-	-	-	

#### 32 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Government of Sri Lanka Treasury Bills	2,971,451,922	2,113,967,550	2,971,451,922	2,113,967,550	
Government of Sri Lanka Treasury Bond (Note 32.1)	2,076,651,287	2,055,521,238	2,076,651,287	2,055,521,238	
	5,048,103,209	4,169,488,788	5,048,103,209	4,169,488,788	

## 32.1 Reclassification of Government of Sri Lanka Treasury Bonds

The Company reclassified bulk of its Treasury Bond Portfolio amounting to Rs. 1,999.76 Mn in Fair Value Through Other Comprehensive Income (FVOCI) category to Amortised Cost category, with effect from 1st April 2022, as a result of changes to the business model of managing the assets due to unprecedented changes in the macro-economic conditions in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio.

32.2 The fair value of the reclassified debt portfolio as at 31st March 2024 amounted to Rs.2,000.95 Mn (2022/23- Rs.1,227.45 Mn) and the cumulative fair value loss amounted to Rs.41.4 Mn (2022/23- Rs.772.3 Mn).

#### 33 FINANCIAL ASSETS AT AMORTISED COST - OTHER FINANCIAL ASSETS

Com	pany	Group							
2024	2023	2024	2023						
Rs.	Rs.	Rs.	Rs.						
36,067,860	29,806,691	36,067,860	29,806,691						
(1,749,102)	(1,108,455)	(1,749,102)	(1,108,455)						
34,318,758	28,698,236	34,318,758	28,698,236						
29,806,691	14,692,501	29,806,691	14,692,501						
	2024 Rs. 36,067,860 (1,749,102) 34,318,758	Rs.       Rs.         36,067,860       29,806,691         (1,749,102)       (1,108,455)         34,318,758       28,698,236	2024       2023       2024         Rs.       Rs.       Rs.         36,067,860       29,806,691       36,067,860         (1,749,102)       (1,108,455)       (1,749,102)         34,318,758       28,698,236       34,318,758						

		, ,	29,806,691	14,692,501
Granted during the year	48,931,000	45,930,500	48,931,000	45,930,500
Recovered during the year	(43,764,754)	(28,311,716)	(43,764,754)	(28,311,716)
Net change in Prepaid Staff Cost during the year	1,094,923	(2,504,594)	1,094,923	(2,504,594)
Balance at the end of the year	36,067,860	29,806,691	36,067,860	29,806,691

33.1

## 33.2 Allowance for Impairment

	Com	ipany	Gr	oup
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	1,108,455	1,044,771	1,108,455	1,044,771
Net Impairment charge during the year	640,647	63,684	640,647	63,684
Balance at the end of the year	1,749,102	1,108,455	1,749,102	1,108,455

#### 34 INVESTMENT IN A SUBSIDIARY

	Com	npany
As at 31st March	2024	2023
	Rs.	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 development and maintenance of the Corporate office complex for Vallibel Finance PLC.

Cost is assumed to be the best approximation for the market value of the investment as at 31st March 2024. There were no any restriction on its ability to access or use assets and settlement of liabilities of the Group.

#### 35 INVESTMENT PROPERTY

	Com	pany	Gr	oup
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Cost/Valuation				
As at beginning of the year	1,179,500,000	1,179,500,000	-	-
Additions during the year	-	-	-	-
Transfers from Property, Plant and Equipment	-	-	842,987,600	-
Fair value gains /(losses) during the year	(1,500,000)	-	257,237,400	
Disposals during the year	-	-	-	-
As at end of the year	1,178,000,000	1,179,500,000	1,100,225,000	-

- **35.1** The Company leased a bare land situated at Galle road, Colombo 03 extent of 42.12 perch for its fully owned subsidiary Vallibel Properties Ltd.
- 35.2 The Company earned Rs. 6,354,507/- (2022/23- Rs.6,354,507/-) during the year as rental income from the investment property.
- **35.3** Land is not depreciated under normal circumstances.
- 35.4 The above property is pledged as security for borrowing obtained amounting to Rs. 1.8 Bn from Commercial Bank of Ceylon, which outstanding balance amounting Rs. 1.17 Bn as at 31st March 2024 (2022/23-Rs. 1.53 Bn).
- 35.5 The Company charge a fee for providing a corporate grantee for above loan and a Short term Loan amounting Rs. 350 Mn from Commercial Bank of Ceylon obtained by Vallibel Properties Limited . The Company earned Rs. 17,316,667/-during the year as a grantee commission from the Vallibel Properties Limited.

35.6 The Investment Property in the group includes the fairvalue of four floors of the Corporate Office Complex which are not occupied by the Company. One floor has been leased out to First Capital Equities Pvt Ltd as at 31st March 2024.

## 35.7 Details of Investment Property of the Company is given below.

Investment Property - Extent and Location

Location and address of the Property	Number of Buildings	Buildings	Extent (Perches)	Fair Value of the Investment Property	Carrying value of the Investment Property before fair valuation
		Sq.ft.		Rs.	Rs.
No.480, Kollupitiya Road, Colombo 03	-	-	42.12	1,178,000,000	1,179,500,000
Corporate Office Complex	04 Floors	41,913	-	1,100,225,000	842,987,600

Investment Property - Valuation Date of valuation: 31st March 2024

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	Fair Value of the Investment Property	Fair Value gain /(loss) recognised in Income Statement
			Rs.	Rs.	Rs.
No.480, Kollupitiya Road, Colombo 03	Market Comparable & DRC Method				
Company	- Price per perch for land	Rs.28,000,000 p.p appox.	1,100,000,000	1,178,000,000	78,000,000
Group	- Value per sq.ft for building (for 4 floors)	Rs. 26,250 p.sq.ft appox.	842,987,600	1,100,225,000	257,237,400

## Valuation techniques and sensitivity of the fair value measurement of the Investment Property 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	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)
Depreciated Replacement Cost (DRC) method		
This method has been used to estimate the value of buildings. This method is primarily applied to assets that are unique in nature and not frequently traded. Replacement cost refers to the estimated amount required to replace and asset with	Replacement costs : Estimated based on current market conditions and recent construction costs.	Replacement cost would increase / (decrease)
a new one of similar utility and function at current prices. This includes direct costs such as materials, labour and related expenses necessary to bring the asset to operational condition. Depreciation considers the reduction in value due to physical deterioration, functional and economic obsolescence.	Depreciation rates: Reflecting the physical, functional, and economic depreciation of the assets.	Depreciation rate for building would decrease / (increase)

36 PROPERTY, PLANT AND EQUIPMENT 36.1 Property, Plant and Equipment - Company	PMENT t - Company									
As at 31st March	Freehold Land	Freehold Building	Building on Leasehold Land	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Capital WIP	Total	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	2024 Rs.	2023 Rs.
Cost/Valuation										
As at 01st April	284,500,000	115,000,000	1,950,000	223,013,724	609,868,299	249,435,040	81,570,065	1	1,565,337,128	1,390,373,169
Additions during the year	,	,	,	72,478,603	208,665,836	980'068'22	000'069	1	359,724,525	181,366,554
Transfer during the year			'	236,030	348,251	(584,281)		,	1	
Transfer of accumulated depreciation on assets revalued		(15,355,010)	,	1	1	'	'	1	(15,355,010)	
Surplus on Revaluation of property	17,750,000	9,605,010	1	1	•	1		1	27,355,010	
Disposals during the year				1	(5,665,809)	(4,750,766)	(3,050,840)	,	(13,467,415)	(6,402,595)
As at 31st March	302,250,000	109,250,000	1,950,000	295,728,357	813,216,577	321,990,079	79,209,225	1	1,923,594,238	1,565,337,128
Accumulated Depreciation										
As at 01st April	1	7,670,508	1,397,500	160,386,899	383,496,809	165,399,929	74,139,493	1	792,491,138	634,180,047
Depreciation for the year		7,684,502	195,445	33,406,213	108,466,763	38,600,789	3,441,466	1	191,795,178	164,559,765
Transfer of accumulated depreciation on assets revalued	•	(15,355,010)	'	1	'	•	•	,	(15,355,010)	
Disposals during the year		•	•	•	(5,604,341)	(4,737,776)	(3,050,842)		(13,392,959)	(6,248,674)
As at 31st March	,	'	1,592,945	193,793,112	486,359,231	199,262,942	74,530,117	'	955,538,347	792,491,138
Carrying Amount										
As at 31st March 2024	302,250,000	109,250,000	357,055	101,935,245	326,857,346	122,727,137	4,679,108	1	968,055,891	
As at 31st March 2023	284,500,000	107,329,492	552,500	62,626,825	226,371,490	84,035,111	7,430,572	1		772,845,990

d
ent - Grou
d Equipme
Plant and
Property,
36.2

30.2 Flobelty, Flaint and Equipment - Gloup	dno 15 - 1									
As at 31st March	Freehold Land	Freehold Building	Building on Leasehold Land	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Capital WIP	Total	Total
									2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation										
As at 01st April	1,464,000,000	115,000,000	1,950,000	223,013,724	609,868,299	249,435,040	81,570,065	2,022,083,800	4,766,920,928	3,842,482,635
Additions during the year	,			72,478,603	208,665,833	77,890,034	000'069	625,719,856	985,444,326	930,840,888
Transfer during the year		1,744,456,394		236,030	20,009,034	40,114,598	,	(2,647,803,656)	(842,987,600)	
Transfer of accumulated depreciation on assets revalued		(60,816,211)	'					1	(60,816,211)	
Surplus on Revaluation of property	16,250,000	587,384,817	,	•	•	1	1	1	603,634,817	
Disposals during the year				•	(5,665,809)	(4,750,766)	(3,050,840)		(13,467,415)	(6,402,595)
As at 31st March	1,480,250,000	2,386,025,000	1,950,000	295,728,357	832,877,357	362,688,906	79,209,225	ı	5,438,728,845	4,766,920,928
Accumulated Depreciation										
As at 01st April		7,670,508	1,397,500	160,386,899	383,496,809	165,399,929	74,139,493	1	792,491,138	634,180,047
Depreciation for the year	,	53,145,703	195,445	33,406,213	110,405,908	42,614,925	3,441,466	,	243,209,660	164,559,765
Transfer of accumulated depreciation on assets revalued		(60,816,211)	,		,		,	1	(60,816,211)	
Disposals during the year				•	(5,604,341)	(4,737,776)	(3,050,842)		(13,392,959)	(6,248,674)
As at 31st March	1		1,592,945	193,793,112	488,298,376	203,277,078	74,530,117	1	961,491,628	792,491,138
Carrying Amount										
As at 31st March 2024	1,480,250,000	2,386,025,000	357,055	101,935,245	344,578,981	159,411,828	4,679,108	•	4,477,237,217	
As at 31st March 2023	1,464,000,000	107,329,492	552,500	62,626,825	226,371,490	84,035,111	7,430,572	2,022,083,800		3,974,429,790

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: 36.3

			Com	Company					ច់	Group		
As at 31st March	As at	As at 31st March 2024	024	As at	As at 31st March 2023	123	As at	As at 31st March 2024	024	As a	As at 31st March 2023	023
	Cost	Cost Accumulated Net Depreciation Value	Net Book Value	Cost A	Cost Accumulated Depreciation	Net Book Value	Cost	Cost Accumulated Depreciation	Net Book Value	Cost	Cost Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Class of Asset												
Freehold Land	284,500,000	,	284,500,000	152,219,000	,	152,219,000	- 152,219,000 1,179,500,000	1	- 1,179,500,000 1,248,088,000	1,248,088,000	1	- 1,248,088,000
Freehold Building	115,000,000	15,355,010	115,000,000 15,355,010 99,644,990	56,376,607	7,670,508	48,706,099	7,670,508 48,706,099 1,744,456,394 45,461,201 1,698,995,193 56,376,607 19,161,599 37,215,008	45,461,201	1,698,995,193	56,376,607	19,161,599	37,215,008
	399,500,000 15,355,010 384,1	15,355,010	384,144,990	44,990 208,595,607	7,670,508	200,925,099	7,670,508 200,925,099 2,923,956,394 45,461,201 2,878,495,193 1,304,464,607 19,161,599 1,285,303,008	45,461,201	2,878,495,193	1,304,464,607	19,161,599	1,285,303,008

36.4 Details of freehold properties of the Company & Group are given below.

Freehold land & buildings - Extent and Locations

באניון מוא במתוכוים							
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			111,750,000		111,750,000	106,400,000
No. 126-5, Highlevel Road, Maharagama.		12,240	_		58,750,000	58,750,000	53,028,464
Kirihathooda Branch	100			72 500 000		72 500 000	70 000 000
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda		2,626	<u></u>		12,500,000	12,500,000	11,264,216
	C P						000 000 1
Galle Branch	5./0			80,000,000		80,000,000	/4,000,000
No. 128, Main Street , Galle		2,812	_		11,000,000	11,000,000	10,744,329
Chilaw Branch	10.00			20,000,000		20,000,000	18,000,000
No. 84, Kurunegala Road, Chilaw		2,144	_		000'000'6	000'000'6	8,231,543
Embilipitiya Branch	9.77			18,000,000		18,000,000	16,100,000
No. 103, New Town Road, Embilipitiya		3,776	_		18,000,000	18,000,000	16,376,437
Corporate Office Complex	42.12			1,178,000,000		1,178,000,000	1,179,500,000
No.480, Galle Road , Colombo 03		86,664	86,664 10/14floors		2,276,775,000	2,276,775,000	1,698,995,193

Freehold land & buildings - Valuations Date of valuation : 31st March 2024

Name of Independent Professional Valuer / Location and address of the	Method of valuation and significant unobservable inputs	Range of estimates for unobservable	Net Book Value before revaluation of	alue before tion of	Revalued amount of	mount of	Revaluation gain / (loss) recognised on	ain / (loss) ed on
Property		inputs	Land	Building	Land	Building	Land	Building
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
H.B. Manjula Basanayaka								
Maharagama Branch	Market Comparable & DRC Method							
No. 126, Highlevel Road, Maharagama.	- Price per perch for land	Rs. 7,000,000p.p	106,400,000		111,750,000		5,350,000	
	- Value per sq.ft for building	Rs. 4,800 p.sq.ft		53,028,464		58,750,000		5,721,536
Kiribathgoda Branch	Market Comparable Method							
No. 376, Kandy Road, Kiribathgoda	- Price per perch for land	Rs7,250,000 p.p	000'000'02		72,500,000		2,500,000	
	- Price per sq.ft for building	Rs. 4,760 p.sq.ft		11,264,216		12,500,000		1,235,784
Galle Branch	Market Comparable Method							
No. 128, Main Street , Galle	- Price per perch for land	Rs. 14,000,000 p.p	74,000,000		80,000,000		6,000,000	
	- Price per sq.ft for building	Rs. 3,912 p.sq.ft		10,744,329		11,000,000		255,671
Chilaw Branch	Market Comparable Method							
No. 84, Kurunegala Road, Chilaw	- Price per perch for land	Rs. 2,000,000 p.p	18,000,000		20,000,000		2,000,000	
	- Price per sq.ft for building	Rs. 4,198 p.sq.ft		8,231,543		000'000'6		768,457
Corporate Branch	Market Comparable & DRC Method							
No. 480, Galle Road , Colombo 03	- Price per perch for land	Rs. 28,000,000 p.p	1,179,500,000		1,178,000,000		(1,500,000)	
	- Value per sq.ft for building (for 10 floors)	Rs. 26,250 p.sq.ft approx.		1,698,995,193		2,276,775,000		577,779,807
Embilipitiya Branch	Market Comparable Method							
No. 103, New Town Road, Embilipitiya	- Price per perch for land	Rs. 1,850,000 p.p	16,100,000		18,000,000		1,900,000	
	- Price per sq.ft for building	Rs. 4,767 p.sq.ft		16,376,437		18,000,000		1,623,563

# 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	Price per perch for land	Price per perch would increase/ (decrease)
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	Price per square foot for building	Price per square foot would increase/(decrease)
or sellers are too compensated for since the price may not adequately reflect the fair market value.	Depreciation rate for building	Depreciation rate for building would decrease/ (increase)
Depreciated Replacement Cost (DRC) method		
This method has been used to estimate the value of buildings. This method is primarily applied to assets that are unique in nature and not frequently traded. Replacement cost refers to the estimated amount required to replace and asset with a	Replacement costs: Estimated based on current market conditions and recent construction costs.	Replacement cost would increase /(decrease)
new one of similar utility and function at current prices. This includes direct costs such as materials, labour and related expenses necessary to bring the asset to operational condition. Depreciation considers the reduction in value due to physical deterioration, functional and economic obsolescence.	Depreciation rates: Reflecting the physical, functional, and economic depreciation of the assets.	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 2024, 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.586,992,775/- as at 31st March 2024 (2022/23 Rs. 574,203,787/-).
- **36.7** The Group has capitalised Rs. 180,202,383/- (2022/23- Rs. 150,069,496/-) 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 2024.
- **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 2024.
- 36.10 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2024.
- 36.11 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2024.

#### **37 RIGHT-OF-USE LEASE ASSETS**

	As at 31st March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
	Right-of-use Assets (Note 37.1)	1,746,894,661	748,848,409	744,153,575	748,848,409
		1,746,894,661	748,848,409	744,153,575	748,848,409
37.1	Right-of-use Assets				
	Cost				
	Balance as at the beginning of the year	1,268,013,407	1,131,225,912	1,268,013,407	1,131,225,912
	Additions during the year	1,187,080,555	141,781,017	158,628,159	141,781,017
	Terminations during the year	(1,825,945)	(4,993,522)	(1,825,945)	(4,993,522)
	Balance as at the end of the year	2,453,268,017	1,268,013,407	1,424,815,621	1,268,013,407
	Accumulated Depreciation				
	Balance as at the beginning of the year	519,164,998	350,001,264	519,164,998	350,001,264
	Charge for the year	187,208,358	169,163,734	161,497,048	169,163,734
	Balance as at the end of the year	706,373,356	519,164,998	680,662,046	519,164,998
	Carrying Amount				
	As at 31st March 2024	1,746,894,661		744,153,575	
	As at 31st March 2023		748,848,409		748,848,409
38	INTANGIBLE ASSETS				
	Computer Software (Note 38.1)	20,325,110	18,458,354	21,450,110	18,458,354
		20,325,110	18,458,354	21,450,110	18,458,354
38.1	Computer Software				
	Cost				
	Balance as at the beginning of the year	72,672,859	72,672,859	72,672,859	72,672,859
	Additions during the year	11,130,050	-	12,630,050	-
	Balance as at the end of the year	83,802,909	72,672,859	85,302,909	72,672,859
	Accumulated Amortisation				
	Balance as at the beginning of the year	54,214,505	44,001,329	54,214,505	44,001,329
	Charge for the year	9,263,294	10,213,176	9,638,294	10,213,176
	Balance as at the end of the year	63,477,799	54,214,505	63,852,799	54,214,505
	Carrying Amount				
	As at 31st March 2024	20,325,110		21,450,110	
	As at 31st March 2023		18,458,354		18,458,354

Company

Group

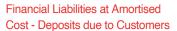
<sup>38.2</sup> Intangible Assets of the Company included fully amortised assets having a gross amount of Rs.44,189,506 /- as at 31st March 2024 (2022/23 Rs. 44,189,506 /-).

## 39 OTHER ASSETS

	Cor	mpany	Gre	Group		
As at 31st March	2024	2023	2024	2023		
	Rs.	Rs.	Rs.	Rs.		
Refundable Deposits	1,103,070,835	42,634,235	53,168,052	42,634,235		
Prepaid Expenses	63,600,737	59,715,872	66,341,945	59,715,872		
Prepaid Staff Cost	1,409,671	2,504,594	1,409,671	2,504,594		
Advance Payments	29,685,052	57,615,429	29,685,052	57,615,429		
Related Party Receivable	1,972	38,320	-	-		
Other Receivables	160,852,158	72,403,799	156,655,680	65,436,063		
	1,358,620,425	234,912,249	307,260,400	227,906,193		

## 40 FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS DUE TO CUSTOMERS

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Fixed Deposits	58,642,455,141		58,642,455,141	49,658,311,759	
Savings Deposits	990,880	1,145,379	990,880	1,145,379	
Certificate of Deposits	-	-	-	-	
	58,643,446,021	49,659,457,138	58,643,446,021	49,659,457,138	





## 40.1 Analysis of Deposits due to Customers by Maturity Date

As at 31st March 2024	1 to 90 days	91 to 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.
Fixed Deposits	30,677,665,968	15,426,071,117		58,642,455,141
Savings Deposits	990,880	-	-	990,880
	30,678,656,848	15,426,071,117	12,538,718,056	58,643,446,021

As at 31st March 2023	1 to 90 days	91 to 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.
Fixed Deposits	20,701,692,971	19,007,740,579	9,948,878,209	49,658,311,759
Savings Deposits	1,145,379	-	-	1,145,379
	20,702,838,350	19,007,740,579	9,948,878,209	49,659,457,138

#### FINANCIAL LIABILITIES AT AMORTISED COST - INTEREST BEARING BORROWINGS 41

	Com	ipany	Group		
As at 31st March	2024 2023		2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Institutional Borrowings (Note 41.1)	10,709,269,611	13,825,016,210	12,230,771,769	15,706,349,772	
Commercial Papers	77,410,927	63,892,878	516,374,814	248,238,329	
	10,786,680,538	13,888,909,088	12,747,146,583	15,954,588,101	

## 41.1 Institutional Borrowings - Company

	As at 01/04/2023	Facility Obtained*	Interest Recognised	Repayments		As at 31/03/2024		Security Offered
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Bank of Ceylon	83,033,197	-	654,207	83,333,333	354,071	-	4 Years	Mortgage Bond over Receivables
PABC Bank	585,270,763	300,000,000	71,197,453	249,999,996	28,747,719	677,720,501	4 Years	Mortgage Bond over Receivables
Seylan Bank	3,419,222,059	2,000,000,000	270,362,176	2,449,600,000	269,187,607	2,970,796,628	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	751,683,985	-	116,260,153	100,000,000	118,282,652	649,661,486	4 Years	Mortgage Bond over Receivables
Hatton National Bank	4,404,819,349	-	533,049,115	1,678,283,003	461,921,143	2,797,664,318	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	724,395,019	-	45,706,497	289,200,000	46,418,512	434,483,004	4 Years	Mortgage Bond over Receivables
NSB Bank	268,312,455	-	21,393,754	266,666,667	23,039,542	-	5 Years	Mortgage Bond over Receivables
Sampath Bank	1,746,315,901	1,000,000,000	263,226,283	1,308,333,333	264,127,434	1,437,081,417	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	1,415,944,653	1,000,000,000	136,689,300	1,001,000,000	134,475,082	1,417,158,871	4 Years	Mortgage Bond over Receivables
Cargills Bank	426,018,829	-	68,107,092	99,999,996	69,422,540	324,703,385	4 Years	Mortgage Bond over Receivables
	13,825,016,210	4,300,000,000	1,526,646,030	7,526,416,328	1,415,976,302	10,709,269,611		

<sup>\*</sup> Facility obtained is reported net of transaction cost.

## 41.2 Institutional Borrowings - Group

	As at Facility 01/04/2023 Obtained					As at 31/03/2024		Security Offered
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Bank of Ceylon	83,033,197	-	654,207	83,333,333	354,071	-	4 Years	Mortgage Bond over Receivables
PABC Bank	585,270,763	300,000,000	71,197,453	249,999,996	28,747,719	677,720,501	4 Years	Mortgage Bond over Receivables
Seylan Bank	3,419,222,059	2,000,000,000	270,362,176	2,449,600,000	269,187,607	2,970,796,628	1 & 4 Years	Mortgage Bond over Receivables
NDB Bank	751,683,985	-	116,260,153	100,000,000	118,282,652	649,661,486	3 Months	Mortgage Bond over Receivables
Hatton National Bank	4,404,819,349	-	533,049,115	1,678,283,003	461,921,143	2,797,664,318	2 to 5 Years	Mortgage Bond over Receivables
DFCC Bank	724,395,019	-	45,706,497	289,200,000	46,418,512	434,483,004	4 Years	Mortgage Bond over Receivables
NSB Bank	268,312,455	-	21,393,754	266,666,667	23,039,542	-	5 Years	Mortgage Bond over Receivables
Sampath Bank	1,746,315,901	1,000,000,000	263,226,283	1,308,333,333	264,127,434	1,437,081,417	5 Years	Mortgage Bond over Receivables
Commercial Bank of Ceylon	3,297,278,215	1,350,000,000	312,773,409	1,711,000,000	310,390,594	2,938,661,029		Mortgage Bond over Receivables &PFMB over property at No. 480, Galle Road, Colombo 03 & Corporate Guarantee from Vallibel Finance PLC amounting to Rs. 2.15 Bn
Cargills Bank	426,018,829	-	68,107,092	99,999,996	69,422,540	324,703,385	4 Years	Mortgage Bond over Receivables
	15,706,349,772	4,650,000,000	1,702,730,139	8,236,416,328	1,591,891,814	12,230,771,769	-	

**41.3** There were no any defaults of principal or interest during the year.

#### SUBORDINATED TERM LOAN 42

	Com	pany	Group		
As at 31st March	2024 2023		2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Balance as at beginning of the year	3,163,398,140	2,012,844,267	3,163,398,140	2,012,844,267	
Movement during the year	168,210,878	1,150,553,873	168,210,878	1,150,553,873	
Balance as at end of the year	3,331,609,018	3,163,398,140	3,331,609,018	3,163,398,140	

#### LEASE LIABILITIES 43

44

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Balance as at beginning of the year	912,495,354	858,556,285	912,495,354	858,556,285	
Additions during the year	1,172,800,505	125,611,017	144,348,109	125,611,017	
Terminations during the year	(2,047,603)	(7,487,098)	(2,047,603)	(7,487,098)	
Interest Expense on Lease Liabilities	139,294,822	95,799,651	105,724,583	95,799,651	
Payments	(233,172,944)	(159,984,501)	(193,428,713)	(159,984,501)	
Balance as at end of the year	1,989,370,134	912,495,354	967,091,730	912,495,354	
CURRENT TAX LIABILITIES					
Balance as at Beginning of the Year	547,185,073	604,894,450	547,185,073	604,894,450	
Income Tax Provision on Current Year Profits	1,387,146,920	629,269,797	1,387,146,920	629,269,797	
(Over) / under provision in respect of previous year	(1,620,506)	236,991	(1,620,506)	236,991	
Paid and Set off During the Year	(1,290,407,016)	(687,216,165)	(1,290,407,016)	(687,216,165)	
Balance as at end of the Year	642,304,471	547,185,073	642,304,471	547,185,073	

#### 45 **DEFERRED TAX LIABILITIES**

Deferred Tax Liabilities ( Note 45.3 )	739,933,605	284,918,764	881,723,481	284,918,764
Deferred Tax Assets ( Note 45.4 )	(644,011,716)	(107,519,914)	(373,281,789)	(110,488,657)
Net Deferred Tax Liabilities (Note 45.1)	95,921,889	177,398,850	508,441,692	174,430,107

## 45.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

	Comp	oany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Taxable / (Deductible) Temporary Differences					
Property, Plant & Equipment	122,650,084	108,450,003	763,006,884	108,450,003	
Right of Use Lease Asset	1,746,894,661	-	744,153,575	-	
Legal Termination receivables	123,878,325	121,070,873	123,878,325	121,070,873	
Due to the changes in deductable loan loss provision method (Note : 21.3.1)	142,829,729	415,870,797	142,829,729	415,870,797	
Revaluation Surplus on Freehold Land	252,192,551	224,837,541	907,972,358	304,337,541	
Investment Property fair valuation	78,000,000	79,500,000	257,237,400		
Taxable Temporary Differences	2,466,445,350	949,729,214	2,939,078,271	949,729,214	
Retirement Benefit Obligation	(157,335,587)	(86,818,197)	(157,335,587)	(86,818,197)	
Unclaimed Impairment provision	-	(94,150,847)	-	(94,150,847)	
Right of use Lease asset	-	(177,430,670)	-	(177,430,670)	
Lease Liability	(1,989,370,134)	-	(967,091,730)		
Tax Loss on Subsidiary	-	-	(119,845,313)	(9,895,808)	
Total Taxable Temporary Differences (net)	319,739,629	591,329,498	1,694,805,641	581,433,690	
Applicable Tax Rate	30%	30%	30%	30%	
Net Deferred Tax Liabilities / (Assets)	95,921,889	177,398,850	508,441,692	174,430,107	

## 45.2 Deferred Tax Expense

	Com	pany	Group		
	2024 2023		2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Origination of Deferred tax					
Liability ( Note 45.3 )	455,014,841	142,338,193	596,804,717	142,338,193	
Asset ( Note 45.4 )	(536,491,802)	34,394,570	(262,793,132)	32,714,519	
	(81,476,961)	176,732,763	334,011,585	175,052,712	
Total expense charged / (reversed) to Income Statement	(71,879,911)	96,401,193	170,724,693	89,951,142	
Total expense charged / (reversed) to OCI	(9,093,001)	80,331,570	163,790,941	85,101,570	
Adjustment to Retained Earnings	(504,049)		(504,049)		

## 45.3 Deferred Tax Liabilities

		Company				Group			
	2024		2023		2024		2023		
	Temporary Difference	Tax Effect							
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance as at beginning of the year	949,729,214	284,918,764	594,085,713	142,580,571	949,729,214	284,918,764	594,085,713	142,580,571	
Impact of change in tax rate recognised in Income Statement & OCI	-	-	-	35,645,143	-	-	-	35,645,143	
Originating / (reversing) during the year	1,516,716,136	455,014,841	355,643,501	106,693,050	1,989,349,057	596,804,717	355,643,501	106,693,050	
Balance as at end of the year	2,466,445,350	739,933,605	949,729,214	284,918,764	2,939,078,271	881,723,481	949,729,214	284,918,764	

## 45.4 Deferred Tax Assets

Balance as at beginning of the year	358,399,714	107,519,914	591,310,351	141,914,484	368,295,522	110,488,657	596,679,899	143,203,176
Impact of change in tax rate recognised in Income Statement	-	-	-	(35,478,621)	-	-	-	(35,800,794)
Originating / (reversing) during the year	1,788,306,007	536,491,802	(232,910,637)	1,084,051	875,977,107	262,793,132	(228,384,377)	3,086,275
Balance as at end of the year	2,146,705,721	644,011,716	358,399,714	107,519,914	1,244,272,629	373,281,789	368,295,522	110,488,657

## **46 OTHER LIABILITIES**

Supplier Payables

Other Payables

46.1

47.2

47.3

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Other Provisions & Payables (Note 46.1)	1,558,924,669	761,756,610	1,814,361,251	761,756,610	
Accrued Expenses	232,400,307	194,147,919	234,634,306	185,810,155	
	1,791,324,976	955,904,529	2,048,995,557	947,566,765	
Other Provisions & Payables					
RMV Payable	17,151,905	8,793,684	17,151,905	8,793,684	
Insurance Payable	148,596,684	115,417,990	148,596,684	115,417,990	
Taxes Payable	472,993,374	441,329,335	475,923,834	441,329,335	

793,310,040

126,872,666

1,558,924,669

100,821,266

95,394,335

761,756,610

(14,793,778)

3,944,881

(10,848,897)

793,310,040

379,378,788

1,814,361,251

100,821,266

95,394,335

761,756,610

## 47 RETIREMENT BENEFIT OBLIGATIONS

from changes in assumptions

from experience adjustments

Remeasurement of retirement benefit obligation arising

## 47.1 Retirement Benefit Liability Recognised in Statement of Financial Position

Comp	any	Grou	ір
2024	2023	2024	2023
Rs.	Rs.	Rs.	Rs.
86,818,197	80,824,933	86,818,197	80,824,933
32,440,940	29,041,900	32,440,940	29,041,900
57,665,014	(10,848,897)	57,665,014	(10,848,897)
(19,588,564)	(12,199,739)	(19,588,564)	(12,199,739)
157,335,587	86,818,197	157,335,587	86,818,197
16,813,665	16,109,911	16,813,665	16,109,911
16,813,665 15,627,275	16,109,911 12,931,989	16,813,665 15,627,275	16,109,911 12,931,989
	2024 Rs. 86,818,197 32,440,940 57,665,014 (19,588,564)	Rs.     Rs.       86,818,197     80,824,933       32,440,940     29,041,900       57,665,014     (10,848,897)       (19,588,564)     (12,199,739)	2024         2023         2024           Rs.         Rs.         Rs.           86,818,197         80,824,933         86,818,197           32,440,940         29,041,900         32,440,940           57,665,014         (10,848,897)         57,665,014           (19,588,564)         (12,199,739)         (19,588,564)

59,801,818

(2,136,804)

57,665,014

(14,793,778)

3,944,881

(10,848,897)

59,801,818

(2,136,804)

57,665,014

## 47.4 Defined Benefit Obligation Reconciliation

	Comp	oany	Group		
	2024 2023		2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Benefit obligation at end of prior year	86,818,197	80,824,933	86,818,197	80,824,933	
Company service cost	16,813,665	16,109,911	16,813,665	16,109,911	
Past Service Cost	-	-	-	-	
Interest cost	15,627,275	12,931,989	15,627,275	12,931,989	
Payments made during the year	(19,588,564)	(12,199,739)	(19,588,564)	(12,199,739)	
Remeasurement of retirement benefit obligation arising from changes in assumptions	59,801,818	(14,793,778)	59,801,818	(14,793,778)	
Remeasurement of retirement benefit obligation arising from experience adjustments	(2,136,804)	3,944,881	(2,136,804)	3,944,881	
Benefit obligation at end of year	157,335,587	86,818,197	157,335,587	86,818,197	

- **47.4.1** An actuarial valuation of the employee benefit liability as at 31st March 2024 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".

## 47.5 Assumptions

	Comp	oany	Group	
	2024	2023	2024	2023
Discount Rate	13.00%	18.00%	13.00%	18.00%
Salary increment	10.00%	10.00%	10.00%	10.00%
Staff Turnover				
20 years	15.00%	15.00%	15.00%	15.00%
25 years	15.00%	15.00%	15.00%	15.00%
30 years	9.00%	9.00%	9.00%	9.00%
35 years	6.00%	6.00%	6.00%	6.00%
40 years	1.00%	1.00%	1.00%	1.00%
45 years	1.00%	1.00%	1.00%	1.00%
50 years	1.00%	1.00%	1.00%	1.00%
55 years	1.00%	1.00%	1.00%	1.00%
59 years	1.00%	1.00%	1.00%	1.00%
Mortality - GA 1983 mortality Table				
Retirement age	60 Years	60 Years	60 Years	60 Years

**47.5.1** In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 13% p.a (2022/2023-18% p.a) has been used to discount future retirement benefit liabilities.

## 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 2024.

	Sensitivity effect on Statement of Financial Position (Benefit Obligation) Rs.
1% increase in discount rate	141,071,703
1% decrease in discount rate	176,782,545
1% increase in salary increment rate	176,844,020
1% decrease in salary increment rate	140,761,772

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.

	202	24
	Company	Group
	Rs.	Rs.
Next 12 months	9,696,785	9,696,785
Between 1 - 2 years	9,374,758	9,374,758
Between 2 - 5 years	68,481,875	68,481,875
Between 5 - 10 years	125,732,869	125,732,869
	213,286,287	213,286,287

The weighted average duration of the defined benefit obligation is 13.1 Years.

## 48 STATED CAPITAL

	Company		pany	Group		
	As at 31st March	2024	2023	2024	2023	
	Ordinary Shares ( Note 48.1 )	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000	
	No. of shares ( Note 48.2 )	235,453,400	235,453,400	235,453,400	235,453,400	
48.1	Movement of Stated Capital					
	At the Beginning of the Year	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000	
	Movement during the Year	-	-	-	-	
	As at the End of the Year	1,325,918,000	1,325,918,000	1,325,918,000	1,325,918,000	
48.2	Movement of no. of Shares					
	At the Beginning of the Year	235,453,400	235,453,400	235,453,400	235,453,400	
	Movement during the Year	-	-	-	-	
	As at the End of the Year	235,453,400	235,453,400	235,453,400	235,453,400	

- **48.3** There were no shares held by the Vallibel Finance PLC or Vallibel Properties Limited in the Company as at 31st March 2024.
- **48.4** The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.

## 49 STATUTORY RESERVE FUND

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Statutory Reserve Fund (Note 49.1)	1,873,850,686	1,766,773,033	1,873,850,686	1,766,773,033	
	1,873,850,686	1,766,773,033	1,873,850,686	1,766,773,033	

## 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.

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
At the Beginning of the Year	1,766,773,033	1,699,794,425	1,766,773,033	1,699,794,425	
Transfers during the Year *	107,077,653	66,978,608	107,077,653	66,978,608	
As at the End of the Year	1,873,850,686	1,766,773,033	1,873,850,686	1,766,773,033	

**49.1.1** The Company has transferred 5% of net profit to the fund since the capital funds exceeds 25% of total deposit liabilities in the current year.

### **50 OTHER RESERVES**

	Com	pany	Group		
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Revaluation Reserve ( Note 50.1 )	176,534,787	157,386,280	635,580,652	213,036,280	
Fair Value Reserve ( Note 50.2 )	-	-	-	-	
General Reserve ( Note 50.3 )	7,500,000	7,500,000	7,500,000	7,500,000	
	184,034,787	164,886,280	643,080,652	220,536,280	

## 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.

	Com	Company		Group	
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
At the Beginning of the Year	157,386,280	170,876,532	213,036,280	231,296,532	
Surplus on Revaluation of Freehold Land & Buildings	27,355,010	-	603,634,817	-	
Deferred Tax ( Charge ) / Reversal on Revaluation of Land & Buildings	(8,206,503)	-	(181,090,445)	-	
Deferred tax effect on revaluation Surplus due to change in tax rate	-	(13,490,252)	-	(18,260,252)	
As at the End of the Year	176,534,787	157,386,280	635,580,652	213,036,280	

#### 50.2 Fair Value Reserve

The fair value through other comprehensive income 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.

	Com	ıpany	Group	
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
At the Beginning of the Year	-	(226,310,672)	-	(226,310,672)
Fair Value Gains / (Losses) that arose during the Year	-	-	-	-
Transfer of fair value losses o/a reclassification of debt instruments from fair value through other comprehensive income to amortised cost	-	297,777,200	-	297,777,200
Deferred Tax effect including the effect of Rate Change on opening balance	-	17,866,632	-	17,866,632
Deferred Tax (Charge) /Reversal on Fair Value Gains / (Losses)	-	(89,333,160)	-	(89,333,160)
As at the End of the Year	-	-	-	-

## 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.

	Com	Company		Group	
As at 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	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

	Comp	oany	Group	
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
At the Beginning of the Year	7,829,348,914	7,677,371,584	7,744,455,501	7,604,637,018
Surcharge Tax	-	(665,183,520)	-	(665,183,520)
Profit for the Year	2,141,553,059	1,339,572,151	2,054,934,435	1,327,413,304
Other Comprehensive Income	(40,365,510)	15,474,107	(40,365,510)	15,474,107
Statutory Reserve Transfer	(107,077,653)	(66,978,608)	(107,077,653)	(66,978,608)
Dividend Paid	(235,453,400)	(470,906,800)	(235,453,400)	(470,906,800)
Unclaimed Dividend Adjustments	1,479,647	-	1,479,647	-
Deferred Tax impact on Right of Use Asset	504,049	-	504,049	-
At the End of the Year	9,589,989,106	7,829,348,914	9,418,477,069	7,744,455,501

#### 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

	Com	ipany	Group	
For the Year Ended 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Short term employment benefits	246,422,780	234,988,303	246,422,780	234,988,303
Director fees and expenses	7,142,905	6,011,158	7,142,905	6,011,158
	253,565,685	240,999,461	253,565,685	240,999,461

## 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

	Com	pany	Group	
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Liabilities				
Financial Liabilities at Amortised Cost - Deposits due to				
Customers	4,812,538,229	3,915,176,619	4,812,538,229	3,915,176,619
	4,812,538,229	3,915,176,619	4,812,538,229	3,915,176,619

## 52.2.2.2 Statement of Profit or Loss and Other Comprehensive Income

	Com	pany	Group		
For the year ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Interest Expense	828,054,244	338,447,711	828,054,244	338,447,711	
Compensation to KMP	253,565,685	240,999,461	253,565,685	240,999,461	
	1,081,619,929	579,447,172	1,081,619,929	579,447,172	

## 52.2.2.3 Share based transactions of KMP

	Com	Company		Group	
For the year ended 31st March	2024	2023	2024	2023	
	Rs.	Rs.	Rs.	Rs.	
Dividends paid	54,612,803	128,501,112	54,612,803	128,501,112	
	54,612,803	128,501,112	54,612,803	128,501,112	

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

	Com	Company	Gro	Group	Com	Company	Gre	Group
					Amount Rec	Amount Received / (Paid)	Amount Rec	Amount Received / (Paid)
As at 31st March	2024	2023	2024	2023	2023/24	2022/23	2023/24	2022/23
	Rs.	Rs.	Rs.	Rs.	Rs.	RS.	Rs.	Rs.
Assets								
Cash and Cash Equivalents	127,069,461	5,544,648	127,170,683	5,645,870	(121,524,813)	27,021,953	(121,524,313)	27,522,053
Placements with Banks and Other Finance Companies	11,646,297	1,435,676,926	11,646,297	1,435,676,926	1,424,030,629	(1,074,498,302)	1,424,030,629	(1,074,498,302)
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,548,423	1,409,946	1,548,423	1,409,946	100,710	226,598	100,710	226,598
Property, Plant and Equipment	,	•	202,426,024	216,417,961	,	•	13,991,937	375,786,342
	140,264,181	1,442,631,520	342,791,427	1,659,150,703	1,302,606,526	(1,047,249,751)	1,316,598,963	(626,309)
Liabilities								
Bank Overdrafts	5,917,363	135,335,779	5,917,363	135,335,779	(129,418,416)	18,429,561	(129,418,416)	18,429,561
Financial Liabilities at Amortised Cost - Deposits due to Customers	4,730,708,775	4,114,036,811	4,730,708,775	4,114,036,811	616,671,964	(883,897,494)	616,671,964	(883,897,494)
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	677,720,503	585,270,763	677,720,503	585,270,763	92,449,740	(292,448,084)	92,449,740	(292,448,084)
	5,414,346,641	4,834,643,353	5,414,346,641	4,834,643,353	579,703,288	(1,157,916,017)	579,703,288	(1,157,916,017)

## 52.2.3.2 Statement of Profit or Loss and Other Comprehensive Income

	Com	ipany	Group	
For the year ended 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Interest Income	144,912,222	100,399,823	144,912,222	100,399,823
Interest Expense	652,470,909	699,739,187	652,470,909	699,739,187
Net Gain / (Loss) from Trading	239,187	(125,888)	239,187	(125,888)
Other Operating Income	1,920,000	1,200,000	1,920,000	1,200,000

#### 52.3 Transactions with the Parent

## 52.3.1 Share based transactions with Parent

	Com	pany	Gro	oup
For the year ended 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Dividends paid	102,941,800	242,216,000	102,941,800	242,216,000
	102,941,800	242,216,000	102,941,800	242,216,000

## 52.4 Transactions with Group Entity

The Group entity includes the Vallibel Properties Limited.

## 52.4.1 Statement of Financial Position

		Amount Received / (Paid)		Amount Received / (Paid)
As at 31st March	2024	2023/24	2023	2022/23
	Rs.	Rs.	Rs.	Rs.
Assets				
Related Party Receivable	1,972	36,348	38,320	(38,320)
	1,972	36,348	38,320	(38,320)

## 52.4.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	2024	2023
	Rs.	Rs.
Interest Expense	33,570,239	-
Other Operating Income	35,068,386	6,354,507
Other Operating Expense	34,043,995	-

#### 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	2024 Rs.	Rationale for entering Transaction
K.D.D. Perera	Close Family Member	Fixed Deposit taken for interest rates of 16.5% & 18% for 24 & 60 Months - Monthly	29th December 2022 & 19th May 2023	2,505,498,264	To invest the excess funds
Summer Season Limited	Affiliate	Fixed Deposit taken for interest rates between 8.75% & 12.5% for 1 to 12 Months - Maturity	31st August 2023, 26th February, 26th & 28th March 2024	1,770,402,158	To invest the excess funds
Bellagio Limited	Affiliate	Fixed Deposit taken for interest rates between 10.3% & 13% for 3 to 12 Months - Maturity	30th October 2023 to 28th March 2024	1,456,943,918	To invest the excess funds

## 52.7 As per CSE Listing Rules 9.14.8 - Disclosures on Related Party Transactions

# 52.7.1 Non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets of the Company whichever is lower

Following Corporate Guarantees has been issued by the Company,

- A Corporate Guarantee amounting to Rs.1.8 Bn provided by the Company for Commercial Bank Ceylon PLC for a Borrowing obtained by Vallibel Properties Limited to construct the Corporate Office Complex. During the year Capital Repayment amounted to 360Mn.
- During the year new Corporate Guarantee amounting to Rs.350Mn provided by the Company for Commercial Bank Ceylon PLC for a Short term loan Borrowing obtained by Vallibel Properties Limited to construct the Corporate Office Complex. No Capital Repayment was made during the year.
- Value of the above related party transaction as a % of equity was 16.57% and as a % of total assets was 2.32%.

# 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.

	Com	ipany	Gre	oup
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Approved and contracted for	-	-	-	82,573,190
	-	-	-	82,573,190

#### 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.

	Con	npany
As at 31st March	2024	2023
	Rs.	Rs.
Cases pending against the Company	5,000,000	5,000,000
	5,000,000	5,000,000

Action filed by a third party claiming the mortgaged bond which was signed in company's favour was forged - Case no. L566/15 (Pending proceedings)

The company's legal professionals are of the opinion that the Company will be able to defend against these cases. Therefore no provision is made for contingent liabilities in the financial statements.

## 53.3 Contingent Liabilities

Following Corporate Guarantees has been issued by the Company,

- A Corporate Guarantee amounting to Rs.1.8 Bn provided by the Company for Commercial Bank Ceylon PLC for a Borrowing obtained by Vallibel Properties Limited to construct the Corporate Office Complex. Capital Repayment was amounted to Rs. 360Mn during the year.
- During the year new Corporate Guarantee amounting to Rs.350Mn provided by the Company for Commercial Bank Ceylon PLC for a Short term loan obtained by Vallibel Properties Limited to construct the Corporate Office Complex. No Capital Repayment was made during the year.

## 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
Pan Asia Banking Corporation PLC	Lending Portfolio	Long-term Borrowings & Overdraft	4,206,253,051	Gross Receivable
Seylan Bank PLC	Lending Portfolio	Long-term Borrowings & Overdraft	4,438,561,396	Gross Receivable
Hatton National Bank	Lending Portfolio	Long-term Borrowings & Overdraft	3,755,496,743	Gross Receivable
DFCC Bank	Lending Portfolio	Long-term Borrowings	580,448,963	Gross Receivable
Sampath Bank	Lending Portfolio	Long-term Borrowings & Overdraft	2,578,883,537	Gross Receivable
NDB Bank	Lending Portfolio	Short-term Borrowings	1,100,314,327	Gross Receivable
Union Bank	Lending Portfolio	Overdraft	25,002,096	Gross Receivable
Commercial Bank	Lending Portfolio	Long-term Borrowings	2,502,747,770	Gross Receivable
Cargills Bank	Lending Portfolio	Long-term Borrowings	422,795,787	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.

55.1 Business Segments

For the year ended 31 March	Finance	Finance I pase	Hire Purchase	rhase	Loans & L	Loans & Advances	Investments	nents	Unallocated	rated	Total	<u></u>
		2	5	2				3			2	ī
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Income From												
External Operations												
Interest income	2,363,329,233	2,363,329,233 2,634,870,551	153,644	10,713	13,065,251,590 11,319,363,225	11,319,363,225	2,942,901,716	1,721,472,955	1	1	18,371,636,183 15,675,717,444	15,675,717,444
Administration Fees	1	1	1	1	1	1	1	1	7126/026/209	505,805,140	697,029,377	505,805,140
Dividends	1	1	1	-	1	1	180,966	191,910	1	1	180,966	191,910
Other	1	1	'	-	'	1	107,933,301	165,036,141	838,271,487	342,115,151	946,204,788	507,151,292
Total Revenue	2,363,329,233	2,363,329,233 2,634,870,551	153,644	10,713	13,065,251,590 11,319,363,225		3,051,015,983	1,886,701,006	1,535,300,864	847,920,291	847,920,291 20,015,051,314 16,688,865,786	16,688,865,786
Other material non-cash items												
Impairment losses on Financial												
Assets	19,615,756	(88,460,184)	(6,555,064)	(3,069,206)	425,613,218	188,716,130	(1,533,320)	324,579	640,646	63,684	(437,781,236)	(60/575,003)
Impairment losses on Non												
Financial Assets	-	-	1	-	ľ	-	1	1	1	-	-	ı
Profit Before Income Tax											3,611,185,542	2,046,871,234
Income Tax Expense											1,556,251,107	719,457,930
Profit After Tax											2,054,934,435	1,327,413,304
Other Information												
As at 31 March												
Segment Assets	10,346,936,570 10,789,860,137	10,789,860,137	1	1	57,895,030,197 50,581,535,164		17,552,306,828 15,532,494,406	15,532,494,406	9,016,907,581	7,448,282,737	94,811,181,176 84,352,172,444	84,352,172,444
Segment Liabilities	8,899,701,113	9,375,422,932	1	i	49,797,199,506 43,950,827,787	43,950,827,787	15,097,249,659 13,496,347,719	13,496,347,719	7,755,704,491	6,471,891,192	81,549,854,769 73,294,489,630	73,294,489,630
Net Assets	1,447,235,457	1,447,235,457 1,414,437,205	•	1	8,097,830,691	6,630,707,377	6,630,707,377 2,455,057,169	2,036,146,687 1,261,203,090	1,261,203,090	976,391,545	976,391,545 13,261,326,407 11,057,682,814	11,057,682,814

## 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 behaviour. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls is to address operational risk assigned to senior management within each business line. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.

- $\ensuremath{\mathbf{\Theta}}$  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.

	Page
A. Credit Risk	
i Analysis of Credit Risk Exposure	283
ii Credit Quality Analysis-stage wise	283
iii Amounts arising from ECL	285
iv Concentration of Credit Risk	288
v Credit quality analysis of Placements with Banks and other Finance Companies	289
B. Liquidity Risk	
i Exposure to Liquidity Risk	289
ii Maturity analysis for financial assets and financial liabilities	290
C . Market Risk	
i Exposure to Market Risk - Trading and non trading portfolios	292
ii Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)	293
iii Cash flow sensitivity analysis for Variable Rate Financial Instruments	293
iv Equity based investment Portfolio risk Analysis	294
v Currency Risk	294
D. Operational Risk	
i Regulatory capital Adequacy	295

## 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.

	Com	pany	Gro	oup
		Maximum Exposure to Maximum Expos  Credit Risk Credit Risk		
As at 31st March	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Cash Equivalents	1,952,377,006	2,332,724,111	1,958,980,732	2,339,453,098
Placements with Banks and Other Finance Companies (Gross)	8,322,852,735	9,862,792,679	8,322,852,735	9,862,792,679
Reverse Repurchase Agreements	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	1,498,552,923	4,181,479,931	1,501,875,305
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers (Gross)	60,195,057,710	52,418,101,718	60,195,057,710	52,418,101,718
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables (Gross)	11,639,022,380	12,060,411,805	11,639,022,380	12,060,411,805
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	203,800	203,800	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	5,048,103,209	4,169,488,788	5,048,103,209	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	36,067,860	29,806,691	36,067,860	29,806,691
Total Financial Assets	90,845,836,699	82,372,082,515	91,381,768,357	82,382,133,884

## 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 2024	12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalents	1,952,377,006	-	-	-	1,952,377,006
Placements with Banks and Other Finance Companies	8,322,852,735	-	-	-	8,322,852,735
Less : ECL Allowance	(332,847)	-	-	-	(332,847)
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	-	-	-	3,652,151,999
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	48,541,955,320	9,051,969,920	2,601,132,470	-	60,195,057,710
Less : ECL Allowance	(447,453,407)	(457,165,759)	(1,395,408,347)		(2,300,027,513)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	7,350,217,332	2,662,778,575	1,626,026,473		11,639,022,380
Less : ECL Allowance	(114,415,744)	(230,632,483)	(947,037,583)		(1,292,085,810)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	-	-	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	5,048,103,209	-	-	-	5,048,103,209
Financial Assets at Amortised Cost - Other Financial Assets	34,318,758	-	1,749,102	-	36,067,860
Less : Impairment	=	-	(1,749,102)	=	(1,749,102)
	74,339,978,161	11,026,950,253	1,884,713,013	-	87,251,641,427

As at 31st March 2023	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.
Placements with Banks and Other Finance Companies	9,862,792,679	-	-	-	9,862,792,679
Less : ECL Allowance	(1,866,166)				(1,866,166)
Reverse Repurchase Agreements	_	-	-	-	_
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	1,498,552,923		-	-	1,498,552,923
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	46,730,754,750	3,418,988,209	2,268,358,760	-	52,418,101,719
Less : ECL Allowance	(418,557,450)	(298,511,521)	(1,119,497,583)		(1,836,566,554)
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	8,289,852,677	2,068,997,931	1,701,561,196		12,060,411,804
Less : ECL Allowance	(108,694,167)	(222,864,891)	(938,992,610)		(1,270,551,668)
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800				203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	4,169,488,788	-	-	-	4,169,488,788
Financial Assets at Amortised Cost - Other Financial Assets	28,698,236		1,108,455		29,806,691
Less : Impairment	=	=	(1,108,455)	=	(1,108,455)
	72,383,950,181	4,966,609,728	1,911,429,763	-	79,261,989,672

#### A. iii Amounts arising from ECL

This note highlights inputs, assumptions and techniques used for estimating Expected Credit Losses (ECL) as per SLFRS 9 - " Financial Instruments".

#### Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

#### Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the information following data.

Payment record - this includes overdue status as well as a range of variables about payment ratios

External data from credit reference agencies, including industry-standard credit scores

Requests for and granting of forbearance

Existing and forecast changes in business, financial and economic conditions

Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities

#### Generating the term structure of Probability of Default (PD)

Past Due date is a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and type of underlying security. For some portfolios, information gathered from external credit agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

#### LTV Ratio Details

LTV Ratio Details Adequate precautions were taken to maintain exposures by maintaining LTV ratio at acceptable levels which was below 75% as of 31.03.2024.

#### Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the borrower is past due equal more than 90 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 90 days and above. (2022/23 - 120 days)

#### Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using variety of external actual and forecasted information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios.

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 Economic variables used by the Company based on the statistical significance include the followings

- 1. Unemployment rate
- 2. Interest rate
- 3. GDP Growth rate
- 4. Inflation rate

Weightages assigned for each scenario for the year 2024 are;

Weightage Best case Scenario 10%, Base case Scenario 10%, Worst case Scenario 80%

As at 31.03.2024 the base case assumptions have been updated to reflect the rapidly evolving situation with respect to current economic condition of the country by using the economic forecast. In addition to the base case forecast which reflects the negative economic consequences, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

#### 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		202	4	
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	527,251,615	521,376,412	2,058,490,196	3,107,118,223
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(82,294,200)	72,895,413	9,398,787	-
Transferred from LifeTime ECL not-credit impaired	81,309,458	(133,855,005)	52,545,547	-
Transferred from LifeTime ECL credit impaired	33,341,698	29,835,647	(63,177,345)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	46,321,194	46,321,194
Net remeasurement of loss allowance	2,260,581	197,545,776	238,867,550	438,673,907
Balance as at the end of the year	561,869,152	687,798,243	2,342,445,929	3,592,113,324
As at 21st Marsh		202		

As at 31st March 2023				
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the year	898,589,411	492,698,972	1,545,108,078	2,936,396,462
Changes due to Lending Portfolio recognised in opening balance that have:				
Transferred from 12 Month ECL	(130,234,162)	101,209,113	29,025,049	
Transferred from LifeTime ECL not-credit impaired	184,857,557	(261,760,317)	76,902,760	-
Transferred from LifeTime ECL credit impaired	58,372,424	88,766,974	(147,139,398)	-
Interest accrued / (reversals) on impaired loans and advances	-	-	73,535,020	73,535,020
Net remeasurement of loss allowance	(484,333,615)	100,461,670	481,058,687	97,186,742
Balance as at the end of the year	527,251,615	521,376,412	2,058,490,196	3,107,118,224

#### Stage Transition on Lending Portfolio

The following tables show reconcilliations from the opening to the closing balance of the lending portfolio (gross) based on three

stage approach.							
As at 31st March		2024					
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL			
	Rs.	Rs.	Rs.	Rs.			
Balance as at the beginning of the year	55,020,607,471	5,487,986,140	3,969,919,912	64,478,513,523			
Changes due to Lending Portfolio recognised in opening balance that have:							
Transferred from 12 Month ECL	(5,882,953,560)	5,120,223,177	762,730,383	-			
Transferred from LifeTime ECL not-credit impaired	788,021,331	(1,306,832,901)	518,811,570	-			
Transferred from LifeTime ECL credit impaired	91,629,215	104,658,568	(196,287,783)	-			
Financial Assets that have been derecognised	(38,030,837,977)	(2,720,404,697)	(1,454,441,854)	(42,205,684,528)			
Other Changes in the portfolio	43,905,706,173	5,029,118,207	626,426,715	49,561,251,095			
Balance as at the end of the year	55,892,172,653	11,714,748,494	4,227,158,943	71,834,080,090			
As at 31st March		202	72				
75 at 3 13t March	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL			

As at 31st March	2023					
	Stage 1: 12-Month ECL	Stage 2: Life Time ECL not-credit impaired	Stage 3: Life Time ECL credit impaired	Total ECL		
	Rs.	Rs.	Rs.	Rs.		
Balance as at the beginning of the year	59,254,906,921	6,647,696,382	2,698,156,882	68,600,760,185		
Changes due to Lending Portfolio recognised in opening balance that have:						
Transferred from 12 Month ECL	(5,930,989,921)	4,704,506,995	1,226,482,926	-		
Transferred from LifeTime ECL not-credit impaired	2,591,728,228	(3,316,690,867)	724,962,639	-		
Transferred from LifeTime ECL credit impaired	218,342,557	264,439,070	(482,781,627)	-		
Financial Assets that have been derecognised	(21,478,989,922)	(1,942,651,600)	(912,399,827)	(24,334,041,349)		
Other Changes in the portfolio	20,365,609,608	(869,313,840)	715,498,919	20,211,794,687		
Balance as at the end of the year	55,020,607,471	5,487,986,140	3,969,919,912	64,478,513,523		

#### 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 2024	31st March 2023		
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	2024		2023		
	Rs.	%	Rs.	%	
Hire Purchase Receivable	-	-	-	-	
Lease Rental Receivable	10,346,936,570	15.2		17.6	
Loans and advances	41,228,711,672	60.4	34,459,286,095	56.2	
Loans against fixed deposits	1,185,256,937	1.7	968,187,303	1.6	
Gold Loans	15,481,061,588	22.7	15,154,061,766	24.7	
	68,241,966,767	100.0	61,371,395,301	100.0	

#### Geographical Concentration of gross lending portfolio

		Company						
Province	Lease Rental 8	k Hire Purchase	Loans and Receivables to Other					
	Recei	vables	Custo	omers				
As at 31st March	2024	2024 2023						
	Rs.	Rs.	Rs.	Rs.				
Western	5,077,513,080	5,437,858,888	37,058,890,479	33,098,084,194				
Southern	1,210,908,296	1,213,558,586	5,380,916,919	4,545,234,380				
Sabaragamuwa	1,314,225,255	1,344,153,935	4,146,797,768	3,703,636,103				
Central	1,078,374,944	1,071,762,912	3,228,594,076	2,461,639,769				
Uva	648,280,580	531,571,548	2,277,258,716	1,799,162,322				
Eastern	25,593,989	33,568,573	180,852,830	89,031,680				
North Western	1,658,685,928	1,712,135,439	4,989,752,983	4,066,295,007				
North Central	554,836,410	669,086,419	2,460,743,196	2,368,536,993				
Northern	70,603,898	46,715,505	471,250,743	286,481,270				
	11,639,022,380	12,060,411,805	60,195,057,710	52,418,101,718				

#### A.v Credit quality analysis of Cash and Cash Equivalents and 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 2024	As at 31st March 2023
	Rs.	Rs.
Rated AAA	-	1,449,154,795
Rated AA- to AA+	-	-
Rated A- to A+	7,931,685,890	6,982,879,746
Rated BBB + and below	391,166,845	
	8,322,852,735	9,862,792,679

The Company held Cash and Cash Equivalents of Rs. 1,952,377,006 as at 31st March 2024 (2023- Rs. 2,332,724,111). These balances are held with banks which are rated from A to BBB+.

#### B. Liquidity Risk

#### B. i Exposure to Liquidity Risk

Exposure to Liquidity Risk is monitored through the Liquid Asset Ratio (LAR) of the Company.

	Com	pany
As at 31st March	2024	2023
Liquid Asset Ratio (LAR)		
Average for the year	29.10%	18.77%
Maximum for the year	32.92%	26.92%
Minimum for the year	21.81%	13.76%

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	2024	2023		
	Rs.	Rs.		
Cash in Hand	665,030,877	331,815,982		
Balances in Current Accounts free from lien	559,959,986	766,955,536		
Deposits in Commercial Banks free from lien	7,450,000,000	9,150,000,000		
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from				
any lien or charge	2,984,518,821	2,112,006,807		
Any Other Approved Securities	2,000,924,891	1,249,841,273		
Total liquid assets	13,660,434,575	13,610,619,598		

#### 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 2024, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

#### a) Remaining contractual period to maturity – Company

Remaining contractual period to maturity of the assets and Liabilities employed by the Company as at the date of Statement of Financial Position is detailed below:

As at 31st March 2024	Up to 3	3 to 12	1 to 3	3 to 5	More than	Total
	months Rs.	months Rs.	years Rs.	years Rs.	5 years Rs.	Rs.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies	7,641,179,535	681,599,667	73,533	-	-	8,322,852,735
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	-	-	-	-	3,652,151,999
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	14,274,069,291	24,079,653,579	12,089,825,061	4,064,087,165	5,687,422,614	60,195,057,710
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	1,146,103,651	3,228,262,816	4,962,744,181	756,635,177	1,545,276,555	11,639,022,380
Financial Assets at Amortised Cost - Debt and other Financial Instruments	1,995,685,047	1,406,220,980	388,303,821	1,257,893,361	-	5,048,103,209
Financial Assets at Amortised Cost - Other Financial Assets	5,885,226	16,977,116	10,958,515	892,550	1,354,453	36,067,860
Total Interest Bearing Assets	28,715,074,749	29,412,714,158	17,451,905,111	6,079,508,253	7,234,053,622	88,893,255,893
Percentage 2024	32%	33%	20%	7%	8%	
Percentage 2023	37%	38%	20%	4%	2%	
Interest Bearing Liabilities						
Bank Overdrafts	1,913,963,888	=	-	-	=	1,913,963,888
Financial Liabilities at Amortised Cost - Deposits due to Customers	30,678,657,023	15,426,071,117	5,458,918,012	7,079,799,869	-	58,643,446,021
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	3,937,612,749	3,693,477,479	3,155,590,310	-	-	10,786,680,538
Subordinated Term Debt	-	26,332,421	1,995,098,126	1,310,178,471	-	3,331,609,018
Lease Liabilities	36,425,041	103,894,766	373,810,707	341,218,874	1,134,020,746	1,989,370,134
Total Interest Bearing Liabilities	36,566,658,701	19,249,775,783	10,983,417,155	8,731,197,214	1,134,020,746	76,665,069,599
Percentage 2024	48%	25%	14%	11%	1%	
Percentage 2023	35%	33%	17%	14%	1%	

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 assets and financial liabilities as at 31st March 2024.

As at 31st March 2024	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.
Placements with Banks and Other Finance Companies	7,748,374,064	703,509,430	-	-	-	8,451,883,494
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	-	-	-	-	3,652,151,999
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	16,801,269,775	28,537,999,664	16,208,253,752	4,164,940,349	5,688,522,197	71,400,985,737
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	1,696,854,031	4,502,228,303	6,343,108,218	770,652,596	1,545,276,555	14,858,119,703
Financial Assets at Amortised Cost - Debt and other Financial Instruments	2,022,362,000	1,314,826,667	250,000,000	250,000,000	1,324,372,000	5,161,560,667
Financial Assets at Amortised Cost - Other Financial Assets	8,975,776	20,029,790	12,626,028	995,957	1,354,453	43,982,004
Total Interest Bearing Assets	31,929,987,645	35,078,593,854	22,813,987,998	5,186,588,902	8,559,525,205	103,568,683,604
Bank Overdrafts	779,504,379	-	=	=	-	779,504,379
Financial Liabilities at Amortised Cost - Deposits due to Customers	31,854,976,287	16,780,368,256	17,027,464,291	498,668,255	-	66,161,477,089
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	4,127,310,498	4,161,857,144	3,528,039,954	-	-	11,817,207,596
Subordinated Term Debt	-	28,892,055	2,000,000,000	1,310,178,471	-	3,339,070,526
Total Interest Bearing Liabilities	36,761,791,164	20,971,117,455	22,555,504,245	1,808,846,726	-	82,097,259,590

POWER TO DO MORE 291

#### C. Market Risk

#### C. i Exposure to Market Risk - Trading and non trading portfolios

		Market Risk N	Measurement		Market Risk N	/leasurement
	Carrying Amount as at 31st March 2024	Trading Portfolios	Non -Trading Portfolios	Carrying Amount as at 31st March 2023	Trading Portfolios	Non -Trading Portfolios
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets subject to Market Risk						
Cash and Cash Equivalents	1,952,377,006	-	1,952,377,006	2,332,724,111	-	2,332,724,111
Placements with Banks and Other Finance Companies	8,322,519,888	-	8,322,519,888	9,860,926,513	-	9,860,926,513
Reverse Repurchase Agreements	-	-	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	3,652,151,999	-	1,498,552,923	1,498,552,923	-
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	57,895,030,197	-	57,895,030,197	50,581,535,164	=	50,581,535,164
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,346,936,570	-	10,346,936,570	10,789,860,137	-	10,789,860,137
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	=	203,800	203,800	-	203,800
Financial Assets at Amortised Cost - Debt and other Financial Instruments	5,048,103,209	-	5,048,103,209	4,169,488,788	-	4,169,488,788
Other Financial Assets	34,318,758	-	34,318,758	28,698,236	-	28,698,236
	87,251,641,427	3,652,151,999	83,599,489,428	79,261,989,672	1,498,552,923	77,763,436,749
Liabilities subject to Market Risk						
Bank Overdrafts	1,913,963,888	-	1,913,963,888	1,561,119,013	-	1,561,119,013
Financial Liabilities at Amortised Cost - Deposits due to Customers	58,643,446,021	-	58,643,446,021	49,659,457,138	-	49,659,457,138
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	10,786,680,538	-	10,786,680,538	13,888,909,088	-	13,888,909,088
Subordinated Term Debt	3,331,609,018	-	3,331,609,018	3,163,398,140	-	3,163,398,140
	74,675,699,465	-	74,675,699,465	68,272,883,379	=	68,272,883,379

#### Sensitivity Analysis

Financial Assets recognised 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)

	Com	ipany
As at 31st March	2024	2023
Rate Sensitive Assets (RSA)	88,893,255,893	80,041,659,198
Rate Sensitive Liabilities (RSL)	76,665,069,599	69,185,378,736
GAP (RSA-RSL)	12,228,186,294	10,856,280,462

#### C. iii Cash flow sensitivity analysis for Variable Rate Financial Instruments

A reasonably possible change of AWPLR increase or decrease at the reporting date would give increase (decrease) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

As at 31st March	2024	2023
	Interest	Interest
	Expense	Expense
	Rs.	Rs.
Variable Rate increase 1% (+1 % Increase in AWPLR)	44,586,281	136,418,069
Variable Rate decrease 1% (-1 % decrease in AWPLR)	42,531,081	126,055,010
Variable Rate Interest actual interest Cost	43,558,681	131,236,539
Cash flow sensitivity in Variable Rate increase +1%	1,027,600	5,181,530
Cash flow sensitivity in Variable Rate decrease -1%		(5,181,530)

#### C. iv Equity based investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2023	Lowest Market Value	Effect to the Comprehensive Income if the market price drops to the lowest value
	Rs.	Rs.	Rs.
Bank , Finance & Insurance	1,548,423	1,246,291	302,132
Total	1,548,423	1,246,291	302,132
	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	1,409,946	1,132,992	276,954
Total	1,409,946	1,132,992	276,954

#### C.v Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. As the Company's financial instruments are denominated in Sri Lankan rupees no significant currency risk experienced.

#### (D) Operational Risk

#### Capital Management

The Company is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

#### i. Regulatory Capital Adequacy

Capital adequacy is a measure of financial institutions financial strength and stability of a company. This measure has been introduced by Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company.

The Capital Adequacy Ratio (CAR) is calculated based on the CBSL Finance Business Act Direction No. 3 of 2018. The minimum Tier 1 capital ratio and total capital ratio are required to maintained at 8.5% and 12.5% respectively with effect from 1st July 2022.

#### Computation of Capital Adequacy Ratios

		Com	pany
As at 31st March	Note	2024	2023
		Rs.	Rs.
Tier 1 Capital		12,470,931,131	10,710,726,932
Total Capital	(i)	14,470,156,920	14,003,016,584
Risk Weighted Amount for Credit Risk	(ii)	64,210,605,638	55,439,569,969
Risk Weighted Amount for Operational Risk	(iii)	8,882,377,680	7,472,666,546
Total Risk Weighted Amount		73,092,983,318	62,912,236,515
Core Capital Ratio (TIER 1) (Minimum Requirement 8.50%)		17.06%	17.02%
Total Risk Weighted Capital Ratio (TIER 11) (Minimum Requirement 12.50%)		19.80%	22.26%

POWER TO DO MORE 295

	Com	pany
As at 31st March	2024	2023
	Rs.	Rs.
Stated capital	1,325,918,000	1,325,918,000
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	1,766,773,033	1,766,773,033
Audited retained earnings/(losses)	9,469,839,419	7,709,199,227
(less) Revaluation gains/surplus of investment property	(78,000,000)	(79,500,000)
General and other disclosed reserves	7,500,000	7,500,000
Current year's profit(losses)	-	-
Tier 1 capital	12,492,030,452	10,729,890,260
Goodwill (net)	-	-
Other intangible assets (net)	20,325,110	18,458,354
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	774,211	704,973
Shortfall of capital in financial subsidiaries	-	-
Adjustments to Tier 11 capital	(21,099,321)	(19,163,327)
Tier I Capital (after adjustments)	12,470,931,131	10,710,726,933
Instruments qualified as Tier 2 capital	2,000,000,000	2,600,000,000
Revaluation gains	-	-
General provisions/collective impairment allowances	-	692,994,625
Eligible Tier 2 Capital	2,000,000,000	3,292,994,625
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	774,211	704,973
Total Adjustments to eligible Tier 2 Capital	(774,211)	(704,973)
Eligible Tier 2 Capital after adjustments	1,999,225,789	3,292,289,652
Total Capital	14,470,156,920	14,003,016,585

Credit Risk under Standardised Approach - Credit Risk Exposures by Asset Classes and Risk Weights Computation of Risk Weighted Amount for Credit Risk  $\equiv$ 

	On Balance Sheet	Credit equivalent of	Total				Ris	Risk Weight					As at 31st March 2024	As at 31st March 2023
	Amount	Off-balance sheet items		%0	2%	20%	20%	<b>%09</b>	75%	100%	125%	150%	Total credit Exposure Amount	Total credit Exposure Amount
				.S.	Rs.	Rs.	Rs.	Rs.	જ્	Rs.	.S	R3.	.S.	RS.
Claims on Govemment and Central Bank of Sri Lanka	5,048,103,209		- 5,048,103,209		1	,	,	1	1	,	1	1	1	1
Claims on Public Sector Entities	ies -	'	,	,	1			1	1	1	1	1	1	1
Claims on Financial institutions 9,135,383,699	ns 9,135,383,699	6	9,135,383,699		-	1,825,962,324			4,179,059		,	•	1,830,141,383	2,291,222,650
Claims on Corporates	3,650,603,576	·	3,650,603,576						,	3,650,603,576			3,650,603,576	1,497,142,977
Retail Claims in respect of 48,004,923,012 motor vehicles and machinery	ry 48,004,923,012	- 48	- 48,004,923,012				,		7 -	48,004,923,012		,	48,004,923,012 42,378,309,225	42,378,309,225
Claims Secured by Gold	15,234,550,888	- 15	15,234,550,888		٠	٠			,	1,983,241,128		,	1,983,241,128	1,580,584,800
Retail daims secured by immovable property	1,528,564,331	-	1,528,564,331		,		703,265,795			122,032,741	,	,	825,298,536	756,054,551
Other retail daims	439,687,014	•	439,687,014				•				549,608,768	•	549,608,768	1,112,566,830
Claims Secured by Commercial Real Estate	cial	'										,	,	
Non-Performing Assets (NPAs) 1,884,713,012	s) 1,884,713,012	-	1,884,713,012			1	25,334,728		,	1,552,546,313	,	422,245,865	2,000,126,906	2,697,121,230
Higher-Risk Categories												•		,
Other daims	6,411,502,821	9 -	6,411,502,821			94,672,702			'	5,271,989,627	'	,	5,366,662,329	3,126,567,705
Total Assets	91,338,031,562	- 91	91,338,031,562		,	1,920,635,026	728,600,523		4,179,059 (	4,179,059 60,585,336,397	549,608,768	422,245,865	422,245,865 64,210,605,638 55,439,569,968	55,439,569,968

Credit Risk under Standardised Approach - Exposures recognised under Credit Risk Mitigation (CRM)

	Com	pany
As at 31st March	2024	2023
	Rs.	Rs.
CRM Techniques		
Cash	1,185,256,936	
Government Securities	-	_
Collateralised transactions	1,185,256,936	968,187,303
On-balance sheet netting	-	-
Guarantees	-	
Other CRM Techniques	-	_
Total CRM exposure	1,185,256,936	968,187,303

#### (iii) Computation of Risk Weighted Amount for Operational Risk

As at 31st March 2023	1st Year	2nd Year	3rd Year	Total	2023 Average
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	9,538,000,219	14,660,574,047	17,385,279,832	41,583,854,098	13,861,284,699
Interest Expenses	(4,681,372,993)	(10,918,154,278)	(11,225,728,891)	(26,825,256,162)	(8,941,752,054)
Non-interest income	2,993,589,293	2,144,015,092	2,731,420,334	7,869,024,719	2,623,008,240
Less : Realised Profits/losses from the Sale of Securities	(64,132,429)	(165,839,841)	(104,963,037)	(334,935,307)	(111,645,102)
Less: Extraordinary/Irregular Item of Income/expenses	(80,944,913)	(6,141,603)	343,363	(86,743,153)	(28,914,384)
Gross Income	7,705,139,177	5,714,453,417	8,786,351,601	22,205,944,195	7,401,981,399
Capital Charges for Operational Risk @* 15%					1,110,297,210
Risk-Weighted Amount for operational Risk under the Basic					
Indicator Approach					8,882,377,680
Required total capital ratio based on the Assets					12.5%

#### 57 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting date, no circumstances have arisen which would require adjustments or disclosure in the Financial Statements.

# More Involvement

We reflect on those aspects that provide additional value to the presentation of our year under review, with the keen intention of enabling clarity while promoting assurance. The mores of Vallibel Finance are complete, and the company's mission to be a source of strength to Sri Lankans continues on.



#### **SUPPLEMENTARY INFORMATION**

# Independent Assurance Report to Vallibel Finance PLC



KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha, P. 0. Box 186, Colombo 00300, Sri Lanka. Tel +94 - 11 542 6426 Fax +94 - 11 244 5872

+94 - 11 244 6058 Internet www.kpmg.com/lk

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 2024. The Sustainability Indicators are included in the Vallibel Finance PLC Integrated Annual Report for the year ended 31 March 2024 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	12 to 13

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-Financial Highlights	14 to 15
Information provided on following	
Human Capital	56 to 65
Financial Capital	66 to 75
Manufactured Capital	76 to 81
Intellectual Capital	82 to 85
Social and Relationship Capital	86 to 93
Natural Capital	94 to 98

#### 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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C. P. Jayatilake FCA Ms. S. Joseph FCA R.M.D.B. Rajapakse FCA M.N.M. Shameel FCA Ms. P.M.K. Sumanasekara FCA

T. J. S. Rajakarier FCA W. K. D. C. Abeyrathne FCA Ms. B.K.D.T.N. Rodrigo FCA Ms. C.T.K.N. Perera ACA A. R.W.M.O.W.D.B. Rathnadiwakara FCA W. W. J. C. Perera FCA G. A. U. Karunaratne FCA R. H. Rajan FCA A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S.Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT K. Somasundaram ACMA(UK)



#### Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2024, in all material respects, has been prepared and presented by the management of Vallibel Finance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

#### **Limited Assurance Sustainability Indicators**

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2024, have not in all material respects, been prepared and presented by the management of Vallibel Finance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

#### Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities include 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 for professional Accountants issued by CA Sri Lanka (Code of Ethics).

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.

The firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

# Independent Assurance Report to Vallibel Finance PLC



# Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

# Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators
  presented in the Report to determine whether they are in
  line with our overall knowledge of, and experience with, the
  sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the



level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

#### Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

#### Restriction of use of our report

This report has been prepared for the Directors of Vallibel Finance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Vallibel Finance PLC Integrated Annual Report for the year ended 31 March 2024 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Vallibel Finance PLC, or for any other purpose than that for which it was prepared.

CHARTERED ACCOUNTANTS
Colombo

Colombo 03rd June 2024

# **GRI Content Index**

Statement of useVallibel Finance PLC has reported in accordance with the GRI Standards for the period 1st April 2023 to 31st March 2024GRI 1 usedGRI 1: Foundation 2021Applicable GRI Sector Standard(s)Not Applicable

GRI Standard/ Other Source	Disclosure	Location Page No.	Report Commentary Title	Omission Requirement(s) Omitted	Reason	Explanation
General disclosures GRI 2: General	2-1 Organisational details	321	Corporate Information			
Disclosures 2021	2-2 Entities included in the organisation's sustainability reporting	2	About Our Integrated Annual Report			
	2-3 Reporting period, frequency and contact point	2	About Our Integrated Annual Report			
	2-4 Restatements of information	3	About Our Integrated Annual Report			
	2-5 External assurance	3	About Our Integrated Annual Report			
		300-302	Independent Assurance Report to Vallibel Finance PLC			
	2-6 Activities, value chain and	_5	About Us			
	other business relationships	86-93	Social & Relationship Capital			
	2-7 Employees	56-65	Human Capital			
	2-8 Workers who are not employees	-	Not Applicable			
	2-9 Governance structure and composition	108-109	Corporate Governance			
	2-10 Nomination and selection of the highest governance body	144	Corporate Governance - Appointments to the Board			
	2-11 Chair of the highest governance body	141	Corporate Governance - Chairman & Chief executive Officer			
	2-12 Role of the highest governance body in overseeing the management of impacts	138	Corporate Governance - The Board			
-	2-13 Delegation of responsibility for managing impacts	117	Corporate Governance - Governance Framework			
	2-14 Role of the highest governance body in sustainability reporting	138	Corporate Governance - The Board			
	2-15 Conflicts of interest	133	Corporate Governance Report - Conflicts of Interest			
	2-16 Communication of critical concerns	143	Corporate Governance Report - Supply of Information			
	2-17 Collective knowledge of the highest governance body	109-110	Corporate Governance Report - Composition & Independence			
	2-18 Evaluation of the performance of the highest governance body	135	Corporate Governance Report - Appraisal of Board Performance			
	2-19 Remuneration policies	184	Remuneration Committee Report			
	2-20 Process to determine remuneration	184	Remuneration Committee Report			
	2-21 Annual total compensation ratio	-	-	Omitted	Confidentiality constraints	
	2-22 Statement on sustainable development strategy	51	Identifying Our Material Topics			
	2-23 Policy commitments	4	About Our Integrated Annual Report - Precautionary Approach			
	2-24 Embedding policy commitments	164-179	Risk Management Report			
	2-25 Processes to remediate negative impacts	164-179	Risk Management Report			
	2-26 Mechanisms for seeking advice and raising concerns	114	Corporate Governance Report - Corporate Culture & Values			
	2-27 Compliance with laws and regulations	2	About Our Integrated Annual Report - Reporting Frameworks & Guidelines			
	2-28 Membership associations	321	Corporate Information			
	2-29 Approach to stakeholder engagement	44	Our Stakeholder Engagement Strategy			
	2-30 Collective bargaining agreements	60	Human Capital - Trade Unions and Collective Bargaining Agreements			

GRI Standard/ Other Source	Disclosure	Location Page No.	Report Commentary Title	Omission Requirement(s) Omitted	Reason	Explanation
Material Topics				Officed		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	51	Materiality Analysis			
	3-2 List of material topics	51	Materiality Analysis			
	3-3 Management of material topics	51	Materiality Analysis			
Economic performan						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	75	Financial Capital - Value Created to Stakeholders			
	201-3 Defined benefit plan obligations and other retirement	62	Human Capital - Comprehensive Benefits			
	plans	232	Notes to the Financial statements			
Market presence	<u> </u>					
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	59	Human Capital - A Team Built for Success			
Indirect economic im	•					
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	93	Social and Relationship Capital – Empowering Communities, Creating Value			
	203-2 Significant indirect economic impacts	89	Social and Relationship Capital – Management Approach			
Procurement practice						
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	92	Social and Relationship Capital – Creating Value for Suppliers			
Anti-corruption						
GRI 205: Anti-	205-3 Confirmed incidents of	84	Intellectual Capital - Management			
corruption 2016	corruption and actions taken		Approach			
Anti-competitive beh		0.4	latella to al Carital Managara			
GRI 206: Anti- competitive Behaviour 2016	206-1 Legal actions for anti- competitive behaviour, anti-trust, and monopoly practices	84	Intellectual Capital - Management Approach			
Energy	and monopoly practices					
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	97	Natural Capital -Energy Efficiency and Consumption			
Water and effluents						
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	97	Natural Capital - Water Usage			
Faralas are sust	303-5 Water consumption	97	Natural Capital - Water Usage			
Employment GRI 401:	401 1 Naw amplayed birds and	61	Human Capital - Recruitment and On-			
Employment 2016	401-1 New employee hires and employee turnover		boarding, Ėmployee Turnover			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	62	Human Capital - Comprehensive Benefits			
	401-3 Parental leave	62	Human Capital - Comprehensive Benefits			
Labour/management						
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	58	Human Capital - Management Approach			
Occupational health		C.4				
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	64	Human Capital - Employee Health and Well-Being			
Training and education		C.1				
GRI 404: Training and Education	404-1 Average hours of training per year per employee	61	Human Capital - Learning and Development Initiatives			
2016	404-2 Programs for upgrading employee skills and transition assistance programs	61	Human Capital - Learning and Development Initiatives			

## GRI Content Index

GRI Standard/	Disclosure	Location		Omission		
Other Source		Page No.	Report Commentary Title	Requirement(s) Omitted	Reason	Explanation
Diversity and equal o	pportunity					
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	60	Human Capital - Diversity and Inclusion			
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	61	Human Capital - Respecting Human Rights			
	on and collective bargaining					
GRI 407: Freedom of Association and Collective Bargaining 2016 Child labour	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	60	Human Capital - Trade Unions and Collective Bargaining Agreements			
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	61	Human Capital - Respecting Human Rights			
Force or compulsory						
GRI 409: Force or Compulsory Labour 2016 Local communities	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	61	Human Capital - Respecting Human Rights			
GRI 413: Local	412.1 Operations with local	93	Social and Relationship Capital -			
Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	95	Empowering Communities, Creating Value			
	413-2 Operations with significant actual and potential negative impacts on local communities	93	Social and Relationship Capital - Empowering Communities, Creating Value			
Customer health and						
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non- compliance concerning the health and safety impacts of products and services	91	Social and Relationship Capital - Compliance with Regulations			
Marketing and labelli	•					
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	91	Social and Relationship Capital - Compliance with Regulations			
	417-2 Incidents of non- compliance concerning product and service information and labelling	91	Social and Relationship Capital - Compliance with Regulations			
Customer privacy	417-3 Incidents of non- compliance concerning marketing communications	91	Social and Relationship Capital - Compliance with Regulations			
	410 1 Cubstantiated complaints	01	Cocial and Relationship Capital			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	91	Social and Relationship Capital - Compliance with Regulations			

# **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.

#### **Effective Income Tax Rate**

Provision for taxation divided by the net profit before taxation.

### **Glossary of Financial Terms**

#### 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 fulfill 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 | 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.

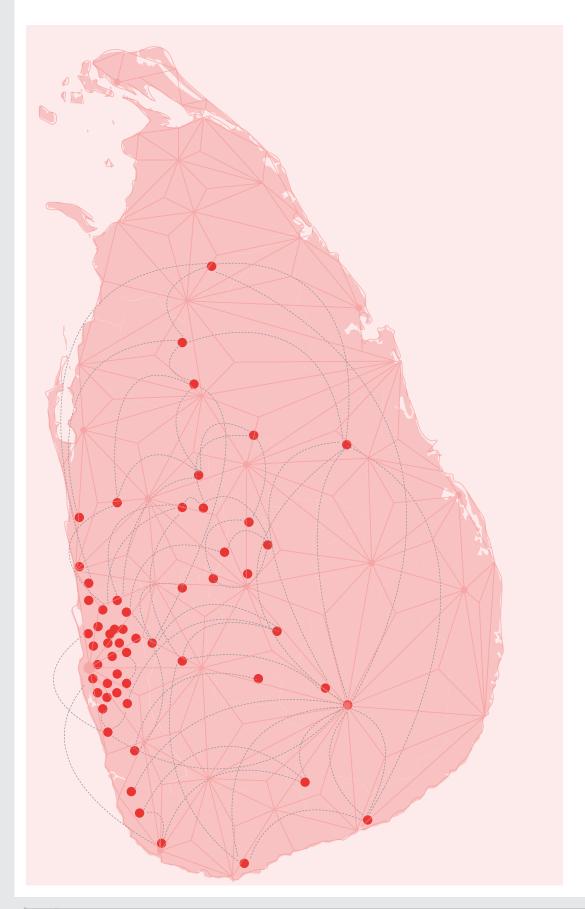
#### Value Added

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**



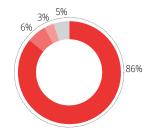
Wennappuwa

Address	Telephone	Contact Person	District	Province
No. 375, Galle Road, Aluthgama	034-7687687	Chithraka Hettiarachchi	Kaluthara	Western
No.16,Wickrarnasooriya Road, Ambalangoda	091-7488488	Thushan Randika	Galle	Southern
No. 141, Tangalle Road, Ambalathota	047-7448448	Pramod Ranasinghe	Hambanthota	Southern
No. 521/11, Maithripala Senanayake Mawatha, Anuradhapura	025-7687687	Nuwan Buddhika	Anuradhapura	North Central
No. 19, Colombo Road, Avissawella	036-7867867	Lakmal Gabadage	Colombo	Western
19/B, Bank Road, Badulla	055-7687687	Indunil Bandara	Badulla	Uva
No. 86/C, Barnes Rathwaththa Mawatha, Balangoda	045-7857857	Nadeera Sujimal	Ratnapura	Sabaragamuw
No. 45, Bauddhaloka Mawatha, Colombo 04	011-7738738	Amal Chaminda	Colombo	Western
No. 197, Badulla Road, Bandarawela	057-7687687	Chaminda Attanayake	Badulla	Uva
No.09, Dehiwala Road, Boralesgamuwa	011-7534535	Gihan Buddika	Colombo	Western
No. 58, Castle Street, Borella	011-7876876	Anushka Perera	Colombo	Western
No. 84, Kurunegala Road, Chilaw	032-7687687	Wasantha Kumara	Putlam	North Wester
No.480, Galle Road, Colombo 03.	011-7600001	Bhathiya Samaraweera	Colombo	Western
No. 722A, Anuradhapura Road, Dambulla	066-7687687	Prabath Dharmapriya	Matale	Central
No. 8 Dharmarama Road, Dematagoda	011-7889900	Sineth Senevirathna	Colombo	Western
No. 103, New Town Road, Embilipitiya	047-7687687	Ranjith Munasinghe	Ratnapura	Sabaragamuv
No. 128, Main Street, Galle	091-7687687		Galle	Southern
·		Jagath Mendis		
No. 55, Yakkala Road, Gampaha	033-7687687	Ajith Rathnamalala	Gampaha	Western
No. 133/C, Avissawella Road, Hanwella	036-7687687	Damith Indimal	Colombo	Western
No.52A, High-Level Road, Homagama.	011-7582592	Kasun Darmasena	Colombo	Western
No. 101/A, Rathnapura road, Horana	034-7487487	Chaminda Perera	Kaluthara	Western
No. 150, Negombo Road, Ja-Ela	011-7781881	Shiran Jayasinghe	Gampaha	Western
No.27/A, Kandy Road, Kadawatha	011-7488888	Rajitha Dayananda	Gampaha	Western
No. 292, Batticaloa Road, Kaduruwela	027-7687687	Nalin Jayasinghe	Polonnaruwa	North Centra
No.438/2, Malabe Road, Kaduwela	011-7655455	Kapila Chandrakumara	Colombo	Western
No. 302, Galle Road, Kalutara South	034-7387387	Prasanna Fernando	Kaluthara	Western
177/A, D.S Senanayake Veediya, Kandy	081-7687687	Asela Bandara	Kandy	Central
No. 315, Main Street, Kegalle	035-7687687	Chaminda Priyankara	Kegalle	Sabaragamuv
No. 121, Gala Junction, Kandy Road, Kiribathgoda	011-7787787	Dilshan Rathnayake	Gampaha	Western
No. 169, Dutugemunu Street, Kohuwala	011-7677477	Nuwan Randika	Colombo	Western
No. 111, Kurunegala Road, Kuliyapitiya	037-7787787	Chamara Perera	Kurunegala	North Wester
No. 395, Colombo Road, Kurunegala	037-7687687	Hasith Gunasekara	Kurunegala	North Wester
No. 36, Surathissa Mawatha, Kurunegala	037-7889889	Asinil Perera	Kurunegala	North Wester
No. 126/5, High Level Road, Maharagama	011-7487487	Lasantha Kumara	Colombo	Western
No.24, New Town, Mahiyanganaya.	055-7487487	Weerakoon Amunugama	Badulla	Uva
No. 824/C, New Kandy Road, Malabe	011-7387387		Colombo	Western
		Priyantha Rathnayake Saieewa Udavanga		
No. 74, Deans Road, Maradana	011-7582582		Colombo	Western
No.260, Main Street, Matale	066-7487487	Chandrarathna Bandara	Matale	Central
No.59, Anagarika Dharmapala Mawatha, Matara.	041-7687687	Janaka Kumara	Matara	Southern
No. 23, Neboda Road, Mathugama	034-7488488	Mahela Jayaranga	Kalutara	Western
No.232, Main Street, Mawanella.	035-7480480	Nuwan Ranasinghe	Kegalle	Sabaragamuv
No. 28/5A, Kurunegala Road, Minuwangoda	011-7587587	Suren Abewickrama	Gampaha	Western
No. 303/A, Galle Road, Rawathawatta, Moratuwa	011-7807807	Dushan Kumarasinghe	Colombo	Western
No 461, Galle Road, Mt. Lavinia	011-7867867	Kumara Thennekumbura	Colombo	Western
No. 93, Kurunegala Road, Narammala	037-7475475	Nilantha Rathnasiri	Kurunegala	North Wester
No 178, Colombo Road, Negombo	031-7687687	Dulip Gomes	Gampaha	Western
No. 213, High Level Road, Nugegoda	011-7517517	Madhura Jayasekara	Colombo	Western
No. 78, Kandy Road, Nuwara Eliya	052-7687687	Tharaka Keerthisinghe	Nuwara Eliya	Central
No. 293/A, Galle Road, Panadura	038-7687687	Ravindra Kumara	Kaluthara	Western
No. 730/A, Pannipitiya Road, Pelawatte	011-7724824	Manoj Gayan	Colombo	Western
No 32, Colombo Road, Piliyandala	011-7724824	Saliya Gunasinghe	Colombo	Western
No. 600/A, Nawala Road, Rajagiriya	011-7489489	Dilhan Liyanage	Colombo	Western
	045-7687687		Ratnapura	
No. 191, Main Street, Ratnapura		Ranjith Gunaratne		Sabaragamuv
No,274,Katugastota road,Mahaiyawa	081-7500500	Supun Chamikara	Kandy	Central
No. 156, Anuradhapura Road, Thambuttegama	025-7480480	Dayarathna Thennakoon	Anuradhapura	North Centra
No. 52, Main Street, Uragasmanhandiya	091-7796796	Indika Kumara	Galle	Southern
No,27,2nd cross street,Vavuniya	024-7687687	Aruna Jayarathna	Vavuniya	North
No. 95, Colombo-Kandy Road, Warakapola	035-7689689	Nirmal Shalinda	Kegalle	Sabaragamuv
No.66,Puttalam Road, Wariyapola	037-7680680	Sujeewa Herath	Kurunegala	North Wester
No. 520, Negombo Road, Wattala	011-7523523	Gayan Kumarasinghe	Gampaha	Western
No.321, Old Matara Road, Weligama	041-7480480	Harsha Liyanage	Matara	Southern
No.93, Monaragala Road, Wellawaya.	055-7500500	Ranjan Bandara	Monaragala	Uva

# **Sources and Utilisation of Income**

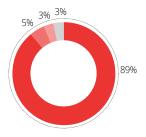
For the year ended 31st March	2024		2023		
	Rs.	%	Rs.	%	
SOURCES OF INCOME					
Loans and Advances	17,161,292,511	85.68	14,858,076,307	88.95	
Government Securities	1,210,343,672	6.04	817,641,137	4.89	
Commission Income	714,346,044	3.57	511,805,140	3.06	
Other Income	943,657,084	4.71	516,925,840	3.09	
Total	20,029,639,311	100.00	16,704,448,424	100.00	
UTILISATION OF INCOME					
To Employees					
Personnel Expenses	1,948,215,076	9.73	1,552,821,697	9.30	
To Suppliers					
Interest Paid	11,365,023,712	56.74	11,013,953,929	65.93	
Other Expenses	1,432,972,057	7.15	1,102,724,921	6.60	
Depreciation & Amortisation	201,058,472	1.00	174,772,941	1.05	
Impairment charge for Loans & other losses	437,781,236	2.19	97,575,003	0.58	
To Government					
Taxes on Financial Services	1,189,389,196	5.94	697,119,801	4.17	
Income Tax	1,313,646,503	6.56	725,907,981	4.35	
To Shareholders					
Dividends	235,453,400	1.18	470,906,800	2.82	
Retained Profit	1,906,099,659	9.52	868,665,351	5.20	
Total	20,029,639,311	100.00	16,704,448,424	100.00	

#### Sources of Income - 2024



- Loans and AdvancesGovernment Securities
- Commission Income
- Other Income

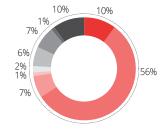
#### Sources of Income - 2023



- Loans and AdvancesGovernment Securities
- Commission Income
- Other Income

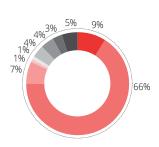
2022		2021		2020	
Rs.	%	Rs.	%	Rs.	%
 9,766,065,213	80.94	8,149,531,847	86.06	8,702,590,499	89.76
164,032,769	1.36	181,765,650	1.92	209,605,297	2.16
672,707,103	5.58	373,550,576	3.94	350,337,255	3.61
1,463,405,991	12.12	765,093,690	8.08	432,773,046	4.47
12,066,211,076	100.00	9,469,941,763	100.00	9,695,306,097	100.00
 1,404,669,796	11.64	1,068,762,651	11.29	1,053,241,776	10.86
 1,404,009,790	11.04	1,006,702,031	11.29	1,033,241,770	10.00
 4,234,571,767	35.09	4,067,534,369	42.95	4,854,515,785	50.07
914,455,871	7.58	784,976,316	8.29	745,122,212	7.69
142,345,261	1.18	115,042,317	1.21	112,714,413	1.16
592,488,831	4.91	575,076,254	6.07	487,815,203	5.03
783,809,641	6.50	468,767,648	4.95	579,795,359	5.98
1,081,971,589	8.97	661,604,106	6.99	608,691,237	6.28
353,180,100	2.93	-	-	235,453,400	2.43
 2,558,718,220	21.21	1,728,178,102	18.25	1,017,956,712	10.50
12,066,211,076	100.00	9,469,941,763	100.00	9,695,306,097	100.00

#### Utilisation of Income - 2024



- Personnel ExpensesInterest Paid
- Other Expenses
- Depreciation & Amortisation Impairment charge for Loans & other losses Value Added Tax and Other Taxes
- Income Tax
- DividendsRetained Profit

#### Utilisation of Income - 2023



- Personnel Expenses
- Interest PaidOther 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 2024 were 4,160.

#### **Distribution of Shareholding**

Shares		2024				2023				
As At 31st March	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%		
1-1,000	2,402	57.74	766,039	0.33	2,408	56.99	808,317	0.34		
1,001-10,000	1,322	31.78	4,699,199	2.00	1,405	33.26	5,058,745	2.15		
10,001-100,000	367	8.82	10,614,188	4.51	349	8.26	10,148,360	4.31		
100,001-1,000,000	59	1.42	19,955,585	8.47	52	1.23	16,101,719	6.84		
Over 1,000,000	10	0.24	199,418,389	84.69	11	0.26	203,336,259	86.36		
	4,160	100.00	235,453,400	100.00	4,225	100.00	235,453,400	100.00		

#### **Categories of Shareholders**

Type of Investor		2024		2023			
Type of Investor As At 31st March	No of Shareholders	No of No of Shareholders Shares		No of Shareholders	No of Shares	%	
Local Individuals	3,939	91,165,391	38.72	4,011	90,271,830	38.34	
Local Institutions	208	143,184,267	60.81	198	137,675,818	58.47	
Foreign Individuals	13	1,103,742	0.47	14	1,151,562	0.49	
Foreign Institutions	-	-	-	2	6,354,190	2.70	
	4,160	235,453,400	100.00	4,225	235,453,400	100.00	

#### **Public holding**

The percentage of shares held by the public being 21.276% comprising of 4,152 shareholders as at 31st March 2024.

The Float adjusted market capitalisation - Rs. 1,953,672,201.00

The Float adjusted market capitalisation of the Company falls under Option 5 of Rule 7.14.1.i (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

#### **25 Major Shareholders of the Company**

Shareholders	As At 31st Ma	rch 2024	As At 31st March 2023		
	No of Shares	%	No of Shares	%	
Vallibel Investments (Pvt) Limited	121,108,000	51.44	121,108,000	51.44	
Mr. K.D.D. Perera	50,462,664	21.43	50,465,064	21.43	
Mr. K.D.A. Perera	8,532,960	3.62	8,532,960	3.62	
Seylan Bank PLC/S. B. Rangamuwa	5,250,000	2.23	5,250,000	2.23	
Mr. K.D.H. Perera	4,081,625	1.73	4,084,025	1.73	
Mr. S. Abishek	2,781,049	1.18	2,781,049	1.18	
Deutsche Bank AG as Trustee To Assetline Income Plus Growth Fund	2,230,210	0.95	Nil	Nil	
People s Leasing And Finance PLC/Ceylon Brand House (Private) Limited	2,080,000	0.88	Nil	Nil	
Mr. B.A.R. Dissanayake	1,541,815	0.65	1,541,815	0.65	
J.B. Cocoshell (Pvt) Ltd	1,350,066	0.57	Nil	Nil	
Hatton National Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	996,483	0.42	818,631	0.35	
Mr. A. Ragupathy	975,832	0.41	975,832	0.41	
Seylan Bank PLC/Karagoda Loku Gamage Udayananda	885,726	0.38	883,726	0.38	
Mr. A. Sithampalam	873,495	0.37	846,433	0.36	
Mrs. S.Vasudevan & Mr.S.Vasudevan	832,927	0.35	1,142,349	0	
Mrs. K.I.A. Hewage	800,000	0.34	800,000	0.34	
Investments (Private) Limited	757,462	0.32	Nil	Nil	
Mr. G. Anuragavan	747,422	0.32	Nil	Nil	
National Savings Bank	650,000	0.28	Nil	Nil	
Sampath Bank PLC/J N Lanka Holdings Company (Private) Limited	642,233	0.27	Nil	Nil	
Miss. S. Durga	621,000	0.26	621,000	0.26	
Mr. N. Balasingam	539,600	0.23	539,600	0.23	
Mr. U.F. Strunk & Mrs.M.G.De Albuquerque Leinenbach	456,254	0.19	482,168	0.20	
Mrs. S. Umeshwary	449,917	0.19	408,993	0.17	
Sampath Bank Plc/Mr. Abishek Sithampalam	449,356	0.19	449,356	0.19	
	210,096,096	89.20	201,731,001	84.61	
Others	25,357,304	10.80	33,722,399	15.39	
Total	235,453,400	100.00	235,453,400	100.00	

			Quarter Ended				nded
Market Prices		30.06.2023	30.09.2023	31.12.2023	31.03.2024	31.03.2024	31.03.2023
Highest	Rs.	34.00	42.90	36.90	41.00	42.90	43.00
Lowest	Rs.	27.50	33.20	28.50	30.50	27.50	21.00
Closing	Rs.	32.50	36.90	32.00	39.00	39.00	32.90

#### **Utilisation of funds raised via Capital Market**

The funds raised via Capital Market have been utilised for the respective objectives mentioned in the prospectus / circulars.

# Ten Year Summary

For the year ended 31st March	2024	2023	2022	
	Rs.	Rs.	Rs.	
Statement of Profit or Loss and Other Comprehensive Income				
Gross Income	20,029,639,311	16,704,448,424	12,066,211,076	
Interest Income	18,371,636,183	15,675,717,444	9,930,097,982	
Interest Expense	11,365,023,712	11,013,953,929	4,234,571,767	
Net Interest Income	7,006,612,471	4,661,763,515	5,695,526,215	
Net Fee and Commission Income	714,346,044	511,805,140	672,707,103	
Other Operating Income	943,657,084	516,925,840	1,463,405,991	
Operating Expenses and provisions	4,020,026,841	2,927,894,562	3,053,959,759	
Profit Before Taxation	4,644,588,758	2,762,599,933	4,777,679,550	
Provision for Taxation	2,503,035,699	1,423,027,782	1,865,781,230	
Net Profit	2,141,553,059	1,339,572,151	2,911,898,320	

As at 31st March	2024	2023	2022	
	Rs.	Rs.	Rs.	
Assets				
Cash and Cash Equivalents	1,952,377,006	2,332,724,111	877,638,204	
Placements with Bank's and Other Finance Companies	8,322,519,888	9,860,926,513	4,167,388,105	
Reverse Repurchase Agreements	-	-	1,770,612,142	
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	3,652,151,999	1,498,552,923	314,015,408	
Assets Held for Sale		_	-	
Financial Assets at Amortised Cost - Loans and Receivables to Other Customers	57,895,030,197	50,581,535,164	50,691,038,583	
Financial Assets at Amortised Cost - Lease Rental and Hire Purchase Receivables	10,346,936,570	10,789,860,137	14,973,325,141	
Financial Investments Measured at Fair Value Through Other Comprehensive Income	203,800	203,800	1,737,815,264	
Financial Assets at Amortised Cost - Debt and other Financial Instruments	5,048,103,209	4,169,488,788	100,423,871	
Financial Assets at Amortised Cost - Other Financial Assets	34,318,758	28,698,236	13,647,730	
Investment in a Subsidiary	20	20	20	
Investment Property	1,178,000,000	1,179,500,000	1,179,500,000	
Property, Plant and Equipment	968,055,891	772,845,990	756,193,121	
Right-of-use Lease Assets	1,746,894,661	748,848,409	781,224,648	
Intangible Assets	20,325,110	18,458,354	28,671,530	
Deferred Tax Assets	644,011,716	107,519,914	141,914,484	
Other Assets	1,358,620,425	234,912,249	156,802,865	
Total Assets	93,167,549,250	82,324,074,608	77,690,211,115	

2021	2020	2019	2018	2017	2016	2015
Rs.						
9,469,941,763	9,695,306,097	8,724,530,342	6,929,201,053	5,114,694,482	3,468,276,901	2,896,187,378
8,331,297,497	8,912,195,796	7,888,022,365	6,256,980,109	4,597,260,244	3,244,786,741	2,799,745,875
4,067,534,369	4,854,515,785	4,524,628,517	3,500,249,672	2,604,049,257	1,558,667,730	1,344,337,892
4,263,763,128	4,057,680,011	3,363,393,848	2,756,730,437	1,993,210,987	1,686,119,011	1,455,407,983
373,550,576	350,337,255	361,072,091	248,286,443	189,052,650	109,128,266	50,314,825
765,093,690	432,773,047	475,435,886	423,934,501	328,381,588	114,361,894	46,243,968
2,543,857,538	2,398,893,604	2,256,162,712	1,534,557,627	1,186,174,036	997,873,594	918,906,755
2,858,549,856	2,441,896,708	2,285,618,114	1,894,393,754	1,324,471,189	911,735,577	632,942,731
1,130,371,754	1,188,486,596	1,156,889,642	875,756,360	598,312,215	398,471,056	260,156,129
1,728,178,102	1,253,410,112	1,128,728,472	1,018,637,394	726,158,974	513,264,521	372,786,602

2020	2019	2018	2017	2016	2015
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,046,506,255	1,507,932,892	1,021,651,531	806,206,582	519,315,084	357,722,928
2,568,898,162	2,356,358,852	2,076,192,145	2,243,112,840	1,312,169,859	1,768,499,428
2,079,841,356	230,130,165	630,286,027	810,190,562	1,679,716,852	1,353,477,948
1,084,454,685	812,320,782	1,938,675	1,761,300	4,067,378	4,822,336
_	_	23,919,000	-	-	-
27,625,556,987	24,332,295,963	18,073,714,310	12,466,944,145	7,251,676,658	3,307,495,086
13,493,996,467	14,624,916,906	12,753,940,053	12,311,135,772	11,228,228,344	9,261,379,875
203,800	203,800	208,703,800	510,085,388	104,658,351	120,529,779
97,954,958	1,785,716,058	1,920,722,472	1,019,286,080	300,794,154	296,296,416
16,617,983	15,963,213	16,971,763	20,827,738	15,968,593	11,806,411
1,762,546,954	1,719,587,171	1,445,289,701	315,103,615	194,787,387	181,172,558
369,692,861					
17,663,649	19,647,533	14,568,813	10,297,779	4,129,612	4,188,589
73,779,797	73,028,603	16,019,726	8,525,324	37,147,476	66,516,415
186,135,314	181,423,647	202,358,542	161,618,964	114,516,593	159,599,520
51,423,849,228	47,659,525,585	38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289
	Rs.  2,046,506,255 2,568,898,162 2,079,841,356 1,084,454,685 - 27,625,556,987 13,493,996,467 203,800 97,954,958 16,617,983 - 1,762,546,954 369,692,861 17,663,649 73,779,797 186,135,314	Rs.       Rs.         2,046,506,255       1,507,932,892         2,568,898,162       2,356,358,852         2,079,841,356       230,130,165         1,084,454,685       812,320,782         -       -         27,625,556,987       24,332,295,963         13,493,996,467       14,624,916,906         203,800       203,800         97,954,958       1,785,716,058         16,617,983       15,963,213         -       -         1,762,546,954       1,719,587,171         369,692,861       -         17,663,649       19,647,533         73,779,797       73,028,603         186,135,314       181,423,647	Rs.         Rs.         Rs.           2,046,506,255         1,507,932,892         1,021,651,531           2,568,898,162         2,356,358,852         2,076,192,145           2,079,841,356         230,130,165         630,286,027           1,084,454,685         812,320,782         1,938,675           -         -         23,919,000           27,625,556,987         24,332,295,963         18,073,714,310           13,493,996,467         14,624,916,906         12,753,940,053           203,800         203,800         208,703,800           97,954,958         1,785,716,058         1,920,722,472           16,617,983         15,963,213         16,971,763           -         -         -           1,762,546,954         1,719,587,171         1,445,289,701           369,692,861         -         -           17,663,649         19,647,533         14,568,813           73,779,797         73,028,603         16,019,726           186,135,314         181,423,647         202,358,542	Rs.         Rs.         Rs.         Rs.         Rs.           2,046,506,255         1,507,932,892         1,021,651,531         806,206,582           2,568,898,162         2,356,358,852         2,076,192,145         2,243,112,840           2,079,841,356         230,130,165         630,286,027         810,190,562           1,084,454,685         812,320,782         1,938,675         1,761,300           27,625,556,987         24,332,295,963         18,073,714,310         12,466,944,145           13,493,996,467         14,624,916,906         12,753,940,053         12,311,135,772           203,800         203,800         208,703,800         510,085,388           97,954,958         1,785,716,058         1,920,722,472         1,019,286,080           16,617,983         15,963,213         16,971,763         20,827,738           1,762,546,954         1,719,587,171         1,445,289,701         315,103,615           369,692,861         1,719,587,171         1,445,289,701         315,103,615           369,692,861         7         7         8           17,663,649         19,647,533         14,568,813         10,297,779           73,779,797         73,028,603         16,019,726         8,525,324           186,135	Rs.         Ss.         Rs.         Rs.         Rs.         Ss.         Ss.         Ss.         Ss.         Ss.         Ss.         Ss.         Ss.         Ss.         Rs.         Rs.

## **Ten Year Summary**

As at 31st March	2024	2023	2022
	Rs.	Rs.	Rs.
Liabilities			
Bank Overdrafts	1,913,963,888	1,561,119,013	1,062,546,767
Rental Received in Advance	197,788,433	176,943,085	227,759,381
Financial Liabilities at Amortised Cost - Deposits due to Customers	58,643,446,021	49,659,457,138	41,021,169,765
Financial Liabilities at Amortised Cost - Interest bearing Borrowings	10,786,680,538	13,888,909,088	20,034,340,212
Subordinated Term Debt	3,331,609,018	3,163,398,140	2,012,844,267
Lease Liabilities	1,989,370,134	912,495,354	858,556,285
Current Tax Liabilities	642,304,471	547,185,073	604,894,450
Deferred Tax Liabilities	739,933,605	284,918,764	142,580,571
Other Liabilities	1,791,324,976	955,904,529	989,544,615
Retirement Benefit Obligations	157,335,587	86,818,197	80,824,933
Total Liabilities	80,193,756,671	71,237,148,381	67,035,061,246
Shareholders' Funds			
Stated Capital	1,325,918,000	1,325,918,000	1,325,918,000
Statutory Reserve Fund	1,873,850,686	1,766,773,033	1,699,794,425
Revaluation Reserve	176,534,787	157,386,280	170,876,532
Available For Sale Reserve / Fair Value Reserve		-	(226,310,672)
General Reserve	7,500,000	7,500,000	7,500,000
Retained Earnings	9,589,989,106	7,829,348,914	7,677,371,584
Total Shareholders' Funds	12,973,792,579	11,086,926,227	10,655,149,869
Total Shareholders' Funds & Total Liabilities	93,167,549,250	82,324,074,608	77,690,211,116
For the year ended 31st March	2024	2023	2022
Information on Ordinary Shares			
Earnings per Share (Rs.)*	9.10	5.69	12.37
Net Assets per Share (Rs.)*	55.10	47.09	45.25
Interest Cover (Times)	1.41	1.25	2.13
Dividend Per Share (Rs.)	-	1.00	2.00
Dividend Payout (%)	-	17.57	16.17
Market Value Per Share**	39.00	32.90	37.10
P/E Ratio (Times)	4.29	5.78	3.00
Ratios (%)			
Return on Shareholders Funds (%)	16.51	12.08	27.33
Liquid Assets as a % of Deposits (%)	32.36	35.97	21.86
Growth in Income (%)	19.91	38.44	27.42
Growth in Interest Expenses (%)	3.19	160.10	4.11
Growth in Other Expenses (%)	37.30	(4.13)	20.05
Growth in Profit After Tax (%)	59.87	(54.00)	68.50
Growth in Advances (%)	11.20	(6.54)	37.53
Growth in Deposits (%)	18.09	21.06	27.51
Growth on Shareholders' Funds (%)	17.02	4.05	30.13

 $<sup>{}^{\</sup>star}$ Ratios of years before 2022 have been restated based on the post sub-division of shares.

<sup>\*\*</sup>Market price per share of years before 2022 represents the share price before the sub-division.

2016	2017	2018	2019	2020	2021
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,224,665,038	1,487,193,561	1,839,144,681	1,566,068,720	964,529,904	983,750,361
208,870,398	243,881,527	308,688,009	324,196,627	266,875,302	247,760,859
14,804,037,141	17,863,861,472	22,186,879,453	25,436,257,664	29,243,912,898	32,170,953,144
2,243,116,105	6,043,391,985	8,011,421,404	12,497,221,353	12,037,795,536	11,282,498,665
1,917,563,133	1,700,465,782	1,550,967,094	1,031,100,274	-	-
-	-	-	-	402,518,972	599,680,856
38,687,596	209,076,751	364,888,378	509,696,461	223,998,022	635,606,078
182,865,531	270,783,875	385,537,287	343,733,661	260,945,390	112,558,388
190,776,252	279,104,569	400,427,054	411,165,825	1,442,619,116	841,325,477
27,669,222	29,716,585	57,213,310	69,131,811	102,642,242	162,995,765
20,838,250,416	28,127,476,107			44,945,837,382	47,037,129,593
287,153,000	287,153,000	287,153,000	1,325,918,000	1,325,918,000	1,325,918,000
***************************************	•	•••••	•	•	1,554,199,509
	-	-	•	•	131,761,541
(8 009 097)	(6.834.947)	_	-	-	-
***************************************	•	7 500 000	7 500 000	7 500 000	7,500,000
***************************************	•			•	5,168,528,024
					8,187,907,074
					55,225,036,667
22,707,170,542	30,003,030,003	30,400,270,330	+1,000,020,000	31,423,043,223	33,223,030,007
2016	2017	2018	2019	2020	2021
3.09	4.37	5.90	5.09	5.32	7.34
11.61	15.39	19.86	23.24	27.51	34.78
1.58	1.51	1.54	1.51		1.70
•••••	•	6.50	4.00	_	6.00
	•	***************************************	18.79	_	20.44
•••••	•••••	• · · · · · · · · · · · · · · · · · · ·	***************************************	53.60	105.25
•••••	•	•	***************************************	•••••	3.58
		-	-		
26.61	28.39	30.86	20.63	19.35	21.11
26.46	30.17	26.40	26.31	26.94	15.34
19.75	47.47	35.48	25.91	11.13	(2.32)
15.94	67.07	34.42	29.27	7.29	(16.21)
8.59	18.87	29.37	47.02	6.33	6.04
37 68	41 48	40.28	10.81		37.88
47.03	34.08	24.42	26.37	5.55	16.11
-7.03		•••••	•		
21.72	20.67	24.20	14.65	14.97	10.01
	1,224,665,038 208,870,398 14,804,037,141 2,243,116,105 1,917,563,133	1,487,193,561       1,224,665,038         243,881,527       208,870,398         17,863,861,472       14,804,037,141         6,043,391,985       2,243,116,105         1,700,465,782       1,917,563,133         -       -         209,076,751       38,687,596         270,783,875       182,865,531         279,104,569       190,776,252         29,716,585       27,669,222         28,127,476,107       20,838,250,416         287,153,000       287,153,000         528,408,694       383,176,899         -       -         (6,834,947)       (8,009,097)         7,500,000       7,500,000         1,741,393,235       1,259,105,123         2,557,619,983       1,928,925,926         30,685,096,089       22,767,176,342         2016       4.37       3.09         15.39       11.61         1.51       1.58         2.50       2.00         14.30       16.19         58.50       53.70         3.35       4.35         28.39       26,61         30.17       26,46         47.47       19.75         67.07	1,839,144,681         1,487,193,561         1,224,665,038           308,688,009         243,881,527         208,870,398           22,186,879,453         17,863,861,472         14,804,037,141           8,011,421,404         6,043,391,985         2,243,116,105           1,550,967,094         1,700,465,782         1,917,563,133           -         -         -           364,888,378         209,076,751         38,687,596           385,537,287         270,783,875         182,865,531           400,427,054         279,104,569         190,776,252           57,213,310         29,716,585         27,669,222           35,105,166,670         28,127,476,107         20,838,250,416           287,153,000         287,153,000         287,153,000           732,136,173         528,408,694         383,176,899           -         -         -           -         (6,834,947)         (8,009,097)           7,500,000         7,500,000         7,500,000           2,274,320,715         1,741,393,235         1,259,105,123           3,301,109,888         2,557,619,983         1,928,925,926           38,406,276,558         30,685,096,089         22,767,176,342           40,54         1,430 <td>1,566,068,720         1,839,144,681         1,487,193,561         1,224,665,038           324,196,627         308,688,009         243,881,527         208,870,398           25,436,257,664         22,186,879,453         17,863,861,472         14,804,037,141           12,497,221,353         8,011,421,404         6,043,391,985         2,243,116,105           1,031,100,274         1,550,967,094         1,700,465,782         1,917,563,133           509,696,461         364,888,378         209,076,751         38,687,596           343,733,661         385,537,287         270,783,875         182,865,531           411,165,825         400,427,054         279,104,569         190,776,252           69,131,811         57,213,310         29,716,585         27,669,222           42,188,572,396         35,105,166,670         28,127,476,107         20,838,250,416           1,325,918,000         287,153,000         287,153,000         287,153,000           957,881,867         732,136,173         528,408,694         383,176,899           127,146,380         -         -         -           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</td> <td>964,529,904         1,566,068,720         1,839,144,681         1,487,193,561         1,224,665,038           266,875,302         324,196,627         308,688,009         243,881,527         208,870,398           29,243,912,898         25,436,257,664         22,186,879,453         17,863,861,472         14,804,037,141           12,037,795,536         12,497,221,353         8,011,421,404         6,043,391,985         2,243,116,105           2023,988,022         509,696,461         364,888,378         209,076,751         38,687,596           26,0945,390         343,733,661         385,537,287         270,783,875         182,865,531           1,442,619,116         411,165,825         400,427,054         279,104,569         190,776,252           102,642,242         69,131,811         57,213,310         29,716,585         27,669,222           44,945,837,382         42,188,572,396         35,105,166,670         28,127,476,107         20,838,250,416           1,208,563,889         957,881,867         732,136,173         528,408,694         383,176,899           127,146,380         127,146,380         28,7153,000         287,153,000         287,153,000           7,500,000         7,500,000         7,500,000         7,500,000         7,500,000         7,500,000         7,500,0</td>	1,566,068,720         1,839,144,681         1,487,193,561         1,224,665,038           324,196,627         308,688,009         243,881,527         208,870,398           25,436,257,664         22,186,879,453         17,863,861,472         14,804,037,141           12,497,221,353         8,011,421,404         6,043,391,985         2,243,116,105           1,031,100,274         1,550,967,094         1,700,465,782         1,917,563,133           509,696,461         364,888,378         209,076,751         38,687,596           343,733,661         385,537,287         270,783,875         182,865,531           411,165,825         400,427,054         279,104,569         190,776,252           69,131,811         57,213,310         29,716,585         27,669,222           42,188,572,396         35,105,166,670         28,127,476,107         20,838,250,416           1,325,918,000         287,153,000         287,153,000         287,153,000           957,881,867         732,136,173         528,408,694         383,176,899           127,146,380         -         -         -           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	964,529,904         1,566,068,720         1,839,144,681         1,487,193,561         1,224,665,038           266,875,302         324,196,627         308,688,009         243,881,527         208,870,398           29,243,912,898         25,436,257,664         22,186,879,453         17,863,861,472         14,804,037,141           12,037,795,536         12,497,221,353         8,011,421,404         6,043,391,985         2,243,116,105           2023,988,022         509,696,461         364,888,378         209,076,751         38,687,596           26,0945,390         343,733,661         385,537,287         270,783,875         182,865,531           1,442,619,116         411,165,825         400,427,054         279,104,569         190,776,252           102,642,242         69,131,811         57,213,310         29,716,585         27,669,222           44,945,837,382         42,188,572,396         35,105,166,670         28,127,476,107         20,838,250,416           1,208,563,889         957,881,867         732,136,173         528,408,694         383,176,899           127,146,380         127,146,380         28,7153,000         287,153,000         287,153,000           7,500,000         7,500,000         7,500,000         7,500,000         7,500,000         7,500,000         7,500,0

# **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
AIIDI	Rate
AWFDR	Average Weighted Fixed
AWIDI	Deposit Rate
AWPLR	Average Weighted Prime
AWPLR	
DEL	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
Divio	System
DPS	Dividend Per Share
DR	Disaster Recovery
DRL	· · · · · · · · · · · · · · · · · · ·
	Debt Repayment Levy
EAD ECL	Exposure At Default Expected Credit Loss
EIR	Effective Interest Rate
EMDE'S	Emerging Markets and
EDE	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 ICASL	Human Resource The Institute of Chartered
ICASL	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	
MIS	Managing Director
	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	
NPA	Net Interest Margin
NPL	Non Performing Advances
OCI	Non Performing Loans
JCI	Other Comprehensive
OPD	Income
<u> </u>	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
SLFRS	Company
SLFRS	Sri Lanka Financial
SLIPS	Reporting Standard Sri Lanka Interbank
	Payment System
SLSAE	Sri Lanka Standard on
	Assurance Engagement
SME	Small and Medium
	Enterprises
SPPI	Solely Payments of Principal
	And Interest
ТВ	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 - Chairman

Mr. S B Rangamuwa - Managing Director

Mr. S S Weerabahu - Executive Director

Mr. J Kumarasinghe

Mrs. C P Malalagoda

Mr. M A K B Dodamgoda

## 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

### **Company Secretary**

Mrs. K G L D Kottegoda Vallibel Finance PLC, Corporate Office, No.480, Galle Road,

Colombo 3.

Telephone: (+94) 11-4393100

Email: lakminik@vallibelfinance.com

# **Company Registrars**

Central Depository Systems (Pvt) Limited

Ground Floor,

M & M Centre.

341/5, Kotte Road,

Rajagiriya

Telephone: (+94) 11- 2356444

Fax: (+94) 11- 2440396

Email: registrars@cse.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

#### **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. 40, Nawam Mawatha

Colombo 02.

# **Hatton National Bank PLC**

Colpetty Branch

No.324, Galle Road,

Colombo 03

#### **Commercial Bank**

Kollupitiya Branch

No 285, Galle Road

Colombo 03.

# **Cargills Bank**

Corporate Branch

Galle Road Colombo 03.

#### **Union Bank**

Head Office Branch

No. 64, Galle Road,

Colombo 03.

#### **National Savings Bank**

Head Office Branch

No: 255, Savings House,

Galle Road, Colombo 03.

#### **DFCC Bank**

No 73/5,

Galle Road,

Colombo 03.

# Corporate Memberships and Associations

The Finance House Association of Sri Lanka Leasing Association of Sri Lanka The Ombudsman Sri Lanka (Guarantee) Limited The Ceylon Chamber of Commerce

## **Subsidiary Company**

Vallibel Properties Limited

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Vallibel Finance PLC will be held on Friday, the 28th of June 2024 at 10.00 am at the Auditorium of the Corporate Office of the Company No 480, Galle Road, Colombo 03 for the following purposes:

- 1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Statement of Accounts for the year ended 31st March 2024 with the Report of the Auditors thereon.
- 2. To re-elect Mrs. C P Malalgoda who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.
- 3. To elect Mr. M A K B Dodamgoda who retires in terms of Article 94 of the Articles of Association, as a Director.
- 4. To appoint Messrs Ernst & Young, Chartered Accountants, as recommended by the Board of Directors, as the Company's Auditors and to authorise the Directors to determine their remuneration.
- 5. To authorise the Directors to determine donations for the year ending 31st March 2025 and upto the date of the next Annual General Meeting.

By Order of the Board

VALLIBEL FINANCE PLC

Lakmini Kottegoda

Company Secretary

03rd June 2024 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

				·		
		ofbeing a shareho				
		holder of NIC / Passport No		of		
					or failing	g him/her*
Mr. ł	KDA Perera	or failing him*				
Mr. S	S B Rangamuwa	or failing him*				
Mr. S S Weerabahu		or failing him*				
Mr. J Kumarasinghe		or failing him*				
	C P Malalgoda	or failing her*				
IVIT. I	M A K B Dodamgoda					
Ann		e/us*, to speak and to vote as indicated ompany to be held on 28th June 2024 and adjournment thereof.		,		
					For	Against
1.	To re-elect Mrs. C P Malalgoda v Director.	vho retires by rotation in terms of Articles 87	and 88 of the	Articles of Association, as a		
2	To elect Mr. M A K B Dodamgoda	a who retires in terms of Article 94 of the Art	icles of Associ	ation, as a Director.		
3	To appoint Messrs Ernst & Young determine their remuneration.	g, Chartered Accountants as the Company's	Auditors and	to authorise the Directors to		
4	To authorise the Directors to de Annual General Meeting.	termine donations for the year ending 31st M	March 2025 an	d up to the date of the next		
In w	ritness my/our* hand(s) this	day of	Two			
				Signature of Shar		)
*Ple	ase delete what is inapplicable	e.				
Note	e:					
1. Instructions as to completion appear on the reverse.						
2. A	Proxy need not be a sharehole	der of the Company.				

### **INSTRUCTIONS AS TO COMPLETION**

- 1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card / Passport / Company Registration No. and signing in the space provided and filling in the date of signature.
- 2. The completed Form of Proxy should be deposited at the Registered Office of the Company No.310, Galle Road, Colombo 03, Sri Lanka, forty seven (47) hours prior to the time appointed for the Meeting.
- 3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
- 4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney must be deposited at the Registered Office, No.310, Galle Road, Colombo 03 for registration.
- 5. If the appointor is a company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

# Stakeholder Feedback Form

Your relationship with Vallibel Finance PLC (Please tick 'x' the appropriate box): Shareholder Government Institutions / Employee Regulators Society/Community Customer Business Partner/Supplier Share your views about the Integrated Annual Report 2023/2024: Theme and Layout Comprehensive and User Friendly **Content and Scope** Excellent Excellent Excellent Good Good Good Average Average Average Poor Poor Poor Feedback & any suggestions to improve content: Any other suggestions, improvements & concerns to be addressed: Your Name : ..... Contact No.:.... Permanent Mailing Address: ..... Your Organisation & Designation (If Applicable): ......

You can post or Email your feedback to: Senior DGM - Finance & Administration

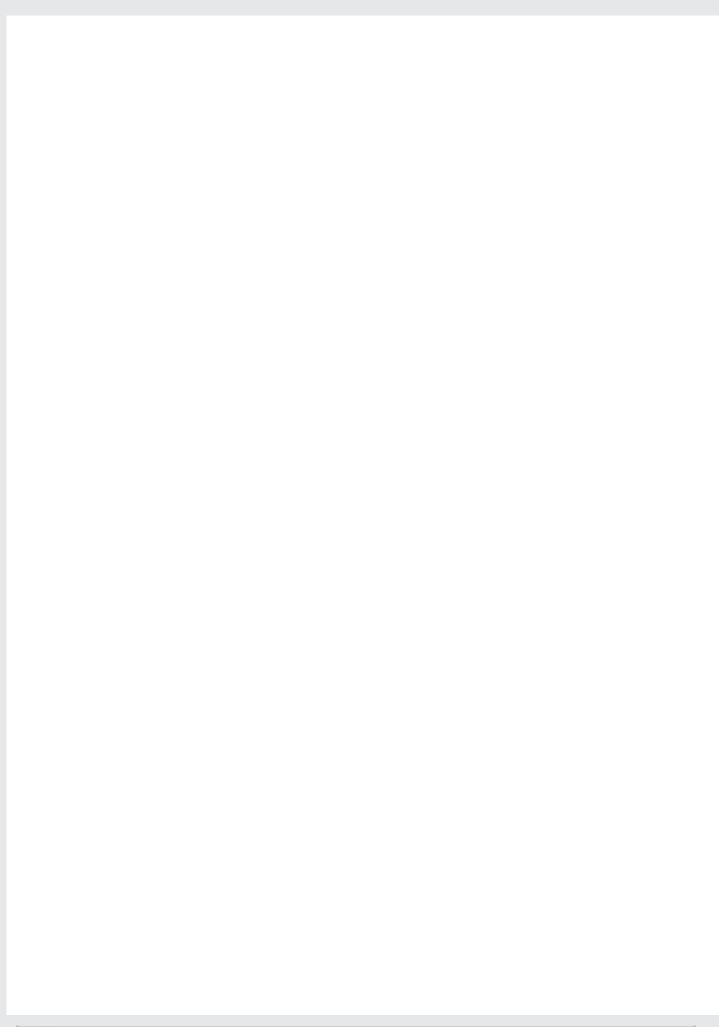
Vallibel Finance PLC

No. 310, Galle Road, Colombo 03.

Tel: 011-4393100

Fax: 011-2713375

Email: tellus@vallibelfinance.com



Notes

# **Notes**



